



**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
BERWYN, PENNSYLVANIA**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
BERWYN, PENNSYLVANIA
(A Component Unit of Tredyffrin Township)

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INDEPENDENT AUDITOR'S REPORT

July 16, 2018

To the Board of Supervisors
Tredyffrin Township Municipal Authority
Berwyn, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tredyffrin Township Municipal Authority ("the Authority"), a component unit of Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 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 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 opinions.

To the Board of Supervisors
Tredyffrin Township Municipal Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Tredyffrin Township Municipal Authority as of December 31, 2017, and the respective changes in financial position and budgetary comparison for the Transportation District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's December 31, 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated June 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 - 8 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2018, 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 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 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.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2017**

The following discussion and analysis of the Tredyffrin Township Municipal Authority ("the Authority") provides an overview of the Authority's activities for the year ended December 31, 2017. Please read it in conjunction with the Authority's financial statements and footnotes which begin on page 9.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and includes notes that explain some of the information in the financial statements in more detail.

Reporting the Authority as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the Authority as a whole begins on pages 9 and 10 with the Statement of Net Position and the Statement of Activities.

These two statements report the Authority's net position, and changes in them, during the year. The Authority's net position – the difference between assets and liabilities – are one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Authority is divided into two kinds of activities:

- **Governmental Activities** – Records activities related to the financing of major highway improvement projects.
- **Business-type Activities** – Records activities related to the financing of major sanitary sewer improvement projects.

Reporting the Authority's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the funds. All of the Authority's funds are required by either state law or bond covenants and included as part of this audit. The Authority currently has two types of funds – governmental and proprietary – and each use different accounting approaches.

Governmental Funds – These funds record the activity associated with the financing of highway projects. Governmental funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Authority's general

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliations in the financial statements.

Proprietary Funds – These funds record the activity associated with the financing of sewer projects. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Authority's enterprise funds are the same as the business-type activities reported in the entity-wide statements but provide more detailed and additional information, such as cash flows for proprietary funds.

FINANCIAL ANALYSIS OF THE AUTHORITY

The following Statement of Net Position in Table 1 presents financial information comparing 2017 and 2016. At the close of 2017, the Authority's assets exceeded liabilities by \$297,456. This positive net position is due to the reduction in debt service as a result of the note maturing in 2018. The value reflects the structure of the Authority as a financing entity for the Township for certain capital project activity. Due to the Authority's structure and relationship with the Township, the capital highway infrastructure assets associated with the self-liquidating debt of the Authority are shown on the Township's financial statements and not incorporated into these reports.

**TABLE 1: TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY'S NET POSITION
December 31, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 722,125	\$ -	\$ 722,125	\$ 592,148	\$ -	\$ 592,148
Total Assets	<u>722,125</u>	<u>-</u>	<u>722,125</u>	<u>592,148</u>	<u>-</u>	<u>592,148</u>
Current liabilities	424,669	-	424,669	379,301	-	379,301
Long-term liabilities	-	-	-	352,169	-	352,169
Total Liabilities	<u>424,669</u>	<u>-</u>	<u>424,669</u>	<u>731,470</u>	<u>-</u>	<u>731,470</u>
Unrestricted (Deficit)	297,456	-	297,456	(139,322)	-	(139,322)
Total Net Position (Deficit)	<u>\$ 297,456</u>	<u>\$ -</u>	<u>\$ 297,456</u>	<u>\$ (139,322)</u>	<u>\$ -</u>	<u>\$ (139,322)</u>

Table 2 below summarizes the change in net position. For governmental activities (that is, the highway financing), net position increased by \$436,778 during 2017, compared to an increase of \$432,206 in 2016. As shown in Table 2, the 2017 net position increase is the result of revenues from the highway

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

special assessments exceeding operating expenses and bond debt service. The overall financial condition of the governmental activities of the Authority remains sound given that the collection rate of the highway assessment remains above 95 percent and the outstanding debt is guaranteed by the Township.

For business-type activities (that is, the sewer financing), there is no activity in 2017. The 2016 net position decrease is the result of the transfer of approximately \$5 to close out the activity since no long-term debt remains.

The total net position of the Authority increased by \$436,778 in 2017 as compared to an increase of \$432,201 in 2016.

