

# **Spring-Benner-Walker Joint Authority**

Financial Statements

December 31, 2020 and 2019

# Spring-Benner-Walker Joint Authority

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December 31, 2020 and 2019

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## Independent Auditors' Report

To the Board of Directors of  
Spring-Benner-Walker Joint Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Spring-Benner-Walker Joint Authority (the Authority), which comprise the statements of net position as of and for the years ended December 31, 2020 and 2019, and the related statements of revenues, expenses and change in net position and cash flows for the years then ended and the related notes to the 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.

### ***Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the Authority'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 Authority'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 Spring-Benner-Walker Joint Authority as of December 31, 2020 and 2019, and the respective changes in financial 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**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated June 29, 2021 on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

State College, Pennsylvania  
June 29, 2021

## Spring-Benner-Walker Joint Authority

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Management's Discussion and Analysis  
December 31, 2020 and 2019  
(Unaudited)

The Spring Benner Walker Joint Authority (the Authority) is presenting the following management's discussion and analysis to provide a detailed review of the Authority's financial condition and activities for the calendar years ended December 31, 2020 and 2019. The information presented should be reviewed in conjunction with the audit results following this section to gain a more complete understanding of the Authority's financial performance.

### Overview of the Financial Statements

This annual report consists of several parts: the Independent Auditors' Report, the Management Discussion and Analysis, the Financial Statements and accompanying notes and the Auditors' Report on Internal Control and Compliance.

### Required Financial Statements

The three financial statements contained in this annual report detail financial information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information on the activities of the Authority.

The **Statements of Net Position** of the Authority provides a comparative snapshot of the financial condition of the Authority on December 31, 2020 and 2019. This report describes the total assets of the Authority, broken down into those that can be converted to cash easily (Current Assets), and those that cannot or are restricted in any way. These assets are either "owned" by the Authority (Net Position) or "owed" as obligations to Authority creditors (Liabilities).

The Change in Net Position of the Authority over the course of the fiscal year is reflected on the **Statements of Revenues, Expenses and Change in Net Position**. This report provides the revenues and expenses of the Authority over the course of the year. Revenues and expenses are recorded as they occur (accrual method), rather than as they are received or disbursed, providing an accurate picture of the cost to operate the Authority during the time period given and whether or not the Authority is successfully recovering its costs through user fees and other charges. The difference between revenues, contributions and other forms of income and the costs to operate and administer the Authority results in the Change in Net Position, which accumulates on the Statement of Net Position as the difference between total assets and total liabilities.

The **Statements of Cash Flows** simply converts the Authority's financial results from the accrual method to cash. This report indicates the change in cash balances from the previous fiscal year, and explains how that change occurred. The report is broken into sections showing the cash inflows and outflows due to operations, capital and related financing and investing activities.

## Spring-Benner-Walker Joint Authority

Management's Discussion and Analysis  
December 31, 2020 and 2019  
(Unaudited)

### Financial Analysis of Authority

The following comparative condensed financial statements serve as key financial indicators for management, monitoring and planning. Comments follow each statement.

#### Comparative Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>Percentage Change</u>
Current and restricted assets	\$ 5,811,274	\$ 5,420,123	\$ 391,151	7.22 %
Net property, plant and equipment	14,597,572	15,342,693	(745,121)	(4.86)
Deferred outflows of resources	415,398	273,302	142,096	51.99
Total	<u>\$ 20,824,244</u>	<u>\$ 21,036,118</u>	<u>\$ (211,874)</u>	<u>(1.01) %</u>
Current liabilities	\$ 773,247	\$ 893,372	\$ (120,125)	(13.45) %
Long-term liabilities	9,806,141	9,600,061	206,080	2.15
Net position	10,244,856	10,542,685	(297,829)	(2.82)
Total	<u>\$ 20,824,244</u>	<u>\$ 21,036,118</u>	<u>\$ (211,874)</u>	<u>(1.01) %</u>

Total assets were marginally lower on December 31, 2020 over the previous fiscal year-end. Property, plant and equipment decreased by \$745,121, of which is related to the ongoing depreciation of these capital assets. Long-term liabilities increased by \$206,080 overall which is related to refinancing debt, and net position decreased \$297,829.

