



**UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF UPPER UWCHLAN TOWNSHIP)
CHESTER SPRINGS, PENNSYLVANIA**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)
CHESTER SPRINGS, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	7
OTHER REPORT	
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 <i>Government Auditing Standards</i>	14



INDEPENDENT AUDITOR'S REPORT

June 29, 2022

Board of Directors
Upper Uwchlan Township Municipal Authority
Chester Springs, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Upper Uwchlan Township Municipal Authority ("the Authority"), a component unit of Upper Uwchlan Township, as of and for the years ended December 31, 2021 and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Upper Uwchlan Township Municipal Authority as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America,

and 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.

Auditor's 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 GAAS 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 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 the 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 the 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 Matter

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial

Board of Directors
Upper Uwchlan Township Municipal Authority

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 29, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,948,237	\$ 5,901,452
Restricted cash	702,828	400,641
Accounts receivable	290,596	286,534
Total Current Assets	<u>6,941,661</u>	<u>6,588,627</u>
Noncurrent Assets:		
Construction-in-progress	-	191,299
Capital assets, net of accumulated depreciation	<u>3,475,931</u>	<u>3,557,382</u>
Total Noncurrent Assets	<u>3,475,931</u>	<u>3,748,681</u>
TOTAL ASSETS	<u><u>\$ 10,417,592</u></u>	<u><u>\$ 10,337,308</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 82,049	\$ 40,501
Due to Upper Uwchlan Township	<u>5,277,356</u>	<u>5,286,820</u>
Total Current Liabilities	<u>5,359,405</u>	<u>5,327,321</u>
Net Position:		
Investment in capital assets	3,475,931	3,748,681
Restricted - tapping fees	702,828	400,641
Unrestricted	<u>879,428</u>	<u>860,665</u>
Total Net Position	<u>5,058,187</u>	<u>5,009,987</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 10,417,592</u></u>	<u><u>\$ 10,337,308</u></u>

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

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Usage fees	\$ 2,468,811	\$ 2,373,443
Tapping fees	301,828	51,571
Miscellaneous revenue	-	11,383
TOTAL OPERATING REVENUES	<u>2,770,639</u>	<u>2,436,397</u>
OPERATING EXPENSES:		
Administrator	122,802	124,394
Administration	273,411	245,253
Advertising	155	2,928
Chemicals	13,196	8,096
Contracted services	135,674	163,403
Depreciation	124,075	126,102
Dues and memberships	-	75
Engineering services	359,406	410,263
Insurance	16,050	16,448
Lease rental expense paid to Upper Uwchlan Township	572,939	572,688
Miscellaneous	4,515	284
Permits	3,602	2,878
Professional fees	20,681	11,357
Pumping and sludge hauling	103,584	100,218
Repairs and maintenance	171,341	158,210
Supplies	21,396	28,743
Testing	37,960	36,203
Utilities	274,094	221,819
Utility billing costs	7,523	12,608
Vegetation management	9,649	5,895
TOTAL OPERATING EXPENSES	<u>2,272,053</u>	<u>2,247,865</u>
OPERATING INCOME	<u>498,586</u>	<u>188,532</u>
NONOPERATING REVENUES:		
Interest income	4,725	36,967
Intergovernmental revenue	11,630	-
TOTAL NONOPERATING REVENUES	<u>16,355</u>	<u>36,967</u>
INCOME BEFORE CONTRIBUTIONS	<u>514,941</u>	<u>225,499</u>
Capital contribution to Upper Uwchlan Township	(466,741)	-
TOTAL CONTRIBUTIONS	<u>(466,741)</u>	<u>-</u>
CHANGE IN NET POSITION	48,200	225,499
NET POSITION, BEGINNING OF YEAR	<u>5,009,987</u>	<u>4,784,488</u>
NET POSITION, END OF YEAR	<u>\$ 5,058,187</u>	<u>\$ 5,009,987</u>

