

COLLEGE TOWNSHIP WATER AUTHORITY
CENTRE COUNTY, PENNSYLVANIA

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2024 AND 2023

FIORE FEDELI SNYDER CAROTHERS, LLP

COLLEGE TOWNSHIP WATER AUTHORITY
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FIORE FEDELI SNYDER CAROTHERS, LLP

Certified Public Accountants and Consultants

Patrick J. Fiore, CPA
Joseph P. Fedeli, CPA
Robert P. Snyder, CPA
Stanley N. Roseberry IV, CPA

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, 2024 and 2023, and the related statements of revenues, 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, 2024 and 2023, 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 the 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 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.

MEMBERS: AMERICAN AND PENNSYLVANIA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

2013 SANDY DRIVE, SUITE 200 + STATE COLLEGE, PENNSYLVANIA 16803 + (814) 237-8999 + FAX (814) 237-0990

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 opinion. 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 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 an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The accompanying budgetary comparison information on page 22 is presented for the purpose 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 August 4, 2025 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
August 4, 2025

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)
Years Ended December 31, 2024 and 2023

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, 2024. 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 2024

1. Net position increased by \$17,661.
2. As of December 31, 2024 \$3,225,233 of the Water Revenue Note, Series of 2022, remained to fund construction projects under the draw down loan agreement. In January 2025, \$664,735 was drawn, leaving \$2,560,498 available through December 6, 2025 available for projects.
3. Outlay for capital investment in meters, tools, equipment and infrastructure placed in service totaled \$230,606. In addition \$358,580 was spent on projects under construction
4. Efforts to develop the Oak Hall Well Source continued during the year and by June 2025 the Authority had received permits (with conditions) to develop the well.
5. The 2020 Ten Year Capital Improvement Plan continued to drive planned water system 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.

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

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.

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 2023 is recorded as an expense in 2023 although it may not have been paid until January 2024.

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.

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

Analysis of Financial Position

2024:

The following condensed net position information shows that at December 31, 2024, total assets exceeded total liabilities by \$7.5 million, an increase of \$17,661 over the prior year.

	Net Position at December 31,		
	2024	2023	Change
Current assets	\$ 760,092	\$ 811,148	\$ (51,056)
Capital assets - net	12,956,247	12,824,590	131,657
Total Assets	13,716,339	13,635,738	80,601
Current liabilities	864,657	441,717	422,940
Note payable - net	5,349,167	5,709,167	(360,000)
Total Liabilities	6,213,824	6,150,884	62,940
Invested in net assets net of related debt	6,900,280	6,768,623	131,657
Unrestricted	602,235	716,231	(113,996)
Net Position	\$ 7,502,515	\$ 7,484,854	\$ 17,661

Total assets increased by \$80,601, primarily due to a \$131,657 rise in capital assets, reflecting continued investment in infrastructure and long-term equipment. This was partially offset by a \$51,056 decrease in current assets.

Total liabilities increased by \$58,940, driven by a \$67,140 increase in current liabilities, related to higher short-term obligations and operating expenses.

The note payable, representing long-term debt, decreased by \$360,000 and is all in the current portion of long-term debt.

As a result of these changes, the organization's net position increased by \$17,661.

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

2023:

The following condensed net position information shows that at December 31, 2023, total assets exceeded total liabilities by \$7.5 million, an increase of \$111,192 over the prior year.

	Net Position at December 31,		
	2023	2022	Change
Current assets	\$ 811,148	\$ 1,283,889	\$ (472,741)
Capital assets - net	<u>12,824,590</u>	<u>12,637,378</u>	<u>187,212</u>
Total Assets	13,635,738	13,921,267	(285,529)
Current liabilities	441,717	491,538	(49,821)
Note payable - net	<u>5,709,167</u>	<u>6,056,067</u>	<u>(346,900)</u>
Total Liabilities	<u>6,150,884</u>	<u>6,547,605</u>	<u>(396,721)</u>
Invested in net assets net of related debt	6,768,623	6,247,411	521,212
Unrestricted	<u>716,231</u>	<u>1,126,251</u>	<u>(410,020)</u>
Net Position	<u>\$ 7,484,854</u>	<u>\$ 7,373,662</u>	<u>\$ 111,192</u>

A net decrease in cash, primarily the result of cash used in capital and related financing over cash provided by operating activities, was the driver in the decrease in Current Assets.

