

# **The Municipal Authority of the Borough of Lemoyne**

Year Ended December 31, 2020

# **The Municipal Authority of the Borough of Lemoyne**

## **Financial Statements with Supplementary Information - Cash Basis**

Year Ended December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

**The Municipal Authority of the Borough of Lemoyne**

Lemoyne, Pennsylvania

We have audited the accompanying cash basis financial statements of the business-type activities of **The Municipal Authority of the Borough of Lemoyne** (the Authority), a component unit of the Borough of Lemoyne, as of and for the year ended December 31, 2020, 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 auditors consider 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 cash basis financial position of **The Municipal Authority of the Borough of Lemoyne** as of December 31, 2020, and the changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on **The Municipal Authority of the Borough of Lemoyne's** basic financial statements. The concise statement for publication - cash basis is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The concise statement for publication - cash basis is the responsibility of management and was derived from and related 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. In our opinion, the schedule described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Trout CPA".

October 11, 2021  
Lancaster, Pennsylvania

# The Municipal Authority of the Borough of Lemoyne

## STATEMENT of NET POSITION -

Cash Basis

December 31, 2020

### ASSETS

#### CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,091,529
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<b>TOTAL ASSETS</b>	<b><u>1,091,529</u></b>
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### LIABILITIES

<b><u>-0-</u></b>
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### NET POSITION

Unrestricted	<b><u>\$ 1,091,529</u></b>
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See notes to financial statements.

**The Municipal Authority of the Borough of Lemoyne**  
 STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -  
 Cash Basis  
 Year Ended December 31, 2020

**OPERATING REVENUES**

Lease Rentals - Borough of Lemoyne	
Administrative	\$ 16,000
Debt Service	1,047,651
Additional Lease Rental	<u>250,000</u>
<b>Total Operating Revenues</b>	<b>1,313,651</b>

**OPERATING EXPENSES**

Construction and Improvement Costs	884,519
Debt Service Payments - Principal	1,237,129
Debt Service Payments - Interest	301,293
Administrative Expenses	<u>105,847</u>
<b>Total Operating Expenses</b>	<b><u>2,528,788</u></b>
<b>Net Operating Loss</b>	<b>(1,215,137)</b>

**NONOPERATING REVENUES**

Interest Income	17,433
Loan Proceeds	15,316
Tapping Fees	<u>29,100</u>
<b>Total Nonoperating Revenues</b>	<b><u>61,849</u></b>

<b>CHANGES in NET POSITION</b>	<b>(1,153,288)</b>
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**NET POSITION**

Beginning	<u>2,244,817</u>
<b>Ending</b>	<b><u><u>\$ 1,091,529</u></u></b>

See notes to financial statements.

# The Municipal Authority of the Borough of Lemoyne

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business

**The Municipal Authority of the Borough of Lemoyne** (the Authority) was organized by the Borough of Lemoyne under the Municipality Authorities Act of 1945 of the Commonwealth of Pennsylvania in 1947. The Authority was organized for the purpose of constructing, improving, maintaining, operating, owning, or leasing sewers, sewer systems or parts thereof, and sewer treatment works. The Authority owns and leases the sewer plant to the Borough of Lemoyne.

#### Reporting Entity

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, as amended, the criteria used by the Authority to evaluate the possible inclusion of related entities (authorities, boards, councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Authority reviews the applicability of the following criteria.

The Authority is financially accountable for:

1. Organizations that make up the legal municipal entity.
2. Legally separate organizations if the Authority officials appoint a voting majority of the organization's governing body and the Authority is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority as defined below.
  - a. **Impose its Will** - If the Authority can significantly influence the programs, projects, or activities of, of the level of services performed or provided by, the organization.
  - b. **Financial Benefit or Burden** - If the Authority (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the Authority and have a financial burden, as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes, or set rates or charges, or issue bonded debt without approval of the Authority.

**The Municipal Authority of the Borough of Lemoyne** is part of the Borough of Lemoyne's reporting entity based on the above criteria. These are the separate component unit financial statements of **The Municipal Authority of the Borough of Lemoyne**. No other entities need to be included based on the above criteria.

