

**PERKIOMEN TOWNSHIP  
MUNICIPAL AUTHORITY**

**Montgomery County, Pennsylvania**

**December 31, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Supervisors  
Perkiomen Township Municipal Authority  
Montgomery County, Pennsylvania

We have audited the accompanying financial statements of the Perkiomen Township Municipal Authority, a component unit of Perkiomen Township, Pennsylvania, as of and for the years ended December 31, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perkiomen Township Municipal Authority as of December 31, 2017 and 2016, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to management's discussion and analysis 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.

*Dreelin and Company, Inc.*

East Norriton, Pennsylvania  
May 29, 2018

**PERKIOMEN TOWNSHIP MUNICIPAL AUTHORITY**  
**A Component Unit of Perkiomen Township**  
**Management's Discussion and Analysis (Unaudited)**

Perkiomen Township Municipal Authority's discussion and analysis offers readers of the Authority's financial statements a narrative overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

**Financial Highlights**

- The assets of the Authority exceeded its liabilities by \$7,689,368. Of the net position, \$2,602,131 is invested in capital assets; the remainder may be used for Authority operations.
- The Authority's net position decreased by \$139,066 as compared to a decrease of \$208,981 a year ago. Revenues were approximately the same as the prior year. Sanitary sewer expenses decreased due to lower engineering fees in comparison to the previous year. This resulted in an overall reduction in operating loss for the year.
- The Authority has no long-term debt outstanding at December 31, 2017.

**Using This Annual Report**

The basic financial statements are comprised of the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, similar to businesses in the private sector, which is in accordance with the standards and pronouncements of the Governmental Accounting Standards Board, which is the standard-setting body for governmental accounting and reporting.

**Basic Financial Statements**

The financial statements are designed to provide readers with an overview of the Authority's financial position in a manner similar to a business in the private sector.

The statement of net position presents information on the Authority's assets and liabilities, with the difference between the two reported as net position.

The statement of revenues, expenses and changes in net position presents information on the Authority's revenues and expenses, with the difference reported as the change in net position.

The statement of cash flows presents information on the Authority's sources and uses of cash during the year. The cash flows are reported based on three types of activity, operating, financing and investing activities.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes can be found beginning on Page 11.

**Overview of the Financial Statements**

A summarized version of the Authority's net position and changes in net position is as follows:

## Net Position

ASSETS	<u>2017</u>	<u>2016</u>
Cash	\$ 1,093,675	\$ 1,152,294
Investments	3,725,092	3,696,713
Accounts Receivable	296,375	288,345
Other Assets	<u>16,000</u>	<u>20,000</u>
Total Current and Other Assets	5,131,142	5,157,352
Capital Assets, net	<u>2,602,131</u>	<u>2,723,136</u>
<b>Total Assets</b>	<b><u>\$ 7,733,273</u></b>	<b><u>\$ 7,880,488</u></b>
<b>LIABILITIES AND NET POSITION</b>		
Liabilities:		
Accounts Payable and Other Current Liabilities	<u>\$ 43,905</u>	<u>\$ 52,054</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	2,602,131	2,723,136
Unrestricted Net Position	<u>5,087,237</u>	<u>5,105,298</u>
Total Net Position	<u>7,689,368</u>	<u>7,828,434</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 7,733,273</u></b>	<b><u>\$ 7,880,488</u></b>

### Changes in Net Position

Sewer Revenues	\$ 780,730	\$ 777,704
Other Income	<u>3,870</u>	<u>3,700</u>
Total Operating Revenue	784,600	781,404
Operating Expenses	<u>958,045</u>	<u>1,008,230</u>
Operating (Loss)	(173,445)	(226,826)
Non-Operating Revenues - Interest Earned	<u>28,379</u>	<u>13,345</u>
(Loss) Before Capital Contributions	(145,066)	(213,481)
Contributed Capital	<u>6,000</u>	<u>4,500</u>
Change in Net Position	(139,066)	(208,981)
NET POSITION - BEGINNING OF YEAR	<u>7,828,434</u>	<u>8,037,415</u>
<b>NET POSITION - END OF YEAR</b>	<b><u>\$ 7,689,368</u></b>	<b><u>\$ 7,828,434</u></b>

The Authority's net position decreased \$139,066 from a year ago to \$7,689,368, compared with a decrease in net position last year of \$208,981. The Authority had an operating loss of \$173,445 this year, compared to an operating loss of \$226,826 for last year due to decreased engineering fees in comparison to the previous year.

