

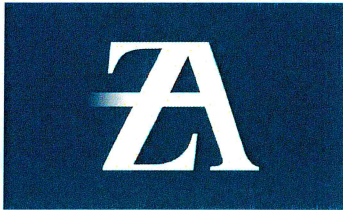
**SOUTHWEST DELAWARE COUNTY
MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
FINANCIAL STATEMENTS**

For the Years Ended December 31, 2020 and 2019

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Delaware County Municipal Authority
(A Component Unit of Aston Township)

Report on the Financial Statements

We have audited the accompanying financial statements of the Southwest Delaware County Municipal Authority (the "Authority"), a component unit of Aston Township, as of and for the years ended December 31, 2020 and 2019, 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 basic 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 basic 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 the basic financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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.

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

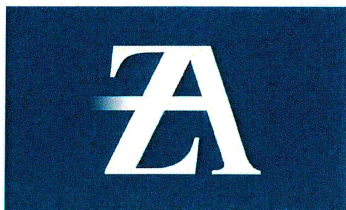
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southwest Delaware County Municipal Authority, as of December 31, 2020 and 2019, and the respective changes in net position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Board of Directors
Southwest Delaware County Municipal Authority
(A Component Unit of Aston Township)
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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 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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
May 12, 2021

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2020 AND 2019

This section presents management's discussion of the financial condition and operating performance of the Southwest Delaware County Municipal Authority (the "Authority") over the course of fiscal year 2020 and comparison to fiscal years 2019 and 2018. Please read this analysis in conjunction with the Authority's financial statements included with this document.

SUMMARY OF THE ORGANIZATION:

The Authority is a municipal corporation created by Aston Township under the Pennsylvania Municipal Authorities Act of 1945, as amended, (Act) for the purpose of financing, engineering, constructing and operating the public sanitary sewer system.

The Aston Township Commissioners appoint a seven-member Board of Directors to staggered five year terms. The Authority hires its own employees and professional advisors.

The Authority is an operating authority under the Act. The Authority owns and maintains a collection system within its service area that consists of over 63 miles of collection system piping, four pump stations and ten siphons. The Authority through contractual and inter-municipal agreements acts as the treating agency for several bordering municipalities.

The Authority has no taxing power under the Act, but relies on sewer rental rates and charges imposed under the Act. Tapping fees, connection fees, and other service charges may be assessed for connections to the system. These fees are not generally included in budget forecasts until a developer's agreement has been executed with the Authority.

OVERVIEW OF ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis ("MD&A") is an introduction to the basic financial statements. The MD&A represents management's analysis of the Authority's financial condition and performance.

The financial statements include:

Statements of net position – These statements will help the reader determine if the Authority's financial picture is better or worse as a result of this year's activity.

Statements of revenues, expenses and changes in net position – These statements present the results of business activities during the fiscal years and the amounts representing changes in net position.

Statements of cash flows – Reports changes in cash and cash equivalents resulting from operations, capital, financing and investment activities.

Notes to financial statements – The notes provide additional information to fully understand the data presented.

FINANCIAL AND ADMINISTRATIVE COMMENTS:

The Authority uses a customer billing formula that is based upon two components. The rate structure was designed to enhance the revenue of the Authority to meet the operational expenses and to reflect charges based upon system utilization. The first component (flat rate) is assessed to each customer that maintains a connection to the system, whether residential or commercial. The second component (consumption) is based on the water usage as reported by the supplier of the potable water.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2020 AND 2019

The financial statements accurately reflect the Authority's financial position at the end of fiscal years 2020 and 2019.

The Authority meets all terms of the Sewer Revenue Note, Series of 2017.

The following table provides a statement of operations for fiscal years 2020, 2019 and 2018.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 6,154,559	\$ 5,871,795	\$ 5,678,516
Operating Expenses	5,776,658	5,532,316	5,333,451
Operating Income	377,901	339,479	345,065
Nonoperating Revenues (Expenses)	(18,761)	132,554	566,894
Increase (Decrease) in Net Position	359,140	472,033	911,959
Net Position beginning of year	4,750,825	4,278,792	3,366,833
Net Position at end of the year	5,109,965	4,750,825	4,278,792

The assets of the Authority exceeded its liabilities by approximately \$5.1 million at December 31, 2020. Net Position Invested in Capital Assets, Net of Related Debt was \$2,455,361 and Unrestricted Net Position was \$2.6 million.

Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 3,537,907	\$ 4,669,113	\$ 4,994,020
Capital Assets	7,007,889	7,102,430	7,620,287
Total Assets	10,545,796	11,771,543	12,614,307
Noncurrent Liabilities	3,329,226	4,570,719	5,809,176
Current Liabilities	2,106,605	2,449,999	2,526,339
Total Liabilities	5,435,831	7,020,718	8,335,515
Net Position:			
Invested in Capital Assets	2,455,361	1,308,034	584,023
Unrestricted	2,654,604	3,442,791	3,694,769
Total Net Position	5,109,965	4,750,825	4,278,792

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2020 AND 2019

Capital Acquisitions

The Authority's investment in capital assets includes the Sewer System and equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by available reserves and debt.

Southwest Delaware County Municipal Authority's investment in capital assets as of December 31, 2020, 2019 and 2018, net of accumulated depreciation, was as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Plant and System	\$ 6,918,106	\$ 6,995,663	\$ 7,527,597
Administration Building	69,095	77,874	64,661
Office Equipment	<u>20,688</u>	<u>28,893</u>	<u>28,029</u>
Capital Assets Net of Accumulated Depreciation	<u>\$ 7,007,889</u>	<u>\$ 7,102,430</u>	<u>\$ 7,620,287</u>

Additional information on capital assets can be found in Note 4 to the financial statements.

Debt Administration

As of December 31, 2020, the Authority had total long term debt outstanding of \$4,552,528. The Authority's Outstanding Debt as of December 31, 2020, 2019 and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Notes Payable	\$ 4,342,528	\$ 5,554,396	\$ 6,766,264
Leases Payable	<u>210,000</u>	<u>240,000</u>	<u>270,000</u>
	<u>\$ 4,552,528</u>	<u>\$ 5,794,396</u>	<u>\$ 7,036,264</u>

Additional information on the Authority's long-term debt can be found in Note 5 to the financial statements. The Authority's debt is secured by the sewer receipts and revenues.

Economic Factors and Next Year's Budgets and Rates

In December 2009, the Southwest Delaware County Municipal Authority (SWDCMA) entered into an agreement of service with the Delaware County Regional Water Quality Control Authority (Delcora) to provide wastewater treatment service commencing no later than December 31, 2014. This agreement called for the construction of a force main and pumping station that would transfer the wastewater flows to Delcora. On November 11, 2014, the construction of the Chester Ridley Creek Pumping Station was completed and all SWDCMA wastewater flows were transferred to Delcora for treatment. By this agreement, the treatment cost for SWDCMA will include its proportionate share of the pumping station construction and ongoing maintenance costs. The percentage of flows will be calculated annually and adjusted accordingly.

As provided in the Global agreement dated February 25, 2013, the 1968 Middletown Township Sewer Authority ("MTSA") SWDCMA Agreement ceased to exist upon the transfer of flows to Delcora on November 11, 2014; and, each party became responsible for the treatment cost of their respective flows as provided in their agreements with Delcora.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2020 AND 2019

On March 27, 2018, the MTSA Chester Creek Interceptor became fully operational with the completion of Phases I and II. Wastewater flows from Middletown Township are conveyed through the MTSA Chester Creek Interceptor and metered at the Chester Ridley Creek Pumping Station. Flows from the SWDCMA service area are conveyed through the Chester Creek and Baldwin Run Interceptors and metered at the Chester Ridley Creek Pumping Station. This separation of metered flows allows for an accurate billing of the treatment service provided by Delcora.

Upon completion of Phase II of the MTSA Chester Creek Interceptor project, the Middletown Township Sewer Authority transferred ownership of its section of the original Chester Creek Interceptor to the Authority on a lease purchase basis. As provided in the Global Agreement, the purchase price of \$300,000 would be paid in ten annual installments of \$30,000, the first of which is due thirty days after implementation of Phase II.

The 2018 financial statements reflect revenue from Upper Providence Township Sewer Authority for the conveyance of their flows through the Authority's collection system, as provided in the Global Agreement. This revenue ceased on March 27, 2018 when the MTSA Chester Creek Interceptor became operational.

