

COLLEGE TOWNSHIP WATER AUTHORITY
CENTRE COUNTY, PENNSYLVANIA

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2021 AND 2020

COLLEGE TOWNSHIP WATER AUTHORITY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>PAGE</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis Financial Statements:	4 - 9
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13 - 20
Supplementary Schedule:	
Schedule of Revenues, Expenses and Debt Service- Budget vs. Actual	21
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	22 - 23

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INDEPENDENT AUDITORS' REPORT

Members of the Authority
College Township Water Authority
State College, Pennsylvania

Opinion

We have audited the accompanying financial statements of College Township Water Authority (the "Authority"), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenue and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Township Water Authority as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of College Township Water Authority and to meet our 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.

Responsibilities of Management 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, 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

MEMBERS: AMERICAN AND PENNSYLVANIA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

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 auditor's 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 and *Government 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgement 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 judgement, 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 on pages 4 through 9 be presented to supplement the basic financial statements. Such inform-

ation is the responsibility of management and, although not a part of the basic financial statements, is required by the Government 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 basic financial statements that collectively comprise the Authority's basic financial statements. The accompanying budgetary comparison information on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such budgetary comparison 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2022 on our consideration of College Township Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College Township Water Authority's internal control over financial reporting and compliance.



Fiore Fedeli Snyder Carothers, LLP
June 1, 2022

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)
Years Ended December 31, 2021 and 2020

To the Members of the Authority
College Township Water Authority
State College, Pennsylvania

As management of the College Township Water Authority, (the "Authority"), we offer readers of our basic financial statements this narrative introduction, overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2021. The reader should use the information contained here in conjunction with the additional information contained in the Authority's audited financial statements which begin immediately following this narrative.

Financial Highlights of 2021

1. Net position increase by \$89,681.
2. \$265,893 of the \$2.3 million made available through the issuance of the Water Revenue Note, Series of 2015, remains available to fund projects via the drawdown loan whose date of final disbursement was extended until June 8, 2022.
3. Approximately 2,300 feet of waterline was replaced.
4. A waterline extension of 750 feet was dedicated.
5. Development of an additional water supply in Oak Hall continued with completion and submittal to the regulatory agencies of the design and permitting documents for the proposed well facility.
6. \$111,000 savings in interest on the Water Revenue Note, Series of 2015, as a result of the interest rate reset at the end of 2020
7. The 2020 Ten Year Capital Improvement Plan continued to drive planned water system and operational improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of two components: 1) proprietary fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Proprietary fund financial statements. The Authority's operations are accounted for as a single proprietary fund using the full accrual basis of accounting. In this regard, the Authority's operations are accounted for in a manner similar to a private-sector business.

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The statements of net position present information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. For example, an electric bill for usage during the month of December 2021 is recorded as an expense in 2021 although it may not have been paid until January 2022.

The statements of cash flows differ from the statements of revenues, expenses, and changes in net position in that it accounts only for transactions that result in cash receipts and cash payments. Cash activities are separated into four distinct categories: 1) operating activities, 2) capital financing activities, 3) non-capital financing activities, and 4) investing activities. This statement assists users in assessing the Authority's ability to pay its bills and the effect on its finances of major transactions during the year.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements such as the Authority's accounting methods and policies.

Analysis of Financial Position

2021:

The following condensed net position information shows that at December 31, 2021, total assets exceeded total liabilities by \$6.4 million, an increase of \$89,681 over the prior year.

	<u>Net Position at December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current assets	\$ 1,110,839	\$ 1,623,446	\$ (512,607)
Capital assets - net	<u>11,466,856</u>	<u>11,323,579</u>	<u>143,277</u>
Total Assets	12,577,695	12,947,025	(369,330)
Current liabilities	600,040	604,075	(4,035)
Note payable - net	<u>5,504,971</u>	<u>5,959,947</u>	<u>(454,976)</u>
Total Liabilities	<u>6,105,011</u>	<u>6,564,022</u>	<u>(459,011)</u>
Net Position	<u>\$ 6,472,684</u>	<u>\$ 6,383,003</u>	<u>\$ 89,681</u>

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A net decrease in cash, primarily the result of the excess of cash used in capital and related financing over cash provided by operating activities, was the driver in the decrease in Current Assets. \$367,000 in 2021 project financing costs was reimbursed in early 2022.

