

FOUNTAIN HILL STORMWATER AUTHORITY

**Financial Statements and
Independent Auditor's Report**

December 31, 2021

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

**FOUNTAIN HILL STORMWATER AUTHORITY
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Authority Board
Fountain Hill Stormwater Authority
Fountain Hill, PA

Opinion

We have audited the accompanying modified cash basis financial statements of the business-type activities of Fountain Hill Stormwater Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the business-type activities of Fountain Hill Stormwater Authority as of December 31, 2021; and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fountain Hill Stormwater Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAP will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fountain Hill Stormwater Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fountain Hill Stormwater Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the Fountain Hill Stormwater Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fountain Hill Stormwater Authority's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fountain Hill Stormwater Authority's internal control over financial reporting and compliance.

Campbell, Rappold & Yasaita LLP

June 30, 2022

FOUNTAIN HILL STORMWATER AUTHORITY
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2021

	December 31,
	2021
ASSETS	
Cash and Cash Equivalents	\$ 288,980
Due From Other Governments	1,367
Total Assets	\$ 290,347
 LIABILITIES AND NET POSITION	
-NONE-	\$ -
Total Liabilities	-
 NET POSITION	
Unrestricted	290,347
Total Net Position	290,347
Total Liabilities and Net Position	\$ 290,347

See independent auditor's report and notes to the financial statements.

FOUNTAIN HILL STORMWATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – MODIFIED CASH BASIS
For the Year Ended December 31, 2021

	<u>For the Year Ended December 31, 2021</u>
OPERATING REVENUES	
Charges for Services	
Stormwater Fees	\$ 233,408
Total Operating Revenues	<u>233,408</u>
OPERATING EXPENSES	
Wages and Payroll Taxes	12,072
Benefits	4,446
Bank Fees	23
Dues and Subscriptions	325
Office Supplies	332
Postage	1,259
Equipment Repairs	100
Permits	500
Accounting	6,075
Software	1,207
Engineering	10,899
Legal	1,105
MS4 Project Services	5,323
Total Operating Expenses	<u>43,666</u>
Operating Income	189,742
NONOPERATING REVENUES (EXPENSES)	
Interest Income	<u>28</u>
Total Nonoperating Revenues (Expenses)	<u>28</u>
NET INCOME	189,770
NET POSITION - Beginning of Year	<u>100,577</u>
NET POSITION - End of Year	<u><u>\$ 290,347</u></u>

See independent auditor's report and notes to the financial statements.

FOUNTAIN HILL STORMWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. Entity

Form of Entity

Fountain Hill Stormwater Authority ("Authority") was incorporated October 23, 2019, under the Municipal Authorities Act of 1945 as amended, under the laws of the Commonwealth of Pennsylvania and the Borough of Fountain Hill, and is located in Lehigh County, Pennsylvania. The Authority is governed by a five-member Board of Directors that are appointed by the Borough of Fountain Hill's Borough Council. The Authority, by virtue of its Articles of Incorporation and of the Municipal Act, existence shall terminate fifty years from the date of filing, unless extended by an amendment to the Articles of Incorporation.

Fountain Hill Stormwater Authority is exempt from income tax under Section 115 of the Internal Revenue Code.

Nature of Operations and Markets

The Borough of Fountain Hill conveyed, in consideration of the sum of one dollar, via a quit claim deed, to Fountain Hill Stormwater Authority, a stormwater system, consisting of rights title and interests in permanent stormwater easements and rights-of-ways, including stormwater facilities and improvements located within said easements and right-of-ways and stormwater facilities located within public streets owned by the Borough, including, but not limited to inlets, manholes, detention, retention facilities, basins, main pipes, outfall lines, drainage swales, drainage channels, and other appurtenances.

2. Summary of Significant Accounting Policies

Significant accounting policies followed by Fountain Hill Stormwater Authority are described below to enhance the usefulness of the financial statements to the reader.

Description of Financial Reporting Entity

The financial statements of the Authority have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting.

The financial statements of Fountain Hill Stormwater Authority include the financial activities of the Authority which provides water and sewer services to the residents of the Borough of Fountain Hill. There are no component units included in Fountain Hill Stormwater Authority's financial statements. The Authority is included in the Borough of Fountain Hill's ("Borough") financial statements.

FOUNTAIN HILL STORMWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The accompanying financial statements of the Fountain Hill Stormwater Authority have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include: the recording of payroll withholdings when withheld from employees' pay. 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 described below to enhance the usefulness of the financial statements to the reader. Net position of the Authority is classified and reported as follows:

- Unrestricted – amounts that are available for any purpose.

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 consist of the following:

- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Notes to Financial Statements

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenue of the Authority is the charge of fees for water and sewer consumption in the service area of the Authority. Operating expenses include the cost of sales and services and administrative expenses. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting require management to make estimates and assumptions that affect the reported amounts of 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.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are comprised of cash on hand, demand deposits with financial institutions, and short-term investments with original maturities of three months or less as of the date of acquisition.

FOUNTAIN HILL STORMWATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. Non-GAAP Budgetary Basis of Accounting

The Authority's budget is prepared on the modified cash basis of accounting and includes appropriations to cover anticipated current encumbrances. The Authority Board approves budgets, which contain estimated revenues adequate to fully fund appropriations. Appropriations not reserved for encumbrances lapse at year end. Formal budgetary integration is employed as a management control device during the year.

4. Cash and Cash Equivalents

General

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, 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 deposit and investment policy of the Authority adheres to the statutes of the Commonwealth. Deposits of the Authority are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Authority.

Cash (Cash on Hand and Bank Balances)

The Authority maintains cash balances which may exceed federally insured limits though it has historically not experienced any credit related losses. Any uninsured bank balances are collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of the public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of the FDIC limits. The uninsured bank balances (as defined by Statement No. 3 of the GASB) of the Authority in the amount of \$38,980 were collateralized by this pool of assets maintained by the Authority's depository institutions.

5. Management Agreement

The Authority and the Borough of Fountain Hill executed a management agreement, dated December 2, 2019, for the Borough to provide general management services for the stormwater system. The Authority incurred expenses of \$16,518 for the use of the Borough's employees for the year ended December 31, 2021.

6. Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 30, 2022, the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

**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**

To the Board of Directors
Fountain Hill Stormwater Authority
Bath, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Fountain Hill Stormwater Authority as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Fountain Hill Stormwater Authority's basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fountain Hill Stormwater Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fountain Hill Stormwater Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fountain Hill Stormwater Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fountain Hill Stormwater Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Campbell, Roppold & Yasaita LLP

June 30, 2022