# **The Municipal Authority of the Borough of Lemoyne**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Basis of Accounting**

The Authority presents its financial statements using the cash basis of accounting. Under the cash basis of accounting, revenue is recognized when received rather than when earned, and expenditures are recognized when paid.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are lease rentals from the Borough of Lemoyne and charges to customers for sales and services. Operating expenses include the cost of constructing, improving, maintaining, operating, and owning the sewer systems, including debt service. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Basic Financial Statements**

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements are the statement of net position and statement of revenues, expenses, and changes in net position.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits. They are carried at cost, which approximates fair value.

#### **Use of Estimates**

The preparation of financial statements in conformity with the cash basis of accounting may require 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 2 - CASH and CASH EQUIVALENTS**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, certain high quality corporate and bank instruments, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.



# The Municipal Authority of the Borough of Lemoyne

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS (Continued)

#### Cash and Cash Equivalents - 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 to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2020, \$845,172 of the Authority's bank balance of \$1,095,172 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department Not in the Authority's Name	<u>845,172</u>
	<b>845,172</b>

#### Reconciliation of Cash and Cash Equivalents in the Financial Statements

Uninsured Amount Above	845,172
Plus: Insured Amount	<u>250,000</u>
	<b>1,095,172</b>
Less: Outstanding Checks	<u>(3,643)</u>
<b>Total Cash and Cash Equivalents per Financial Statements</b>	<b>1,091,529</b>

### NOTE 3 - LEASE RENTAL - BOROUGH of LEMOYNE

The Authority and the Borough of Lemoyne (the Borough) entered into an "Agreement of Lease" in 2011 in which the Authority agrees to lease the sewer system to the Borough in exchange for annual lease rental payments. The lease became effective July 1, 2011 and terminates May 15, 2032. Lease payments by the Borough consist of (1) an amount at least equal to 100% of the debt service requirements on the 2011 loan agreement (described below), (2) a net rental payment of \$16,000 per year for administrative expenses, and (3) an additional lease rental of \$250,000 per year effective for the year beginning January 1, 2011. All lease rental payments are payable semi-annually no later than the due date of the debt service payments on the 2020 loan agreement.

In addition, at the Borough's option, an additional rental in an amount equal to all or any portion of any balance remaining in the Borough's sewer revenue account at the end of the year may be paid to the Authority within 60 days after the end of each lease year. The proceeds of any additional lease rentals may only be used for (1) costs for alterations, repairs, renewals, improvements, or replacements with respect to the sewer system, (2) costs of planning, designing, acquiring, or constructing capital additions or improvements to the sewer system, (3) redemption or prepayment on any debt incurred in connection with the sewer system, or (4) costs approved by the Borough for other lawful purposes.

# The Municipal Authority of the Borough of Lemoyne

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 4 - LONG-TERM DEBT

Changes in indebtedness in 2020 are summarized as follows:

	Balance January 1	New Borrowings/ (Refundings)	Scheduled Redemptions	Balance December 31	Due Within One Year
Guaranteed Sewer Revenue Note, Series of 2011	2,162,268	(2,096,651)	65,617	-0-	-0-
Guaranteed Sewer Revenue Note, Series of 2013	4,174,338	(3,471,759)	702,579**	-0-	-0-
PennVest Loan	9,440,032	-0-	372,933	9,067,099	376,679
Guaranteed Sewer Revenue Note, Series of 2020	<u>-0-</u>	<u>5,709,000</u>	<u>96,000</u>	<u>5,613,000</u>	<u>476,000</u>
	<b>15,776,638</b>	<b>140,590</b>	<b>1,237,129</b>	<b>14,680,099</b>	<b>852,679</b>

	Interest Rate	Maturity Date
Series of 2011	4.190%	May 15, 2032
Series of 2013	3.795%	March 15, 2035
PennVest Loan	1.000%	August 1, 2042
Series of 2020	1.720%	November 15, 2031

Scheduled debt service requirements are as follows:

	Principal	Interest	Total
2021	852,679	183,453	1,036,132
2022	866,463	171,439	1,037,902
2023	878,285	159,223	1,037,508
2024	890,146	146,831	1,036,977
2025	902,045	134,263	1,036,308
2026 - 2030	4,709,099	476,052	5,185,151
2031 - 2035	2,579,628	209,924	2,789,552
2036 - 2040	2,232,462	95,671	2,328,133
2041 - 2042	<u>769,292</u>	<u>6,749</u>	<u>776,041</u>
	<b>14,680,099</b>	<b>1,583,605</b>	<b>16,263,704</b>

\*\* In conjunction with the refinancing that occurred in 2020, the Authority paid an additional principal payment on the Series of 2013 Note in the amount of \$500,000 to shorten the life of the Series of 2020 Note.

