

**LOWER PROVIDENCE TOWNSHIP  
MUNICIPAL AUTHORITY**  
(A Component Unit of Lower Providence Township)

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**BEE, BERGVALL & CO**  
A PROFESSIONAL CORPORATION

Certified Public Accountants

936 Easton Road, Box 640  
Warrington, PA 18976  
215-343-2727 • Fax 215-343-8080

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of  
Lower Providence Township Municipal Authority  
Audubon, Pennsylvania

We have audited the accompanying financial statements of Lower Providence Township Municipal Authority, a component unit of the Lower Providence Township, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lower Providence Township Municipal Authority as of December 31, 2003, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

*Bee, Bergvall & Co*

Bee, Bergvall and Company, P.C.  
Certified Public Accountants

March 18, 2004

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

BALANCE SHEET

DECEMBER 31, 2003

ASSETS

Current Assets	
Cash	\$ 54,125
Total Current Assets	<u>54,125</u>
Fixed Assets	
Land	3,185,540
Land improvements	952,300
Buildings	54,100
Machinery and equipment	<u>185,482</u>
Total Fixed Assets	<u>4,377,422</u>
Less: accumulated depreciation	<u>(755,725)</u>
Net Fixed Assets	<u>3,621,697</u>
Other Assets	
Financing costs (net of accumulated amortization)	<u>536,821</u>
Total Other Assets	<u>536,821</u>
 TOTAL ASSETS	 <u>\$ 4,212,643</u>

LIABILITIES AND FUND EQUITY

Current Liabilities	
Current maturities	613,106
Accounts payable and accrued wages	153
Deposits payable	2,350
Accrued interest	<u>489,454</u>
Total Current Liabilities	<u>1,105,063</u>
Long-Term Debt	
Long-term note and bonds payable	<u>9,411,835</u>
Total Long-Term Debt	<u>9,411,835</u>
 Total Liabilities	 <u>10,516,898</u>
Fund Equity (Deficit)	
Retained earnings	<u>(6,304,255)</u>
Total Fund Equity (Deficit)	<u>(6,304,255)</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 4,212,643</u>

See Accompanying Notes to Financial Statements  
and Independent Auditor's Report

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Revenues	
Admissions	\$ 272,324
Dues and memberships	42,545
Rental fees	139,827
Education	3,155
Pro-shop sales	74,667
Other	<u>2,966</u>
Total Operating Revenues	<u>535,484</u>
Operating Expenditures	
Operating expense	544,939
General and administrative	104,332
Depreciation expense	60,710
Amortization - deferred expense	<u>42,966</u>
Total Operating Expenditures	<u>752,947</u>
Operating Income (Loss)	<u>(217,463)</u>
Nonoperating Revenues (Expense)	
Income from investments	790
Miscellaneous revenues	13,556
Interest expense	<u>(391,375)</u>
Total Nonoperating Revenues (Expenses)	<u>(377,029)</u>
Net Income (Loss)	(594,492)
Fund Equity - Beginning	(5,431,671)
Prior Period Adjustment	<u>(278,092)</u>
Fund Equity - Ending	<u>\$ (6,304,255)</u>

See Accompanying Notes to Financial Statements  
and Independent Auditor's Report

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

Cash flows from operating activities	
Cash received from customers	\$ 586,104
Cash paid to suppliers	(388,599)
Cash paid to employees	<u>(254,920)</u>
Net cash provided by (used in) operating activities	<u>(57,415)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(46,382)
Acquisition of long-term debt	50,000
Principal paid on capital leases	(11,946)
Miscellaneous revenues	<u>8,556</u>
Net cash provided by (used in) capital and related financing activities	<u>228</u>
Cash flows from investing activities	
Interest and dividends on investments	<u>790</u>
Net cash provided by (used in) investing activities	<u>790</u>
Net increase (decrease) in cash and cash equivalents	(56,397)
Beginning cash and cash equivalents	<u>110,522</u>
Ending cash and cash equivalents	<u>\$ 54,125</u>

**Reconciliation of Net Operating Income (Loss)  
to Net Cash Provided by (Used in) Operating Activities**

Net operating income (loss)	\$ <u>(217,463)</u>
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:	
Depreciation expense	60,710
Amortization expense	42,966
Changes in assets and liabilities	
(Increase) decrease in receivables	50,620
Increase (decrease) in accounts/deposits payable	2,503
Increase (decrease) in accrued interest	<u>3,249</u>
Net adjustments	<u>160,048</u>
Cash provided by (used in) operating activities	<u>\$ (57,415)</u>