On October 29, 2014, the SWDCMA contracted the operation and maintenance of the Authority's collection system to Aqua Resources, Inc. In June 2017, Aqua Resources, Inc. sold their wastewater division to KBX Golden, LLC and the contract for operating and maintaining the SWDCMA collection system was transferred to KBX Golden, LLC. On September 25, 2018, the contract for KBX Golden LLC to operate and maintain the SWDCMA collection system was renewed through October 31, 2021.

The decommissioning and demolition of the Authority's treatment plant, the Baldwin Run Pollution Control Facility, was completed in mid 2016. This project was handled by Delcora and had a total project cost of \$2,775,819. As provided by the Global Agreement, SWDCMA and MTSA were responsible for their proportional share of the project cost based on treated flows. Per the agreement, SWDCMA was responsible for 60% of the cost, or \$1,665,491.44. The invoice for this project was received in December 2016 and paid in January 2017; \$1,000,000 from a refunding of the Sewer Revenue Note, Series of 2015 and \$665,491.44 from the Authority's cash on hand. The Sewer Revenue Note, Series of 2017 is a tax free note with an annual interest rate of 3% and a maturity date of August 2024.

On August 27, 2018, the Board of Directors authorized a conditional sale of up to 4.05 acres of land to Aston Township, in exchange for \$1.00 and other valuable consideration, for the relocation of the Aston Township Public Works Department.

Total rainfall in the SWDCMA service area for 2019 was more than forty seven inches. As a result of the extremely wet weather and high water tables, the estimated treatment cost for 2019 was understated. Although the treatment cost per thousand gallons was reduced from \$3.24 to \$3.04, these excess flows resulted in an additional payment of \$406,851.20 to Delcora for their year-end reconciliation. Total rainfall in the SWDCMA service area for 2018 was more than sixty inches. As a result of the extremely wet weather and high water tables, the estimated treatment cost for 2018 was understated. Although the treatment cost per thousand gallons was reduced from \$3.00 to \$2.95, these excess flows resulted in an additional payment of \$353,851.65 to Delcora for their year-end reconciliation.

Storm events in August 2020 resulted in catastrophic damage to the Authority's collection system. The Toby Farms Pump Station experienced two flooding events, 8/4/20 and 8/7/20. On both events, the station was submerged in more than 8 feet of water from the Chester Creek. In addition, the West Branch of the Chester Creek Interceptor suffered the destruction of a concrete manhole and the loss of 225 linear feet of 10" pipe during these storm events. The project repairs took more than 60 days to complete at a cost of more than \$520,000.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2020 AND 2019

Although the Authority continues to be focused on reducing outstanding delinquencies, the economic impact of the global pandemic on ratepayers resulted in an overall reduction in collections throughout 2020. Outstanding sewer rents as of December 31, 2020 reflected an increase of more than \$167,000 as compared to December 31, 2019. Helping to offset this reduction in cash flow in 2020 was the increase in home sales that has provided for collection of more than \$40,000 in Northwest Assessments through March 31, 2021.

The Authority believes that with the return of the economy to pre-pandemic conditions, the changes in operations and the programs it has enacted will enable it to sustain its financial goals and objectives.

