

**DOYLESTOWN TOWNSHIP
MUNICIPAL AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Doylestown Township Municipal Authority
Doylestown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Doylestown Township Municipal Authority, a component unit of Doylestown Township, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Doylestown Township Municipal 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Doylestown Township Municipal Authority of Doylestown Township, Pennsylvania as of December 31, 2019 and 2018, and the changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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To the Board of Directors
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Emphasis of Matter

As discussed in Note 7, subsequent events may lead to the Authority to have a significant decrease in revenues. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Doylestown Township Municipal Authority. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Jamison, Pennsylvania
June 5, 2020

ZELENKOFKSKE AXELROD LLC

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

This narrative overview and analysis of the financial activities of the Doylestown Township Municipal Authority, Bucks County Pennsylvania (the Authority) for the fiscal year ended December 31, 2019 has been prepared by the Authority's management. This information should be read in conjunction with the audited financial statements that follow this section.

The Authority was established by the Doylestown Township ("the Township") Board of Supervisors. The Authority's board members are appointed by the Township and operations are conducted by Township employees. Because of these factors, the Authority is considered to be a component unit of the Township.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$17,374,795 for 2019 and \$17,074,581 for 2018 (net position). Of this amount \$2,556,470 and \$2,842,940 for 2019 and 2018, respectively (unrestricted net position) may be used to meet the Authority's ongoing obligations to creditors.
- \$10,151,056 and \$10,397,224 for 2019 and 2018, respectively of net position is invested in capital assets, net of related debt and \$4,667,269 and \$3,834,417 is restricted for capital improvements, for 2019 and 2018, respectively.
- The Authority's total net position increased by \$300,214 and \$1,103,477 in 2019 and 2018, respectively.
- Operating revenue decreased \$9,761 during the year 2019, and increased \$36,391 during the year 2018. Operating expenses decreased by \$1,435 during 2019, and increased by \$93,302 during 2018.
- During 2019, the Authority received contributions from private as well as governmental entities totaling \$38,331 in relation to a capital expansion project undertaken.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to basic financial statements of the Doylestown Township Municipal Authority. The financial statements are comprised of three components:

- Financial statements
- Notes to the financial statements
- Other supplementary information

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund. The Authority is a special purpose government that engages in only a business-type activity. The Authority uses an enterprise fund to account for its water operations.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

The Authority's proprietary fund financial statements include:

The Statement of Net Position presents 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 Statement of Revenues, Expenses, and Changes in Net Position presents the results of the Authority's operations over the course of the fiscal year and information as to how the net position changed during the year. This statement can be used as an indicator of the extent to which the Authority has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, capital, noncapital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration to the timing of the event giving rise to the obligation or receipt and excludes noncash accounting measures of depreciation or amortization of assets.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Supplementary Information. The supplementary schedules provide additional analysis and are presented immediately following the notes to the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by \$17,374,795 and \$17,074,581 for 2019 and 2018, respectively at the close of each year.

By far the largest portion of the Authority's net position (58% and 61% for 2019 and 2018, respectively) reflects its net investment in capital assets (e.g., land, buildings, plant systems and equipment, and vehicles). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------|----------------------|----------------------|----------------------|
| Current & Restricted Assets | \$ 7,606,183 | \$ 6,988,660 | \$ 6,964,566 |
| Capital Assets | 10,151,056 | 10,397,224 | 9,318,926 |
| Total Assets | <u>\$ 17,757,239</u> | <u>\$ 17,385,884</u> | <u>\$ 16,283,492</u> |
| Current Liabilities | 382,444 | 311,303 | 312,388 |
| Total Liabilities | <u>\$ 382,444</u> | <u>\$ 311,303</u> | <u>\$ 312,388</u> |
| Net Position: | | | |
| Invested in Capital Assets | \$ 10,151,056 | \$ 10,397,224 | \$ 9,318,926 |
| Restricted | 4,667,269 | 3,834,417 | 4,313,792 |
| Unrestricted | 2,556,470 | 2,842,940 | 2,338,386 |
| Total Net Position | <u>\$ 17,374,795</u> | <u>\$ 17,074,581</u> | <u>\$ 15,971,104</u> |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

An additional portion of the Authority's net position represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net position (\$2,556,470 and \$2,842,940, for 2019 and 2018, respectively) may be used to meet the Authority's ongoing capital projects.

At the end of the current fiscal year, the Authority is able to report a positive balance in the category of net position for the government as a whole. The same situation held true for the prior fiscal year.