See Accompanying Notes to Financial Statements  
and Independent Auditor's Report

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

**NOTE 1. Significant Accounting Policies**

Reporting Entity: On May 4, 1964, an ordinance enacted by the Supervisors of Lower Providence Township (the Township) created the Lower Providence Township Industrial Development Authority. By Articles of Amendment, approved May 18, 1994, the Articles of Incorporation were amended to change the name to the Lower Providence Township Municipal Authority (the Authority) and to provide that the term of existence of the Authority shall be 50 years from the date of such approval.

The Authority is an "Operating Authority", the purpose of which is to acquire, improve, maintain and operate the General Washington recreational facility.

The Authority is part of the Lower Providence Township's reporting entity under the criteria promulgated in GASB Statement No. 14, *The Financial Reporting Entity*. The Township appoints Authority board members. The Township is legally entitled to all revenues collected, not otherwise required for the purposes of paying current debt service, operating expenses, extraordinary maintenance costs or providing for current capital improvements. The Authority may not sell, donate, or otherwise dispose of its real estate and/or facilities without the written approval of the Township. These financial statements solely reflect the activity of the Authority and do not include the results of operations of Lower Providence Township.

Basis of Accounting: The Authority is accounted for on the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Authority applies all applicable GASB pronouncements. The Authority has elected to apply only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents: The Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

**NOTE 1. Significant Accounting Policies (Continued)**

Fixed Assets: Fixed assets are recorded in the books and records at cost. A provision for depreciation has been calculated using the straight-line method over the following estimated useful lives.

Land Improvements	20-40 years
Buildings and Improvements,	10-40 years
Machinery and Equipment	3-20 years

Expenditures for maintenance, repairs and minor replacements are expenses as incurred.

Unamortized Bond Issuance Costs: Bond issuance costs incurred with the issuance of the 1994, 1995, and 1998 Bonds are being amortized over the term of the bonds.

Budgets and Budgetary Accounting: The Authority follows these procedures in establishing budgetary data:

1. During the fall, a preliminary budget is presented to the Board.
2. In December the final budget is adopted.
3. All budget revisions require the approval of the Authority.
4. Budgetary control is maintained at the account level.
5. The budget is adopted on the accrual basis of accounting. All appropriations lapse at year end.

**NOTE 2. Cash and Investments**

Cash: The Authority's bank deposits at year-end were covered by federal depository insurance or by collateral held by the Authority's custodial bank in the bank's name.

The Authority's investments are categorized below to give an indication of the level of such risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Authority's name.

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

**NOTE 2. Cash and Investments (Continued)**

Following are the components of the Authority's cash and investments at December 31, 2003:

<u>Cash</u>	<u>Bank Balance</u>	<u>Category</u>
Insured by FDIC	\$ 53,404	1
Plus: Reconciling Items	<u>721</u>	
Book Balance	<u>\$ 54,125</u>	

**NOTE 3. Fixed Assets**

A summary of fixed assets is as follows:

	<u>1/01/2003</u>			<u>12/31/2003</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital assets, not being depreciated				
Land	\$ 3,185,540	\$ -	\$ -	\$ 3,185,540
Total capital assets, not being depreciated	<u>3,185,540</u>	<u>-</u>	<u>-</u>	<u>3,185,540</u>
Capital assets, being depreciated:				
Land improvements	952,300	-	-	952,300
Building	54,100	-	-	54,100
Machinery and equipment	<u>134,100</u>	<u>51,382</u>	<u>-</u>	<u>185,482</u>
Total capital assets, being depreciated	<u>1,140,500</u>	<u>51,382</u>	<u>-</u>	<u>1,191,882</u>
Less accumulated depreciation for:				
Land improvements	618,995	47,615	-	666,610
Building	49,200	700	-	49,900
Machinery and equipment	<u>26,820</u>	<u>12,395</u>	<u>-</u>	<u>39,215</u>
Total accumulated depreciation	<u>695,015</u>	<u>60,710</u>	<u>-</u>	<u>755,725</u>
Total capital assets, being depreciated, net	<u>445,485</u>	<u>-</u>	<u>-</u>	<u>445,485</u>
Total all capital assets	<u>\$ 3,631,025</u>	<u>\$ (9,328)</u>	<u>\$ -</u>	<u>\$ 3,621,697</u>