Requests for information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning the information provided or requests for additional information may be addressed to: Cecelia Nelson, Controller, Southwest Delaware County Municipal Authority, Post Office Box 2466, One Gamble Lane, Aston, PA 19014-0466.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and Cash Equivalents - Unrestricted	\$ 1,690,142	\$ 2,898,933
Accounts Receivable Net of Allowance for Doubtful Accounts of \$587,693 and \$581,842 in 2020 and 2019, Respectively	1,789,822	1,727,705
Prepaid Expense	57,943	42,475
Total Current Assets	<u>3,537,907</u>	<u>4,669,113</u>
Capital Assets, At Cost		
Property, Plant and Equipment	26,710,788	26,242,520
Accumulated Depreciation	<u>(19,702,899)</u>	<u>(19,140,090)</u>
Total Capital Assets	<u>7,007,889</u>	<u>7,102,430</u>
 Total Assets	 <u>\$ 10,545,796</u>	 <u>\$ 11,771,543</u>
Liabilities and Net Position		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 321,770	\$ 540,301
Deferred Revenue	292,811	422,970
Notes Payable - Current Portion	1,211,868	1,211,868
Lease Payable - Current Portion	30,000	30,000
Accrued Payroll	4,630	8,519
Other Liabilities	245,526	236,341
Total Current Liabilities	<u>2,106,605</u>	<u>2,449,999</u>
Noncurrent Liabilities		
Compensated Absences Payable	18,566	18,191
Notes Payable - Long Term Portion	3,130,660	4,342,528
Lease Payable - Long Term Portion	180,000	210,000
Total Noncurrent Liabilities	<u>3,329,226</u>	<u>4,570,719</u>
Total Liabilities	<u>5,435,831</u>	<u>7,020,718</u>
Net Position		
Net Investment in Capital Assets	2,455,361	1,308,034
Unrestricted	2,654,604	3,442,791
Total Net Position	<u>5,109,965</u>	<u>4,750,825</u>
 Total Liabilities and Net Position	 <u>\$ 10,545,796</u>	 <u>\$ 11,771,543</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Sewer Rentals	\$ 5,900,900	\$ 5,659,581
Other Operating Revenue	253,659	212,214
Total Operating Revenues	<u>6,154,559</u>	<u>5,871,795</u>
Operating Expenses		
Sewer Treatment	3,528,636	3,319,444
Collection System Expense	62,018	210,577
Collection System - Contract/Professional Fees	713,494	643,891
Administration - Contract/Professional Fees	183,912	151,345
Salaries	293,833	278,340
Benefits Including Payroll Taxes	125,183	126,378
Utilities	14,552	15,556
Insurance Expense	46,739	45,830
Maintenance & Repairs - Collection System	195,810	123,764
Maintenance & Repairs - Administration	16,686	26,614
Service Fees	7,000	2,000
Other Expenses	25,986	38,639
Depreciation and Amortization	<u>562,809</u>	<u>549,938</u>
Total Operating Expenses	<u>5,776,658</u>	<u>5,532,316</u>
Operating Income	<u>\$ 377,901</u>	<u>339,479</u>
Nonoperating Revenues (Expenses)		
Assessments and Connections	147,216	327,004
Interest on Assessments	6,250	7,934
Interest Expense	(150,555)	(188,454)
Investment Income	9,720	18,058
Miscellaneous Expense	<u>(31,392)</u>	<u>(31,988)</u>
Total Nonoperating Revenues (Expenses)	<u>(18,761)</u>	<u>132,554</u>
Change in Net Position	<u>359,140</u>	<u>472,033</u>
Net Position, Beginning of Year	<u>4,750,825</u>	<u>4,278,792</u>
Net Position, End of Year	<u><u>\$ 5,109,965</u></u>	<u><u>\$ 4,750,825</u></u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 5,708,624	\$ 5,416,743
Cash Paid to Suppliers	(5,026,975)	(4,521,301)
Cash Paid to Employees	(415,202)	(405,235)
Other Cash Receipts	253,659	212,214
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	520,106	702,421
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Purchases/Disposal of Capital Assets	(468,268)	(32,081)
Principal Payments of Note Payable	(1,211,868)	(1,211,868)
Principal Payments on Lease Payable	(30,000)	(30,000)
Assessments and Connections	147,216	327,004
Interest Paid on Notes Payable	(150,555)	(188,454)
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(1,713,475)	(1,135,399)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Investment Income	9,720	18,058
Miscellaneous Expense	(31,392)	(31,988)
Interest on Assessments	6,250	7,934
	<hr/>	<hr/>
Net Cash Provided by (Used in) Investing Activities	(15,422)	(5,996)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,208,791)	(438,974)
	<hr/>	<hr/>
Cash and Cash Equivalents at Beginning of Year	2,898,933	3,337,907
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	\$ 1,690,142	\$ 2,898,933
	<hr/>	<hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Income from Operations	\$ 377,901	\$ 339,479
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	562,809	549,938
Add (Deduct) Changes in Non-Cash Working Capital:		
Decrease in Accounts Receivable	(62,117)	(117,961)
Increase/(Decrease) in Deferred Revenue	(130,159)	(109,484)
(Increase)/Decrease in Prepaid Expenses	(15,468)	3,894
(Increase)/Decrease in Accrued Wages	(3,514)	4,405
Increase/(Decrease) in Accounts Payable	(218,531)	34,881
Increase/(Decrease) in Other Liabilities	9,185	(2,731)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$ 520,106	\$ 702,421
	<hr/>	<hr/>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southwest Delaware County Municipal Authority (the "Authority") is a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania. It was incorporated on December 16, 1957 under the Municipal Authorities Act of 1945, being the Act of May 2, 1945, P.L. 382 as amended, pursuant to an ordinance duly enacted by the Board of Commissioners of the Township of Aston, to improve, maintain, operate, own, lease either in the capacity of lessee or lessor, sewer, sewer systems or parts thereof and sewage treatment works for treating and disposing of industrial waste in and for the Township of Aston and for such territory as it may be authorized to serve.

