



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

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

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INDEPENDENT AUDITOR'S REPORT

June 18, 2018

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Upper Uwchlan Township Municipal Authority ("the Authority"), a component unit of Upper Uwchlan Township, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
Upper Uwchlan Township Municipal Authority

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Upper Uwchlan Township Municipal Authority as of December 31, 2017 and 2016, 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.

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 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 18, 2018, on our consideration of the Upper Uwchlan Township Municipal 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 Upper Uwchlan Township Municipal Authority's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

UPPER UWCHLAN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Upper Uwchlan Township)
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 574,661	\$ 957,270
Restricted cash	277,854	134,575
Investments	-	259,164
Restricted investments	-	257,684
Accounts receivable	275,243	257,340
Prepaid expenses	7,270	6,933
Total Current Assets	<u>1,135,028</u>	<u>1,872,966</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	<u>2,677,602</u>	<u>1,004,976</u>
Total Noncurrent Assets	<u>2,677,602</u>	<u>1,004,976</u>
TOTAL ASSETS	<u><u>\$ 3,812,630</u></u>	<u><u>\$ 2,877,942</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 39,624	\$ 237,069
Due to Upper Uwchlan Township	<u>51,841</u>	<u>58,067</u>
Total Current Liabilities	<u>91,465</u>	<u>295,136</u>
Net Position:		
Net investment in capital assets	2,677,602	1,004,976
Restricted - tapping fees	277,854	392,259
Unrestricted	<u>765,709</u>	<u>1,185,571</u>
Total Net Position	<u>3,721,165</u>	<u>2,582,806</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,812,630</u></u>	<u><u>\$ 2,877,942</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Usage fees	\$ 2,038,149	\$ 1,877,075
Tapping fees	139,413	861,271
Miscellaneous revenue	174,949	-
TOTAL OPERATING REVENUES	<u>2,352,511</u>	<u>2,738,346</u>
OPERATING EXPENSES:		
Administrator	123,249	105,693
Administration	212,464	180,080
Chemicals	7,377	8,362
Contracted services	119,358	256,371
Depreciation	56,406	34,794
Dues and memberships	2,100	2,110
Engineering services	166,097	168,122
Insurance	8,133	8,452
Lawn maintenance	11,528	8,337
Lease rental expense paid to Upper Uwchlan Township	364,562	367,963
Pumping and sludge hauling	59,530	398,819
Professional fees	28,550	17,876
Repairs and maintenance	134,712	105,290
Supplies	15,664	22,481
Testing	35,664	38,148
Permits	2,967	2,704
Utilities	223,816	254,571
Utility billing costs	18,530	10,697
Vegetation management	16,256	8,362
Miscellaneous	-	5,847
TOTAL OPERATING EXPENSES	<u>1,606,963</u>	<u>2,005,079</u>
OPERATING INCOME	<u>745,548</u>	<u>733,267</u>
NONOPERATING REVENUES:		
Interest income	7,811	10,473
TOTAL NONOPERATING REVENUES	<u>7,811</u>	<u>10,473</u>
INCOME BEFORE CONTRIBUTIONS	<u>753,359</u>	<u>743,740</u>
Contribution from Upper Uwchlan Township	385,000	1,073,959
Capital contribution to Upper Uwchlan Township	-	(6,827,278)
TOTAL CONTRIBUTIONS	<u>385,000</u>	<u>(5,753,319)</u>
CHANGE IN NET POSITION	1,138,359	(5,009,579)
NET POSITION, BEGINNING OF YEAR	<u>2,582,806</u>	<u>7,592,385</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,721,165</u></u>	<u><u>\$ 2,582,806</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 CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,334,608	\$ 2,682,203
Payments to suppliers for goods and services	<u>(1,754,565)</u>	<u>(2,413,575)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>580,043</u>	<u>268,628</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital improvements	(1,729,032)	(3,596,729)
Contribution from Township	<u>385,000</u>	<u>1,073,959</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,344,032)</u>	<u>(2,522,770)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	7,811	10,473
Sale of investments	516,848	-
Purchase of investments	<u>-</u>	<u>(5,106)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>524,659</u>	<u>5,367</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(239,330)	(2,248,775)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,091,845</u>	<u>3,340,620</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 852,515</u></u>	<u><u>\$ 1,091,845</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 745,548	\$ 733,267
Adjustments:		
Depreciation	56,406	34,794
Increase in accounts receivable	(17,903)	(56,143)
Increase in prepaid expenses	(337)	(38)
Decrease in accounts payable and accrued expenses	(197,445)	(426,832)
Decrease in due to Upper Uwchlan Township	<u>(6,226)</u>	<u>(16,420)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 580,043</u></u>	<u><u>\$ 268,628</u></u>
CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 574,661	\$ 957,270
Restricted cash	<u>277,854</u>	<u>134,575</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 852,515</u></u>	<u><u>\$ 1,091,845</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contribution to Upper Uwchlan Township	<u><u>\$ -</u></u>	<u><u>\$ 6,827,278</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 generally accepted accounting principles ("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.

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. The 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 - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated 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)

- **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.
- **Unrestricted** – This component of net position consists of net position that does not meet the definition of "restricted" or "net 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. The Authority complies with generally accepted accounting principles and applies all relevant GASB pronouncements.