A higher amount attributed to Construction In Progress was the primary reason for the increase of \$143,000 in the net (after depreciation) value of capital assets.

A decrease in accounts and other payables was offset by an increase in the current portion of note payable resulting in an inconsequential decrease of \$4,000 in current liabilities.

A principal payment of \$498,400 was offset by decreases in debt related amortization costs resulting in a decrease in note payable-net by \$455,000.

2020:

The following condensed net position information shows that at December 31, 2020, total assets exceeded total liabilities by \$6.4 million, an increase of \$167,000 over the prior year

	Net Position at December 31		
	2020	2019	Change
Current assets	\$ 1,623,446	\$ 1,391,750	\$ 231,696
Capital assets - net	11,323,579	11,183,820	139,759
Total Assets	12,947,025	12,575,570	371,455
Current liabilities	604,075	663,566	(59,491)
Note payable - net	5,959,947	5,695,825	264,122
Total Liabilities	6,564,022	6,359,391	204,631
Net Position	\$ 6,383,003	\$ 6,216,179	\$ 166,824

A net increase in cash, primarily a result of the receipt of drawdown loan proceeds during 2020, was the driver in the increase in Current Assets.

A higher amount attributed to Construction In Progress was the primary reason for the increase of \$140,000 in the net (after depreciation) value of capital assets.

The decrease of \$59,000 in current liabilities was primarily the result of a decreased amount required for note principal payment in 2021 (i.e. current portion of note payable).

The excess of additional drawdown loan proceeds over the required principal repayment, coupled with the decreases in unamortized debt issuance costs and premiums resulted in the \$264,000 increase in Note Payable-Net.

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Analysis of Operating Results

2021:

The following condensed information regarding revenues, expenses, and changes in net position provides a comparison of the major categories of revenues and expenses recognized during the year.

	Changes in Net Position		
	2021	2020	Change
Operating revenues	\$ 1,567,438	\$ 1,669,739	\$(102,301)
Operating expenses	1,455,429	1,392,098	63,331
Operating income	112,009	277,641	(165,632)
Non-operating revenues and (expense)	(22,328)	(110,817)	88,489
Changes in net position	\$ 89,681	\$ 166,824	\$(77,143)

Operating revenue decreased 6.1% or \$102,301 primarily as a result of a decrease in meter water revenue sales.

Savings in many classes of expenses were more than offset by higher than expected water system maintenance costs resulting in an increase of 4.5% or \$63,000 in operating expenses from 2020.

Non-operating revenues were higher than the prior year as a result of the realization of revenue from a dedicated waterline. Non-operating expense on the other hand was lower than the prior year due to paying less interest on the 2015 Water Revenue Note. The net effect was a reduction in net non-operating expense by \$88,000.

2020:

The following condensed information regarding revenues, expenses, and changes in net position provides a comparison of the major categories of revenues and expenses recognized during the year.

	Changes in Net Position		
	2020	2019	Change
Operating revenues	\$ 1,669,739	\$ 1,612,443	\$ 57,296
Operating expenses	1,392,098	1,337,266	54,832
Operating income	277,641	275,177	2,464
Non-operating revenues and (expense)	(110,817)	284,262	(395,079)
Changes in net position	\$ 166,824	\$ 559,439	\$(392,615)

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Operating revenues increased 3.5% or \$57,000 primarily as a result an increase in metered water revenue sales.

Expense savings in certain classes of expenses were offset by increased costs for maintenance and general expense, resulting in a 4.1% or \$55,000 increase in operating expense.

Non-operating revenues were lower than 2019 by \$395,000. Investment return was down from 2019 as was revenues from tapping fees. The other item of significance, as compared to waterline contribution in aid of construction totaling \$350,000 in 2019, was that there was no revenue from the value of waterlines contributed by developers. This classification of revenue was the driving reason for the decrease of \$395,000.