Additional investment in water system assets in excess of \$500,000 was the principal reason for the increase of \$187,000 in the net (after depreciation) value of Capital Assets.

A decrease in accounts and other payables resulted in a decrease of \$49,821 in current liabilities.

The \$347,000 decrease in Note Payable (net of current maturities) resulted from the scheduled principal payment and also, that there were no additional draws on the debt structure as a draw down loan.

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

Analysis of Operating Results

2024:

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		
	2024	2023	Change
Operating revenues	\$ 1,888,388	\$ 1,740,405	\$ 147,983
Operating expenses	1,745,707	1,575,690	170,017
Operating income	142,681	164,715	(22,034)
Non-operating revenues and (expense)	(125,020)	(53,523)	(71,497)
Changes in net position	\$ 17,661	\$ 111,192	\$(93,531)

Operating revenue increased 8.5% or \$147,983, primarily as a result of an increase in metered water and fire service revenue.

Savings in many classes were more than offset by higher than expected water system maintenance and operating costs causing a 10.8% or \$170,017 increase in total operating expenses.

Operating income decreased by \$22,034 from \$164,715 in 2023 to \$142,681 in 2024.

Non-operating activities contributed a net expense of \$125,020 in 2024, an increase of \$71,497 compared to the prior year, attributable to increased interest expenses on the loan note and lower returns on investments.

The overall change in net position was a positive \$17,661 in 2024, representing a decrease of \$93,531 from the \$111,192 recorded in 2023.

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

2023:

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		
	2023	2022	Change
Operating revenues	\$ 1,740,405	\$ 1,702,568	\$ 37,837
Operating expenses	<u>1,575,690</u>	<u>1,640,827</u>	<u>(65,137)</u>
Operating income	164,715	61,471	102,974
Non-operating revenues and (expense)	<u>(53,523)</u>	<u>839,237</u>	<u>(892,760)</u>
Changes in net position	<u>\$ 111,192</u>	<u>\$ 900,978</u>	<u>\$ (789,786)</u>

Operating revenue increased 2.2% or \$37,837 primarily as a result of an increase in metered water revenue.

Maintenance costs and costs for professional services were less than expected, resulting in a decrease of 4.0%, or \$65,137, in operating expenses from 2022.

Non-operating (expense)/revenue was lower primarily as a result of less tap fees, and, most significantly, the substantial contribution of assets in 2022. The net effect was a decrease in net non-operating revenues by \$892,760.

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:

2024	\$7.72
2023	\$7.35
2022	\$7.00
2021	\$7.00
2020	\$7.00

Capital Assets

At December 31, 2024, the Authority had invested \$12.6 million in capital assets (wells, equipment, structures) and infrastructure (distribution and transmission waterlines) net of \$8.2 million in accumulated

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

Capital Assets (continued)

depreciation. Significant additions included a capital investment in meters, tools, equipment, and infrastructure totaling \$589,186.

At December 31, 2023, the Authority had invested \$12.0 million in capital assets (wells, equipment, structures) and infrastructure (distribution and transmission waterlines) net of \$7.7 million in accumulated depreciation. Significant additions included a capital investment in easements, meters, tools, equipment, and infrastructure totaling \$626,000.

The Authority will continue to invest in improvements to its water system in 2025 at a significantly increased amount as compared with 2024. Budgeted capital improvements total \$700,000 with that amount being primarily funded with monies available on hand and through the drawdown of the Water Revenue Note, Series of 2022.

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

Potentially Significant Matters

We are not aware of any other facts, decisions, or conditions that are expected to have a significant adverse effect on the Authority's financial position or operating results. Development of the Oak Hall Well will likely require additional debt financing in addition to available grant funding.