#### Comparative Statement of Revenues & Expenses to Prior Year

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>Percentage Change</u>
Operating revenues	\$ 3,745,625	\$ 4,193,415	\$ (447,790)	(10.68) %
Operating expenses	3,704,677	4,511,996	(807,319)	(17.89)
Net operating income	40,948	(318,581)	359,529	112.85
Nonoperating income (expense) and capital contributions, net	(338,777)	(312,471)	(26,306)	8.42
Change in net position	<u>\$ (297,829)</u>	<u>\$ (631,052)</u>	<u>\$ 333,223</u>	<u>52.8 %</u>

The effects of the SARS-COV-2 virus and resulting COVID-19 pandemic caused a decrease in new system connections for 2020, subsequently reducing the tapping fee income. In addition, the PA Department of Corrections significantly reduced the prison population at the State Correctional Institute (SCI) at Rockview and SCI Benner. The Authority realized a noticeable reduction in revenue as a result of this action by the Commonwealth. We believe this trend is temporary and will return to pre-pandemic conditions.

Operating expenses for the year ended December 31, 2020 decreased \$807,319 from 2019. During 2019, the Authority recorded expenses for amounts paid to the Borough for the sewer system upgrades. The expenses were one time charges and are not a recurring expense.

## Spring-Benner-Walker Joint Authority

Management's Discussion and Analysis  
December 31, 2020 and 2019  
(Unaudited)

### Capital Assets

The Authority's investment in capital assets as of December 31, 2020 and 2019 is summarized below.

	<u>2020</u>	<u>2019</u>
Land and rights-of-way	\$ 102,118	\$ 102,118
Construction in Progress	59,756	-
Sanitary sewer system	35,156,935	35,156,935
Equipment	607,560	539,211
Office equipment	87,635	76,118
Building and improvements	582,811	582,811
Vehicles	882,195	882,195
Total	37,479,010	37,339,388
Less accumulated depreciation	<u>(22,881,438)</u>	<u>(21,996,695)</u>
Property, plant and equipment, net	<u>\$ 14,597,572</u>	<u>\$ 15,342,693</u>

### Long Term Debt

The Authority's sewer revenue bonds activity for the years ended December 31, 2020 and 2019 is as follows:

	<u>Sewer Revenue Bonds</u>
Bonds payable at January 1, 2019	\$ 9,805,000
Bonds issued	-
Bonds refinanced	-
Bonds payments	<u>(5,000)</u>
Bonds payable at December 31, 2019	9,800,000
Bonds issued	9,970,000
Bonds refinanced	(9,800,000)
Bonds payments	<u>(75,000)</u>
Bonds payable at December 31, 2020	<u>\$ 9,895,000</u>

### Current Economic Outlook

The Spring Benner Walker Joint Authority currently has a strong economic position with satisfactory cash reserves as well as currently having a low-rate structure compared to surrounding communities. The impact of the SARS-COV-2 virus and resulting COVID-19 pandemic effects are ongoing and the Authority's evaluation of this event are still being considered. The Authority does appear to have realized limited financial impacts as a result of this worldwide pandemic. Overall system flows delivered to the Bellefonte Borough Wastewater Treatment Plant have been reduced; however, limited financial changes have been noted.

### Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Spring Benner Walker Joint Authority, 170 Irish Hollow Road, Bellefonte, PA 16823.

## Spring-Benner-Walker Joint Authority

### Statements of Net Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash	\$ 886,339	\$ 882,871
Accounts receivable, trade	774,533	904,398
Supplies inventory	64,574	67,733
Total current assets	<u>1,725,446</u>	<u>1,855,002</u>
<b>Noncurrent Assets</b>		
Restricted cash:		
Debt service	4,062,453	3,557,997
Escrow	23,375	7,124
Capital assets, net of accumulated depreciation	14,597,572	15,342,693
Total noncurrent assets	<u>18,683,400</u>	<u>18,907,814</u>
<b>Deferred Outflows of Resources</b>		
Deferred amount on refunding	415,398	273,302
Total assets and deferred outflows of resources	<u>\$ 20,824,244</u>	<u>\$ 21,036,118</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Current liabilities:		
Current portion of long-term debt	\$ 60,000	\$ 5,000
Accrued interest	73,862	100,146
Accounts payable	463,587	544,958
Customer deposits	61,248	143,635
Payroll and payroll taxes payable	114,550	99,633
Total current liabilities	773,247	893,372
Noncurrent liability:		
Long-term debt, net of unamortized discount	9,806,141	9,600,061
Total liabilities	<u>10,579,388</u>	<u>10,493,433</u>
<b>Net Position</b>		
Net investment in capital assets	5,146,829	6,010,934
Restricted for debt service/escrow	4,085,828	3,565,121
Unrestricted	1,012,199	966,630
Total net position	<u>10,244,856</u>	<u>10,542,685</u>
Total liabilities and net position	<u>\$ 20,824,244</u>	<u>\$ 21,036,118</u>