**TABLE 2: TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY'S CHANGES IN NET POSITION
Years Ended December 31, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES:						
Highway special assessment	\$ 485,103	\$ -	\$ 485,103	\$ 487,784	\$ -	\$ 487,784
TOTAL REVENUES	485,103	-	485,103	487,784	-	487,784
EXPENSES:						
Operating expenses	36,500	-	36,500	36,000	-	36,000
Interest on bonds	11,825	-	11,825	19,583	-	19,583
Transfers	-	-	-	(5)	5	-
TOTAL EXPENSES	48,325	-	48,325	55,578	5	55,583
Change in Net Position	436,778	-	436,778	432,206	(5)	432,201
Net Position (Deficit), Beginning	(139,322)	-	(139,322)	(571,528)	5	(571,523)
Net Position, Ending	\$ 297,456	\$ -	\$ 297,456	\$ (139,322)	\$ -	\$ (139,322)

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources for activity associated with the financing of highway projects. Such information is useful in assessing the Authority's financial condition.

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

Transportation District Fund – The Transportation District Fund is the main operating fund of the Authority. As of December 31, 2017, the total fund balance of the Transportation District Fund was \$649,625 (compared to \$556,148 for the prior year). The major revenue source for the Transportation District Fund is a highway improvement assessment of businesses located within a defined district.

Proprietary Funds – The focus of the Authority's proprietary funds is to provide information on near-term inflows, outflows, and balances of spendable resources for activity associated with the financing of sewer projects. Such information is useful in assessing the Authority's financial condition.

As of December 31, 2016, the debt related to the Sewer Projects Fund was repaid, and the fund was closed out.

BUDGETARY HIGHLIGHTS

There were no revisions to the original Transportation District Fund budget. The budget for the Transportation District Fund anticipated an increase of \$91,303 to the existing fund balance. Based on actual figures, revenues exceeded expenditures; the existing fund balance increased by \$93,477.

DEBT ADMINISTRATION

As of December 31, 2017, the Authority had \$352,169 in a note outstanding versus \$695,470 last year – a decrease of 49.4 percent – as shown in Table 3.

**TABLE 3: TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY'S OUTSTANDING DEBT
December 31, 2017 and 2016**

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation Note	\$ 352,169	\$ -	\$ 352,169	\$ 695,470	\$ -	\$ 695,470
Total	\$ 352,169	\$ -	\$ 352,169	\$ 695,470	\$ -	\$ 695,470

SUMMARY OF ORGANIZATION BACKGROUND

The Authority was incorporated on June 22, 1959, under the Municipality Authorities Act of 1945, 53 P.S. §301, amended and reenacted as 53 Pa. C.S.A. Ch. 56. There are seven members of the Authority, each appointed by the Tredyffrin Township Board of Supervisors. The purpose of the Authority is to acquire, finance, hold, construct, improve, and own sanitary sewer systems and highway projects.

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

The sanitary sewer system, consisting of approximately 162 miles of gravity main, 7.8 miles of force main, and nine pump stations, is owned in its entirety by the Authority. Tredyffrin Township leases the sewer system from the Authority. The terms of the lease and subsequent indentures provide for Tredyffrin Township to operate and maintain the sewer system. The lease payments from Tredyffrin Township were equal to the debt service of the Authority's sewer revenue bonds which have been paid in full. The sewer system assets are recorded in the financial statements of Tredyffrin Township.

There are two components to the sanitary sewer system: the Valley Creek Trunk Sewer ("VCTS") and the Tredyffrin Township system. The Valley Creek Trunk Sewer is a trunk line which conveys sewage from Charlestown Township, Easttown Township, East Whiteland Township, Malvern Borough, Tredyffrin Township, and Willistown Township to the treatment plant owned and operated by the Valley Forge Sewer Authority in Phoenixville, Pennsylvania. Tredyffrin Township ("the Township") operates the VCTS on behalf of the partner municipalities. The Township system conveys only Tredyffrin sewage. A portion of it connects into the VCTS.

The sanitary sewer system provides collection and conveyance only; Philadelphia, Upper Merion Township, and the Valley Forge Sewer Authority provide the treatment.

Sewer utility rentals, collected by the Township, were \$250.00 per equivalent dwelling unit ("EDU") per year in 2017 and 2016. For any property making a connection to the sanitary sewer, a tapping fee is charged. Capacity allocations for the purpose of determining the tapping fee are based on total wastewater flows of 213 gallons per day ("gpd") per EDU for residential properties and the schedule attached to the resolution dated June 22, 2005, for commercial properties. The allocations are applied to the tapping fee of \$9.82/gpd for capacity plus \$6.51/gpd for collection. For residential properties, the total tapping fee is \$3,478.29 per EDU [213*(\$9.82+\$6.51)].