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,	
	2024	2023
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 357,034	\$ 400,681
Accounts receivable, net	375,074	384,264
Material and supplies	27,984	26,203
Total current assets	760,092	811,148
Capital Assets:		
Water Utility Plant in service, at cost	19,970,998	19,740,392
Less accumulated depreciation	(8,158,285)	(7,700,756)
Net utility plant	11,812,713	12,039,636
Construction in progress	1,143,534	784,954
Total utility plant	12,956,247	12,824,590
Total assets	13,716,339	13,635,738
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and accrued expenses	84,433	80,146
Accrued interest	73,424	--
Due to College Township	--	14,771
Current portion of note payable	706,800	346,800
Total current liabilities	864,657	441,717
Non-current Liabilities:		
Note payable, net	5,349,167	5,709,167
Total liabilities	6,213,824	6,150,884
<u>NET POSITION:</u>		
Invested in capital assets, net		
of related debt	6,900,280	6,768,623
Unrestricted	602,235	716,231
Total net position	\$ 7,502,515	\$ 7,484,854

See accompanying notes to financial statements

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

	Year Ended December 31,	
	<u>2024</u>	<u>2023</u>
Operating revenues (securing note):		
Water operating revenues	\$ 1,549,371	\$ 1,406,013
Unmetered water sales and other fees	<u>339,017</u>	<u>334,392</u>
Total operating revenues	1,888,388	1,740,405
Operating expenses:		
Purification system	44,348	56,338
Pumping system, primarily power	85,613	104,680
Maintenance	105,300	49,256
General	384,097	314,195
Office	113,717	111,952
General property	41,275	40,645
Engineering and professional fees	76,325	72,366
Taxes, benefits and insurance	309,898	260,480
Other	127,605	126,736
Depreciation and amortization	<u>457,529</u>	<u>439,042</u>
Total operating expenses	<u>1,745,707</u>	<u>1,575,690</u>
Operating income	142,681	164,715
Non-operating (expense)/revenue:		
Interest expense	(146,547)	(151,412)
Investment income	11,399	32,255
Gain on disposal of asset	--	27,000
Tap and connection fees	<u>10,128</u>	<u>38,634</u>
Total non-operating expenses	<u>(125,020)</u>	<u>(53,523)</u>
Net income	17,661	111,192
Net position, beginning	<u>7,484,854</u>	<u>7,373,662</u>
Net position, ending	<u>\$ 7,502,515</u>	<u>\$ 7,484,854</u>

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2024	2023
Cash flow from operating activities:		
Cash received from customers	\$ 1,907,706	\$ 1,773,338
Cash payments to suppliers for goods and services	(1,300,443)	(1,194,424)
Net cash provided by operating activities	607,263	578,914
Cash flows from capital and related financing activities:		
Payments for water utility plant	(589,186)	(626,254)
Interest paid on note payable	(73,123)	(151,412)
Interest received	11,399	32,255
Principal paid on note payable	--	(334,000)
Proceeds from sale of equipment	--	27,000
Net cash used in capital and related financing activities	(650,910)	(1,052,411)
Net decrease in cash	(43,647)	(473,497)
Cash balance, beginning of year	400,681	874,178
Cash balance, end of year	\$ 357,034	\$ 400,681
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	\$ 142,681	\$ 164,715
Tap and connection fees	10,128	38,634
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation of water utility plant	457,529	439,042
Change in assets and liabilities:		
Decrease/(increase) in receivables	9,190	(5,701)
(Increase)/decrease in materials and supplies	(1,781)	4,945
Increase/(decrease) in accounts payable and accrued expenses	4,287	(64,515)
(Decrease)/increase in amounts due to related parties	(14,771)	1,794
Net cash provided by operating activities	\$ 607,263	\$ 578,914

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

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COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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, 2024 AND 2023

A. Summary of Significant Accounting Policies (continued)

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 are expensed as incurred for periods beginning after December 15, 2019.

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).

Net Position - The Authority maintains the following net position classifications:

Net investment in capital assets: Capital assets, net accumulated depreciation and outstanding debt attributable to the acquisition, construction, repair or improvement of those assets.

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

A. Summary of Significant Accounting Policies (continued)

Restricted: A portion of net position subject to externally imposed conditions by parties outside of the Authority (such as creditors, grantors, laws, regulations or other governments). There was no restricted net position at December 31, 2024 and 2023.

Unrestricted: All other categories of net position. These assets may be designated for specific purposes.

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 3,200 public entity investors across the Commonwealth and cooperatively invest more than \$10.5 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.

