

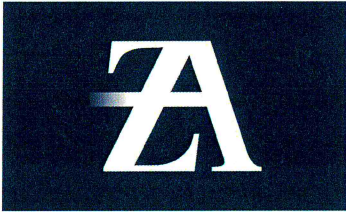
**SOUTHWEST DELAWARE COUNTY
MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
FINANCIAL STATEMENTS**

For the Years Ended December 31, 2021 and 2020

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
YEARS ENDED DECEMBER 31, 2021 AND 2020

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2021 and 2020, 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.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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

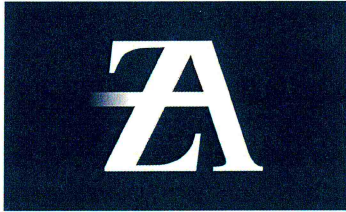
The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

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3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237
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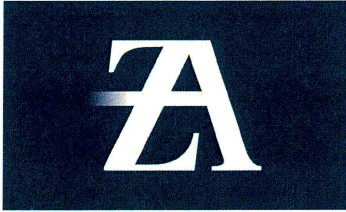
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and on pages 4 to 8 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 auditing standards generally accepted in the United States of America, 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.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
April 22, 2022

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2021 AND 2020

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 2021 and comparison to fiscal years 2020 and 2019. 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, 2021 AND 2020

The financial statements accurately reflect the Authority's financial position at the end of fiscal years 2021 and 2020.

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

The following table provides a statement of operations for fiscal years 2021, 2020 and 2019.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 6,360,904	\$ 6,154,559	\$ 5,871,795
Operating Expenses	5,741,215	5,776,658	5,532,316
Operating Income	619,689	377,901	339,479
Nonoperating Revenues (Expenses)	80,125	(18,761)	132,554
Increase (Decrease) in Net Position	699,814	359,140	472,033
Net Position beginning of year	5,109,965	4,750,825	4,278,792
Net Position at end of the year	5,809,779	5,109,965	4,750,825

The assets of the Authority exceeded its liabilities by approximately \$5.8 million at December 31, 2021. Net Position Invested in Capital Assets, Net of Related Debt was \$3,210,599 and Unrestricted Net Position was \$2.6 million.

Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 3,416,198	\$ 3,537,907	\$ 4,669,113
Capital Assets	6,521,259	7,007,889	7,102,430
Total Assets	9,937,457	10,545,796	11,771,543
Noncurrent Liabilities	2,068,792	3,310,660	4,552,528
Current Liabilities	2,058,886	2,125,171	2,468,190
Total Liabilities	4,127,678	5,435,831	7,020,718
Net Position:			
Invested in Capital Assets	3,210,599	2,455,361	1,308,034
Unrestricted	2,599,180	2,654,604	3,442,791
Total Net Position	5,809,779	5,109,965	4,750,825

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2021 AND 2020

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, 2021, 2020 and 2019, net of accumulated depreciation, was as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Plant and System	\$ 6,447,667	\$ 6,918,106	\$ 6,995,663
Administration Building	60,317	69,095	77,874
Office Equipment	13,275	20,688	28,893
Capital Assets Net of Accumulated Depreciation	<u>\$ 6,521,259</u>	<u>\$ 7,007,889</u>	<u>\$ 7,102,430</u>

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

Debt Administration

As of December 31, 2021, the Authority had total long term debt outstanding of \$3,310,660. The Authority's Outstanding Debt as of December 31, 2021, 2020 and 2019 is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Notes Payable	\$ 3,130,660	\$ 4,342,528	\$ 5,554,396
Leases Payable	180,000	210,000	240,000
	<u>\$ 3,310,660</u>	<u>\$ 4,552,528</u>	<u>\$ 5,794,396</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 by Delcora that would transfer the wastewater flows to their plant for treatment. By this agreement, the treatment cost for SWDCMA included its proportionate share of the pumping station construction and ongoing maintenance costs. The percentage of flows contributed by SWDCMA and MTSA would be calculated annually and adjusted accordingly until the MTSA Chester Creek Interceptor became fully operational, which would allow for the metering of flows.