Change in Net Position: The Authority's net position increased by \$300,214 in 2019 and increased by \$1,103,477 in 2018. Key elements of these increases are:

| Revenues | 2019 | 2018 | 2017 |
|---|---------------|---------------|---------------|
| Program Revenues | | | |
| Charges for Services | \$ 2,224,114 | \$ 2,330,066 | \$ 2,198,134 |
| Investment Earnings | 95,376 | 62,278 | 38,472 |
| Gain (Loss) on Sale of Capital Assets | - | (80,658) | 480 |
| Other | 230,413 | 1,042,915 | 191,432 |
| Total Revenues | 2,549,903 | 3,354,601 | 2,428,518 |
| | | | |
| Expenses | | | |
| Depreciation and Amortization of Capital Assets | 612,277 | 627,237 | 647,506 |
| General and Administrative | 446,875 | 467,841 | 392,569 |
| Water Treatment and Distribution | 333,194 | 320,359 | 390,774 |
| Facilities Management | 857,343 | 835,687 | 913,577 |
| Interest Expense | - | - | 2,114 |
| Total Expenses | 2,249,689 | 2,251,124 | 2,346,540 |
| | | | |
| Change in Net Position | 300,214 | 1,103,477 | 81,978 |
| Net Position, Beginning | 17,074,581 | 15,971,104 | 15,889,126 |
| | | | |
| Ending Net Position | \$ 17,374,795 | \$ 17,074,581 | \$ 15,971,104 |

During 2018, the Authority received a grant in the amount of \$700,400 as well as additional funds contributed by a neighboring municipality. The funding was utilized towards a capital expansion project.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

Capital Asset and Debt Administration

Capital Assets: The Authority's capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. The Authority's investment in capital assets net of accumulated depreciation as of December 31, 2019 is \$10,151,056 and \$10,397,224 for 2018. This amount includes land, land improvements, buildings, plant, systems and equipment, infrastructure, and vehicles. Capital asset additions during the year consisted mainly of construction related to infrastructure.

| | 2019 | 2018 | 2017 |
|------------------------------|---------------|---------------|--------------|
| Land | \$ 144,586 | \$ 144,586 | \$ 144,586 |
| Construction in Progress | - | 1,129,344 | 127,499 |
| Land Improvements | 9,130 | 9,794 | 10,458 |
| Buildings | 639,804 | 677,081 | 720,661 |
| Plant, Systems and Equipment | 396,664 | 362,480 | 419,476 |
| Infrastructure | 8,960,872 | 8,073,939 | 7,896,246 |
| | \$ 10,151,056 | \$ 10,397,224 | \$ 9,318,926 |

Additional information on the Authority's capital assets can be found in the footnotes.

Economic Factors and the 2020 Budgets

Economic conditions for the Authority are expected to remain stable. The Authority's water rates remained constant in 2019. The Furlong Water System Project was completed in 2019.

At the end of 2019, the Authority had 2,721 water customers, which represents 46% of the occupied building units in the Township.

The 2020 budget provides the necessary resources for the Authority to achieve its goals and priorities. It maintains accustomed service levels and represents an accurate estimate in dollar terms of the Authority's commitment to deliver quality services to their customers. The authority plans to spend \$4.375 million for Capital Improvements of that, \$2.5 million for water main extensions, and \$750,000 for improvements to water booster stations.

Request for information

The financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Doylestown Township Municipal Authority, 425 Wells Road, Doylestown, PA 18901.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|----------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 2,404,228 | \$ 2,612,871 |
| Accounts Receivable | 504,672 | 511,352 |
| Notes Receivable | 8,000 | 8,000 |
| Prepaid Expenses | 22,014 | 22,020 |
| Total Current Assets | 2,938,914 | 3,154,243 |
| Restricted Assets | | |
| Cash | 1,995,269 | 3,834,417 |
| Investments | 2,672,000 | - |
| Total Restricted Assets | 4,667,269 | 3,834,417 |
| Noncurrent Assets | | |
| Capital Assets | | |
| Land | 144,586 | 144,586 |
| Land Improvements | 28,012 | 28,012 |
| Buildings | 1,866,096 | 1,866,096 |
| Plant, Systems and Equipment | 1,783,709 | 1,686,269 |
| Vehicles | 456,373 | 456,373 |
| Construction in Progress | - | 1,129,344 |
| Infrastructure | 19,740,346 | 18,342,333 |
| Accumulated Depreciation | (13,868,066) | (13,255,789) |
| Total Noncurrent Assets | 10,151,056 | 10,397,224 |
| TOTAL ASSETS | 17,757,239 | 17,385,884 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 90,019 | 51,862 |
| Developers' Escrows | 292,425 | 259,441 |
| Total Current Liabilities | 382,444 | 311,303 |
| TOTAL LIABILITIES | 382,444 | 311,303 |
| NET POSITION | | |
| Net Investment in Capital Assets | 10,151,056 | 10,397,224 |
| Restricted for | | |
| Capital Improvements | 4,667,269 | 3,834,417 |
| Unrestricted | 2,556,470 | 2,842,940 |
| TOTAL NET POSITION | \$ 17,374,795 | \$ 17,074,581 |