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

B. Deposits and Investments (continued)

The Authority utilizes these PLGIT investment options:

PLGIT is a professionally managed 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. This is a flexible option that requires no minimum balance, no minimum initial investment, and a one day minimum investment period. Dividends are paid monthly.

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-Term is a fixed term investment portfolio of the Trust with maturity of up to one year. This option requires a minimum initial investments of \$100,000, a minimum investment period of sixty (60) days, and has a premature withdrawal penalty.

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, 2024, the Authority's deposit accounts were insured and collateralized as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank deposits - Insured	\$ 159,290	\$ 142,368
Uninsured and uncollateralized:		
PLGIT - Class portfolio	152,354	152,354
PLGIT - Term portfolio	<u>62,162</u>	<u>62,162</u>
Total investments held by PLGIT	214,516	214,516
Petty Cash	<u>150</u>	<u>150</u>
Total Cash	<u>\$ 373,956</u>	<u>\$ 357,034</u>

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

B. Deposits and Investments (continued)

As of December 31, 2023, the Authority's deposit accounts were insured and collateralized as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank deposits - Insured	\$ 250,000	\$ 196,027
Certificates of Deposit - Insured	200,000	201,933
Bank deposits - Collateralized	<u>362,281</u>	<u>--</u>
Total deposits held by banks	812,281	397,960
Uninsured and uncollateralized:		
PLGIT - Class portfolio	1,370	1,370
PLGIT - Term portfolio	<u>1,201</u>	<u>1,201</u>
Total investments held by PLGIT	2,571	2,571
Petty Cash	<u>150</u>	<u>150</u>
Total Cash	<u>\$ 815,002</u>	<u>\$ 400,681</u>

C. Accounts Receivables, net

Accounts receivable (billed and unbilled) aggregated \$375,074 and \$384,264 net of allowances of \$8,157 and \$8,035 as of December 31, 2024 and 2023, respectively. Unbilled accounts receivable were \$235,567 and \$205,467 as of December 31, 2024 and 2023, respectively.

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

D. Water Utility Plant

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

	Useful Life In Years	<u>December 31,</u>	
		<u>2024</u>	<u>2023</u>
Land and rights		\$ 228,140	\$ 228,140
Land improvements	15	11,468	11,468
Land, rights and improvements		<u>239,608</u>	<u>239,608</u>
Structures and Improvements:			
Distribution reservoirs, tanks and standpipes	20-60	470,458	435,395
Power and pumping structures	20-35	665,124	665,124
Wells and springs	40	4,357,104	4,357,104
Structures and improvements		<u>5,492,686</u>	<u>5,457,623</u>
Tangible Plant:			
Main and accessories	50	12,779,798	12,677,899
Meters	10-20	730,891	702,227
Electric pumping equipment	10-20	125,632	125,632
Transportation equipment	5-7	327,397	327,397
Tools and work equipment	15	166,784	101,804
Office furniture and equipment	3-7	75,195	75,195
Other power pumping equipment	10	33,007	33,007
Tangible plant		<u>14,238,704</u>	<u>14,043,161</u>
Total		19,970,998	19,740,392
Less accumulated depreciation		(8,158,285)	(7,700,756)
Net Water Utility Plant		<u>\$ 11,812,713</u>	<u>\$ 12,039,636</u>

E. Notes Payable

Notes payable for the year were as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>
Water Revenue Note, Series of 2015	\$ 4,021,700	\$ --	\$ 4,021,700
Water Revenue Note, Series of 2022	2,034,267	--	2,034,267
	<u>\$ 6,055,967</u>	<u>\$ --</u>	<u>\$ 6,055,967</u>

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

E. Notes Payable (continued)

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 2021. The Note is secured by all receipts and revenues of the water system. In May 2022 the Authority made a final draw on the Note to reach the cap of \$10,000,000.