On November 11, 2014, the construction of the Chester Ridley Creek Pumping Station (CRCPS) was completed and all SWDCMA wastewater flows were transferred to Delcora for treatment. This phase of the project allowed for SWDCMA and MTSA to each become 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, 2021 AND 2020

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.

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. The Aqua/Delcora asset purchase agreement is the subject of a recent Commonwealth Court which remanded the case to the Delaware County Court of Common Pleas and a related proceeding before the Pennsylvania Public Utility Commission which has placed a stay on the application. The transfer of the Delcora sewer system assets to either Aqua or Delaware County will be addressed by these two proceedings.

As provided in the 2013 Global Agreement, 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, at a purchase price of \$300,000. Payment terms of the lease purchase are ten annual installments of \$30,000 and began March 2018.

The Authority's notes payable consists of the S&T Bank Sewer Revenue Note, Series of 2017. This note payable is a tax-free note with an annual interest rate of 3% and a maturity date of August 2024.

Although the Authority remains focused on reducing outstanding delinquencies, the economic impact of the global pandemic continued into 2021. From January until August, the Authority remained consistent with its delinquent account process by applying late charges and issuing delinquent notices for all past due accounts. The Authority offered a one-time pandemic payment plan to all delinquent customers prior to reinstating the water service disconnection process in September 2021. Financial assistance programs through both the state and the county have provided financial relief to eligible applicants impacted by the pandemic by issuing payments directly to the utility provider. Payments received by the Authority in 2021 from the county program totaled \$9,520; with an additional \$5,446 received in 2022. The state program has provided payments totaling \$3,732 to date in 2022.

Outstanding sewer rents as of December 31, 2021 reflected a decrease of over \$77,000 as compared to December 31, 2020; but, remained more than \$163,000 higher than pre-pandemic balances. Continuing with water disconnection as a means of collection, outstanding sewer rents finally returned to pre-pandemic levels with the close of 2022 Q1.

The 2022 Budget reflects a 3% rate increase and continues to provide for funds related to the Corrective Action Plan, as required by the PA DEP, the completion of two projects funded by the PA Small Water and Sewer Program, and the ongoing operation, repair and maintenance of the collection system.

The Authority believes that the changes in operations and the programs it has enacted will enable it to sustain its financial goals and objectives.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and Cash Equivalents - Unrestricted	\$ 1,627,914	\$ 1,690,142
Accounts Receivable Net of Allowance for Doubtful Accounts of \$595,664 and \$587,693 in 2021 and 2020, Respectively	1,759,589	1,789,822
Prepaid Expense	28,695	57,943
Total Current Assets	<u>3,416,198</u>	<u>3,537,907</u>
Capital Assets, At Cost		
Property, Plant and Equipment	26,802,516	26,710,788
Accumulated Depreciation	(20,281,257)	(19,702,899)
Total Capital Assets	<u>6,521,259</u>	<u>7,007,889</u>
Total Assets	<u>\$ 9,937,457</u>	<u>\$ 10,545,796</u>
Liabilities and Net Position		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 186,577	\$ 321,770
Deferred Revenue	484,962	292,811
Notes Payable - Current Portion	1,211,868	1,211,868
Lease Payable - Current Portion	30,000	30,000
Accrued Payroll	4,343	4,630
Compensated Absences Payable	17,320	18,566
Other Liabilities	123,816	245,526
Total Current Liabilities	<u>2,058,886</u>	<u>2,125,171</u>
Noncurrent Liabilities		
Notes Payable - Long Term Portion	1,918,792	3,130,660
Lease Payable - Long Term Portion	150,000	180,000
Total Noncurrent Liabilities	<u>2,068,792</u>	<u>3,310,660</u>
Total Liabilities	<u>4,127,678</u>	<u>5,435,831</u>
Net Position		
Net Investment in Capital Assets	3,210,599	2,455,361
Unrestricted	2,599,180	2,654,604
Total Net Position	<u>5,809,779</u>	<u>5,109,965</u>
Total Liabilities and Net Position	<u>\$ 9,937,457</u>	<u>\$ 10,545,796</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Sewer Rentals	\$ 6,074,381	\$ 5,900,900
Other Operating Revenue	286,523	253,659
Total Operating Revenues	<u>6,360,904</u>	<u>6,154,559</u>
Operating Expenses		
Sewer Treatment	3,523,612	3,525,223
Collection System Expense	134,993	62,018
Collection System - Contract/Professional Fees	690,854	713,494
Administration - Contract/Professional Fees	194,366	183,912
Salaries	266,513	293,833
Benefits Including Payroll Taxes	123,379	125,183
Utilities	18,309	14,552
Insurance Expense	54,857	50,152
Maintenance & Repairs - Collection System	100,870	195,810
Maintenance & Repairs - Administration	23,886	16,686
Service Fees	2,000	7,000
Other Expenses	29,218	25,986
Depreciation and Amortization	<u>578,358</u>	<u>562,809</u>
Total Operating Expenses	<u>5,741,215</u>	<u>5,776,658</u>
Operating Income	<u>\$ 619,689</u>	<u>\$ 377,901</u>
Nonoperating Revenues (Expenses)		
Assessments and Connections	217,220	147,216
Interest on Assessments	4,655	6,250
Interest Expense	(113,646)	(150,555)
Investment Income	2,661	9,720
Miscellaneous Expense	<u>(30,765)</u>	<u>(31,392)</u>
Total Nonoperating Revenues (Expenses)	<u>80,125</u>	<u>(18,761)</u>
Change in Net Position	<u>699,814</u>	<u>359,140</u>
Net Position, Beginning of Year	<u>5,109,965</u>	<u>4,750,825</u>
Net Position, End of Year	<u>\$ 5,809,779</u>	<u>\$ 5,109,965</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 6,296,765	\$ 5,708,624
Cash Paid to Suppliers	(5,000,620)	(5,026,975)
Cash Paid to Employees	(391,425)	(415,202)
Other Cash Receipts	<u>286,523</u>	<u>253,659</u>
Net Cash Provided by Operating Activities	<u>1,191,243</u>	<u>520,106</u>
Cash Flows from Capital and Related Financing Activities		
Purchases/Disposal of Capital Assets	(91,728)	(468,268)
Principal Payments of Note Payable	(1,211,868)	(1,211,868)
Principal Payments on Lease Payable	(30,000)	(30,000)
Assessments and Connections	217,220	147,216
Interest Paid on Notes Payable	<u>(113,646)</u>	<u>(150,555)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,230,022)</u>	<u>(1,713,475)</u>
Cash Flows from Investing Activities		
Investment Income	2,661	9,720
Miscellaneous Expense	(30,765)	(31,392)
Interest on Assessments	<u>4,655</u>	<u>6,250</u>
Net Cash Provided by (Used in) Investing Activities	<u>(23,449)</u>	<u>(15,422)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(62,228)</u>	<u>(1,208,791)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,690,142</u>	<u>2,898,933</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,627,914</u>	<u>\$ 1,690,142</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Income from Operations	\$ 619,689	\$ 377,901
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	578,358	562,809
Add (Deduct) Changes in Non-Cash Working Capital:		
Decrease in Accounts Receivable	30,233	(62,117)
Increase/(Decrease) in Deferred Revenue	192,151	(130,159)
(Increase)/Decrease in Prepaid Expenses	29,248	(15,468)
(Increase)/Decrease in Accrued Wages	(1,533)	(3,514)
Increase/(Decrease) in Accounts Payable	(135,193)	(218,531)
Increase/(Decrease) in Other Liabilities	<u>(121,710)</u>	<u>9,185</u>
Net Cash Provided by Operating Activities	<u>\$ 1,191,243</u>	<u>\$ 520,106</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 and 2020 the allowance for doubtful accounts was \$595,664 and \$587,693, 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
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, deferred revenues were \$484,962 and \$292,811, 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, 2021 and 2020, the liabilities for unpaid compensated absences were \$17,320 and \$18,566, 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

GASB Statement, No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", has been adopted by the Authority for the year ended December 31, 2021. The adoption of this Statement has no effect on the reported amounts in the financial statements.

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. 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
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

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 2020 to match 2021 presentation.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and investments as of December 31, 2021 and 2020 are classified in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	<u>\$ 1,627,914</u>	<u>\$ 1,690,142</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

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, 2021, of the Authority's \$1,647,650 bank balance, \$250,734 was covered by FDIC and \$1,396,916, 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, 2021 and 2020, depreciation expense amounted to \$578,358 and \$562,809, respectively. Capital Asset activity for the years ended December 31, 2021 and 2020 were as follows:

2021				
	Beginning Balance	Increases	(Decreases)	Ending Balance
Depreciable Assets:				
Plant and System	\$ 25,199,180	\$ 91,728	\$ -	\$ 25,290,908
Administration Building	273,694	-	-	273,694
Maintenance Equipment	940,587	-	-	940,587
Office Equipment	297,327	-	-	297,327
	<u>26,710,788</u>	<u>91,728</u>	<u>-</u>	<u>26,802,516</u>
Less: Accumulated Depreciation				
Plant and System	18,555,064	562,167	-	19,117,231
Administration Building	85,386	16,191	-	101,577
Maintenance Equipment	834,149	-	-	834,149
Office Equipment	228,300	-	-	228,300
	<u>19,702,899</u>	<u>578,358</u>	<u>-</u>	<u>20,281,257</u>
	<u>\$ 7,007,889</u>	<u>\$ (486,630)</u>	<u>\$ -</u>	<u>\$ 6,521,259</u>
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>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 5: LONG TERM DEBT

Long-term notes and lease payable as of December 31, 2021 and 2020 are as follows:

	1/1/2021 Balance	Additions	Reductions	12/31/2021 Balance	Due Within One Year
Notes Payable	\$ 4,342,528	\$ -	\$ (1,211,868)	\$ 3,130,660	\$ 1,211,868
Lease Payable	210,000	-	(30,000)	180,000	30,000
	<u>\$ 4,552,528</u>	<u>\$ -</u>	<u>\$ (1,241,868)</u>	<u>\$ 3,310,660</u>	<u>\$ 1,241,868</u>

	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>

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>
2022	\$ 1,211,868	\$ 113,615
2023	1,211,868	80,286
2024	706,924	44,919
	<u>\$ 3,130,660</u>	<u>\$ 238,820</u>

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 30,000	\$ -
2023	30,000	-
2024	30,000	-
2025	30,000	-
2026	30,000	-
2027	30,000	-
	<u>\$ 180,000</u>	<u>\$ -</u>

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 were \$14,218 and \$14,890, 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 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 and the treatment of flows from SWDCMA and MTSA would be billed by Delcora, respectively. With the MTSA Chester Creek Interceptor becoming operational in March 2018, flows from SWDCMA and MTSA, which would now include flows from Upper Providence Township Sewer Authority, would be metered separately and billed by Delcora.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 8: DELCORA SERVICE AGREEMENT (CONTINUED)

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. The Authority incurred its share of the decommissioning and demolition expense of approximately \$1.665 million in December 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 annual true-up of the estimated flows used for billing throughout the year and the treatment cost is finalized as part of Delcora's annual audit. This true-up amount 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 proposed 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 then 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.

The Aqua/Delcora asset purchase agreement is the subject of a recent Commonwealth Court Decision (Cnty. of Del. v. Del. Cnty. Reg'l Water Quality Control Auth., No. 148 CD 2021, [2022 Pa. Commw. LEXIS 26](#) * | 2022 WL 619580) which remanded the case to the Delaware County Court of Common Pleas and a related proceeding before the Pennsylvania Public Utility Commission which has placed a stay on the application. (Application of Aqua Pennsylvania Wastewater, Inc., pursuant to Sections 507, 1103, and 1329 of the Public Utility Code for Approval of its Acquisition of the Wastewater System Assets of the Delaware County Regional Water Quality Control Authority A-2019-3015173). The transfer of the Delcora sewer system assets to either Aqua or Delaware County will be addressed by these two proceedings.

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.

SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

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 April 22, 2022.