Non-operating revenues consisted of interest earned on invested funds, which, due to increased interest rates, resulted in earnings of \$28,379 in 2017, compared with \$13,345 in 2016.

Capital contributions consisted of connection fees of \$6,000 this year, compared to \$4,500 in 2016.

The overall financial position of the Authority is healthy. The Authority continues to maintain the system through continual Infiltration and Inflow investigation.

### **Capital Assets and Debt Administration**

The Authority continues to expand its sewer system through developer's construction and dedication of said systems.

There is no outstanding debt for the Authority.

### **Factors Bearing on the Authority's Future**

The Authority owns and maintains approximately 36.36 miles of sewer collection system, which includes 831 manholes and one pumping station. The Lower Perkiomen Valley Regional Sewer Authority (LPVRS) owns and maintains the Oaks Wastewater Treatment Plant and the Perkiomen Interceptor. The expansion to the Oaks Wastewater Treatment Plant was completed in 2009. The expansion to the Perkiomen Interceptor is still under construction. In January 2013, the LPVRS increased the treatment charges to \$156 per equivalent dwelling unit (EDU) per year. In order to keep pace with these rising costs, the Authority management increased its user charges in 2013 to \$260 per EDU per year. There were no increases in 2016 and 2017 from either the LPVRS or the Authority. Also, to improve its collection of user charges, the Authority has instituted new policies on delinquencies and expanding its payment options for users to include the use of debit and credit cards. It has been the policy of the Authority to use a portion of its reserves to manage the increases to its users since the overall financial health of the Authority is good. The decision to continue this policy is reviewed on a regular basis to ensure that the overall financial position of the Authority remains healthy.

The Authority collects a sewer connection fee of \$1,500 for connection to its system. This fee is under review as required by Act 57. Act 57 defines how this fee will be calculated not only for the Authority, but the Regional Authority as well. The result may be a significant limit on the amount both Authorities can charge. Related to this is the amount of development taking place in the Township. The last few years has shown a decrease in the Authority receiving funds from new connections. The regulatory impact of Act 57 and the reduction in new connections may adversely affect the financial future of the Authority.

### **Contacting the Authority's Management**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it received. If you have questions about this report, please contact the Authority at (610) 489-4034.

**PERKIOMEN TOWNSHIP MUNICIPAL AUTHORITY**

**Statements of Net Position  
December 31, 2017 and 2016**

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 1,093,675	\$ 1,152,294
Temporary Cash Investments	3,725,092	3,696,713
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$1,000 in 2017 and 2016)	245,943	229,913
Accounts Receivable - Sewer Access	<u>50,432</u>	<u>58,432</u>
Total Current Assets	<u>5,115,142</u>	<u>5,137,352</u>
Fixed Assets:		
Sewer System	5,655,210	5,655,210
Machinery and Equipment	333,145	333,145
<u>Less: Accumulated Depreciation</u>	<u>(3,386,224)</u>	<u>(3,265,219)</u>
Net Fixed Assets	<u>2,602,131</u>	<u>2,723,136</u>
Other Assets:		
Recoverable Sewer Capacity Fees	<u>16,000</u>	<u>20,000</u>
<b>Total Assets</b>	<b><u>\$ 7,733,273</u></b>	<b><u>\$ 7,880,488</u></b>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 19,842	\$ 27,750
Due to Perkiomen Township	22,363	22,659
Accrued Wages	1,579	1,528
Payroll Taxes Payable	<u>121</u>	<u>117</u>
Total (Current) Liabilities	<u>43,905</u>	<u>52,054</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	2,602,131	2,723,136
Unrestricted	<u>5,087,237</u>	<u>5,105,298</u>
Total Net Position	<u>7,689,368</u>	<u>7,828,434</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 7,733,273</u></b>	<b><u>\$ 7,880,488</u></b>