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

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,766,577	\$ 2,387,296
Payments to suppliers for goods and services	<u>(2,106,430)</u>	<u>(2,199,326)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>660,147</u>	<u>187,970</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	<u>4,725</u>	<u>36,967</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,725</u>	<u>36,967</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(42,624)	(94,662)
Repayments (to) from Upper Uwchlan Township	<u>(284,906)</u>	<u>9</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(327,530)</u>	<u>(94,653)</u>
CASH FLOWS FROM NONOPERATING ACTIVITIES:		
Receipt of grant revenue	<u>11,630</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONOPERATING ACTIVITIES	<u>11,630</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	348,972	130,284
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,302,093</u>	<u>6,171,809</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,651,065</u>	<u>\$ 6,302,093</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 498,586	\$ 188,532
Adjustments:		
Depreciation	124,075	126,102
(Increase) Decrease in accounts receivable	(4,062)	(49,101)
Increase (Decrease) in accounts payable and accrued expenses	<u>41,548</u>	<u>(77,563)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 660,147</u>	<u>\$ 187,970</u>
CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 5,948,237	\$ 5,901,452
Restricted cash	<u>702,828</u>	<u>400,641</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 6,651,065</u>	<u>\$ 6,302,093</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contribution of capital assets to Upper Uwchlan Township	<u>\$ 191,299</u>	<u>\$ -</u>

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

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Upper Uwchlan Township Municipal Authority ("the Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Authority are described below.

Reporting Entity

The Authority was incorporated by Upper Uwchlan Township, Chester Springs, Pennsylvania, for the purpose of recording the operations of a sewage collection system and treatment plant, which is operated and maintained by the Authority under a long-term arrangement. The Authority's operations are performed by contracted third parties and monitored by Township personnel and, therefore, no personal service costs are incurred. The Authority is a component unit of the reporting entity for Upper Uwchlan Township ("the Township").

Measurement Focus and Basis of Accounting, and Financial Statement Presentation

The term *measurement focus* is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The Authority uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Authority adheres to the provisions of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification"). The GASB Codification established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components – investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- **Restricted** – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)

NOTES TO FINANCIAL STATEMENTS

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

- **Unrestricted** – This component of net position consists of net position that does not meet the definition of "restricted" or "investment in capital assets." Administrative expenses are paid with the use of unrestricted resources.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units.

Cash and Cash Equivalents

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.

Restricted Cash

Restricted cash represents tapping fees paid for future connection to the sewer system.

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are for usage fees.

Operating expenses include the costs associated with the engineering, administrative expenses, infrastructure lease rental payments, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the Authority are recorded at either their actual cost or estimated historical cost. Donated assets are valued at their estimated fair value on the date donated. Depreciation

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)

NOTES TO FINANCIAL STATEMENTS

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

of all exhaustible capital assets is charged as an expense against their operations. Depreciation is computed using the straight-line method over estimated asset lives as follows:

Capital improvements and capacity rights	40 years
Infrastructure	10 - 40 years
Equipment	10 years

Major additions and betterments are capitalized while expenses for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Authority provides for losses on accounts receivable using the allowance method. The allowance is based on experience and knowledge about the collectability of individual accounts. Receivables are considered impaired if full principal payments are not received in accordance with the repayment terms. It is the Authority's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for uncollectible accounts is \$0 as of December 31, 2021 and 2020.

Use of Estimates in the Preparation of Financial Statements

Preparation of financial statements in conformity with GAAP 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 DEPOSITS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a policy for custodial credit risk on deposits. At December 31, 2021, the carrying amount of the Authority's deposits was \$6,651,065 and the bank balance was \$7,072,928. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$6,572,740 was subject to custodial credit risk because it was fully

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS (cont'd)

collateralized by the banks holding the funds but not in the Authority's name. At December 31, 2020, the carrying amount of the Authority's deposits was \$6,302,093, and the bank balance was \$6,372,006. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$5,871,818 was subject to custodial credit risk at December 31, 2020.

As of December 31, 2021 and 2020, the remaining bank balances of \$188 were held in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2021 and 2020, PSDLAF was rated AAAM by a nationally recognized statistical rating organization.

NOTE 3 CAPITAL ASSETS

The Township has title to the Eaglepointe, Eagle Hunt, Fellowship Road, Greenridge, Lakeridge, Marsh Harbour, Meadow Creek Reserve, Saint Elizabeth's, St. Andrews Brae, and Saybrooke sewage treatment plants, which were deeded to the Township in accordance with agreements entered between the developers and the Township. Accordingly, these financial statements do not include a value for these plant assets, and no estimates for the remaining lives, future repairs, and replacement costs are provided for in these statements, since these assets are assets of the Township.

