

**LEWISBERRY AREA JOINT AUTHORITY**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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# Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

*Since 1955*

Deborah J. Kelly  
Scott J. Christ  
Ronald S. Morgan  
James E. Lyons

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lewisberry Area Joint Authority  
Lewisberry, Pennsylvania

We have audited the accompanying financial statements of the business-type activities of Lewisberry Area Joint Authority as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Board of Directors  
Lewisberry Area Joint Authority

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the business-type activities of Lewisberry Area Joint Authority as of December 31, 2018 and 2017, and the respective revenues, expenses and changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

*Greenawalt & Company, P.C.*  
GREENAWALT & COMPANY, P.C.

June 20, 2019

Mechanicsburg, Pennsylvania

**FINANCIAL STATEMENTS**

**LEWISBERRY AREA JOINT AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 47,592	\$ 60,979
Accounts receivable	40,257	32,730
Prepaid expenses	2,235	2,173
<b>Total current assets</b>	<b>90,084</b>	<b>95,882</b>
<b>Noncurrent assets</b>		
Capital assets not being depreciated	53,081	53,081
Capital assets being depreciated (net of accumulated depreciation)	390,849	419,347
<b>Total noncurrent assets</b>	<b>443,930</b>	<b>472,428</b>
<b>Total assets</b>	<b>534,014</b>	<b>568,310</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable - current portion	-	25,000
Accounts payable	5,114	2,778
Accrued interest payable	-	114
<b>Total current liabilities</b>	<b>5,114</b>	<b>27,892</b>
<b>Total liabilities</b>	<b>5,114</b>	<b>27,892</b>
<b>Net position</b>		
Invested in capital assets (net of related debt)	443,930	447,428
Restricted for capital activity and debt service	-	25,000
Unrestricted	84,970	67,990
<b>Total net position</b>	<b>\$ 528,900</b>	<b>\$ 540,418</b>

The accompanying notes are an integral part of these financial statements.

**LEWISBERRY AREA JOINT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Operating revenues		
Sewer rentals	\$ 171,959	\$ 170,497
Sewer tapping and connection fees	1,900	1,900
Total operating revenues	173,859	172,397
Operating expenses		
Treatment expenses	70,974	59,459
Utilities	21,093	18,881
Engineering fees	5,521	2,524
Legal and professional fees	14,034	13,524
Bookkeeping, billing and other services	8,515	8,352
Equipment repairs and maintenance	16,330	8,860
Insurance	4,882	4,716
Office expenses	1,229	1,067
Operating supplies	1,989	3,117
Permits	65	1,707
Miscellaneous	-	40
Telephone	2,121	2,047
Bank fees	258	139
Depreciation	37,943	37,573
Total operating expenses	184,954	162,006
Operating income (loss)	(11,095)	10,391
Nonoperating revenues (expenses)		
Interest income	17	31
Interest expense	(440)	(2,302)
Total nonoperating revenues (expenses)	(423)	(2,271)
Changes in net position	(11,518)	8,120
Net position, beginning	540,418	532,298
Net position, ending	\$ 528,900	\$ 540,418

The accompanying notes are an integral part of these financial statements.

**LEWISBERRY AREA JOINT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Operating activities		
Cash received from customers	\$ 166,332	\$ 170,834
Cash paid for goods and services	(144,737)	(124,318)
Net cash provided by operating activities	21,595	46,516
Capital and related financing activities		
Interest paid on long term debt	(554)	(2,422)
Principal paid on long-term debt	(25,000)	(25,000)
Purchase of capital assets	(9,445)	(8,583)
Net cash used in capital and related financing activities	(34,999)	(36,005)
Investing activities		
Interest income	17	31
Net cash provided by investing activities	17	31
Net increase (decrease) in cash and cash equivalents	(13,387)	10,542
Cash and cash equivalents, beginning	60,979	50,437
Cash and cash equivalents, ending	\$ 47,592	\$ 60,979
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (11,095)	\$ 10,391
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	37,943	37,573
(Increase) decrease in		
Accounts receivable	(7,527)	(1,563)
Prepaid expenses	(62)	(91)
Increase (decrease) in		
Accounts payable	2,336	206
Net cash provided by operating activities	\$ 21,595	\$ 46,516

The accompanying notes are an integral part of these financial statements.

# LEWISBERRY AREA JOINT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lewisberry Area Joint Authority (the Authority), organized by Lewisberry Borough, Newberry Township, and Fairview Township, was incorporated in 1985 to conduct and operate a sanitary sewer collection system and treatment plant in Lewisberry Borough, Newberry Township, and Fairview Township. The Authority derives substantially all of its revenue from sewer rentals.

#### Reporting entity

The Governmental Accounting Standards Board establishes the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Authority as a reporting entity, management has addressed all potential component units which may or may not fall within the established criteria. The criteria used to evaluate component units for possible inclusion as part of the Authority's reporting entity are:

- The economic resources received or held by the separate organization are entirely for the direct benefit of the Authority.
- The Authority is entitled to (or has the ability to) access a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by the separate organization that the Authority is entitled to (or has the ability to) access is significant to the Authority.

There are no component units that meet all of the above criteria for inclusion in this reporting entity.

#### Basis of accounting

The Authority has adopted the accrual basis of accounting for the proprietary funds to account for operations that are financed and operated in a manner similar to private business enterprises. These enterprises are characterized by the intent that the costs of providing services to the general public on a continuing basis be financed or recovered substantially through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**LEWISBERRY AREA JOINT AUTHORITY**  
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
 DECEMBER 31, 2018 AND 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Cash and cash equivalents**

For purposes of the statements of cash flows, the Authority considers all highly-liquid debt investments with a maturity of three months or less from the date of acquisition to be cash equivalents.