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.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the Authority uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Restricted Cash and Investments

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

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)

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 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
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, 2017 and 2016.

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)

Use of Estimates in the Preparation of Financial Statements

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 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, 2017, the carrying amount of the Authority's deposits was \$852,515, and the bank balance was \$922,827. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$422,647 was subject to custodial credit risk because it was fully collateralized by the banks holding the funds but not in the Authority's name. At December 31, 2016, the carrying amount of the Authority's deposits was \$1,091,845, and the bank balance was \$1,095,797. Of the bank balance, \$271,907 was covered by federal depository insurance. No funds were subject to custodial credit risk at December 31, 2016.

As of December 31, 2017 and 2016, the remaining bank balances of \$180 and \$823,890 were held in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), respectively. Although not registered with the Securities Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. As of December 31, 2017 and 2016, PSDLAF was rated AAAM by a nationally recognized statistical rating organization.

Investments

Statutes authorize the Authority to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits; or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC"), the Federal Savings and Loan Insurance Corporation ("FSLIC"), or the National Credit Union Share Insurance Fund ("NCUSIF"). The Authority also is authorized to invest in obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS (cont'd)

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority has no investments as of December 31, 2017. The Authority has the following recurring fair value measurements as of December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 2</u>	<u>Matures in Less Than One Year</u>
Certificates of deposit	\$ 516,848	\$ 516,848	\$ 516,848
TOTAL	<u>\$ 516,848</u>	<u>\$ 516,848</u>	<u>\$ 516,848</u>

The Authority's Level 2 investments in certificates of deposit are valued based on the value at which the investment could be redeemed as of the report date.

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, 2017 is as follows:

	<u>Balance 01/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/17</u>
Capital assets being depreciated:				
Improvements to Stonehedge	\$ 488,646	\$ -	\$ -	\$ 488,646
Equipment	78,050	-	-	78,050
Sewer infrastructure improvements	697,175	79,739	-	776,914
Capacity rights	-	1,649,293	-	1,649,293
	1,263,871	1,729,032	-	2,992,903
Accumulated depreciation	(258,895)	(56,406)	-	(315,301)
NET CAPITAL ASSETS	<u>\$ 1,004,976</u>	<u>\$ 1,672,626</u>	<u>\$ -</u>	<u>\$ 2,677,602</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, 2016 is as follows:

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16
Capital assets not being depreciated:				
Construction-in-progress	\$ 3,443,116	\$ 3,384,162	\$ (6,827,278)	\$ -
Total capital assets not being depreciated	<u>3,443,116</u>	<u>3,384,162</u>	<u>(6,827,278)</u>	<u>-</u>
Capital assets being depreciated:				
Improvements to Stonehedge	488,646	-	-	488,646
Equipment	78,050	-	-	78,050
Sewer infrastructure improvements	484,608	212,567	-	697,175
	<u>1,051,304</u>	<u>212,567</u>	<u>-</u>	<u>1,263,871</u>
Accumulated depreciation	<u>(224,101)</u>	<u>(34,794)</u>	<u>-</u>	<u>(258,895)</u>
Total assets being depreciated, net	<u>827,203</u>	<u>177,773</u>	<u>-</u>	<u>1,004,976</u>
NET CAPITAL ASSETS	<u>\$ 4,270,319</u>	<u>\$ 3,561,935</u>	<u>\$ (6,827,278)</u>	<u>\$ 1,004,976</u>

Depreciation expense for the year ended December 31, 2017 and 2016 totaled \$56,406 and \$34,794, 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 2017 have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage in 2017 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, 2017 and 2016. The Authority's administrator is the president and chief executive officer of ARRO Consulting, Inc. Engineering fees are paid based on the amount of time and expenses related to services provided. As of December 31, 2017, engineering and

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5 RELATED-PARTY TRANSACTIONS (cont'd)

administrative expenses paid to ARRO Consulting, Inc. totaled \$279,012, which was charged to engineering and other similar expenses. Expenses for the services of the Authority administrator totaled \$123,249 for the year ended December 31, 2017. At December 31, 2017, the Authority owed ARRO Consulting, Inc. \$15,883. As of December 31, 2016, engineering expenses paid to ARRO Consulting, Inc. totaled \$417,334, of which \$190,062 was charged to engineering and other similar expenses, and \$227,272 was capitalized. Expenses for the services of the Authority administrator totaled \$105,693 for the year ended December 31, 2016. At December 31, 2016, the Authority owed ARRO Consulting, Inc. \$25,869.

In 2014, Upper Uwchlan 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. For the years ended December 31, 2017 and 2016, the Authority paid \$364,562 and \$367,963 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>
2018	\$ 364,462
2019	369,212
2020	366,812
2021	368,012
2022	369,112
2022 - 2026	1,829,438
2027 - 2031	1,844,000
2032 - 2036	1,833,800
2037 - 2039	<u>801,600</u>
	<u>\$ 8,146,448</u>

NOTE 6 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through June 18, 2018, 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 18, 2018

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 18, 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 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.

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.

Board of Directors
Upper Uwchlan 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

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