Water Rates

The Authority reviews water rates annually to manage revenues and ensure compliance with Bond Indentures. Water rates per 1,000 gallons of water used are as follow:

2021	\$7.00
2020	\$7.00
2019	\$6.75
2018	\$6.70
2017	\$6.70

Capital Assets

At December 31, 2021, the Authority had invested \$11.5 million in capital assets (wells, equipment, structures) and infrastructure (distribution and transmission waterlines) net of \$7.0 million in accumulated depreciation. Significant additions included a dedicated waterline to serve a Care Facility valued at \$63,000 and the following waterlines: 1) Puddintown Road - \$58,000; and 2) Pike Street - \$219,000.

At December 31, 2020, the Authority had invested \$11.3 million in capital assets (wells, equipment, structures) and infrastructure (distribution and transmission waterlines) net of \$6.6 million in accumulated depreciation. Significant additions included: 1) a replacement of the East College Avenue water main of \$322,000; and, 2) a new truck of \$38,000.

The Authority will continue to invest in improvements to its water system in 2022 at a significantly increased amount as compared with 2021. Budgeted improvements total \$1.6 million with that amount being funded with monies available on hand and through the drawdown of the Water Revenue Note, Series of 2015.

Please refer to notes to the financial statements for additional information on the Authority's investment in capital assets and infrastructure.

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Potentially Significant Matters

We are not aware of any other facts, decisions, or conditions that are expected to have a significant effect on the Authority's financial position or operating results.

Overall Financial Analysis

We believe that the overall financial position of the Authority has improved. The increase in net position is but one indication. In addition, the number of customers has increased over the prior year and this trend is expected to continue for the foreseeable future.

Request for Information

This financial report is designed to provide an overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Authority's Finance Director at 1481 East College Avenue, State College, PA 16801.

COLLEGE TOWNSHIP WATER AUTHORITY
STATEMENTS OF NET POSITION

	December 31,	
	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 736,517	\$ 1,242,046
Accounts receivable, net	328,716	336,456
Material and supplies	29,606	29,159
Prepaid expenses	16,000	15,785
Total current assets	1,110,839	1,623,446
Capital Assets:		
Water Utility Plant in service, at cost	17,785,004	17,425,961
Less accumulated depreciation	(6,958,834)	(6,573,655)
Net utility plant	10,826,170	10,852,306
Construction in progress	640,686	471,273
Total utility plant	11,466,856	11,323,579
Total assets	12,577,695	12,947,025
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and accrued expenses	73,053	96,538
Due to College Township	13,687	9,137
Current portion of note payable	513,300	498,400
Total current liabilities	600,040	604,075
Non-current Liabilities:		
Note payable, net	5,504,971	5,959,947
Total liabilities	6,105,011	6,564,022
<u>NET POSITION:</u>		
Invested in capital assets, net of related debt	5,448,585	4,865,272
Unrestricted	1,024,099	1,517,731
Total net position	\$ 6,472,684	\$ 6,383,003

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating revenues (securing note):		
Water operating revenues	\$ 1,251,503	\$ 1,352,421
Unmetered water sales and other fees	<u>315,935</u>	<u>317,318</u>
Total operating revenues	1,567,438	1,669,739
Operating expenses:		
Purification system	35,915	42,179
Pumping system, primarily power	75,565	89,574
Maintenance	79,855	57,153
General	294,539	247,963
Office	91,165	101,677
General property	31,873	22,877
Engineering and professional fees	82,200	80,129
Taxes, benefits and insurance	235,214	230,497
Other	112,829	112,416
Depreciation and amortization	<u>416,274</u>	<u>407,633</u>
Total operating expenses	1,455,429	1,392,098
Operating income	112,009	277,641
Non-operating revenues/(expense):		
Interest expense	(127,142)	(167,487)
Investment income	4,804	19,152
Contribution in aid of construction	62,575	--
Tap and connection fees	<u>37,435</u>	<u>37,518</u>
Total non-operating revenues/(expenses)	(22,328)	(110,817)
Net income	89,681	166,824
Net position, beginning	<u>6,383,003</u>	<u>6,216,179</u>
Net position, ending	<u>\$ 6,472,684</u>	<u>\$ 6,383,003</u>