See notes to financial statements



## Spring-Benner-Walker Joint Authority

Statements of Revenues, Expenses and Change in Net Position  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Sewer system usage charges, net of discounts of \$11,080 in 2020 and \$27,855 in 2019	\$ 1,989,490	\$ 1,937,626
Rockview usage	1,496,429	1,792,267
Other	157,906	233,760
Tapping fees	101,800	229,762
	<u>3,745,625</u>	<u>4,193,415</u>
<b>Operating Expenses</b>		
Sewage treatment	1,463,650	1,431,662
Depreciation	879,172	870,579
Salaries	665,544	661,387
Payroll taxes and benefits	306,363	324,491
Repairs and maintenance	174,393	199,172
Insurance	52,740	46,244
Professional fees	52,369	45,173
Utilities	35,422	37,257
Office	26,442	29,396
Vehicle	20,168	28,060
System plant charges	13,413	819,748
Director fees	9,076	9,574
Other	4,669	7,413
Seminars	1,084	1,668
Advertising	172	172
	<u>3,704,677</u>	<u>4,511,996</u>
Total operating expenses		
	<u>3,704,677</u>	<u>4,511,996</u>
Operating income (loss)	<u>40,948</u>	<u>(318,581)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(395,435)	(379,241)
Interest income	23,229	88,115
Loss on disposal of fixed assets	-	(21,345)
	<u>-</u>	<u>(21,345)</u>
Total nonoperating expenses, net	<u>(372,206)</u>	<u>(312,471)</u>
Change in net position before capital contributions	(331,258)	(631,052)
<b>Capital Contributions</b>	<u>33,429</u>	<u>-</u>
Change in net position	(297,829)	(631,052)
<b>Net Position, Beginning</b>	<u>10,542,685</u>	<u>11,173,737</u>
<b>Net Position, Ending</b>	<u>\$ 10,244,856</u>	<u>\$ 10,542,685</u>

See notes to financial statements

## Spring-Benner-Walker Joint Authority

### Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 3,793,103	\$ 4,471,212
Cash paid to vendors and employees	<u>(2,888,800)</u>	<u>(4,870,523)</u>
Net cash provided by (used in) operating activities	<u>904,303</u>	<u>(399,311)</u>
<b>Cash Flows Provided by Investing Activities</b>		
Interest received	<u>23,229</u>	<u>88,115</u>
<b>Cash Flows Used in Capital and Related Financing Activities</b>		
Interest paid	(227,735)	(300,559)
Acquisition of capital assets	(100,622)	(165,949)
Repayment of long-term debt, net	<u>(75,000)</u>	<u>(5,000)</u>
Net cash used in capital and related financing activities	<u>(403,357)</u>	<u>(471,508)</u>
Increase (decrease) in cash and restricted cash	524,175	(782,704)
<b>Cash and Restricted Cash, Beginning (Including \$3,565,121 Reported in Restricted Accounts in 2020 and \$4,261,098 in 2019)</b>	<u>4,447,992</u>	<u>5,230,696</u>
<b>Cash and Restricted Cash, Ending (Including \$4,085,828 Reported in Restricted Accounts in 2020 and \$3,565,121 in 2019)</b>	<u>\$ 4,972,167</u>	<u>\$ 4,447,992</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating income (loss)	\$ 40,948	\$ (318,581)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	879,172	870,579
Changes in assets and liabilities:		
Accounts receivable, trade	129,865	272,444
Supplies inventory	3,159	(1,628)
Accounts payable	(81,371)	(1,225,856)
Customer deposits	(82,387)	5,353
Payroll and payroll taxes payable	<u>14,917</u>	<u>(1,622)</u>
Net cash provided by (used in) operating activities	<u>\$ 904,303</u>	<u>\$ (399,311)</u>
<b>Supplementary Cash Flow Information</b>		
Noncash capital and related financing activities:		
Capital contributions	<u>\$ 33,429</u>	<u>\$ -</u>
Loss on disposal of fixed assets	<u>\$ -</u>	<u>\$ (21,345)</u>
Issuance of bonds	<u>\$ 9,995,338</u>	<u>\$ -</u>
Refunded bonds	<u>\$ (9,825,488)</u>	<u>\$ -</u>
Issuance costs	<u>\$ 114,450</u>	<u>\$ -</u>
Amortization of bond discount, prepaid insurance and deferred amounts on refunding	<u>\$ 79,534</u>	<u>\$ 74,237</u>

See notes to financial statements

# Spring-Benner-Walker Joint Authority

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Notes to Financial Statements  
December 31, 2020 and 2019

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

Spring-Benner-Walker Joint Authority (the Authority) was organized on January 4, 1977 under the Pennsylvania Municipality Authorities Act of 1945 and is a successor organization to the Spring Township Authority, which operated a sewer system to serve Spring Township. The Authority currently serves residents of Spring, Benner and Walker Townships. Each township appoints members to the Board of Directors with no township appointing a voting majority (i.e., a jointly-governed organization).