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principals as applied to governmental units. The Governmental Accounting Standards Board 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 as follows:

A. Reporting Entity

The Authority has adopted the provisions of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards for the criteria used to evaluate the organizations, activities and functions that should be included in the Authority's financial statements. The basic criteria are the exercise of oversight responsibility over such organizations, activities, and functions and financial interest.

The criteria used in determining the scope of the reporting entity for financial reporting purposes are consistent with the guidance contained in *GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34."*

- Selection of the Governing Authority

The Board of Directors of the Authority is appointed to five-year terms by the Township supervisors. While there is continuing communication with the Township, there is little linkage to the elected Township officials after appointment.

- Designation of Management

The management and employees of the Authority responsible for the operations of the Authority are appointed by and are held accountable to the Authority's Board of Directors.

- Ability to Significantly Influence Operations

The Authority reviews and approves all budgetary actions, signs contracts as the contracting agency, hires and controls key management personnel, and exercises control over facilities, property, and policies relating to the services provided by the Authority. The Township assumes no responsibility for the Authority's day-to-day operations.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

- Accountability for Fiscal Matters

Budgetary authority and control over collection and disbursement of funds, fiscal management, and funding deficits rest with the Authority. With the 2015 refunding of the bonds, the Township of Aston no longer guarantees the debt of the Authority.

Based on these criteria, the Authority is a Component Unit of Township of Aston. The Authority's relationship with the Township is so significant that its exclusion would render the Township's financial statements misleading, even though financial accountability to the Township is absent.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

All activities of the Authority are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into: "net investment in capital assets"; "restricted"; and "unrestricted" components.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent that such are available and then to unrestricted net position.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all unrestricted securities with an original maturity of three months or less to be cash equivalents.

D. Sewer Rentals Receivable

The Authority provides continuous services to its customers. Except for residents of Upper Chichester Township, billings are provided to customers on a quarterly basis for the quarterly calendar period immediately preceding the date of the bill. The Authority bills the sewer authority for Upper Chichester Township on a semi-annual basis on the first day of January and July of each year for the semi-annual calendar period immediately preceding the date of the bill.

The Authority recognizes uncollectible accounts at the time they are deemed to be uncollectible. The Authority is performing collection efforts and continues to file liens on properties with delinquent amounts. As of December 31, 2020 and 2019 the allowance for doubtful accounts was \$587,693 and \$581,842, respectively.

E. Assets Limited as to Use – Held by Trustee

Assets limited as to use are restricted assets which consist principally of cash and cash equivalents of funds established pursuant to the terms of the Trust Indenture for specific purposes and uses under the Trust Indenture, including debt service, maintenance, capital expenditures and trust administrative expenses. With the bond refunding in 2015, the Authority is no longer bound by these restrictions.

F. Capital Assets

Capital Assets are stated at cost. Expenditures for maintenance, repairs and betterments that increase the service capacity or prolong the service life beyond that originally contemplated are capitalized. Upon retirement or disposal, the cost of the asset is removed from the respective accounts and any gain or loss recognized is included in the statement of revenues and expenses. Capital Assets are capitalized with a \$5,000 threshold. Property and equipment are being depreciated using the straight-line method over the estimated useful lives of the assets.

<u>Asset</u>	<u>Years</u>
Infrastructure and Pump Stations	20-40
Buildings	40
Equipment	3-15

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Deferred Revenue

Income from Connection Fees is deferred and not recognized until settlement has been completed on the new homes. As of December 31, 2020 and 2019, deferred revenues were \$292,811 and \$422,970, respectively.