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash flow from operating activities:		
Cash received from customers	\$ 1,612,613	\$ 1,679,176
Cash payments to suppliers for goods and services	(1,058,751)	(968,655)
Net cash provided by operating activities	<u>553,862</u>	<u>710,521</u>
Cash flows from capital and related financing activities:		
Payments for water utility plant	(465,881)	(515,248)
Interest paid on note payable	(99,914)	(136,308)
Interest received	4,804	19,152
Principal paid on note payable	(498,400)	(560,700)
Proceeds from note payable	<u>--</u>	<u>699,199</u>
Net cash used in capital and related financing activities	<u>(1,059,391)</u>	<u>(493,905)</u>
Net (Decrease)/Increase in cash	(505,529)	216,616
Cash balance, beginning of year	<u>1,242,046</u>	<u>1,025,430</u>
Cash balance, end of year	\$ <u><u>736,517</u></u>	\$ <u><u>1,242,046</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	\$ 112,009	\$ 277,641
Tap and connection fees	37,435	37,518
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation of water utility plant	385,179	375,489
Amortization of bond costs	31,096	32,144
Change in assets and liabilities:		
Decrease/(increase) in receivables	7,740	(13,381)
Increase in materials and supplies	(447)	(1,351)
Increase in prepaid expense	(215)	(348)
(Decrease)/Increase in accounts payable and accrued expenses	(23,485)	8,372
Decrease in security deposits	--	(14,700)
Increase in amounts due to related parties	<u>4,550</u>	<u>9,137</u>
Net cash provided by operating activities	\$ <u><u>553,862</u></u>	\$ <u><u>710,521</u></u>

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

TABLE OF CONTENTS

	PAGE
A. Summary of Significant Accounting Policies	13-15
B. Deposits and Investments	15-17
C. Water Utility Plant	17
D. Receivables	18
E. Note Payable	18-19
F. Statement of Cash Flows	20
G. Risk Management	20
H. Related Party Transactions	20
I. Commitments and Contingencies	20
J. Subsequent Events	20

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

A. Summary of Significant Accounting Policies

The College Township Water Authority (the "Authority") was formed by resolution of the Council of the Township of College, Centre County, Pennsylvania adopted on May 2, 1996 pursuant to the Pennsylvania Municipality Authorities Act of 1945.

Effective as of May 20, 1996, the Authority acquired a majority of the voting rights of the common stock of Lemont Water Co. which has since been liquidated.

Reporting Entity - College Township Council appoints all five members of the Authority's board. Council has no further involvement in the affairs of the Authority, no responsibility for its debt and provides no substantial financial operating assistance. The Authority is a separate entity and sets its own rates, adopts its budget and issues debt without the approval of the Township. The Authority is not a component unit of College Township.

Description of Business - The Authority supplies water to residential and business customers in College Township, Pennsylvania. All of the Authority's activities are located in Central Pennsylvania. Water produced is treated with a sequesterant and is disinfected with chlorine. The wells provide water to the customers through 54.2 miles of underground distribution piping.

The Spring Creek Well and the Rogers Well are the two sources for the water system. The Spring Creek Park Well has a permitted capacity of 1,700 gpm and is limited to a monthly average withdrawal of 1.80 mgd. The Roger Well has a permitted capacity of 2,890 gpm and is limited to a monthly average withdrawal of 1.80 mgd.

Oak Hall Well OH-19 has been added as a seasonal source serving the Oak Hall Regional Park located in the southeastern part of the distribution system. The well is permitted as a Transient Non-Community System with a permitted capacity of 50 gpm. The well facility is drained and taken out of service between the months of October and April.

Measurement Focus and Basis of Accounting - The Authority accounts for its activities as an Enterprise Fund that is similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenue is generally recognized from water sales when the meters are read. Meters are read on a quarterly basis for regular customers. Rates are determined based on a fee schedule approved by the Authority's Board. Un-billed receivables are recorded as revenues based upon pro-rata calculations, from the date of the last meter reading to the financial reporting date.

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Expenses are recorded when a liability is incurred, regardless of the timing of related cash flow.

Water utility plant - All additions to the water utility plant are recorded at cost when an asset is placed in service. Costs incurred during the construction of an asset are accumulated and reported as construction in progress until the asset is placed in service.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed, the asset account and related depreciation account are reduced and any gain or loss is included in operations.