### Reporting Entity

The reporting has been defined in accordance with the criteria established in Government Accounting Standards Board (GASB) Statement 14, as amended. The specific criteria used in determining whether other organizations should be included in the Authority's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the Authority's financial statements.

The Authority is a basic level of government that has oversight responsibility and control of a sewer system. The Authority receives funding from customer fees. The Authority is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members have decision making authority, the Authority to establish fees, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

### Basis of Presentation, Fund Accounting

#### Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The following is the Authority's proprietary fund:

#### Enterprise Fund

Enterprise funds are used for activities that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing services to the public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used in situations where the governing body has determined that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The Authority's enterprise fund type consists of its sewage conveyance operations.

# Spring-Benner-Walker Joint Authority

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Notes to Financial Statements

December 31, 2020 and 2019

## Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus being applied.

The proprietary fund type is accounted for on an economic resources management focus, using the accrual basis of accounting. Revenues are recorded when earned, including unbilled sewer services, which are accrued. Expenses are recorded at the time liabilities are incurred.

## Restricted Cash

The Authority has entered into debt covenants requiring that it transfer to the financial institution with which it has bonds outstanding, no later than 60 days of the receipt thereof, all receipts and revenues from the sewer system received by the Authority, to be placed in a restricted cash account. The financial institution, from time to time, shall transfer from the restricted cash account to the Authority's operating account, upon requisition of the Authority. Such amounts shall be necessary to pay or to reimburse the Authority for all reasonable operating expenses.

Escrow cash relates to funds held in a separate bank account while various construction projects are carried out within the jurisdiction of the Authority.

## Accounts Receivable, Trade

Accounts receivable, trade are reported at amounts management expects to collect on balances outstanding at year-end. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

## Prepaid Expenses and Supplies Inventory

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid expenses. Supplies inventory is recorded at cost as acquired and expensed when consumed.

## Capital Assets

Capital assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Donated capital assets are valued at their estimated fair value on the date received.

## Use of Estimates

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

## Operating Revenues and Expenses

Operating revenues of the Authority consist of usage charges and connection/tapping fees and other operating revenues. All expenses, with the exception of interest expense, are recorded as operating expenses. Gains (losses) on the disposal of capital assets are reported as nonoperating revenues (expenses).

# Spring-Benner-Walker Joint Authority

Notes to Financial Statements

December 31, 2020 and 2019

## Recent Accounting Standards

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The adoption of this Statement did not have a material impact on the Authority's financial statements.

The Authority adopted GASB Statement No. 89, *Accounting for Interest Incurred Before the End of a Construction Period*, for the year ended December 31, 2020. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplified the accounting for interest cost incurred before the end of a construction period. This Statement is adopted on prospective basis and did not have a material impact on the Authority's financial statements.

## 2. Custodial Credit Risk, Deposits

### Cash and Cash Equivalents

At December 31, 2020 and 2019, the Authority's total bank deposits were \$4,998,153 and \$4,487,802, respectively. The Authority's cash deposits are held at two local banks and the Pennsylvania Local Government Investment Trust (PLGIT). The operating accounts are held at a local bank and are secured by Federal Deposit Insurance Corporation (FDIC) insurance.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a formal deposit policy for custodial credit risk. At December 31, 2020 and 2019, the Authority's total bank deposits and certificates of deposit were \$4,998,153 and \$4,487,802, respectively. Of this amount at December 31, 2020 and 2019, \$750,000 was insured by the FDIC. \$136 at December 31, 2020 and 2019, respectively, of the total deposits are held in trust by PLGIT in accounts separate and apart from the assets of the financial institution. The PLGIT trust invests in two basic types of Federal Securities: Obligations backed by the full faith and credit of the United States and short term obligations of the U.S. Government and its agencies instrumentalities. The remaining bank deposits of \$4,248,017 and \$3,737,937 at December 31, 2020 and 2019, respectively, were exposed to custodial credit risk, as these deposits were not covered by depository insurance. Rather, these deposits were collateralized with securities held by the pledging institution, but not in the Authority's name.