See accompanying notes to the financial statements.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Operating Revenue | | |
| Private Fire Protection | \$ 33,628 | \$ 31,111 |
| Water Meter Sales | 2,190,486 | 2,298,955 |
| Other Revenue | <u>192,082</u> | <u>95,891</u> |
| Total Operating Revenue | <u>2,416,196</u> | <u>2,425,957</u> |
| Operating Expenses | | |
| Depreciation and Amortization on Capital Assets | 612,277 | 627,237 |
| General and Administrative | 446,875 | 467,841 |
| Water Treatment and Distribution | 333,194 | 320,359 |
| Facilities Management | <u>857,343</u> | <u>835,687</u> |
| Total Operating Expenses | <u>2,249,689</u> | <u>2,251,124</u> |
| Net Operating Income | <u>166,507</u> | <u>174,833</u> |
| Nonoperating Revenue (Expenses) | | |
| Investment Income | 95,376 | 62,278 |
| Gain/(Loss) on Disposal of Capital Assets | - | (80,658) |
| Grant Revenue | - | 700,400 |
| Private and Government Contributions | <u>38,331</u> | <u>246,624</u> |
| Total Nonoperating Revenue (Expenses) | <u>133,707</u> | <u>928,644</u> |
| Change in Net Position | 300,214 | 1,103,477 |
| Total Net Position, Beginning | <u>17,074,581</u> | <u>15,971,104</u> |
| Total Net Position, Ending | <u>\$ 17,374,795</u> | <u>\$ 17,074,581</u> |

See accompanying notes to the financial statements

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers and Users | \$ 2,422,882 | \$ 2,479,272 |
| Cash Payments to Suppliers for Good and Services | (921,603) | (989,123) |
| Cash Payments Paid to Affiliate Government for Employee Services | <u>(644,668)</u> | <u>(661,381)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>856,611</u> | <u>828,768</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal Payments on Note Payable | - | - |
| Interest Payments on Note Payable | - | - |
| Grant Revenue Received | - | 700,400 |
| Private and Government Contributions | 38,331 | 246,624 |
| Sale of Capital Assets | - | 9,600 |
| Acquisition of Capital Assets | <u>(366,109)</u> | <u>(1,795,793)</u> |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(327,778)</u> | <u>(839,169)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Investments | (2,672,000) | - |
| Interest Earnings | <u>95,376</u> | <u>62,278</u> |
| NET CASH USED IN INVESTING ACITIVITES | <u>(2,576,624)</u> | <u>62,278</u> |
| NET INCREASE (DECREASE) IN CASH | (2,047,791) | 51,877 |
| CASH AT BEGINNING OF YEAR | <u>6,447,288</u> | <u>6,395,411</u> |
| CASH AT END OF YEAR | <u>\$ 4,399,497</u> | <u>\$ 6,447,288</u> |
| RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Net Operating Income | \$ 166,507 | \$ 174,833 |
| Adjustments to reconcile Operating Income to Net Cash | | |
| Used by Operating Activities | | |
| Depreciation and Amortization | 612,277 | 627,237 |
| (Increase) Decrease in Assets | | |
| Accounts Receivable | 6,680 | 27,783 |
| Prepaid Expenses | 6 | - |
| Increase (Decrease) in Liabilities | | |
| Accounts Payable | 38,157 | (26,617) |
| Developers' Escrows | <u>32,984</u> | <u>25,532</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 856,611</u> | <u>\$ 828,768</u> |

See accompanying notes to the financial statements.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Doylestown Township Municipal Authority (the Authority) was incorporated in 1978 under the Commonwealth of Pennsylvania's Municipal Authorities Act of 1945. The Authority owned and operated sewage treatment and water facilities throughout Doylestown Township through 1992 and water facilities only from 1993. In 1992, the Authority sold the sewer operations to Bucks County Water and Sewer Authority.

The Authority was established by the Doylestown Township Board of Supervisors. The Authority's board members are appointed by the Township and operations are conducted by Township employees. Because of these factors, the Authority is considered to be a component unit of the Township. These component unit financial statements solely reflect the activity of the Authority and do not include the results of operations of Doylestown Township.