H. Compensated Absences

Employees of the Authority are entitled to paid vacation, paid sick days and personal days off, depending on the length of service and other factors, per the employee handbook.

As of December 31, 2020 and 2019, the liabilities for unpaid compensated absences were \$18,566 and \$18,191, respectively.

I. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

J. Financial Instruments

The estimated fair value of the Authority's financial instruments, which include accounts receivable, accounts payable, and notes payable, approximate their carrying values based on their short-term maturities and prevailing market interest rates.

K. Governmental Accounting Standards Board (GASB) Statements Being Adopted

No new GASB Statements have been adopted by the Authority for the year ended December 31, 2020.

L. Pending Governmental Accounting Standards Board (GASB) Statements

The Government Accounting Standards Board has issued Statement No. 87, "Leases." This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of GASB's Statement No. 87 on the financial statements.

The Government Accounting Standards Board has issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." This statement is required to be adopted by the Authority for the year ending December 31, 2021. The Authority has not determined the effect of GASB's Statement No. 89 on the financial statements.

The Government Accounting Standards Board has issued Statement No. 91, "Conduit Debt Obligations." This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of GASB's Statement No. 91 on the financial statements.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

The GASB issued Statement No. 92, "Omnibus 2020." This Statement is required to be adopted for fiscal years beginning after June 15, 2021. The Authority has not yet completed the process of evaluating the impact of GASB No. 92 on its financial statements.

The GASB issued Statement No. 93, "Replacement of Interbank Offered Rates" (regarding LIBOR). The Statement is effective for reporting periods ending after December 31, 2022 for removing LIBOR as an appropriate benchmark interest rate, and all other sections are effective for reporting periods beginning after June 15, 2021. The Authority has not yet completed the process of evaluating the impact of GASB No. 93 on its financial statements.

The GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The Authority has not yet completed the process of evaluating the impact of GASB No. 94 on its financial statements.

The GASB issued Statement No. 96, "Subscription-Based Information Technology Agreements". Statement No. 96 is effective for fiscal years beginning after June 15, 2022. The Authority has not yet completed the process of evaluating the impact of GASB No. 96 on its financial statements.

The GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". Statement No. 97 is effective for fiscal years beginning after June 15, 2021. The Authority has not yet completed the process of evaluating the impact of GASB No. 97 on its financial statements.

M. Reclassification

Certain amounts have been reclassified for 2019 to match 2020 presentation.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and investments as of December 31, 2020 and 2019 are classified in the accompanying financial statements as follows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	<u>\$ 1,690,142</u>	<u>\$ 2,898,933</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is to place deposits only in Federal Deposit Insurance Corporation (the "FDIC") insured institutions. Deposits in excess of the FDIC limit are collateralized pursuant to Commonwealth of Pennsylvania Public Law 72 of 1971, which allows depositories to satisfy collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. As of December 31, 2020, of the Authority's \$1,743,297 bank balance, \$250,734 was covered by FDIC and \$1,492,563, was exposed to custodial risk as they were collateralized with securities held by the pledging financial institution and uninsured.

NOTE 3: ACCOUNTS RECEIVABLE – ASSESSMENT FEES

The Authority installed sanitary sewer mains and related appurtenances in the Northwest section of Aston Township for the benefit of the owners or property in that area of the Township. The owners were required by an ordinance of Aston Township to connect to the sewer system and pay for the assessment of the sewer construction over a period of thirty years. To ensure payment, management has filed liens against property owners until their assessment is paid in full.