## 3. Capital Assets

The useful lives of capital assets are as follows:

	<u>Useful Lives</u>
Sanitary sewer system	5-50 years
Equipment	3-15 years
Office equipment	5-12 years
Building and improvements	5-40 years
Vehicles	5-10 years

## Spring-Benner-Walker Joint Authority

Notes to Financial Statements

December 31, 2020 and 2019

Capital assets activity for the years ended December 31, 2020 and 2019 is as follows:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>December 31, 2020</u>
Capital assets not being depreciated:				
Land and rights-of-way	\$ 102,118	\$ -	\$ -	\$ 102,118
Construction in progress	-	59,756	-	59,756
Total capital assets not being depreciated	<u>102,118</u>	<u>59,756</u>	<u>-</u>	<u>161,874</u>
Capital assets being depreciated:				
Sanitary sewer system	35,156,935	-	-	35,156,935
Equipment	539,211	29,349	39,000	607,560
Office equipment	76,118	11,517	-	87,635
Building and improvements	582,811	-	-	582,811
Vehicles	882,195	-	-	882,195
Total capital assets	<u>37,237,270</u>	<u>40,866</u>	<u>39,000</u>	<u>37,317,136</u>
Accumulated depreciation for:				
Sanitary sewer system	(20,563,039)	(749,454)	-	(21,312,493)
Equipment	(448,072)	(41,090)	(5,571)	(494,733)
Office equipment	(76,512)	(6,965)	-	(83,477)
Building and improvements	(327,196)	(12,623)	-	(339,819)
Vehicles	(581,876)	(69,040)	-	(650,916)
Total accumulated depreciation	<u>(21,996,695)</u>	<u>(879,172)</u>	<u>(5,571)</u>	<u>(22,881,438)</u>
Capital assets being depreciated, net	<u>15,240,575</u>	<u>(838,306)</u>	<u>33,429</u>	<u>14,435,698</u>
Capital assets, net	<u>\$ 15,342,693</u>	<u>\$ (778,550)</u>	<u>\$ 33,429</u>	<u>\$ 14,597,572</u>

## Spring-Benner-Walker Joint Authority

Notes to Financial Statements  
December 31, 2020 and 2019

	January 1, 2019	Additions	Disposals	December 31, 2019
Capital assets not being depreciated:				
Land and rights-of-way	\$ 102,118	\$ -	\$ -	\$ 102,118
Total capital assets not being depreciated	102,118	-	-	102,118
Capital assets being depreciated:				
Sanitary sewer system	35,045,820	151,867	(40,752)	35,156,935
Equipment	539,211	-	-	539,211
Office equipment	76,118	-	-	76,118
Building and improvements	568,729	14,082	-	582,811
Vehicles	882,195	-	-	882,195
Total capital assets	37,112,073	165,949	(40,752)	37,237,270
Accumulated depreciation for:				
Sanitary sewer system	(19,813,586)	(749,453)	-	(20,563,039)
Equipment	(429,930)	(37,549)	19,407	(448,072)
Office equipment	(75,263)	(1,249)	-	(76,512)
Building and improvements	(314,202)	(12,994)	-	(327,196)
Vehicles	(512,542)	(69,334)	-	(581,876)
Total accumulated depreciation	(21,145,523)	(870,579)	19,407	(21,996,695)
Capital assets being depreciated, net	15,966,550	(704,630)	(21,345)	15,240,575
Capital assets, net	\$ 16,068,668	\$ (704,630)	\$ (21,345)	\$ 15,342,693

## Spring-Benner-Walker Joint Authority

Notes to Financial Statements

December 31, 2020 and 2019

### 4. Long-Term Debt

Long-term debt consists of the following at December 31, 2020 and 2019:

	<b>Sewer Revenue Bonds</b>
Balance at January 1, 2019	\$ 9,805,000
Additions	-
Reductions	(5,000)
Balance at December 31, 2019	9,800,000
Additions	9,970,000
Reductions	(9,875,000)
Balance at December 31, 2020	\$ 9,895,000
Due within one year	\$ 60,000

In 2012, the Authority issued \$9,835,000 in Sewer Revenue Bonds (the 2012 Bonds). Beginning in 2013, the 2012 Bonds were due in varying annual installments through 2038, with varying interest rates from 1.375 percent to 3.300 percent. The proceeds of the 2012 Bonds were used by the Authority to refund \$9,045,000 of the Authority's 2008 Bonds and to pay the costs of issuing and insuring the 2012 Bonds. The 2012 Bonds are secured by a pledge and assignment by the Authority of its receipts and revenues. Outstanding 2012 Bonds payable at December 31, 2019 under the 2012 Series was \$9,800,000. The 2012 bonds were currently refunded in 2020 with the issuance of the Sewer Revenue Bonds, Series of 2020.