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



**PERKIOMEN TOWNSHIP MUNICIPAL AUTHORITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2017 and 2016**

	2017	2016
<b>OPERATING REVENUES:</b>		
Sewer Rents	\$ 780,730	\$ 777,704
Certification and Lien Fees	3,870	3,700
Total Operating Revenues	\$ 784,600	\$ 781,404
<b>OPERATING EXPENSES:</b>		
Administration:		
Salaries and Benefits	78,363	75,652
Audit Fee	4,800	4,650
Legal Fees	10,410	11,435
Office and Miscellaneous Expenses	16,964	11,325
Bond Insurance	7,853	8,545
Total Administration Expenses	118,390	111,607
Sanitary Sewers:		
Salaries and Benefits	14,546	10,197
Electric	690	792
Equipment Maintenance & Repairs	125,148	143,438
Small Tools, Minor Equipment & Supplies	25,064	13,376
Engineering Fees	62,946	122,658
Treatment Charges	490,256	490,152
Depreciation Expense	121,005	116,010
Total Sanitary Sewers	839,655	896,623
Total Operating Expenses	958,045	1,008,230
Operating (Loss)	(173,445)	(226,826)
<b>NON-OPERATING REVENUES:</b>		
Interest Income	28,379	13,345
(Loss) Before Capital Contributions	(145,066)	(213,481)
<b>CAPITAL CONTRIBUTIONS</b>	6,000	4,500
Change in Net Position	(139,066)	(208,981)
<b>NET POSITION - BEGINNING OF YEAR</b>	7,828,434	8,037,415
<b>NET POSITION - END OF YEAR</b>	\$ 7,689,368	\$ 7,828,434

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

**PERKIOMEN TOWNSHIP MUNICIPAL AUTHORITY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers	\$ 776,700	\$ 775,961
Payments to Suppliers	(752,039)	(783,944)
Payments to Employees	(93,150)	(88,771)
Other Receipts	3,870	3,700
	<u>3,870</u>	<u>3,700</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>(64,619)</u>	<u>(93,054)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital Contributed by Developers and Others	<u>6,000</u>	<u>4,500</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	-	(374,667)
Interest Received	28,379	13,345
	<u>28,379</u>	<u>13,345</u>
Net Cash and Cash Equivalents Provided/(Used) by Investing Activities	<u>28,379</u>	<u>(361,322)</u>
 Net Decrease in Cash and Cash Equivalents	(30,240)	(449,876)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>4,849,007</u>	<u>5,298,883</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 4,818,767</b></u>	<u><b>\$ 4,849,007</b></u>
 <b>CASH AND CASH EQUIVALENTS</b>		
Cash	\$ 1,093,675	\$ 1,152,294
Temporary Cash Investments	<u>3,725,092</u>	<u>3,696,713</u>
	<u><b>\$ 4,818,767</b></u>	<u><b>\$ 4,849,007</b></u>

(Continued)

**PERKIOMEN TOWNSHIP MUNICIPAL AUTHORITY**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2017 and 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating (Loss)	\$ (173,445)	\$ (226,826)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	121,005	116,010
(Increase) Decrease in Current Assets:		
Accounts Receivable	(16,030)	(1,923)
Accounts Receivable - Sewer Access	8,000	180
Decrease in Other Assets:		
Recoverable Sewer Capacity Fees	4,000	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(7,908)	22,427
Accrued Wages	51	(471)
Payroll Taxes Payable	4	(36)
Due to Perkiomen Township	(296)	(2,415)
	<b>\$ (64,619)</b>	<b>\$ (93,054)</b>

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

**PERKIOMEN TOWNSHIP MUNICIPAL AUTHORITY**  
**Notes to Financial Statements**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Reporting Entity:**

The Perkiomen Township Municipal Authority is a corporation formed on March 20, 1969, under the Municipality Authority Act of 1945. The Authority has constructed and operates a sewage collection system in the Township, which connects with a sewage treatment plant constructed by Montgomery County. Effective in 2003, the Oaks Wastewater Treatment Plant and Perkiomen Interceptor are owned and operated by the Lower Perkiomen Valley Regional Sewer Authority. The attached financial statements contain the financial activity of the Perkiomen Township Municipal Authority, which includes the operation and maintenance of the sewer collection system.

The Authority is a component unit of Perkiomen Township.

**Basis of Financial Statements:**

The financial statements of the Authority have been prepared in accordance with the Governmental Accounting Standards Board (GASB) standards and pronouncements. The GASB is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies applying to the Authority are described below.

**Basis of Accounting:**

The accompanying Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position have been prepared on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

**Cash and Cash Equivalents:**

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

**Allowance for Doubtful Accounts:**

The Authority has stated accounts receivable at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of credit history with customers, a provision of \$1,000 has been provided for doubtful accounts.

**Fixed Assets:**

Machinery and Equipment purchased by the Authority is recorded at cost and is being depreciated over five to ten years using the straight-line method. The sewer system is recorded at cost and is being depreciated over 50 years using the straight-line method. Depreciation on fixed assets totaled \$121,005 and \$116,010 for the years ended December 31, 2017 and 2016, respectively.