NOTE 4: CAPITAL ASSETS

For the years ended December 31, 2020 and 2019, depreciation expense amounted to \$562,809 and \$549,938, respectively. Capital Asset activity for the years ended December 31, 2020 and 2019 were as follows:

2020				
	Beginning Balance	Increases	(Decreases)	Ending Balance
Depreciable Assets:				
Plant and System	\$ 24,730,912	\$ 468,268	\$ -	\$ 25,199,180
Administration Building	273,694	-	-	273,694
Maintenance Equipment	940,587	-	-	940,587
Office Equipment	297,327	-	-	297,327
	<u>26,242,520</u>	<u>468,268</u>	<u>-</u>	<u>26,710,788</u>
Less: Accumulated Depreciation				
Plant and System	18,009,238	545,826	-	18,555,064
Administration Building	68,403	16,983	-	85,386
Maintenance Equipment	834,149	-	-	834,149
Office Equipment	228,300	-	-	228,300
	<u>19,140,090</u>	<u>562,809</u>	<u>-</u>	<u>19,702,899</u>
	<u>\$ 7,102,430</u>	<u>\$ (94,541)</u>	<u>\$ -</u>	<u>\$ 7,007,889</u>
2019				
	Beginning Balance	Increases	(Decreases)	Ending Balance
Depreciable Assets:				
Plant and System	\$ 24,730,912	\$ -	\$ -	\$ 24,730,912
Administration Building	250,681	23,013	-	273,694
Maintenance Equipment	940,587	-	-	940,587
Office Equipment	288,259	9,068	-	297,327
	<u>26,210,439</u>	<u>32,081</u>	<u>-</u>	<u>26,242,520</u>
Less: Accumulated Depreciation				
Plant and System	17,477,304	531,934	-	18,009,238
Administration Building	50,399	18,004	-	68,403
Maintenance Equipment	834,149	-	-	834,149
Office Equipment	228,300	-	-	228,300
	<u>18,590,152</u>	<u>549,938</u>	<u>-</u>	<u>19,140,090</u>
	<u>\$ 7,620,287</u>	<u>\$ (517,857)</u>	<u>\$ -</u>	<u>\$ 7,102,430</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 5: LONG TERM DEBT

Long-term notes and lease payable as of December 31, 2020 and 2019 are as follows:

	1/1/2020 Balance	Additions	Reductions	12/31/2020 Balance	Due Within One Year
Notes Payable	\$ 5,554,396	\$ -	\$ (1,211,868)	\$ 4,342,528	\$ 1,211,868
Lease Payable	240,000		(30,000)	210,000	30,000
	<u>\$ 5,794,396</u>	<u>\$ -</u>	<u>\$ (1,241,868)</u>	<u>\$ 4,552,528</u>	<u>\$ 1,241,868</u>

	1/1/2019 Balance	Additions	Reductions	12/31/2019 Balance	Due Within One Year
Notes Payable	\$ 6,766,264	\$ -	\$ (1,211,868)	\$ 5,554,396	\$ 1,211,868
Lease Payable	270,000		(30,000)	240,000	30,000
	<u>\$ 7,036,264</u>	<u>\$ -</u>	<u>\$ (1,241,868)</u>	<u>\$ 5,794,396</u>	<u>\$ 1,241,868</u>

On January 19, 2017, the Authority issued DNB First Sewer Revenue Note-Series 2017 in the amount of \$9,190,000. The note is secured by sewer revenues collected by the Authority. Proceeds were being used to pay off the 2015 Note balance of \$8,190,000 and make a partial payment to Delcora of \$1,000,000 for decommissioning/demolition of the treatment plant.

On March 27, 2018, MTSA completed Phase II of the construction of the MTSA Chester Creek Interceptor. Per the Global Agreement dated February 25, 2013, with the implementation of Phase II, MTSA would transfer ownership of their section of the original Chester Creek Interceptor to SWDCMA on a 10 year Lease Purchase basis for a purchase price of \$300,000. Annual payments of \$30,000 would begin 30 days after completion of Phase II.

Following are maturities and interest of the 2017 Note and MTSA CCI Lease debt through to maturity:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,211,868	\$ 149,967
2022	1,211,868	113,615
2023	1,211,868	80,286
2024	706,924	44,919
	<u>\$ 4,342,528</u>	<u>\$ 388,787</u>

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 30,000	\$ -
2022	30,000	-
2023	30,000	-
2024	30,000	-
2025	30,000	-
2026-2027	60,000	-
	<u>\$ 210,000</u>	<u>\$ -</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 6: RETIREMENT PLAN

The Authority's retirement plan is a defined contribution plan, which provides benefits at retirement for all full-time employees who work thirty-five hours or more per week, are at least twenty-one years of age and have performed one year of service. The Authority contributes an amount equal to five percent of the annual gross salary of the covered employees. Employees can also contribute an amount not to exceed ten percent of their salary. Contributions made by the Authority and employees for year ended December 31, 2020 and 2019 were \$14,890 and \$13,901, respectively.