**Accounts receivable and bad debts**

The Authority places liens on the property of customers who are significantly in arrears on sewer payments. When circumstances warrant the write-off of an account, the expense is recognized at the time the account is written off. Potential uncollectible accounts receivable at year-end are considered immaterial to total accounts receivable; therefore, an allowance for such losses has not been established.

**Prepaid expenses**

To the extent certain payments to vendors, such as for insurance, reflect costs applicable to future accounting periods, they are recorded as prepaid items.

**Capital assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Collection system	40
Treatment plant, improvements and equipment	20 to 40
Equipment - other	10

**LEWISBERRY AREA JOINT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Operating revenues and expenses**

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services (including tapping, connection, and facilities fees) and the costs of providing those services, including depreciation and excluding interest expense. All other revenues and expenses are reported as nonoperating.

**Revenue - user charges**

Charges for sewer rental are billed quarterly by the Authority to its customers based upon a flat fee schedule.

**Revenue - tapping and connection fees, meters, permits, etc.**

Charges for tapping, connection and other related fees are billed by the Authority to the customer based on established fee schedules.

**Recent accounting standards**

There are several GASB pronouncements that will become effective for future reporting periods. The Authority does not currently anticipate any significant impact on the Authority's financial statements.

**Subsequent events**

The Authority has evaluated subsequent events through June 20, 2019, the date which the financial statements were available to be issued. It is management's opinion that there are no subsequent events which require additional disclosure in the notes to financial statements.

**CASH AND CASH EQUIVALENTS**

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.

All cash and restricted deposits are held in the Authority's name. The Authority currently has no formal deposit or investment policy. Cash deposits are insured up to the FDIC limit of \$ 250,000. Any balances in excess of the FDIC insurance limit are secured by collateral held by the pledging financial institution's agent in a collateral pool. Pennsylvania Act 72 allows for bank-owned securities to be pledged on a pooled basis to service public funds.

**LEWISBERRY AREA JOINT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**CASH AND CASH EQUIVALENTS (Cont'd.)**

Under the Sewer Revenue Note - Series of 1999, BB&T Bank requires the Authority to maintain a reserve of at least 10% of the outstanding debt balance for repairs, additions, or the payment of the semiannual note payments. At December 31, 2018 and 2017, the required reserve amount was \$ -0- and \$ 25,000, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy for interest rate risk.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2018 and 2017, none of the Authority's deposits were exposed to custodial risk. If the Authority had deposits in excess of the federally insured limit, the deposits exposed to custodial credit risk would be covered by collateral held by the pledging financial institution's agent in a collateral pool.

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at outstanding balances. The Authority considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

**CAPITAL ASSETS**

Changes in capital assets were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>2018</u></b>				
Capital assets not being depreciated				
Land	\$ 53,081	\$ -	\$ -	\$ 53,081
Other capital assets				
Pumps and waste water treatment plant	667,967	5,150	-	673,117
Collection system	876,465	-	-	876,465
Equipment - other	8,583	4,295	-	12,878
	<u>1,553,015</u>	<u>9,445</u>	<u>-</u>	<u>1,562,460</u>
Less accumulated depreciation	<u>(1,133,668)</u>	<u>(37,943)</u>	<u>-</u>	<u>(1,171,611)</u>
Total other capital assets, net	<u>419,347</u>	<u>(28,498)</u>	<u>-</u>	<u>390,849</u>
Total capital assets, net	<u>\$ 472,428</u>	<u>\$ (28,498)</u>	<u>\$ -</u>	<u>\$ 443,930</u>

**LEWISBERRY AREA JOINT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**CAPITAL ASSETS (Cont'd.)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>2017</u></b>				
Capital assets not being depreciated				
Land	\$ 53,081	\$ -	\$ -	\$ 53,081
Other capital assets				
Pumps and waste water treatment plant	667,967	-	-	667,967
Collection system	876,465	-	-	876,465
Equipment - other	-	8,583	-	8,583
	1,544,432	8,583	-	1,553,015
Less accumulated depreciation	(1,096,095)	(37,573)	-	(1,133,668)
Total other capital assets, net	448,337	(28,990)	-	419,347
Total capital assets, net	\$ 501,418	\$ (28,990)	\$ -	\$ 472,428

**LONG-TERM DEBT**

Changes in long-term debt are as follows:

	<u>Beginning Balance</u>	<u>New Borrowings/ (Refunding)</u>	<u>Scheduled Redemptions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>2018</u></b>					
Sewer Revenue Note - Series of 1999, BB&T Bank	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
<b><u>2017</u></b>					
Sewer Revenue Note - Series of 1999, BB&T Bank	\$ 50,000	\$ -	\$ (25,000)	\$ 25,000	\$ 25,000

The Authority executed the Sewer Revenue Note - Series of 1999 to BB&T Bank. The note payable had an initial principal amount of \$ 500,000 and is scheduled to mature on December 1, 2018. The note bears interest at 5.50% per annum, with principal and interest payments due on June 1 and December 1.

**LEWISBERRY AREA JOINT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**INTEREST**

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. During the years ended December 31, 2018 and 2017, the Authority incurred interest of \$ 440 and \$ 2,302, respectively, all of which was charged to expense.

**RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**COMMITMENTS AND CONTINGENCIES**

The Authority is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is management's opinion that any such actions would not have a material adverse effect on the financial position of the Authority.

In December 2018, the Authority entered into an agreement with a contractor for Market Street Repairs totaling \$ 19,750. This project is planned for spring 2019.