Basis of Accounting

The Authority is a special purpose government that engages in only a business-type activity. The Authority uses an enterprise fund to account for its water operations.

Proprietary funds are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for sales and services. Operating expenses include costs of services as well as, administrative expenses and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The Authority considers all certificates of deposit, including those classified as restricted assets, with a maturity of three months or less to be cash equivalents.

Net Position

Net position is divided into three components:

Net investment in capital assets — consist of the historical costs of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position — consist of assets that are restricted by the Authority's creditors, by the state enabling legislation, by grantors, and by other contributors.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted — all other net position is reported in this category.

Accounts Receivable

The Authority's management expects that all accounts receivable are collectible, therefore, no allowance for doubtful accounts has been established.

Capital Assets

Capital assets which include, property, plant and equipment is stated at historical cost or estimated historical cost if actual historical cost is not known. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated property, plant and equipment are accounted for at their estimated fair value on the date received. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

| | |
|----------------------------|-------------|
| Water System and buildings | 30-50 years |
| Equipment | 5-10 years |
| Vehicles | 8 years |

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Under Section 7.1 of the Municipal Authorities Act, as amended, the Authority is permitted to invest funds in the following types of investments:

1. U.S. Treasury bills
2. Short term obligations of the U.S. Government and federal agencies.
3. Savings, checking accounts, and certificates of deposit in banks, savings and loan associations, and credit unions where such funds are insured by the FSLIC, FDIC, and National Credit Union Share Insurance Fund.
4. General Obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.

The deposit and investment policy of the Authority adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Under Act No. 72 enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance Corporation (FDIC) limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority manages its custodial credit risk by requiring financial institutions to secure any deposits over the \$250,000 FDIC limit with the bank's assets in accordance with Act 72. As of December 31, 2019, \$3,971,434 of the Authority's bank balance of \$4,470,194 and as of December 31, 2018, \$4,260,660 of the Authority's bank balance of \$4,760,660 were exposed to custodial credit risk as the funds were collateralized by collateral held by the pledging financial institution's trust department not in the Authority's name.

The Authority's cash equivalents of \$30,198 were not subject to custodial credit risk as they were invested with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT issues separately audited financial statements that are available to the public. The fair value of the Authority's position in the external investment pool is equivalent to the value of the pool shares. PLGIT does not place any limitations or restrictions on withdrawals from the program. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools.

Credit Risk. The Authority does not have a policy limiting credit risk. As of December 31, 2019, the Authority's investments in PLGIT were rated AAAM by Standard & Poor's.

The Authority's investments are certificate of deposits with maturities in excess of 90 days. The certificate of deposits are held in eleven different financial institutions and the balances are entirely covered by the FDIC.

NOTE 3: NOTES RECEIVABLE

The Authority issued notes receivable to Township residents to pay for sewer connection fees. These notes totaling \$71,500 were to be repaid in aggregate annual installments with the balance due in November 1997. The Authority expects to collect the remaining balance.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

NOTE 4: CAPITAL ASSETS

| | Balance 1/1/2019 | Increases | Decreases | Balance 12/31/2019 |
|--|----------------------|---------------------|-----------------------|-----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 144,586 | \$ - | \$ - | \$ 144,586 |
| Construction in Progress | 1,129,344 | - | (1,129,344) | - |
| Total Capital Assets Not Being Depreciated | <u>1,273,930</u> | <u>-</u> | <u>(1,129,344)</u> | <u>144,586</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 28,012 | - | - | 28,012 |
| Buildings | 1,866,096 | - | - | 1,866,096 |
| Plant, Systems and Equipment | 1,686,269 | 97,440 | - | 1,783,709 |
| Infrastructure | 18,342,333 | 1,398,013 | - | 19,740,346 |
| Vehicles | 456,373 | - | - | 456,373 |
| Total Capital Assets Being Depreciated at Historical Cost | 22,379,083 | 1,495,453 | - | 23,874,536 |
| Less Accumulated Depreciation | <u>(13,255,789)</u> | <u>(612,277)</u> | <u>-</u> | <u>(13,868,066)</u> |
| Total Capital Assets Being Depreciated, Net | <u>9,123,294</u> | <u>883,176</u> | <u>-</u> | <u>10,006,470</u> |
| Capital Assets, Net | <u>\$ 10,397,224</u> | <u>\$ 883,176</u> | <u>\$ (1,129,344)</u> | <u>\$ 10,151,056</u> |
| | | | | |
| | Balance 1/1/2018 | Increases | Decreases | Balance 12/31/2018 |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 144,586 | \$ - | \$ - | \$ 144,586 |
| Construction in Progress | 127,499 | 1,113,390 | (111,545) | 1,129,344 |
| Total Capital Assets Not Being Depreciated | <u>272,085</u> | <u>1,113,390</u> | <u>(111,545)</u> | <u>1,273,930</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 28,012 | - | - | 28,012 |
| Buildings | 1,866,096 | - | - | 1,866,096 |
| Plant, Systems and Equipment | 1,686,269 | - | - | 1,686,269 |
| Infrastructure | 17,650,344 | 691,989 | - | 18,342,333 |
| Vehicles | 472,260 | 11,701 | (27,588) | 456,373 |
| Total Capital Assets Being Depreciated at Historical Cost | 21,702,981 | 703,690 | (27,588) | 22,379,083 |
| Less Accumulated Depreciation | <u>(12,656,140)</u> | <u>(627,237)</u> | <u>27,588</u> | <u>(13,255,789)</u> |
| Total Capital Assets Being Depreciated, Net | <u>9,046,841</u> | <u>76,453</u> | <u>-</u> | <u>9,123,294</u> |
| Capital Assets, Net | <u>\$ 9,318,926</u> | <u>\$ 1,189,843</u> | <u>\$ (111,545)</u> | <u>\$ 10,397,224</u> |

NOTE 5: RESTRICTED NET POSITION

Net Position has been restricted by the Authority to be used for the following:

| | 2019 | 2018 |
|--------------------------|--------------|--------------|
| Capital Improvement Fund | \$ 4,667,269 | \$ 3,834,417 |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

NOTE 6: MAJOR CUSTOMERS

During 2019 and 2018 respectively, the Authority generated \$2,190,486 and \$2,298,955 in water revenues. Of this amount, \$244,084 and \$279,235, for 2019 and 2018, respectively, represents amounts billed to Doylestown Hospital; and \$229,444 and \$227,022 represents the amount billed to Plumstead Township for 2019 and 2018, respectively. These are the Authority's major customers that exceeded 10% of the total water revenues.

NOTE 7: SUBSEQUENT EVENTS

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the Authority's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the Authority's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the Authority having to curtail or eliminate some services.

Subsequent events for Doylestown Township Municipal Authority as of and for the year ended December 31, 2019, were evaluated through June 5, 2020, and no additional material subsequent events exist that require disclosure.

SUPPLEMENTARY INFORMATION

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| General and Administrative Expenses | | |
| Accounting and Legal | \$ 13,559 | \$ 11,019 |
| Advertising | 129 | 110 |
| Annual Fee | 10,500 | - |
| Dues and Subscriptions | 7,824 | 6,423 |
| Engineering | - | - |
| Insurance | 35,380 | 35,384 |
| Fringes | 317,560 | 350,723 |
| Office Supplies | 2,963 | 2,681 |
| Other Services | 7,587 | 6,093 |
| Permits | 50 | 315 |
| Postage | 4,025 | 4,161 |
| Printing | 1,122 | 1,180 |
| Rent | 39,926 | 38,915 |
| Reporting | 2,398 | 2,352 |
| Travel | 1,199 | 1,922 |
| Office Equipment | <u>2,653</u> | <u>6,563</u> |
| Total General and Administrative Expenses | <u>\$ 446,875</u> | <u>\$ 467,841</u> |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
 SCHEDULES OF WATER TREATMENT AND DISTRIBUTION
 FOR THE YEARS ENDED DECEMBER 31,

| | 2019 | 2018 |
|--|------------|------------|
| Water Treatment and Distribution | | |
| Chemicals | \$ 55,041 | \$ 46,352 |
| Laboratory Expenses | 4,024 | 4,813 |
| Maintenance and Repairs | 216,655 | 153,836 |
| Operating Supplies | 8,139 | 3,878 |
| Water Purchases | 49,335 | 111,480 |
| Total Water Treatment and Distribution | \$ 333,194 | \$ 320,359 |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
 SCHEDULES OF FACILITIES MANAGEMENT
 FOR THE YEARS ENDED DECEMBER 31,

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|-----------------------|-----------------------|
| Facilities Management | | |
| Operations Contract | \$ 40,562 | \$ 26,040 |
| Engineering | 21,679 | 39,282 |
| Labor | 644,668 | 615,048 |
| Phone, Alarms and Software | 38,570 | 43,737 |
| Uniforms | 2,702 | 4,820 |
| Equipment Rental | 11 | 1,875 |
| Utilities | <u>109,151</u> | <u>104,885</u> |
| Total Facilities Management | <u>\$ 857,343</u> | <u>\$ 835,687</u> |