On December 6, 2022, the Authority entered into a loan agreement with Jersey Shore State Bank for \$5,295,500 for its Water Revenue Note, Series of 2022. The net proceeds of \$1,981,292 (after payment of \$52,975 in origination fees, legal fees and other issuance costs) were used to pay-down principal of \$1,968,800 and accrued interest of \$12,692 on the Authority's Water Revenue Note, Series of 2015. The Authority can then draw an additional \$3,225,233 on the Note to fund the acquisition or construction of additions, alterations and improvements to the existing water system. The Note bears interest at a rate equal to 4.25% for the first 120 months ending January 2033. Thereafter, the interest rate will be reset on the first day of the month for the remainder of the term at a rate equal to 79% of the Wall Street Journal Prime Rate (or its equivalent), not to exceed 5.0%.

Annual payments of principal commence on January 1, 2026 in amounts set forth in the loan document. The Note is secured by all receipts and revenues of the water system.

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

E. Notes Payable (continued)

Total annual future debt payments on the Water Revenue Note, Series of 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2025	\$ 701,800	\$ 54,734	\$ 756,534
2026	363,500	123,869	487,369
2027	376,800	110,307	487,107
2028	390,700	96,511	487,211
2029	404,900	81,670	486,570
2030	422,600	66,563	489,163
2031	431,300	57,697	488,997
2032	449,200	39,526	488,726
2033	419,900	20,381	440,281
2034	61,000	2,585	63,585
	<u>\$ 4,021,700</u>	<u>\$ 653,843</u>	<u>\$ 4,675,543</u>

Total annual future debt payments on the Water Revenue Note, Series of 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2025	\$ 5,000	\$ 223,529	\$ 228,529
2026	6,000	223,316	229,316
2027	6,000	223,061	229,061
2028	6,000	222,806	228,806
2029	7,000	222,551	229,551
2030	5,000	222,254	227,254
2031	5,000	222,041	227,041
2032	6,000	221,829	227,829
2033	16,000	260,675	276,675
2034	393,000	259,875	652,875
2035	476,000	240,225	716,225
2036	500,000	216,425	716,425
2037	525,000	191,425	716,425
2038	551,000	165,175	716,175
2039	579,000	137,625	716,625
2040	608,000	108,675	716,675
2041	638,000	78,275	716,275
2042	670,000	46,375	716,375
2043	257,500	12,875	270,375
	<u>\$ 5,259,500</u>	<u>\$ 3,499,012</u>	<u>\$ 8,758,512</u>

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

F. Statement of Cash Flows

For the years ending December 31, 2024 and 2023, the Authority paid interest of \$73,123 and \$151,412, 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 2024 and 2023 the Authority paid College Township \$124,704 and \$119,280, 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 August 4, 2025, 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, 2024

	<u>Actual</u>	<u>Budget- Unaudited- Cash Basis</u>	<u>Variance</u>
Water System Operating Revenues	\$ 1,549,371	\$ 1,598,627	\$ (49,256)
Unmetered Water Sales & Other	<u>339,017</u>	<u>337,848</u>	<u>1,169</u>
	1,888,388	1,936,475	(48,087)
Operating Expenses:			
Purification system	44,348	55,000	(10,652)
Pumping system, primarily power	85,613	117,370	(31,757)
Maintenance	105,300	70,952	34,348
General	384,097	356,876	27,221
Office	113,717	119,325	(5,608)
General property	41,275	41,100	175
Engineering and professional fees	76,325	91,950	(15,625)
Taxes, benefits and insurance	309,898	322,166	(12,268)
Other	<u>127,605</u>	<u>127,804</u>	<u>(199)</u>
Total operating expenses	<u>1,288,178</u>	<u>1,302,543</u>	<u>(14,365)</u>
Net operating income	600,210	633,932	(33,722)
Other Receipts and Revenues:			
Interest Income	11,399	24,000	(12,601)
Tap and Connections	<u>10,128</u>	<u>50,000</u>	<u>(39,872)</u>
Total non-operating revenues	<u>21,527</u>	<u>74,000</u>	<u>(52,473)</u>
Total available for debt service	621,737	707,932	(86,195)
Debt service requirement	<u>493,347</u>	(<u>630,392</u>)	<u>137,045</u>
Available for contingencies and capital improvements	\$ <u><u>128,390</u></u>	\$ <u><u>77,540</u></u>	\$ <u><u>50,850</u></u>
Ratio of total available for debt service to debt service	<u>126.0%</u>	<u>112.3%</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 GOVERNMENT 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, 2024, 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 August 4, 2025.

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
August 4, 2025