Act 537 plans provide municipalities with data to evaluate the current and future needs of sanitary sewer systems. The Wilson Road Pumping Station Act 537 Plan was approved by the Pennsylvania Department of Transportation ("PA DEP") in 2009, allowing the Township to proceed with plans to expand the pumping station to relieve the constraints set forth in the PA DEP Connection Management Plan. The design of the pumping station was 100 percent complete in 2010, and construction started in the summer of 2010. The Valley Creek Trunk Sewer Act 537 draft was completed in 2009, with review and approval in 2010.

Under the terms of the lease with the Authority, the Township completed various capital and maintenance improvement projects during 2017, including:

- cleaning of thousands of linear feet of sewer line;
- continued camera operations of various segments of sewer line;
- degreased various segments of sewer line;
- inspecting and repairing or replacing manholes;
- replacing sewer line; and
- replacing or repairing various mechanical items at pump stations.

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

The highway system in the Township consists of approximately 107 miles of municipal roadways owned by the Township and 43 miles of state roadways. Operation, maintenance, and repair of the Township roadways are the responsibility of the Township. The Authority worked with private property developers, Tredyffrin Township, Upper Merion Township, and the Pennsylvania Department of Transportation on a joint project to ameliorate traffic congestion along the Route 202 corridor between the Schuylkill Expressway and West Swedesford Road. The project consisted of the widening of Route 202 and the construction of new interchanges and collector roads. The Authority financed a portion of the Township's local share of the project by issuing bonds. The Authority generates funds to pay the debt service on the highway bonds by levying a special assessment payable annually against all properties zoned commercial, industrial, hotel, or professional/office located within the Transportation District. The Transportation District includes an area of about 4.2 square miles of land surrounding Route 202.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Joseph F. DiRocco, CPA, Director of Finance, 1100 DuPortail Road, Berwyn, PA 19312.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	Governmental Activities	
	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 722,125	\$ 592,148
TOTAL ASSETS	722,125	592,148
LIABILITIES		
Current Liabilities:		
Due to Township	72,500	36,000
Current portion of long-term debt	352,169	343,301
Total Current Liabilities	424,669	379,301
Noncurrent Liabilities:		
Long-term portion of long-term debt	-	352,169
Total Noncurrent Liabilities	-	352,169
TOTAL LIABILITIES	424,669	731,470
NET POSITION (DEFICIT)		
Unrestricted (Deficit)	297,456	(139,322)
TOTAL NET POSITION (DEFICIT)	\$ 297,456	\$ (139,322)

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

(With Summarized Comparative Data for the Year Ended December 31, 2016)

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals
	2017	2016	2017	2016
GOVERNMENTAL ACTIVITIES:				
General government	\$ 36,500	\$ -	\$ -	\$ (36,000)
Interest expense	11,825	-	-	(19,583)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 48,325	\$ -	\$ -	(55,583)
GENERAL REVENUES				
Taxes levied for specific purposes	485,103			487,784
GENERAL REVENUES	485,103			487,784
CHANGE IN NET POSITION	436,778			432,201
NET POSITION (DEFICIT), BEGINNING OF YEAR	(139,322)			(571,523)
NET POSITION (DEFICIT), END OF YEAR	\$ 297,456			\$ (139,322)

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
BALANCE SHEETS - GOVERNMENTAL FUND
DECEMBER 31, 2017 AND 2016

	Transportation District	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 722,125	\$ 592,148
TOTAL ASSETS	722,125	592,148
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Due to Township	72,500	36,000
TOTAL LIABILITIES	72,500	36,000
FUND BALANCE:		
Assigned for debt service	352,169	556,148
Unassigned	297,456	-
TOTAL FUND BALANCE	\$ 649,625	\$ 556,148

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO
STATEMENT OF NET POSITION
DECEMBER 31, 2017

TOTAL GOVERNMENTAL FUND BALANCE	\$ 649,625
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Amounts reported for governmental activities in the statement of net position are different because:

Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund. Those liabilities consist of:

Long-term debt	<u>(352,169)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 297,456</u></u>
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The accompanying notes are an integral part of these financial statements.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Transportation District	
	2017	2016
REVENUES		
Highway improvement assessment	\$ 485,103	\$ 512,089
TOTAL REVENUES	485,103	512,089
EXPENDITURES		
Current:		
General government	36,500	36,000
Debt service:		
Principal	343,301	335,543
Interest and other charges	11,825	19,583
TOTAL EXPENDITURES	391,626	391,126
EXCESS OF REVENUES OVER EXPENDITURES	93,477	120,963
OTHER FINANCING SOURCES		
Transfers in	-	5
TOTAL OTHER FINANCING SOURCES	-	5
NET CHANGE IN FUND BALANCE	93,477	120,968
FUND BALANCE, BEGINNING OF YEAR	556,148	435,180
FUND BALANCE, END OF YEAR	\$ 649,625	\$ 556,148

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 93,477
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond principal	<u>343,301</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 436,778</u></u>
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The accompanying notes are an integral part of these financial statements.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
BUDGETARY COMPARISON STATEMENT - TRANSPORTATION DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original and Final Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Positive (Negative) Variance</u>
REVENUES			
Highway improvement assessment	\$ 393,400	\$ 485,103	\$ 91,703
TOTAL REVENUES	<u>393,400</u>	<u>485,103</u>	<u>91,703</u>
EXPENDITURES			
Current:			
General government	36,100	36,500	(400)
Principal	343,301	343,301	-
Interest	<u>11,825</u>	<u>11,825</u>	<u>-</u>
TOTAL EXPENDITURES	<u>391,226</u>	<u>391,626</u>	<u>(400)</u>
NET CHANGES IN FUND BALANCE	2,174	93,477	91,303
FUND BALANCE, BEGINNING OF YEAR	<u>556,148</u>	<u>556,148</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 558,322</u>	<u>\$ 649,625</u>	<u>\$ 91,303</u>

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Sewer Projects Fund	
	2017	2016
Transfers	\$ -	\$ (5)
CHANGES IN NET POSITION	-	(5)
NET POSITION, BEGINNING OF YEAR	-	5
NET POSITION, END OF YEAR	\$ -	\$ -

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Sewer Projects Fund	
	2017	2016
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to Township	\$ -	\$ (5)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	(5)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	(5)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	5
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tredyffrin Township Municipal Authority ("the Authority") was incorporated by Tredyffrin Township, Chester County, Pennsylvania, on June 22, 1959, pursuant to the Municipality Authorities Act of 1945, approved May 2, 1945, as amended. The Authority Board consists of seven members appointed by the Township Board of Supervisors. The Authority was established for the purpose of the acquisition, construction, improvement, extension, maintenance, and operation of sewer systems and highway projects. The Authority also has been authorized to construct various highway and sewer projects in the Township by the sales of municipal bonds.

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

For purposes of defining the scope of the financial reporting entity, the Authority is considered a component unit of Tredyffrin Township ("the Township"). Such determination is consistent with the Township's consideration of the criteria used in determining whether such organization should be included in the Township's financial reporting entity. The accompanying financial statements represent component unit financial statements of the Authority and include all operations of the Authority.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the Authority as a whole.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. This basis of accounting differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable governmental program. Expenses are those that are

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Authority.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from debt service funds and the restrictions on their net position use.

Fund Financial Statements

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The Authority reports the following major governmental funds:

- The **Transportation District Fund** is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The Authority reports the following proprietary fund:

- The **Sewer Projects Fund** financed the construction of the collection systems and the pumping stations for leasing to the Township under a direct financing lease. The fund was closed during the year ended December 31, 2016.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days from year end and available to pay obligations of the current period). This includes investment earnings, certain assessments, and certain fees for services. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. The Authority's only proprietary fund is an enterprise fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Lease

As discussed in Note 3, the Authority leases the sewer system to the Township pursuant to a lease agreement.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, bonds payable and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method.

In the governmental fund financial statements, governmental fund types report discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Debt service payments are reported as debt service expenditures. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Balance

Fund balance of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Authority Board of Supervisors. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

Unassigned – all other spendable amounts.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. At December 31, 2017, the carrying amount of the Authority's deposits was \$722,125, and the bank balance was \$722,125. Of the bank balance, \$252,735 was covered by federal depository insurance and \$469,390 was collateralized in accordance with Act 72 at December 31, 2017.