A summary of changes in the Authority's capital assets as of December 31, 2021 is as follows:

	Balance 01/01/21	Additions	Deletions	Balance 12/31/21
Capital assets not being depreciated:				
Construction-in-progress	\$ 191,299	\$ -	\$ 191,299	\$ -
Capital assets being depreciated:				
Improvements to Stonehedge	488,646	7,632	-	496,278
Equipment	142,987	34,992	-	177,979
Sewer infrastructure improvements	1,906,452	-	-	1,906,452
Capacity rights	1,649,293	-	-	1,649,293
	4,187,378	42,624	-	4,230,002
Accumulated depreciation	(629,996)	(124,075)	-	(754,071)
Capital assets being depreciated, net	3,557,382	(81,451)	-	3,475,931
NET CAPITAL ASSETS	<u>\$3,748,681</u>	<u>\$ (81,451)</u>	<u>\$ 191,299</u>	<u>\$3,475,931</u>

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

A summary of changes in the Authority's capital assets as of December 31, 2020 is as follows:

	Balance 01/01/20	Additions	Deletions	Balance 12/31/20
Capital assets not being depreciated:				
Construction-in-progress	\$ 851,303	\$ -	\$ 660,004	\$ 191,299
Capital assets being depreciated:				
Improvements to Stonehedge	488,646	-	-	488,646
Equipment	142,987	-	-	142,987
Sewer infrastructure improvements	1,174,647	731,805	-	1,906,452
Capacity rights	1,649,293	-	-	1,649,293
	3,455,573	731,805	-	4,187,378
Accumulated depreciation	(503,894)	(126,102)	-	(629,996)
Capital assets being depreciated, net	2,951,679	605,703	-	3,557,382
NET CAPITAL ASSETS	<u>\$3,802,982</u>	<u>\$ 605,703</u>	<u>\$ 660,004</u>	<u>\$3,748,681</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$124,075 and \$126,102, respectively.

NOTE 4 RISK MANAGEMENT

The Authority has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Authority by the primary government. Insurance settlements in 2021 have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage in 2021 compared to the prior year.

NOTE 5 RELATED-PARTY TRANSACTIONS

The Authority reappointed ARRO Consulting, Inc. as the Authority's engineer for the years ended December 31, 2021 and 2020. The Authority's administrator was the president and chief executive officer of ARRO Consulting, Inc until April 15, 2021. Engineering fees are paid based on the amount of time and expenses related to services provided.

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 RELATED-PARTY TRANSACTIONS (cont'd)

As of December 31, 2021, engineering and administrative expenses paid to ARRO Consulting, Inc. totaled \$591,946, which was charged to engineering, administrator, and administrative expenses. Expenses for the services of the Authority administrator totaled \$122,802 for the year ended December 31, 2021. At December 31, 2021, the Authority owed ARRO Consulting, Inc. \$46,564.

As of December 31, 2020, engineering and administrative expenses paid to ARRO Consulting, Inc. totaled \$534,657, which was charged to engineering, administrator, and administrative expenses. Expenses for the services of the Authority administrator totaled \$124,394 for the year ended December 31, 2020. At December 31, 2020, the Authority owed ARRO Consulting, Inc. \$28,487.

In 2014, the Township issued bonds for the purposes of capital improvements to the sewer system, which is operated by the Authority. On October 20, 2016, the Authority and Township entered into a formal operation and management agreement. The agreement's initial term is through December 31, 2020 with a provision for automatic renewal each year for a one-year term, unless one of the parties provides notice of intent to terminate the agreement. The agreement stipulates that the Authority must make lease rental payments sufficient to cover the debt payments and to cover certain costs associated with the borrowing. In 2019, the Township refinanced the 2014 bonds. The 2019 bonds are being treated as the 2014 bonds for the sake of this agreement. For the years ended December 31, 2021 and 2020, the Authority paid \$572,939 and \$572,688 for lease rental expense to the Township, respectively. A schedule of the future minimum lease payments required under the agreement follows.

<u>Year Ending December 31,</u>	<u>Total Payment</u>
2022	\$ 572,944
2023	567,944
2024	573,819
2025	569,469
2026	569,019
2027 - 2031	2,852,795
2032 - 2036	2,850,370
2037 - 2041	2,970,945
2042 - 2046	3,107,050
2047 - 2048	1,270,400
	<u>\$ 15,904,805</u>

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 6 UNCERTAINTY

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Authority's income in 2022. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 7 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through June 29, 2022, the date the financial statements were available to be issued.

OTHER REPORT



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

June 29, 2022

Board of Directors
Upper Uwchlan Township Municipal Authority
Chester Springs, 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 Upper Uwchlan Township Municipal Authority ("the Authority"), Chester Springs, Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2022.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

Board of Directors
Upper Uwchlan Township Municipal Authority

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

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 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