In 2020, the Authority issued \$9,970,000 in Sewer Revenue Bonds (the 2020 Bonds). Beginning in 2020, the 2020 Bonds are due in varying annual installments through 2038, with varying interest rates from 2.0 percent to 4.0 percent. The proceeds of the 2020 Bonds were used by the Authority to refund \$9,800,000 of the Authority's 2012 Bonds and to pay the costs of issuing and insuring the 2020 Bonds. The 2020 Bonds are secured by a pledge and assignment by the Authority of its receipts and revenues. Outstanding 2020 Bonds payable at December 31, 2020 was \$9,895,000. The current portion due in 2021 related to the bond issue is \$60,000.

The difference between the reacquisition price of the 2012 Bonds and the net carrying amount of the 2012 Bonds, and the net economic gain on the transaction, was not material.

The Authority obtained an independent compliance evaluation of the arbitrage rules and regulations established by the Internal Revenue Service. The Authority has no liability pertaining to arbitrage rebates at December 31, 2020 and 2019.

Under the terms of the 2020 and 2012 Bond contracts, the Authority is required to maintain certain covenants. The Authority was in compliance with the covenant to issue financial statements within 180 days of the year ended December 31, 2020 and 2019 and obtained a waiver from the trustee.



## Spring-Benner-Walker Joint Authority

Notes to Financial Statements

December 31, 2020 and 2019

Annual debt service requirements with respect to this bond is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending December 31:			
2021	\$ 60,000	\$ 221,586	\$ 281,586
2022	50,000	220,386	270,386
2023	50,000	219,386	269,386
2024	440,000	218,386	658,386
2025	580,000	200,786	780,786
2026-2030	3,075,000	825,330	3,900,330
2031-2035	3,410,000	495,226	3,905,226
2036-2038	2,230,000	105,724	2,335,724
Subtotal	9,895,000	2,506,810	12,401,810
Unamortized discount	(28,859)	-	(28,859)
Total	<u>\$ 9,866,141</u>	<u>\$ 2,506,810</u>	<u>\$ 12,372,951</u>

### 5. Commitments

The Authority uses the processing plant of Bellefonte Borough (the Borough). Under this arrangement, the Authority is required to make annual payments to the Borough of 42 percent of capital improvements on its processing plant. Such payments amounted to \$13,413 and \$819,747 for 2020 and 2019, respectively.

### 6. Pension Plan

The Authority participates in the Spring-Benner-Walker Joint Authority Retirement Plan (the Plan), which provides retirement benefits to employees through a defined contribution plan, The ICMA Retirement Corporation Governmental Money Purchase Plan and Trust. All full-time employees hired prior to January 1, 2001 are 100 percent vested in the Plan. All employees hired after that date will become 100 percent vested after five years of continuous service. The Authority contributes 8 percent of the employee's gross earnings into the 401(a) Plan without regard to the employee's contributions for all employees hired prior to January 1, 2001. For employees hired after that date, the annual contribution will be 8 percent of the employee's gross earnings and employees are required to contribute 8 percent. Employees who retire at or after age 60 are entitled to an annual retirement allowance. Employer contributions were \$51,309 and employee contributions were \$51,309 for 2020. Employer contributions were \$48,986 and employee contributions were \$48,986 for 2019.

### 7. System Plant Charges

These expenses in 2019 represent amounts the Authority paid to the Borough for the sewer system upgrades. The expenses are one time charges and are not a recurring expense.

## Spring-Benner-Walker Joint Authority

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Notes to Financial Statements

December 31, 2020 and 2019

### 8. Effects of New Accounting Standards

GASB has approved the following:

- Statement No. 87, *Leases*
- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The statements listed above through Statement No. 93 had their requested effective dates postponed by one year with the issuance of Statement No 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

Authority management is in the process of analyzing these pending changes in accounting principles and the impact they may have on the reporting process.

**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***

To the Board of Directors of  
Spring-Benner-Walker Joint Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Spring-Benner-Walker Joint Authority (the Authority), which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 statements amounts. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

State College, Pennsylvania  
June 29, 2021