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

**NOTE 4. Long Term Debt**

An Inter-municipal Agreement was signed between the Township and Authority, whereby the Township agreed to sell bonds in the amount of \$5,235,000 and loan the proceeds to the Authority. The funds were used to purchase and improve the land and buildings of the recreational facility. In 1998, the Authority refunded \$4,815,000 of the original bond issue with the Township. As a result \$4,315,000 of the original debt issue was defeased. The refunding resulted in an amortizable discount of \$500,183, of which is being amortized over the life of the 1998 bond issue.

In 1995, the Authority entered into a note payable with the Township to finance future capital improvements.

The Authority entered into various promissory notes payable with the Township to fund operating expenditures and refund expired notes and accrued interest. An interest rate of 3.65% per annum is payable at maturity on these notes.

<u>Year</u>	<u>Original Issue / loan</u>	<u>Interest Rate</u>	<u>Matu- rities</u>	<u>January 1, 2003</u>	<u>Additions</u>	<u>Outstanding Retirements</u>	<u>December 31, 2003</u>
<b><u>Bonds</u></b>							
1994	\$ 5,235,000	3.60 - 6.00%	2004	\$ 220,000	\$ -	\$ 105,000	\$ 115,000
1998	4,815,000	3.40 - 4.55%	2024	4,720,000	-	35,000	4,685,000
	Total Bonds			<u>4,940,000</u>	<u>-</u>	<u>140,000</u>	<u>4,800,000</u>
<b><u>Note Payable</u></b>							
1995	1,290,000	3.65 - 5.57%	2022	1,120,000	-	35,000	1,085,000
				<u>1,120,000</u>	<u>-</u>	<u>35,000</u>	<u>1,085,000</u>
<b><u>Promissory Notes</u></b>							
1995	\$ 7,000	3.65%	2002	7,000	-	-	7,000
1996	295,000	3.65%	2003	295,000	-	295,000	-
1997	416,106	3.65%	2004	416,106	-	-	416,106
1998	439,325	3.65%	2005	439,325	-	-	439,325
1999	700,459	3.65%	2006	700,459	-	-	700,459
2000	687,023	3.65%	2007	687,023	-	-	687,023
2001	558,088	3.65%	2008	558,088	-	-	558,088
2002	464,586	3.65%	2009	464,586	-	-	464,586
2003	867,354	3.65%	2010	-	867,354	-	867,354
	Total Demand Notes			<u>3,567,587</u>	<u>867,354</u>	<u>295,000</u>	<u>4,139,941</u>
			<b>Total</b>	<b><u>\$ 9,627,587</u></b>	<b><u>\$ 867,354</u></b>	<b><u>\$ 470,000</u></b>	<b><u>\$ 10,024,941</u></b>

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

**NOTE 4. Long Term Debt (Continued)**

Principal and interest requirements to amortize bonds and notes payable for the next five years and thereafter are as follows. The promissory notes are due on the date of maturity as listed above.

Bonds and notes payable (not including promissory notes):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 190,000	\$ 263,525	\$ 453,525
2005	190,000	254,368	444,368
2006	205,000	246,545	451,545
2007	205,000	238,282	443,282
2008	215,000	229,827	444,827
Thereafter	<u>4,880,000</u>	<u>2,045,419</u>	<u>6,925,419</u>
	<u>\$ 5,885,000</u>	<u>\$ 3,277,966</u>	<u>\$ 9,162,966</u>

**NOTE 5. Commitments**

The Authority entered into an agreement with the Township in December of 2003 for the use of a \$500,000 draw down promissory note. As of December 31, 2003 no amounts were outstanding.

**NOTE 6. Working Capital**

Current Assets	\$ 54,125
Current Liabilities	<u>(1,105,063)</u>
Total	<u>\$ (1,050,938)</u>

LOWER PROVIDENCE TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

**NOTE 7. Prior Period Adjustment**

A prior period adjustment was made to these financial statements for the following reasons:

- To correct long term debt and accrued interest payable recorded incorrectly in a prior period.
- To remove expenses posted in 2002 that did not belong to the Authority. The reimbursement for these expenses was received in 2003 and thus removed from the books.
- To correct beginning fixed asset and accumulated depreciation balances.