**Use of Estimates:**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may vary from the estimates that were used.

**Net Position:**

The Authority's net position is comprised of two components:

- Invested in Capital Assets, net of related debt
- Unrestricted Net Position

Invested in Capital Assets consists of capitalized fixed assets net of any acquisition debt outstanding at year-end. Unrestricted Net Position represents all other net position not included in other categories.

**2. DEPOSITS AND INVESTMENTS:****Custodial Credit Risk - Deposits:**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk is to have uninsured deposits collateralized, pursuant to Pennsylvania Act 72 of 1971, as amended.

**Deposits:**

At December 31, 2017, the carrying amount of the Authority deposits was \$1,093,675, and the bank balance was \$1,098,852. For the year ending December 31, 2016, the carrying amount was \$1,152,294 and the bank balance was \$1,152,520. The bank balances are covered by federal depository insurance or pooled collateral held by the applicable custodial financial institution under the provisions of Act 72 of 1971. As of December 31, 2017 and 2016 the portion of the balance exposed to custodial credit risk was as follows:

	<u>2017</u>	<u>2016</u>
Uninsured and collateral held by pledging banks' Trust Department, not in the Authority's name	<u>\$ 848,852</u>	<u>\$ 902,520</u>

**Investments:**

At December 31, 2017 and 2016, the carrying amount and bank balances of the Authority investments were \$3,725,092 and \$3,696,713, respectively. The funds are invested with the Pennsylvania Local Government Investment Trust and are categorized as category 3 investments, which are uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the Authority's name.

**Custodial Credit Risk - Investments:**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Authority has no formal investment policy with respect to custodial credit risk. Under the Municipal Authority Act, each year the Authority appoints the financial institutions for which deposit services are provided.

**Interest Rate Risk - Investments:**

The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk - Investments:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. While the Authority has no formal investment policy, its practice is to limit the investment of funds to the safest type of securities and to pre-qualify the financial institutions, broker/dealers and advisors with which it conducts business.

3. **ACCOUNTS RECEIVABLE – SEWER ACCESS:**

The Authority provided sewer access to various properties on Acoma Lane, Godshall Road and Bonnie Lane. The assessment for this access ranges from \$3,477 to \$4,000 per property and is due from the property owners. The outstanding receivables due at December 31, 2017 and 2016 were \$50,432 and \$58,432, respectively.

4. RECOVERABLE SEWER CAPACITY FEES:

During 1995, the Perkiomen Township Municipal Authority entered into an agreement with the Montgomery County Sewer Authority to purchase 37 equivalent dwelling units (EDUs) grandfathered capacity fees at \$2,000 per EDU. The fees were for owners of properties who are required to connect to the system. Twenty-nine of these owners have connected to the system through December 31, 2017, and reimbursed the Township. Recoverable fees for the years ending December 31, 2017 and December 31, 2016 were \$16,000 and \$20,000, respectively.

5. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2017 and 2016 consisted of the following:

	Beginning Balance	Additions	Disposals	Ending Balance
Perkiomen Township Municipal Authority:				
Capital Assets Being Depreciated:				
Sewer System	\$ 5,655,210	\$ -	\$ -	\$ 5,655,210
Equipment	333,145	-	-	333,145
Totals Capital Assets Being Depreciated	5,988,355	-	-	5,988,355
Less: Accumulated Depreciation:				
Sewer System	(2,963,487)	(113,104)	-	(3,076,591)
Equipment	(301,732)	(7,901)	-	(309,633)
Total Accumulated Depreciation	(3,265,219)	(121,005)	-	(3,386,224)
<b>Capital Assets, Net</b>	<b><u>\$ 2,723,136</u></b>	<b><u>\$ (121,005)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,602,131</u></b>

6. DUE TO PERKIOMEN TOWNSHIP:

The Authority has no employees; therefore, it utilizes Perkiomen Township personnel to assist in the management, operation, and accounting of the sewer operations. Salaries and benefits for the use of these personnel are billed to the Authority on a quarterly basis. There were expenses due to the Township for wages as of December 31, 2017 and 2016 of \$22,363 and \$22,659, respectively.

7. SUBSEQUENT EVENT:

The Authority has evaluated subsequent events through May 29, 2018, the date that the financial statements were available to be issued. No events have occurred that would have a material effect on the financial statements of the Authority as of that date.