Depreciation - Assets are depreciated over estimated useful lives using the straight-line method.

Accounts receivable - Accounts receivable are shown net of allowances for uncollectible amounts.

Inventory - Inventories of supplies and materials are stated at the lower of cost or market value based on the first-in, first-out method.

Interest Expense - Interest costs incurred on loans are capitalized as part of the cost of the constructed project. Interest costs on borrowings for construction are capitalized as work progresses until completion of the project.

Income Tax Expense - The Authority is exempt from federal and state income tax under the Municipality Authorities Act of 1945.

Contributions in Aid of Construction - The Authority receives property additions from developers and customers to extend its service territory. These are typically constructed by the third party contractors with the Authority's supervision. Contributed assets are then depreciated over their useful life.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Authority considers as cash 1) checking and demand accounts at banks, 2) Certificates of Deposit, and 3) Short-term Investments invested with the Pennsylvania Local Government Trust (PLGIT).

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. Actual results may differ.

B. Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commonwealth of Pennsylvania recognizes this risk. Under its Act 72, deposits of public funds (in excess of \$250,000 of FDIC insurance) held by banks must be collateralized. Banks must place on deposit with a third-party (usually a Federal Reserve Bank) securities with an aggregate market value in excess of all of its uninsured balances. The Authority requires this protection for its funds.

The Pennsylvania Local Government Investment Trust (PLGIT):

The Authority invests funds with PLGIT. PLGIT was created in 1981 to meet the short-term investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth of Pennsylvania and currently serves more than 3,000 public entity investors across the Commonwealth and cooperatively invest more than \$5.0 billion across multiple programs. PLGIT is subjected to an annual audit. Additional information on PLGIT and its investment strategies can be found at www.plgit.com.

The Authority utilizes these PLGIT investment options:

PLGIT is a portfolio of the Trust that operates like a money market fund and stresses safety of principal as its primary objective - a fact underscored by its AAAM Rating from Standard & Poor's. The Authority has limited its investment to the PLGIT-Class Shares, one of three available classes of shares in the portfolio, which is a flexible option that requires no minimum balance, no minimum initial investment, and a one day minimum investment period. Dividends are paid monthly.

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

PLGIT-Prime is a variable rate investment portfolio rated AAAM by Standard & Poor's. This web-based option requires no minimum balance and no minimum initial investment. This option limits redemptions or exchanges to two per calendar month

PLGIT-CD Purchase Program is an option that enables Investors to purchase directly Certificates of Deposit ("CDs") which are intended to be fully insured by the Federal Deposit Insurance Corporation ("FDIC"). Investments in the PLGIT-CD Purchase Program are direct investments of the Investor, not assets of the Trust or under control of its Board of Trustees.

As of December 31, 2021, the Authority's deposit accounts were insured and collateralized as follows:

	Bank Balance	Book Balance
Banks - Insured	\$ 636,801	\$ 78,318
PLGIT-Certificates of deposit	200,000	200,000
Total deposits held by banks	836,801	278,318
Uninsured and uncollateralized:		
PLGIT - Class portfolio	212,133	212,133
PLGIT - Term portfolio	245,916	245,916
Total investments held by PLGIT	458,049	458,049
Petty Cash	150	150
Total Cash	<u>\$ 1,295,000</u>	<u>\$ 736,517</u>

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

As of December 31, 2020, the Authority's deposit accounts were insured and collateralized as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Banks - Insured	\$ 1,207,996	\$ 584,977
PLGIT - Certificates of deposit	<u>300,000</u>	<u>300,000</u>
Total deposits held by banks	<u>1,507,996</u>	<u>884,977</u>
Uninsured and uncollateralized:		
PLGIT - Class portfolio	107,545	107,545
PLGIT - Term portfolio	<u>249,374</u>	<u>249,374</u>
Total investments held by PLGIT	356,919	356,919
Petty Cash	<u>150</u>	<u>150</u>
Total Cash	\$ <u>1,865,065</u>	\$ <u>1,242,046</u>

C. Water Utility Plant

Water utility plant is made up of contributed property and purchased or constructed property as follows:

	Useful Life	<u>December 31</u>	
	<u>In Years</u>	<u>2021</u>	<u>2020</u>
Land and rights		\$ 213,140	\$ 213,140
Land improvements	15	<u>11,468</u>	<u>11,468</u>
Land, rights and improvements		224,608	224,608
Structures and Improvements:			
Distribution reservoirs, tanks and standpipes	20-60	373,429	373,429
Power and pumping structures	20-35	535,261	535,261
Wells and springs	40	<u>4,357,104</u>	<u>4,357,104</u>
Structures and improvements		5,265,794	5,265,794
Tangible Plant:			
Main and accessories	50	11,216,897	10,876,538
Meters	10-20	556,737	543,249
Electric pumping equipment	10-20	125,632	125,632
Transportation equipment	5-7	224,366	224,366
Tools and work equipment	15	62,768	62,768
Office furniture and equipment	3-7	75,195	69,999
Other power pumping equipment	10	<u>33,007</u>	<u>33,007</u>
Tangible plant		<u>12,294,602</u>	<u>11,935,559</u>
Total		17,785,004	17,425,961
Less accumulated depreciation		(<u>6,958,834</u>)	(<u>6,573,655</u>)
Net Water Utility Plant		\$ <u>10,826,170</u>	\$ <u>10,852,306</u>

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

D. Accounts Receivables, net

Accounts receivable (billed and unbilled) aggregated \$328,716 and \$336,456 net of allowances of \$6,821 and \$7,190 as of December 31, 2021 and 2020, respectively.

E. Note Payable

On December 8, 2015, the Authority entered into a loan agreement with CNB Bank for \$10,000,000 for its Water Revenue Note, Series of 2015. The net proceeds of \$7,598,471 at settlement (after payment of \$65,957 in origination fees, legal fees and other issuance costs) were used to advance-refund the outstanding Water Revenue Bonds, Series of 2010 and the related accrued interest. The Authority could then draw an additional \$2,335,572 on the Note to fund the acquisition or construction of additions, alterations and improvements to the existing water system. The Note bears interest at 1.98% for the first sixty months, then a variable rate equal to the tax free equivalent of the five year Federal Home Loan Advance Rate ("FHLB") rate plus 1.24% subject to a maximum rate of 2.98% for months 61-120, 3.68% for months 121-180 and 4.18% for months 181-240. In accordance with the loan agreement the Note's interest rate reset to 1.469% in December 2020. The Note is secured by all receipts and revenues of the water system.

Total annual future debt service requirement, assuming a full \$10,000,000 draw on the note, are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2022	\$	513,300	\$ 100,415	\$ 613,715
2023		528,600	92,875	621,475
2024		544,300	85,109	629,409
2025		560,600	77,114	637,714
2026		544,400	172,548	716,948
2027		564,500	152,514	717,014
2028		585,300	131,740	717,040
2029		606,800	110,201	717,001
2030		629,100	87,871	716,971
2031		643,500	73,514	717,014
2032		516,300	46,615	562,915
2033		537,900	25,034	562,934
2034		61,000	2,550	63,550
		<u>\$ 6,835,600</u>	<u>\$ 1,158,100</u>	<u>\$7,993,700</u>

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Unamortized Bond Costs

In connection with the issuance of its Water Revenue Bonds, Series of 2003 and 2010 (advance refunded in 2010 and 2015, respectively) and the Water Revenue Note, Series of 2015, the Authority incurred certain costs, and discounts were allowed, to compensate the underwriter (and bondholders).

The significant components of these costs are:

	December 31,	
	2021	2020
<u>2015 Note</u>		
Origination fee and other costs	\$ 66,927	\$ 66,927
<u>2010 Bonds</u>		
Insurance and other issuance costs	171,804	171,804
Original issuance discount	6,459	6,459
Underwriter's discount	142,359	142,359
<u>2003 Bonds</u>		
Insurance and other issuance costs	194,783	194,783
Original issue premium	(14,852)	(14,852)
Underwriter's discount	134,027	134,027
Total costs and related expenses	701,507	701,507
Accumulated amortization	(588,698)	(557,602)
Unamortized note/bond costs, net	\$ <u>112,809</u>	\$ <u>143,905</u>

These costs are being amortized over the original term of the bonds and the note using the interest method. Amortization was \$31,096 and \$32,144 for the years ended December 31, 2021 and 2020, respectively.

In accordance with FASB Accounting Standards Update 2015-03 the Authority presents its long term obligations net of associated unamortized premiums and issuance costs.

Long term debt obligations consist of the following:

	December 31,	
	2021	2020
Water Revenue Note - 2015	\$ 6,202,273	\$ 6,700,673
Less unamortized bond and note costs	(112,809)	(143,905)
Less unamortized premiums, net of accumulated amortization of		
\$1,001,278 and \$974,050, respectively	(71,193)	(98,421)
Less current portion	(513,300)	(498,400)
	\$ <u>5,504,971</u>	\$ <u>5,959,947</u>

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

F. Statement of Cash Flows

For the years ending December 31, 2021 and 2020, the Authority paid interest of \$99,914 and \$136,308, respectively.

G. Risk Management

The Authority is exposed to various risks of loss related to liability; theft of, damage to, and destruction of property and other assets; and errors and omissions for which the Authority carries commercial insurance. Settle claims from these risks have not exceeds commercial insurance coverage for the past two years.

H. Related Party Transactions

During 2021 and 2020 the Authority paid College Township \$109,704 and \$108,192, respectively, for the oversight of its administrative, financial and operational activities. College Township also serves as the common paymaster for all employees. Costs of the employees hired for, or assigned to Authority operations are billed at actual costs and reimbursed by the Authority.

I. Commitments and Contingencies

The Authority is negotiating an agreement with the Pennsylvania State University, whereby it can purchase up to one million gallons of water per day on an emergency basis.

J. Subsequent Events

Subsequent events have been evaluated through June 1, 2022, which is the date the financial statements were available to be issued.

COLLEGE TOWNSHIP WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND DEBT SERVICE-
BUDGET VS. ACTUAL
YEAR ENDED DECEMBER 31, 2021

	<u>Actual</u>	<u>Budget- Unaudited- Cash Basis</u>	<u>Variance</u>
Water System Operating Revenues	\$ 1,251,503	\$ 1,351,029	\$ (99,526)
Unmetered Water Sales & Other	<u>315,935</u>	<u>322,485</u>	<u>(6,550)</u>
	1,567,438	1,673,514	(106,076)
Operating Expenses:			
Purification system	35,915	47,500	(11,585)
Pumping system, primarily power	75,565	84,930	(9,365)
Maintenance	79,855	50,414	29,441
General	294,539	258,250	36,289
Office	91,165	102,900	(11,735)
General property	31,873	20,000	11,873
Engineering and professional fees	82,200	64,500	17,700
Taxes, benefits and insurance	235,214	234,775	439
Other	<u>112,829</u>	<u>112,954</u>	<u>(125)</u>
Total operating expenses	<u>1,039,155</u>	<u>976,223</u>	<u>62,932</u>
Net operating income	528,283	697,291	(169,008)
Other Receipts and Revenues:			
Interest Income	4,804	15,000	(10,196)
Tap and Connections	<u>37,435</u>	<u>70,000</u>	<u>(32,565)</u>
Total non-operating expenses	<u>42,239</u>	<u>85,000</u>	<u>(42,761)</u>
Total available for debt service	570,522	782,291	(211,769)
Debt service requirement	<u>(598,314)</u>	<u>(606,136)</u>	<u>7,822</u>
Available for contingencies and capital improvements	\$(<u>27,792</u>)	\$ <u>176,155</u>	\$ (<u>203,947</u>)
Ratio of total available for debt service to debt service	<u>95.3%</u>	<u>129.0%</u>	<u>--</u>

Note: Depreciation, amortization, contributions of capital assets and items of accretion are omitted from this presentation.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS

Members of the Authority
College Township Water Authority
1481 East College Avenue
State College, PA 16801

We have, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, audited the financial statements of College Township Water Authority issued by the Comptroller General of the United States, the financial statements of College Township Water Authority which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered College Township Water Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of College Township Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of College Township Water Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



State College, Pennsylvania
June 1, 2022