NOTE 7: GLOBAL AGREEMENT

In February 2013, the Authority's Board of Directors entered into a Global Agreement between Middletown Township Sewer Authority (MTSA), the Authority, and Aston Township. This agreement provided the terms and conditions for both the Authority and MTSA and their respective flows that will be transferred to Delaware County Regional Water Quality Control Authority (Delcora) for treatment. This agreement summarizes the timelines for the construction of the new MTSA interceptor, the decommissioning process of the Baldwin Run Pollution Control Facility, and the applicable charges for the collection, conveyance and treatment of sanitary sewage.

On November 20, 2013, the Authority advised the Bond Trustee of having entered into both the Delcora Service Agreement and the Global Agreement.

On November 11, 2014, this Global Agreement provided the termination of the 1968 MTSA/SWDCMA Agreement upon Delcora's Chester Ridley Creek Pump Station becoming operational.

On March 27, 2018, the MTSA Chester Creek Interceptor became fully operational and marked the start of separate flow metering of the SWDCMA and MTSA wastewater flows. With this separation of wastewater flows, the conveyance fees for Upper Providence Township to SWDCMA ceased as their flows were now conveyed in the MTSA Chester Creek Interceptor.

NOTE 8: DELCORA SERVICE AGREEMENT

In December 2009, the Authority entered into an agreement with Delcora to provide wastewater treatment service at a date to commence no later than December 31, 2014.

On November 11, 2014, the last wastewater flows were transferred to the newly constructed Chester Ridley Creek Pump Station, located on the grounds of the Authority, and transferred to Delcora for treatment. Upon this pumping station becoming operational, the 1968 MTSA/SWDCMA Agreement ceased to be in effect. From this point forward, flows from MTSA and Upper Providence Township Sewer Authority would be billed by Delcora to MTSA.

This Service Agreement provides for the terms and conditions by which the pumping station construction costs and wastewater treatment costs will be determined and allocated to both the Authority and MTSA. There are no additional covenants or minimum flows required by this agreement as costs are apportioned based on metered flows.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 8: DELCORA SERVICE AGREEMENT (CONTINUED)

The Authority incurred decommissioning and demolition expense of approximately \$1.665 million in December 2016. The invoice for this expense is reflected in Current Liabilities as Decommissioning and Demolition Payable at December 31, 2016. Payment for this project was satisfied in January 2017; partially with the DNB First, Series of 2017 Note and partially by available funds of the Authority.

As provided in the agreement, the 2019 annual true-up of the estimated flows used for billing throughout the year has been calculated to be an additional amount owed of \$406,851.20. This debit is reflected in Operating Expenses-Sewer Treatment.

In July 2019, Delcora announced that it had entered discussions with Aqua America for the purpose of an asset purchase by Aqua PA Wastewater, Inc. In September 2019, Delcora passed a resolution authorizing the asset purchase agreement with Aqua PA Wastewater, Inc.

In the third and fourth quarters of 2020, the Authority participated as a Protestant in proceedings before the Pennsylvania Public Utility Commission ("PUC") regarding the planned asset purchase agreement between Delcora and Aqua and the Authority also commenced a civil action against Delcora in the Delaware County Court of Common Pleas to preserve its rights under its current Service Agreement with Delcora. After discussions that extended into the First Quarter of 2021, the Authority reached a settlement with both Delcora and Aqua and entered into an amended Service Agreement with Delcora and consented to the assignment of the amended Service Agreement with Delcora to Aqua if the PUC approves the Delcora/Aqua asset purchase. The Authority has discontinued the County action and the PUC Protest has been withdrawn.

NOTE 9: LITIGATION

In the normal course of business there are various claims and suits pending against the Authority. In the opinion of counsel, the amount of such losses that might result from these claims and suits, if any, would not materially affect the financial condition of the Authority.

NOTE 10: RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the Authority's operations and financial results are uncertain at this time.

NOTE 11: SUBSEQUENT EVENTS

- A) The Authority has evaluated all subsequent events through the report issue date of May 12, 2021.