The guaranteed sewer revenue notes are guaranteed by the Borough of Lemoyne, and the debt is further secured by lease rentals (Note 3).

# **The Municipal Authority of the Borough of Lemoyne**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 4 - LONG TERM DEBT (Continued)**

In October 2020, the Authority issued its 2020 Series Guaranteed Sewer Revenue Note, which is summarized as follows:

2020 Series of Notes Issued	5,709,000
Payoff of 2011 Series of Notes	(2,135,717)
Payoff of 2013 Series of Notes	(3,492,979)
Note Issuance Costs	<u>(64,988)</u>
Amounts Available to the Authority	15,316

The current refunding was to take advantage of favorable interest rates and to restructure future debt service. It included the current refunding of all of the Series of 2011 and 2013 Guaranteed Sewer Revenue Notes.

### **NOTE 5 - SEWER TAPPING FEE**

A resolution was enacted on October 2, 1991, by the Authority charging a sewer tapping fee against the owner of each property who connects such property to the sewer system after the date of resolution. The purpose of the sewer tapping fee is to help defray the costs of construction, improvement, repair and operation of its sewer system facilities. The amount of each sewer tapping fee payable with respect to each new connection of property to the sewer system will be \$3,500 per each equivalent dwelling unit. The tapping fee account was administered by the Borough of Lemoyne through mid-April 2015 when the account was closed and funds were transferred to the Authority operating account.

### **NOTE 6 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there has been no significant reduction in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### **NOTE 7 - COMMITMENTS and CONTINGENCIES**

#### **General**

During the normal course of performing its duties for the general public, the Authority is subject to claims and lawsuits. It is management's opinion that any such actions would not have a material adverse effect on the fund balance of the Authority.

# **The Municipal Authority of the Borough of Lemoyne**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 7 - COMMITMENTS and CONTINGENCIES (Continued)**

#### **General (Continued)**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The Authority has continued operations within the rigid guidelines aimed at halting the spread of the virus. At this point, the future impact of COVID-19 on the Authority's operations and financial condition cannot be estimated. Authority management is monitoring the evolving situation and adapting operations and decision making as necessary.

#### **Other Sewer Construction Projects**

The Authority is a party to outstanding construction contracts that are in various stages of completion at December 31, 2020. The remaining scheduled commitments at December 31, 2020, are summarized as follows:

Clark & Walton Street Pump Station project	
General Construction	14,007
Electrical Contractor	4,480

# The Municipal Authority of the Borough of Lemoyne

CONCISE STATEMENT for PUBLICATION - Cash Basis

December 31, 2020

## STATEMENT of NET POSITION - Cash Basis

### ASSETS

Cash and Cash Equivalents	<u><u>\$ 1,091,529</u></u>
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### LIABILITIES - None

### NET POSITION

Unrestricted	<u>1,091,529</u>
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<b>Total Net Position</b>	<u><u>1,091,529</u></u>
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## STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION - Cash Basis

### Revenues

Lease Rentals - Borough of Lemoyne	1,313,651
Interest Income	17,433
Loan Proceeds	15,316
Tapping Fees	<u>29,100</u>

<b>Total Revenues</b>	<b>1,375,500</b>
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### Expenses

Construction and Improvement Costs, net	884,519
Debt Service Payments - Principal	1,237,129
Debt Service Payments - Interest	301,293
Administrative Expenses	<u>105,847</u>

<b>Total Expenses</b>	<u><b>2,528,788</b></u>
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<b>Net Changes in Net Position</b>	<b>(1,153,288)</b>
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<b>Net Position - Beginning</b>	<u>2,244,817</u>
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<b>Net Position - Ending</b>	<u><u><b>\$ 1,091,529</b></u></u>
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The above condensed financial statements have been prepared from the audit report setting forth the opinion of a certified public accountant engaged by the Authority. The detailed financial statements are available for public inspection at the office of the Authority.