

Township of Potter, Pennsylvania

Financial Statements and
Supplementary Information

December 31, 2024

Township of Potter, Pennsylvania

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Independent Auditors' Report

To the Board of Supervisors of
Township of Potter, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Potter, Pennsylvania (the Township), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Potter, Pennsylvania as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township 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 opinions.

Responsibilities of Management for the Financial Statements

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 auditors' report that includes our opinions. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Township'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 Township'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The Schedule of Expenses - Water and Sewer Funds on page 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated INSERT DATE on our consideration of the Township'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 the Township'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 the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

State College, Pennsylvania
May 22, 2025

Township of Potter, Pennsylvania

Statement of Net Position

December 31, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash	\$ 1,351,066	\$ 101,192	\$ 1,452,258
Taxes receivable	36,522	-	36,522
Note receivable	17,582	-	17,582
Accounts receivable	2,027	30,628	32,655
Total current assets	1,407,197	131,820	1,539,017
Noncurrent assets:			
Restricted cash	7,882	-	7,882
Capital assets:			
Land	858,785	-	858,785
Construction in progress	43,603	-	43,603
Infrastructure	2,607,100	-	2,607,100
Buildings and improvements	486,559	4,614,541	5,101,100
Equipment	419,845	65,304	485,149
Vehicles	1,156,835	-	1,156,835
Accumulated depreciation	(2,814,009)	(928,652)	(3,742,661)
Capital assets, net of accumulated depreciation	2,758,718	3,751,193	6,509,911
Total noncurrent assets	2,766,600	3,751,193	6,517,793
Total	\$ 4,173,797	\$ 3,883,013	\$ 8,056,810
Liabilities			
Current liabilities:			
Accounts payable	\$ 10,403	\$ 6,976	\$ 17,379
Accrued payroll	16,934	-	16,934
Unearned revenue	15,409	-	15,409
Current portion of notes payable	47,989	38,266	86,255
Total current liabilities	90,735	45,242	135,977
Notes payable	201,836	524,240	726,076
Total liabilities	292,571	569,482	862,053
Net Position			
Net investment in capital assets	2,508,893	3,188,687	5,697,580
Restricted for:			
Liquid fuels	525,650	-	525,650
Capital projects	139,280	-	139,280
Parkland	28,714	-	28,714
Unrestricted	678,689	124,844	803,533
Total net position	3,881,226	3,313,531	7,194,757
Total	\$ 4,173,797	\$ 3,883,013	\$ 8,056,810

See notes to financial statements

Township of Potter, Pennsylvania

Statement of Activities

Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ (480,058)				\$ (480,058)		\$ (480,058)
Public safety	(353,107)	\$ 112,345	\$ 84,772		(155,990)		(155,990)
Health and human services	(500)	-	-		(500)		(500)
Public works, sanitation	(20,570)	-	-		(20,570)		(20,570)
Public works, highways	(369,465)	-	-	\$ 248,999	(120,466)		(120,466)
Culture and recreation	(37,334)	-	163,881	-	126,547		126,547
Community development	(50)	-	-	-	(50)		(50)
Debt service	(11,384)	-	-	-	(11,384)		(11,384)
Employer paid benefits	(213,028)	-	-	-	(213,028)		(213,028)
Total governmental activities	(1,485,496)	112,345	248,653	248,999	(875,499)		(875,499)
Business-Type Activities							
Sanitary sewer and water systems	(258,895)	168,507	-	-		\$ (90,388)	(90,388)
Total	\$ (1,744,391)	\$ 280,852	\$ 248,653	\$ 248,999		(90,388)	(965,887)
General Revenues							
Taxes:							
Real estate taxes					405,379	-	405,379
Per capita taxes					14,724	-	14,724
Transfer taxes					160,650	-	160,650
Earned income taxes					565,386	-	565,386
Amusement taxes					68,697	-	68,697
Cable TV franchise fees					7,284	-	7,284
Fines					2,223	-	2,223
Other					5,888	-	5,888
Unrestricted interest					77,211	4,674	81,885
Total general revenues					1,307,442	4,674	1,312,116
Changes in net position					431,943	(85,714)	346,229
Net Position, Beginning					3,449,283	3,399,245	6,848,528
Net Position, Ending					\$ 3,881,226	\$ 3,313,531	\$ 7,194,757

See notes to financial statements

Township of Potter, Pennsylvania

Balance Sheet - Governmental Funds
December 31, 2024

	General Fund	Special Revenue Fund Liquid Fuels	Capital Projects Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets					
Current assets:					
Cash	\$ 659,447	\$ 525,650	\$ 139,280	\$ 26,687	\$ 1,351,064
Taxes receivable	36,522	-	-	-	36,522
Note receivable	485	-	-	-	485
Accounts receivable	-	-	-	2,027	2,027
Total current assets	696,454	525,650	139,280	28,714	1,390,098
Noncurrent asset:					
Restricted cash	7,882	-	-	-	7,882
Total	<u>\$ 704,336</u>	<u>\$ 525,650</u>	<u>\$ 139,280</u>	<u>\$ 28,714</u>	<u>\$ 1,397,980</u>
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable	\$ 10,403				\$ 10,403
Unearned revenues	15,407				15,407
Accrued payroll	16,934				16,934
Total current liabilities	42,744				42,744
Deferred inflows of resources:					
Unavailable revenues, taxes	5,152				5,152
Fund balances:					
Restricted	-	\$ 525,650	\$ 139,280	\$ 28,714	693,644
Nonspendable	485	-	-	-	485
Unassigned	655,955	-	-	-	655,955
Total fund balances	656,440	525,650	139,280	28,714	1,350,084
Total	<u>\$ 704,336</u>	<u>\$ 525,650</u>	<u>\$ 139,280</u>	<u>\$ 28,714</u>	

Reconciliation to Statement of Net Position

Amounts reported for governmental activities in the statement of net position are different because:

Taxes receivable will be collected in the future, but are not available to pay for the current period expenditure and, therefore, are deferred in funds	4,667
The note receivable is expected be collected over several years in the General Fund	17,582
Capital assets used in governmental activities of \$5,572,727 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,814,009	2,758,718
The note payable is expected to paid over several years and is not recorded in the funds	(249,825)
Net position of governmental activities	<u>\$ 3,881,226</u>

See notes to financial statements

Township of Potter, Pennsylvania

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2024

	General Fund	Special Revenue Fund Liquid Fuels	Special Revenue Fund Fire Protection	Capital Projects Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues						
Taxes	\$ 993,914		\$ 222,037			\$ 1,215,951
Licenses and permits	7,284		-			7,284
Fines and forfeits	2,223		-			2,223
Interest and rents	51,924	\$ 21,833	1,466	\$ 995	\$ 995	77,213
Intergovernmental	213,855	248,999	28,798	-	6,000	497,652
Charges for service	105,944	-	-	-	8,890	114,834
Total revenues	1,375,144	270,832	252,301	995	15,885	1,915,157
Expenditures						
General government	290,273	-	11,970	-	-	302,243
Public safety	123,796	-	240,331	-	-	364,127
Health and human services	500	-	-	-	-	500
Public works, sanitation	20,570	-	-	-	-	20,570
Public works, highways	995,060	79,911	-	64,327	-	1,139,298
Culture and recreation	21,263	-	-	-	16,071	37,334
Community development	50	-	-	-	-	50
Debt service	57,846	-	-	-	-	57,846
Employer paid benefits	213,028	-	-	-	-	213,028
Total expenditures	1,722,386	79,911	252,301	64,327	16,071	2,134,996
Excess (deficit) of revenues over expenditures	(347,242)	190,921	-	(63,332)	(186)	(219,839)
Other Financing Sources (Uses)						
Refund of prior year's expenditures	5,888	-	-	-	-	5,888
Transfer in (out)	(58,712)	-	-	58,712	-	-
Total other financing sources (uses)	(52,824)	-	-	58,712	-	5,888
Net change in fund balances	(400,066)	190,921	-	(4,620)	(186)	(213,951)
Fund Balance, Beginning	1,056,506	334,729	-	143,900	28,900	1,564,035
Fund Balance, Ending	\$ 656,440	\$ 525,650	\$ -	\$ 139,280	\$ 28,714	\$ 1,350,084

See notes to financial statements

Township of Potter, Pennsylvania

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2024

Changes in Fund Balances - Total Governmental Funds \$ (213,951)

Amounts reported for governmental activities in the statement of activities
are different because:

Some revenues reported in the statement of activities do not provide
current financial resources and therefore are not reported as revenue
in governmental funds. 8,533

Revenues related to real estate taxes in the statement of activities
that do not provide current financial resources and are not
reported as revenues in the fund. (1,125)

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated
over their estimated useful lives and reported as depreciation expense.
This is the amount by which capital outlays exceeded depreciation in
the current period.

Depreciation expense	\$ (202,939)	
Capital outlays	<u>794,963</u>	592,024

Notes payable are not due and payable in the current period, and therefore
are not reported as liabilities in the funds. The change in notes payable.

Debt payments		<u>46,462</u>
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Changes in Net Position of Governmental Activities \$ 431,943

Township of Potter, Pennsylvania

Statement of Net Position - Proprietary Funds

December 31, 2024

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets			
Current Assets			
Cash	\$ 7,306	\$ 93,886	\$ 101,192
Accounts receivable, trade	1,587	29,041	30,628
Total current assets	8,893	122,927	131,820
Noncurrent Assets			
Capital assets:			
Buildings and improvements	137,426	4,477,115	4,614,541
Equipment	28,173	37,131	65,304
Accumulated depreciation	(83,245)	(845,407)	(928,652)
Capital assets, net	82,354	3,668,839	3,751,193
Total assets	\$ 91,247	\$ 3,791,766	\$ 3,883,013
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ -	\$ 6,976	\$ 6,976
Current portion of note payable	-	38,266	38,266
Total current liabilities	-	45,242	45,242
Note Payable	-	524,240	524,240
Total liabilities	-	569,482	569,482
Net Position			
Net investment in capital assets	82,354	3,106,333	3,188,687
Unrestricted	8,893	115,951	124,844
Total net position	91,247	3,222,284	3,313,531
Total liabilities and net position	\$ 91,247	\$ 3,791,766	\$ 3,883,013

See notes to financial statements

Township of Potter, Pennsylvania

Statement of Revenues, Expenses and Change in Net Position - Proprietary Funds

Year Ended December 31, 2024

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenues			
Charges for services	\$ 23,184	\$ 145,323	\$ 168,507
Operating Expenses			
General operating	28,674	124,870	153,544
Depreciation	3,036	95,345	98,381
Total operating expenses	31,710	220,215	251,925
Operating loss	(8,526)	(74,892)	(83,418)
Nonoperating Income (Expense)			
Interest income	1,402	3,272	4,674
Interest expense	-	(6,970)	(6,970)
Total nonoperating income (expense), net	1,402	(3,698)	(2,296)
Net loss	(7,124)	(78,590)	(85,714)
Net Position, Beginning	98,371	3,300,874	3,399,245
Net Position, Ending	\$ 91,247	\$ 3,222,284	\$ 3,313,531

See notes to financial statements

Township of Potter, Pennsylvania

Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2024

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash Flows From Operating Activities			
Cash receipts from customers	\$ 23,184	\$ 148,870	\$ 172,054
Cash paid to vendors and employees	(28,490)	(120,148)	(148,638)
Net cash (used in) provided by operating activities	(5,306)	28,722	23,416
Cash Flows From Capital and Related Financing Activities			
Repayment of debt	-	(37,735)	(37,735)
Interest paid	-	(6,970)	(6,970)
Repayment of line of credit	(52)	-	(52)
Net cash used in capital and related financing activities	(52)	(44,705)	(44,757)
Cash Flows Provided by Investing Activities			
Interest received	1,402	3,272	4,674
Decrease in cash	(3,956)	(12,711)	(16,667)
Cash, Beginning	11,262	106,597	117,859
Cash, Ending	<u>\$ 7,306</u>	<u>\$ 93,886</u>	<u>\$ 101,192</u>
Reconciliation of Operating Loss to Net Cash (Used in) Provided by Operating Activities			
Operating loss	\$ (8,526)	\$ (74,892)	\$ (83,418)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:			
Depreciation	3,036	95,345	98,381
Changes in assets and liabilities:			
Accounts receivable, trade	184	3,362	3,546
Accounts payable	-	4,907	4,907
Net cash (used in) provided by operating activities	<u>\$ (5,306)</u>	<u>\$ 28,722</u>	<u>\$ 23,416</u>

See notes to financial statements

Township of Potter, Pennsylvania

Notes to Financial Statements

December 31, 2024

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Township of Potter, Pennsylvania (the Township) is a municipal sub-division of the Commonwealth of Pennsylvania. The Township provides the following services as authorized by the Second-Class Township Code: general government, public safety, sanitation, public works, culture and recreation, public water and sewer and maintains 57 miles of roads.

Summary of Significant Accounting Policies

The financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the recognized accounting standards setting body for state and local governments in the United States.

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in GASB Statement No. 14, as amended. The specific criteria used in determining whether other organizations should be included in the Township's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the Township's financial statements.

The Township is a basic level of government that has oversight responsibility and control of the municipality. The Township receives funding from local and state sources and must comply with concomitant requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Township members are elected by the public and have decision-making power to significantly influence operations, the power to levy taxes, the power to designate management and primary accountability for fiscal matters. No other entities are included in these financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental fund types are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, both measurable and available. "Available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for tax revenues. Expenditures are recorded when the related liability is incurred.

Those revenues susceptible to accrual are property taxes, licenses and charges for services.

The activities of the sewer and water funds are reported on the accrual basis of accounting.

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township's General, Special Revenue and Capital Projects Funds are classified as governmental activities. One of the Special Revenue Funds, the Parks and Recreation Fund is a nonmajor fund.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the Township's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Basis of Presentation - Fund Financial Statements

The accounts of the Township are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenue and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The following fund types are used by the Township:

Major Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the Township:

General Fund

The General Fund is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. The General Fund is a major fund.

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of a specific revenue source that are legally restricted to expenditures for a specific purpose.

The Township accounts for their liquid fuels, fire protection and parkland activities in these funds. The funds that account for liquid fuels and fire protection are considered major funds.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition of capital items. The Capital Projects Fund is considered a major fund.

Township of Potter, Pennsylvania

Notes to Financial Statements

December 31, 2024

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues (charges for services) and expenses (general operating and depreciation) generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The following is a description of the Township's major proprietary fund:

Enterprise Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of providing water and sewer services to the general public on a continuing basis are reported in these funds.

Restricted Cash

The Township entered into agreements with various individuals to install small flow treatment facilities on their properties. Savings accounts were opened to defer any costs that may be incurred by the Township in the event of any malfunction of the systems. As of December 31, 2024, the balance was \$7,882.

Accounts Receivable, Trade

Accounts receivable, trade are reported at net realizable value. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Budget

The Township is required by State law to adopt an annual budget for the General Fund. The Township also adopts annual operating budgets for its Liquid Fuels and Fire Protection Funds. The budgets are presented on the modified accrual basis, which is consistent with GAAP.

Governmental Fund Balances

The Township classifies its governmental fund balances as follows:

- *Nonspendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints such as loan receivables
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Board of Supervisors which do not lapse at year-end
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township, but not through a formal action of the Board of Supervisors
- *Unassigned* - includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds

Township of Potter, Pennsylvania

Notes to Financial Statements
December 31, 2024

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the Township's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed, assigned and then unassigned fund balances.

Capital Assets

Capital assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method.

New Accounting Pronouncements

The Township adopted Government Accounting Standards Board (GASB) Statement No. 99, *Omnibus 2022* for the year ended December 31, 2024. GASB Statement No. 99 aims to improve the consistency and comparability of accounting and financial reporting. The adoption of this statement had no effect on the financial statements as of December 31, 2024.

The Township adopted GASB Statement No. 100, *Accounting Changes and Error Corrections* for the year ended December 31, 2024. GASB Statement No. 100 establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The adoption of this Statement had no effect on the financial statements as of December 31, 2024.

The Township adopted GASB Statement No. 101, *Compensated Absences* for the year ended December 31, 2024. GASB Statement No. 101 aims to better align the recognition and measurement of compensated absence obligations. The adoption of this statement had no effect on the financial statements as of December 31, 2024.

2. Cash

The Township Code, Section 902.1, authorizes the Township to invest its funds in U.S. Treasury bills, savings accounts, obligations of the United States or its agencies and shares of investment companies registered under the Investment Company Act of 1940.

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a formal deposit policy for custodial credit risk. At December 31, 2024, the Township's total bank deposits were \$1,507,975. Of this amount, \$257,882 was insured by the FDIC. The remaining bank deposits of \$1,250,093 were exposed to custodial credit risk, as these deposits were not covered by depository insurance. Rather, these deposits were collateralized with securities held by the pledging financial institution, but not in the Township's name.

3. Capital Assets

The useful lives of capital assets are as follows:

	<u>Years</u>
Infrastructure	7 - 20
Buildings and improvements	10 - 50
Equipment	5 - 40
Vehicles	7

Township of Potter, Pennsylvania

Notes to Financial Statements

December 31, 2024

Changes in the Township's capital assets in 2024 are as follows:

	January 1	Additions/ Transfers	Disposals/ Transfers	December 31
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 830,702	\$ 28,083	\$ -	\$ 858,785
Construction in progress	31,204	12,399	-	43,603
Total capital assets, not being depreciated:	861,906	40,482	-	902,388
Capital assets being depreciated:				
Infrastructure	2,047,347	559,753	-	2,607,100
Buildings and improvements	475,752	10,807	-	486,559
Equipment	276,110	143,735	-	419,845
Vehicles	1,116,649	40,186	-	1,156,835
Total capital assets	3,915,858	754,481	-	4,670,339
Accumulated depreciation:				
Infrastructure	(1,208,240)	(113,746)	-	(1,321,986)
Buildings and improvements	(309,692)	(16,616)	-	(326,308)
Equipment	(247,738)	(11,833)	-	(259,571)
Vehicles	(845,400)	(60,744)	-	(906,144)
Total accumulated depreciation	(2,611,070)	(202,939)	-	(2,814,009)
Total capital assets being depreciated	1,304,788	551,542	-	1,856,330
Governmental activities capital assets, net	\$ 2,166,694	\$ 592,024	\$ -	\$ 2,758,718
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 4,614,541	\$ -	\$ -	\$ 4,614,541
Equipment	65,304	-	-	65,304
Total capital assets	4,679,845	-	-	4,679,845
Accumulated depreciation:				
Buildings and improvements	(784,651)	(94,615)	-	(879,266)
Equipment	(45,620)	(3,766)	-	(49,386)
Total accumulated depreciation	(830,271)	(98,381)	-	(928,652)
Business-type activities capital assets, net	\$ 3,849,574	\$ (98,381)	\$ -	\$ 3,751,193

4. Tax Revenue

The Township has five main sources of tax revenue: property tax, real estate transfer tax, amusement tax, per capita tax and earned income tax. The property tax is levied at 1.58 mills of 50% of the property's assessed value. The per capita tax is \$10.00 per adult and the earned income tax is ½% of taxable wages of an individual.

Township of Potter, Pennsylvania

Notes to Financial Statements

December 31, 2024

Property taxes are levied on March 1. Taxes are collected at a discount until April 30, at their face value until May 31 and at a penalty thereafter. Delinquent property taxes are turned over to the County of Centre for collection at December 31.

5. Long-Term Debt - Direct Borrowings

In October 2011, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PennVEST) to refinance a construction loan it had with a local financial institution. The loan was used to finance the design and construction of the sanitary sewer treatment facility.

In January 2019, the Township entered into a loan agreement with PennVEST to refinance a construction loan the Township had with a local financial institution.

In September 2019, the Township entered into a note agreement with a local financial institution. The loan was used to finance the purchase of park facilities (baseball fields).

In February 2021, the Township entered into a note agreement with a local financial institution. The loan was used to finance the purchase of equipment.

Long-term debt consists of the following at December 31, 2024:

1.89% note payable, PennVEST; monthly payment of principal and interest of \$2,046; matures January 2030; secured by a lien on sewer operation	\$	121,910
1.00% note payable, PennVEST; monthly payment of principal and interest of \$1,840; matures August 2050; secured by a lien on sewer operation		440,596
5.25% note payable, bank; monthly payment of principal and interest of \$1,931; matures October 2034; secured by a lien on real estate		182,875
2.55% note payable, bank; yearly payment of principal and interest of \$34,675; matures February 2026; secured by a lien on real estate		66,950
	\$	<u>812,331</u>

The following is a summary of long-term debt transactions for the year ended December 31, 2024:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Long-term debt at January 1, 2024	\$ 296,287	\$ 600,241	\$ 896,528
Long-term debt proceeds	-	-	-
Long-term debt payment	<u>(46,462)</u>	<u>(37,735)</u>	<u>(84,197)</u>
Long-term debt at December 31, 2024	249,825	562,506	812,331
Portion due or payable in one year	<u>(47,989)</u>	<u>(38,266)</u>	<u>(86,255)</u>
Total	<u>\$ 201,836</u>	<u>\$ 524,240</u>	<u>\$ 726,076</u>

Township of Potter, Pennsylvania

Notes to Financial Statements

December 31, 2024

The Township's outstanding notes from direct borrowings contain provisions that if there is an event of default that materially impairs collateral or the Township's ability to satisfy the note obligations, all amounts outstanding are due immediately. Events of default include failure to pay any principal or interest installments when due and failure by the Township to observe or perform any covenants in the note agreements.

Annual debt service requirements on direct borrowings are as follows:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
Years ending December 31:					
2025	\$ 47,989	\$ 9,855	\$ 38,266	\$ 6,438	\$ 102,548
2026	49,770	8,278	38,859	5,845	102,752
2027	16,501	6,668	39,460	5,243	67,872
2028	17,262	5,908	40,073	4,631	67,874
2029	18,038	5,199	40,696	4,009	67,942
2030 - 2034	100,265	13,675	82,921	16,194	213,055
2035 - 2039	-	-	85,320	12,031	97,351
2040 - 2044	-	-	89,693	7,659	97,352
2045 - 2049	-	-	94,289	3,062	97,351
2050	-	-	12,929	48	12,977
Total	<u>\$ 249,825</u>	<u>\$ 49,583</u>	<u>\$ 562,506</u>	<u>\$ 65,160</u>	<u>\$ 927,074</u>

6. Retirement Plan

The Township sponsors an Internal Revenue Code Section 401(a) defined contribution pension plan administered by the Pennsylvania State Association of Township Supervisors (PSATS) (the 401a Plan). The 401(a) Plan provides retirement benefits for all full-time qualifying employees. Under the 401(a) Plan provisions, the Township contributes 6% of eligible wages for employees who have provided two years of service. Employees are not required to contribute to the 401(a) Plan. The Township contributed \$20,946 to the 401(a) Plan in 2024. In addition to the 401(a) Plan, the Township offers an Internal Revenue Code Section 457(b) deferred compensation plan (the 457 Plan) that qualifying employees may contribute to. The Township does not contribute to the 457 Plan.

Township of Potter, Pennsylvania

Notes to Financial Statements
December 31, 2024

7. Changes in Accounting Principles

The GASB has approved the following:

- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

Township management is in the process of analyzing these pending changes in accounting principles and the impact they may have on the financial reporting process.

Township of Potter, Pennsylvania

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues			
Taxes	\$ 866,920	\$ 993,914	\$ 126,994
Licenses and permits	8,700	7,284	(1,416)
Fines and forfeits	5,200	2,223	(2,977)
Interest and rents	18,075	51,924	33,849
Intergovernmental	67,945	213,855	145,910
Charges for service	55,150	105,944	50,794
Total revenues	1,021,990	1,375,144	353,154
Expenditures			
General government	170,553	290,273	(119,720)
Public safety	89,700	123,796	(34,096)
Health and human services	500	500	-
Public works, sanitation	5,000	20,570	(15,570)
Public works, highways	816,592	995,060	(178,468)
Culture and recreation	6,500	21,263	(14,763)
Community development	16,140	50	16,090
Debt service	58,170	57,846	324
Employer paid benefits	147,590	213,028	(65,438)
Total expenditures	1,310,745	1,722,386	(411,641)
Excess of expenditures over revenues	(288,755)	(347,242)	(58,487)
Other Financing Sources (Uses)			
Refund of prior year's expenditures	2,310	5,888	3,578
Transfers out	(2,051)	(58,712)	(56,661)
Total other financing sources (uses)	259	(52,824)	(53,083)
Net changes in fund balances	<u>\$ (288,496)</u>	<u>(400,066)</u>	<u>\$ (111,570)</u>
Fund Balance, Beginning		<u>1,056,506</u>	
Fund Balance, Ending		<u>\$ 656,440</u>	

Township of Potter, Pennsylvania

Budgetary Comparison Schedule - Special Revenue Fund - Liquid Fuels
Year Ended December 31, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues			
Interest and rents	\$ 17,220	\$ 21,833	\$ 4,613
Intergovernmental	<u>250,500</u>	<u>248,999</u>	<u>(1,501)</u>
Total revenues	267,720	270,832	3,112
Expenditures			
Public works, highways	<u>401,567</u>	<u>79,911</u>	<u>321,656</u>
Net changes in fund balances	<u>\$ (133,847)</u>	190,921	<u>\$ 324,768</u>
Fund Balance, Beginning		<u>334,729</u>	
Fund Balance, Ending		<u>\$ 525,650</u>	

Township of Potter, Pennsylvania

Budgetary Comparison Schedule - Special Revenue Fund - Fire Protection
Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues			
Taxes	\$ 224,680	\$ 222,037	\$ (2,643)
Interest and rents	315	1,466	1,151
Intergovernmental	-	28,798	28,798
Total revenues	224,995	252,301	27,306
Expenditures			
General government	12,111	11,970	141
Public safety	212,884	240,331	(27,447)
Total expenditures	224,995	252,301	(27,306)
Net changes in fund balances	\$ -	-	\$ -
Fund Balance, Beginning		-	
Fund Balance, Ending		\$ -	

**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***

Independent Auditors' Report

To the Board of Supervisors of
Township of Potter, Pennsylvania

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Potter, Pennsylvania (the Township), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 22, 2025. Our report indicated that the Township has excluded a management's discussion and analysis, that accounting principles generally accepted in the United States of America require to be included to supplement the basic financial statements. Our opinions are not affected by this missing information.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township'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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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*.

The Township's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

State College, Pennsylvania
May 22, 2025

Township of Potter, Pennsylvania

Schedule of Expenses - Water and Sewer Funds

Year Ended December 31, 2024

	Water Fund	Sewer Fund	Total
Depreciation	\$ 3,036	\$ 95,345	\$ 98,381
Payroll taxes and benefits	6,847	59,925	66,772
Maintenance	13,302	22,403	35,705
Testing	1,088	14,825	15,913
Electric	2,218	10,016	12,234
Licenses/dues	780	10,845	11,625
Interest	-	6,970	6,970
Engineering	-	4,040	4,040
Insurance	1,965	1,693	3,658
Chemicals	1,958	592	2,550
Telephone	516	531	1,047
Total	<u>\$ 31,710</u>	<u>\$ 227,185</u>	<u>\$ 258,895</u>

Township of Potter, Pennsylvania

Schedule of Findings and Responses

Year Ended December 31, 2024

Finding 2024-001: Internal Control Over Financial Reporting - Lack of Segregation of Duties - Material Weakness

Criteria: The absence of segregation of duties and responsibilities generally precludes meaningful internal control over financial reporting.

Condition: The Township operates with a limited accounting staff. To the extent possible, duties and responsibilities are divided among the various employees; however, it is not always possible to adequately segregate duties.

Cause: Responsibility for the performance of accounting duties is vested in one individual.

Effect: The Township cannot be assured that errors, fraud or irregularities will be detected by its internal control over financial reporting. This constitutes a material weakness in internal control over financial reporting.

Recommendation: While it is advisable to have adequate segregation of duties among employees, the cost of such implementation must be weighed against the benefits to be derived. The cost which would result from increasing the number of employees to more fully segregate duties in your organization may exceed any internal control benefits to be derived. We feel that this internal control weakness is somewhat mitigated by the active involvement of the Board of Supervisors in the Township's operational activities. You must, however, be aware of the possible impact of the internal control weaknesses which exist and continue to involve these individuals in financial accounting matters.

Views of Responsible Officials and Planned Corrective Actions: Management is aware of the situation and seeks to have the Board of Supervisors review and approve transactions at their monthly board meetings; however, management has made a cost-benefit decision not to hire additional staff to segregate duties at this time.

Finding 2024-002: Internal Control Over Financial Reporting - Controls Over Cash Reconciliations - Material Weakness

Criteria: Internal control is a process that captures and properly records transactions, safeguards assets and assures compliance with laws and regulations. Without an effective internal control environment, the risk that potential misstatements due to fraud or error could occur increases significantly.

Condition: As part of our audit procedures, we noted that, with regard to cash reconciliations, the following aspect represent weaknesses in the Township's internal control over financial reporting:

Cash reconciliations were not reviewed and approved by an appropriate individual independent of all related cash receipt/disbursement functions during the fiscal year 2024.

Cause: The responsibility for the review of bank statements did not occur during the board meetings.

Effect: Considering that transactions involving cash represent the predominant amount of activity within the Township's general ledger, Township Supervisors cannot be assured that accurate, timely information is being made available for decision making processes and the potential exists for fraud or errors to occur and not be discovered.

Recommendation: We recommend that Township Supervisors consider implementing steps to require appropriate review and approval of reconciliations to ensure the information used in making decisions is initiated, authorized, recorded and processed reliably.

Views of Responsible Officials and Planned Corrective Actions: The reconciliation will be reviewed and approved by the Township Supervisors at monthly meetings