NOTE 3 LEASE AGREEMENT

The Authority owns a sewage collection and transmission system which serves the Township and conveys sewage from portions of certain adjacent municipalities. The Authority issued Sewer Revenue Bonds to finance the construction of the sanitary sewage system. The Authority leases the sewer system to the Township pursuant to the lease.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 LEASE AGREEMENT (cont'd)

Under the terms of the lease, the Township has agreed to pay the Authority amounts sufficient to cover debt service requirements of the Sewer Revenue Bonds and the administrative expenses of the Authority. To facilitate these payments, the lease agreement requires that revenues received by the Township relating to the leased sewer system be used for payments to the Authority as well as to pay for maintenance and capital expenditures for the leased system. The Township will pay the rentals to the trustee on June 25 and December 25 in amounts equal to the Authority's debt service on the bonds.

The lease agreement dated October 1, 1989, as amended by a first supplemental lease dated September 1, 1992 (the original lease), as amended by the second supplemental indenture dated November 1, 1997 (collectively, as the "indenture"), as supplemented by the third supplemental indenture dated November 1, 2003, as supplemented by the fourth supplemental indenture dated July 1, 2010, provides for the Township to operate and maintain the sewer system. The lease terms coincide with the life of the Sewer Revenue Bonds, at which time the Township must provide the Authority with written notice that the lease has been terminated. As of December 31, 2017, all outstanding debt has been extinguished. However, the Township has not provided written notice to terminate the lease; as a result the lease remains active.

NOTE 4 LONG-TERM DEBT

Governmental Activity Debt

In December 2013, a \$1,680,000 General Obligation Note, Series of 2013 ("the Note") was issued to refund the Guaranteed Highway Improvement Revenue Bonds, Series of 2008, which had been issued to refund the Highway Improvement Revenue Bonds, Series of 2002. The 2002 bonds had been issued to refund the Series of 1993 bonds, which were issued to finance the Township's share of highway construction and improvement projects along U.S. Route 202 between I-76 and West Swedesford Road.

It is covenanted with the registered owner from time to time of the Note that the Authority shall 1) include the amount of the debt service for the Note for each fiscal year in which such sums are payable in its budget for that year; 2) appropriate such amounts from its dedicated special highway assessment revenues, or if necessary from its general revenues, for the payment of such debt service; and 3) duly and punctually pay, or cause to be paid, from its sinking fund or any other of its revenues or funds the principal of, and the interest on, the Note at the dates and places in the manner stated in the Note according to the true intent and meaning thereof. For such budgeting, appropriation, and payment, the Township pledges its full faith, credit, and taxing power.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

The Note dated December 27, 2013 shall bear interest at the rate of 2.20 percent per annum, and shall mature on December 27, 2018. Interest and principal will be payable monthly at the interest rate described above beginning in the month following the month of issuance.

An analysis of debt service requirements including sinking fund requirement to maturity on these obligations is as follows:

December 31,	Governmental Activities		Total
	Principal	Interest	
2018	\$ 352,169	\$ 4,196	\$ 356,365

A schedule of changes in debt is as follows:

	Balance at 01/01/17	Additions	Retire- ments	Balance at 12/31/17	Due Within One Year
Government Activities: General Obligation Note - Series of 2013	\$ 695,470	\$ -	\$ 343,301	\$ 352,169	\$ 352,169

NOTE 5 DUE TO TOWNSHIP

At December 31, 2017, the Authority had a balance due to Tredyffrin Township of \$72,500. This amount was comprised of two years of a \$25,000 management fee due to the Township and the 2017 and 2016 annual audit payments each in the amount of \$11,500 and \$11,000, respectively. These amounts are expected to be repaid in 2018.

NOTE 6 RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts, thefts, damage or destruction of assets, errors or omissions, injuries to employees, or acts of God. These policies also cover the Authority. Insurance settlements have not exceeded the insurance coverage in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 7 CONTINGENT LIABILITIES

The Authority is subject to various disputes and legal proceedings which arise in the normal course of its operations. In the opinion of management, the amount of ultimate liability with respect to these activities will not be material to the Authority's financial condition.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 8 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2017, the Transportation District Fund incurred expenditures in excess of appropriations in the following functions:

General government	\$ 400
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The excess expenditures were covered by revenues exceeding budgeted amounts.

NOTE 9 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through July 16, 2018, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S
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

July 16, 2018

To the Board of Supervisors
Tredyffrin Township Municipal Authority
Berwyn, Pennsylvania

We have audited, 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, the financial statements of the governmental activities and the major fund of the Tredyffrin Township Municipal Authority ("the Authority"), a component unit of Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 16, 2018.

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") to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Authority'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.

To the Board of Supervisors
Tredyffrin Township Municipal Authority

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 determination of financial statement 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

This 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP