

**SOUTHWEST DELAWARE COUNTY  
MUNICIPAL AUTHORITY**

**A COMPONENT UNIT OF  
ASTON TOWNSHIP**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY  
A COMPONENT UNIT OF ASTON TOWNSHIP  
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DECEMBER 31, 2022 AND 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Southwest Delaware County Municipal Authority  
A Component Unit of Aston Township

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Southwest Delaware County Municipal Authority (the Authority), a component unit of Aston Township, as of and for the year ended December 31, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Southwest Delaware County Municipal Authority, as of December 31, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 opinion.

#### **Adjustments to Prior Period Financial Statements**

The financial statements of the Authority as of December 31, 2021 were audited by other auditors whose report dated April 22, 2022 expressed an unmodified opinion on those statements. As more fully described in Note 2 to the financial statements, the Authority has adjusted its 2021 financial statements to retrospectively apply the change in accounting for Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which enhances the relevance and consistency of information of the government's leasing activities. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2022 financial statements, we also audited the adjustments to the 2021 financial statements to retrospectively apply the change in accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Authority's 2021 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

## **Responsibilities of Management for the Financial Statements**

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

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

## **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 opinion. 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.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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.

A handwritten signature in black ink that reads "Brinker Simpson & Company, LLC". The signature is written in a cursive, flowing style.

Brinker Simpson & Company, LLC  
Media, Pennsylvania  
March 27, 2023

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY  
(A COMPONENT UNIT OF ASTON TOWNSHIP)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022 AND 2021**

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 2022 and comparison to fiscal years 2021 and 2020. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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The financial statements accurately reflect the Authority's financial position at the end of fiscal years 2022 and 2021.

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

The following table provides a statement of operations for fiscal years 2022, 2021 and 2020.

**Statements of Revenues, Expenses and Changes in Net Position**

	2022	2021	2020
Operating revenues	\$ 6,369,712	\$ 6,360,904	\$ 6,154,559
Operation expenses	5,522,084	5,772,102	5,776,658
Operating Income	847,628	588,802	377,901
Nonoperating revenues (expenses)	84,880	110,890	(18,761)
Income Before Capital Contributions	932,508	699,692	359,140
Capital contributions	100,350	-	-
Change in Net Position	1,032,858	699,692	359,140
Net position beginning of year	5,809,657	5,109,965	4,750,825
Net position end of year	<u>\$ 6,842,515</u>	<u>\$ 5,809,657</u>	<u>\$ 5,109,965</u>

The assets of the Authority exceeded its liabilities by \$6,842,515 at December 31, 2022. Net Position Invested in Capital Assets, Net of Related Debt was \$3,978,078 and Unrestricted Net Position was \$2,864,437.

**Statements of Net Position**

	2022	2021	2020
Current and other assets	\$ 3,484,451	\$ 3,416,198	\$ 3,537,907
Capital assets	6,055,512	6,532,511	7,007,889
Total Assets	9,539,963	9,948,709	10,545,796
Current liabilities	1,765,070	1,944,152	2,125,171
Restricted liabilities	99,796	117,718	-
Noncurrent liabilities	832,582	2,077,182	3,310,660
Total Liabilities	2,697,448	4,139,052	5,435,831
Net Position			
Invested in capital assets	3,978,078	3,210,477	2,455,361
Unrestricted	2,864,437	2,599,180	2,654,604
Total Net Position	<u>\$ 6,842,515</u>	<u>\$ 5,809,657</u>	<u>\$ 5,109,965</u>

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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**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, 2022, 2021 and 2020, net of accumulated depreciation, was as follows:

	2022	2021	2020
Plant and system	\$ 5,988,514	\$ 6,173,677	\$ 6,918,106
Administration building	52,142	172,117	69,095
Maintenance equipment	-	106,438	-
Office equipment	6,429	69,027	20,688
Intangible right to use lease	8,427	11,252	-
Capital Assets Net of Accumulated Depreciation and Amortization	<u>\$ 6,055,512</u>	<u>\$ 6,532,511</u>	<u>\$ 7,007,889</u>

Additional information on capital assets can be found in Note 6 to the financial statements.

**Debt Administration**

As of December 31, 2022, the Authority had total long term debt outstanding of \$2,077,434. The Authority's Outstanding Debt as of December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
Operating lease obligations	\$ 8,642	\$ 11,374	\$ -
Note payable	1,918,792	3,130,660	4,342,528
Installment payment	150,000	180,000	210,000
Increase in Net Position	<u>\$ 2,077,434</u>	<u>\$ 3,322,034</u>	<u>\$ 4,552,528</u>

Additional information on the Authority's long-term debt can be found in Note 8 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.



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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.

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 note 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 \$8,522 received in 2022. The state program has provided payments totaling \$11,755 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  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2022 AND 2021**

**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  
COMPONENT UNIT OF ASTON TOWNSHIP  
STATEMENTS OF NET POSITION  
DECEMBER 31 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash	\$ 1,183,999	\$ 1,510,196
Accounts receivable, net of allowance for doubtful accounts of \$539,263 and \$595,664 in 2022 and 2021, respectively	1,757,615	1,759,589
Prepaid expenses	443,041	28,695
<b>Total Current Assets</b>	<u>3,384,655</u>	<u>3,298,480</u>
<b>Restricted Assets</b>		
Cash - escrow funds, developers	99,796	117,718
<b>Total Restricted Assets</b>	<u>99,796</u>	<u>117,718</u>
<b>Capital Assets</b>		
Property, plant and equipment, net of accumulated depreciation	6,047,085	6,521,259
Intangible right to use lease, net of accumulated amortization	8,427	11,252
<b>Total Capital Assets</b>	<u>6,055,512</u>	<u>6,532,511</u>
<b>Total Assets</b>	<u>9,539,963</u>	<u>9,948,709</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 9,539,963</u>	<u>\$ 9,948,709</u>

See accompanying notes.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY  
COMPONENT UNIT OF ASTON TOWNSHIP  
STATEMENTS OF NET POSITION  
DECEMBER 31 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 115,661	\$ 186,577
Deferred revenue	379,874	484,962
Operating lease obligations - current portion	2,984	2,984
Note payable - current portion	1,211,868	1,211,868
Installment payment - current portion	30,000	30,000
Accrued payroll	5,831	4,343
Compensated absences payable	17,866	17,320
Other liabilities	986	6,098
<b>Total Current Liabilities</b>	<u>1,765,070</u>	<u>1,944,152</u>
<b>Restricted Liabilities</b>		
Escrow deposits, developers	<u>99,796</u>	<u>117,718</u>
<b>Noncurrent Liabilities</b>		
Operating lease obligations - long-term portion	5,658	8,390
Note payable - long-term portion	706,924	1,918,792
Installment payment - long-term portion	120,000	150,000
<b>Total Noncurrent Liabilities</b>	<u>832,582</u>	<u>2,077,182</u>
<b>Total Liabilities</b>	<u>2,697,448</u>	<u>4,139,052</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	3,978,078	3,210,477
Unrestricted	2,864,437	2,599,180
<b>Total Net Position</b>	<u>6,842,515</u>	<u>5,809,657</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 9,539,963</u>	<u>\$ 9,948,709</u>

See accompanying notes.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY  
COMPONENT UNIT OF ASTON TOWNSHIP  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Sewer rentals	\$ 6,158,047	\$ 6,074,381
Other operating revenue	211,665	286,523
<b>Total Operating Revenues</b>	<u>6,369,712</u>	<u>6,360,904</u>
<b>Operating Expenses</b>		
Sewer treatment	3,311,564	3,523,612
Collection system expense	189,245	134,993
Collection system - contract/professional fees	738,582	690,854
Administration - contract/professional fees	147,940	194,366
Salaries	264,448	266,513
Bad debt recovery	(50,000)	-
Benefits including payroll taxes	102,459	123,379
Utilities	19,297	18,309
Insurance expense	49,848	54,857
Maintenance and repairs - collection system	40,768	100,870
Maintenance and repairs - administration	37,587	22,443
Service fees	4,000	2,000
Other expenses	78,305	59,452
Amortization	2,825	2,096
Depreciation and amortization	585,216	578,358
<b>Total Operating Expenses</b>	<u>5,522,084</u>	<u>5,772,102</u>
<b>Operating Income</b>	<u>847,628</u>	<u>588,802</u>
<b>Nonoperating Revenues (Expenses)</b>		
Assessments and connections	145,806	217,220
Interest on assessments	4,535	4,655
Interest expense	(77,257)	(113,646)
Interest income	11,796	2,661
<b>Total Nonoperating Revenues (Expenses)</b>	<u>84,880</u>	<u>110,890</u>
<b>Income Before Capital Contributions</b>	<u>932,508</u>	<u>699,692</u>
Capital contributions	<u>100,350</u>	<u>-</u>
<b>Change in Net Position</b>	<u>1,032,858</u>	<u>699,692</u>
<b>Net Position, Beginning</b>	<u>5,809,657</u>	<u>5,109,965</u>
<b>Net Position, Ending</b>	<u>\$ 6,842,515</u>	<u>\$ 5,809,657</u>

See accompanying notes.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY  
COMPONENT UNIT OF ASTON TOWNSHIP  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 6,104,933	\$ 6,296,765
Cash paid to suppliers	(5,110,242)	(5,149,103)
Cash paid to employees	(364,873)	(391,425)
Other cash receipts	211,665	286,523
<b>Net Cash Provided by Operating Activities</b>	<u>841,483</u>	<u>1,042,760</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(10,692)	(91,728)
Principal payments on note payable	(1,211,868)	(1,211,868)
Principal payments on installment plan	(30,000)	(30,000)
Assessments and connections	145,806	217,220
Interest paid on note payable	(77,257)	(113,646)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(1,184,011)</u>	<u>(1,230,022)</u>
<b>Cash Flows From Investing Activities</b>		
Interest income	11,796	2,661
Interest on assessments	4,535	4,655
<b>Net Cash Provided by Investing Activities</b>	<u>16,331</u>	<u>7,316</u>
<b>Net Change in Cash</b>	<u>(326,197)</u>	<u>(179,946)</u>
<b>Cash, Beginning</b>	<u>1,510,196</u>	<u>1,690,142</u>
<b>Cash, Ending</b>	<u><u>\$ 1,183,999</u></u>	<u><u>\$ 1,510,196</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 847,628	\$ 588,802
Adjustments to reconcile operating income to net cash by operating activities:		
Bad debt recovery	(50,000)	-
Depreciation and amortization	585,216	578,358
Interest expense on operating leases	93	122
Change in:		
Accounts receivable	51,974	30,233
Prepaid expenses	(414,346)	29,248
Accounts payable and accrued expenses	(70,916)	(135,193)
Deferred revenue	(105,088)	192,151
Accrued payroll	1,488	(287)
Compensated absences payable	546	(1,246)
Other liabilities	(5,112)	(239,428)
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 841,483</u></u>	<u><u>\$ 1,042,760</u></u>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities</b>		
Assets acquired through capital contributions	<u><u>\$ 100,350</u></u>	<u><u>\$ -</u></u>
<b>Supplemental Disclosure of Noncash Capital and Related Operating Activities</b>		
Right-of-use assets acquired from incurring lease obligation	<u><u>\$ -</u></u>	<u><u>\$ 13,348</u></u>

See accompanying notes.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY  
A COMPONENT UNIT OF ASTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1: NATURE OF OPERATIONS AND 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 principles 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:

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

- *Designation of management:*

The Authority's management and employees, who are responsible for the Authority's operations, 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.

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**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

- *Accountability for fiscal matters:*

Budgetary authority and control over collection and disbursement of funds, fiscal management, and funding deficits rests 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 Aston Township. 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.

**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 Statements 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 sewer rentals 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.



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**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**Budgetary Data**

The Authority's management prepares the Authority's operating budget. The Authority follows these procedures in establishing the budgetary data included in the financial statements:

- A preliminary budget is presented to the Board of Directors during October and approved in a public meeting.
- The operating budget includes proposed expenditures and the means of financing them.
- Budgetary control is maintained at the account level.
- Prior to December 31<sup>st</sup>, the Authority holds a public meeting, after which the budget is legally adopted through the passage of a resolution.
- All budget revisions require the approval of the Board of Directors.
- The budget lapses at the end of each year.

**Restricted Assets**

Restricted assets include developer escrows. Developer deposits held by the Authority are to be used to pay for engineering, legal, inspection costs, and administrative fees associated with the respective developers' projects. Upon receipt of the funds, the Authority records the cash and corresponding liability, and when the Authority receives invoices for expenses on behalf of the developer, it disburses the funds and reduces the liability.

**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, 2022 and 2021, the allowance for doubtful accounts was \$539,263 and \$595,664, respectively.

**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 Statements of Revenues, Expenses and Changes in Net Position. 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.

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**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Depreciable lives of plant and equipment are estimated as follows:

<u>Asset</u>	<u>Years</u>
Infrastructure and pump stations	20 - 40
Buildings	40
Equipment	3-15

**Capital Contributions**

Sanitary sewer infrastructure constructed and installed by developers and dedicated to the Authority are recorded as capital contributions and depreciated over their estimated useful lives. Capital contributions are recorded as income in the year of dedication to the Authority. Capital contributions for the years ended December 31, 2022 and 2021 were \$100,350 and \$0, respectively.

**Deferred Revenue**

Income from Connection Fees is deferred and not recognized until settlement has been completed on the new homes. As of December 31, 2022 and 2021, deferred revenues were \$379,874 and \$484,962, respectively.

**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, 2022 and 2021, the liabilities for unpaid compensated absences were \$17,866 and \$17,320, respectively

**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.

**Net Position**

Net position comprises the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, stay; restricted and unrestricted.

Net position invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

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**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Restricted net position consists of assets restricted for capital activity or for debt service.

Unrestricted net position consists of all other assets not included in the above categories.

For expenses that could be paid by either restricted or unrestricted resources, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenues) until that time.

**Revenues and Rate Structure**

Revenues from sewer services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, and debt coverage.

**Financial Instruments**

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

**Governmental Accounting Standards Board (GASB) Statements Being Adopted**

The GASB has issued Statement No. 87, "Leases." This statement is required to be adopted by the Authority for the year ending December 31, 2022. The adoption of GASB No. 87 did not have a material impact on the Authority's results of operations or cash flows.

The GASB 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. There was no impact on the Authority as a result of implementing GASB No. 91.

The GASB issued Statement No. 92, "Omnibus 2020." This Statement is required to be adopted for fiscal years beginning after June 15, 2021. There was no impact on the Authority as a result of implementing GASB No. 92.

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(continued)**

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. There was no impact on the Authority as a result of implementing GASB No. 97.

**Pending Governmental Accounting Standards Board (GASB) 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. 101, "Compensated Absences." The statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Authority has not yet completed the process of evaluating the impact of GASB Statement No. 101 on its financial statements.

**Reclassifications**

Certain reclassifications have been made to the 2021 financial statements in order for them to be in conformity with the 2022 presentation.

**NOTE 2: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT**

For 2022, the Authority implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Authority's 2022 financial statements and had an effect on the beginning net position of the 2021 financial statements. The Authority recognized \$11,326 in net book value for the intangible right to use and a lease liability of \$11,332 for a copier and postage meter leased in May 2020 and June 2021, respectively.

The implementation of GASB Statement No. 87 had the following effect on net position as reported December 31, 2021:

Net position December 31, 2021	\$ 5,809,779
Adjustments:	
Net book value lease asset	11,252
Operating lease obligations	<u>(11,374)</u>
Restated Net Position December 31, 2021	<u>\$ 5,809,657</u>

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**NOTE 3: RESTRICTED ASSETS**

At December 31, 2022 and 2021, cash included \$99,796 and \$117,718, respectively, held as developer escrow funds. These funds are held by the Authority to guarantee the completion of projects by developers as required by the development agreements and to pay professional fees related to the respective projects.

**NOTE 4: CASH**

**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. 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, 2022 and 2021, \$1,032,860 and \$1,376,980, respectively, was exposed to custodial risk.

A reconciliation of amounts exposed to custodial credit risk to total cash held by the Authority is as follows:

	<u>2022</u>	<u>2021</u>
Uninsured amounts	\$ 1,032,861	\$ 1,376,980
Plus: Insured amounts	<u>250,734</u>	<u>250,734</u>
<b>Carrying Amounts - Bank Balances</b>	<b>1,283,595</b>	<b>1,627,714</b>
Plus: Petty cash	<u>200</u>	<u>200</u>
<b>Total Cash Per Financial Statements</b>	<b><u>\$ 1,283,795</u></b>	<b><u>\$ 1,627,914</u></b>

The cash balances as of December 31, 2022 and 2021 are classified in the accompanying financial statements as follows:

	<u>2022</u>	<u>2021</u>
Cash - unrestricted	\$ 1,183,999	\$ 1,510,196
Cash - escrow funds, developers	<u>99,796</u>	<u>117,718</u>
	<b><u>\$ 1,283,795</u></b>	<b><u>\$ 1,627,914</u></b>

**NOTE 5: 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.

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**NOTE 6: CAPITAL ASSETS**

Capital Asset activity for the years ended December 31, 2022 and 2021 were as follows:

<b>2022</b>				
	<b>Balance at January 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2022</b>
Capital Assets, being depreciated				
Plant and system	\$ 25,290,908	\$ 111,042	\$ -	\$ 25,401,950
Administration building	273,694	-	-	273,694
Maintenance equipment	940,587	-	-	940,587
Office equipment	297,327	-	-	297,327
Intangible Right to Use Lease	13,348	-	-	13,348
<b>Total Capital Assets, being depreciated</b>	<b>26,815,864</b>	<b>111,042</b>	<b>-</b>	<b>26,926,906</b>
Accumulated amortization	(2,096)	(2,825)	-	(4,921)
Accumulated depreciation	(20,281,257)	(585,216)	-	(20,866,473)
<b>Total Capital Assets, being depreciated</b>	<b>\$ 6,532,511</b>	<b>\$ (476,999)</b>	<b>\$ -</b>	<b>\$ 6,055,512</b>

  

<b>2021</b>				
	<b>Balance at January 1, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2021</b>
Capital Assets, being depreciated				
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
Intangible Right to Use Lease	-	13,348	-	13,348
<b>Total Capital Assets, being depreciated</b>	<b>26,710,788</b>	<b>105,076</b>	<b>-</b>	<b>26,815,864</b>
Accumulated amortization	-	(2,096)	-	(2,096)
Accumulated depreciation	(19,702,899)	(578,358)	-	(20,281,257)
<b>Total Capital Assets, being depreciated</b>	<b>\$ 7,007,889</b>	<b>\$ (475,378)</b>	<b>\$ -</b>	<b>\$ 6,532,511</b>

For the years ended December 31, 2022 and 2021, depreciation and amortization expense amounted to \$585,216 and \$578,358, respectively.

The postage meter and copier lease amortization are presented as depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position related to the Authority's intangible asset of a Sharp copier and postage meter, which is included in the above table as Intangible Right to Use Lease. With the implementation of GASB Statement No. 87, *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

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**NOTE 7: LONG-TERM OBLIGATIONS**

Operating lease obligations - \$13,348 has been recorded as intangible right to use lease in capital assets. Due to the implementation of GASB Statement No. 87, the leases for a Sharp copier and postage meter met the criteria of a lease; thus, requiring it to be recorded by the Authority. These assets will be amortized over the lease terms of five years since it is shorter than the useful life and the Authority is not taking ownership of the Sharp copier or postage meter. There are no residual value guarantees in the lease provisions. The Sharp copier and postage meter leases will end in 2025 and 2026, respectively. A summary of the principal and interest amounts for the remaining lease is as follows:

<u>Right to use lease</u>	<u>Lease end</u>	<u>Principal</u>	<u>Interest</u>
Sharp copier	2025	\$ 3,372	\$ 118
Postage meter	2026	5,270	271
		<u>\$ 8,642</u>	<u>\$ 389</u>

The maturities of operating lease obligations as of December 31, 2022 are as follows:

<u>For the year ending December 31,</u>	
2023	\$ 3,024
2024	3,024
2025	2,187
2026	795
Total lease payments	<u>9,030</u>
Less: Interest	<u>(388)</u>
Present value of lease liability	<u>\$ 8,642</u>

**NOTE 8: LONG-TERM DEBT**

Long-term note and installment payment as of December 31, 2022 and 2021 are as follows:

	<b>2022</b>		
	<b>Balance at January 1, 2022</b>	<b>Additions</b>	<b>Balance at December 31, 2022</b>
Note payable	\$ 3,130,660	\$ -	\$ (1,211,868)
Installment payment	180,000	-	(30,000)
<b>Total</b>	<b>\$ 3,310,660</b>	<b>\$ -</b>	<b>\$ (1,241,868)</b>

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**NOTE 8: LONG-TERM DEBT (continued)**

	2021		
	Balance at January 1, 2021	Additions	Reductions
			Balance at December 31, 2021
Note payable	\$ 4,342,528	\$ -	\$ (1,211,868)
Installment payment	210,000	-	(30,000)
<b>Total</b>	<b>\$ 4,552,528</b>	<b>\$ -</b>	<b>\$ (1,241,868)</b>

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, Middletown Township Sewer Authority ("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 Payable and the MTSA CCI Installment payment debt through to maturity:

**2017 Note Payable**

Maturity Date	Interest Rate	Principal Amount	Interest	Total Debt Service
2023	3%	\$ 1,211,868	\$ 44,519	\$ 1,256,387
2024	3%	706,924	8,981	715,905
<b>Total Debt Service</b>		1,918,792	<b>\$ 53,500</b>	<b>\$ 1,972,292</b>
Less: Current Maturities		(1,211,868)		
<b>Net Long-Term Debt</b>		<b>\$ 706,924</b>		



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**NOTE 8: LONG-TERM DEBT (continued)**

MTSA CCI Installment payment

<u>Year Ending December 31</u>	<u>Amount</u>
2023	\$ 30,000
2024	30,000
2025	30,000
2026	30,000
2027	30,000
	<u>\$ 150,000</u>

**NOTE 9: RETIREMENT PLAN**

The Authority has 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, 2022 and 2021 were \$14,735 and \$14,218, respectively.

**NOTE 10: DELCORA SERVICE AGREEMENT**

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

On November 11, 2014, 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.

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.

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**NOTE 10: DELCORA SERVICE AGREEMENT (continued)**

The Aqua/ DELCORA asset purchase agreement has been the subject of litigation in 2022 in both the Delaware County Court of Common Pleas and the Pennsylvania Commonwealth Court and administrative proceedings before the Pennsylvania Public Utility Commission ("PUC").

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) was reopened by the PUC in late summer of 2022 after the remand of the Commonwealth Court proceeding to the Delaware County Court of Common Pleas and that Court's 2022 rulings. But new 2022 filings by the City of Chester and DELCORA resulted in another stay of the proceeding in which the PUC was considering approval of the Application.

The stay on the Application proceeding was imposed by a February 6, 2023 Order of PUC Administrative Law Judge F. Joseph Brady, pending a final unappealable decision in the Bankruptcy Court for the Eastern District of Pennsylvania on the Motion to Enforce Stay (Case No. 22-13032) and a final unappealable decision in the Delaware County Court of Common Pleas on DELCORA's Complaint for Declaratory Judgement.

The transfer of the DELCORA sewer system assets to either Aqua or Delaware County or neither will be addressed by these proceedings.

**NOTE 11: 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.

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**NOTE 12: 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 13: RISKS AND UNCERTAINTIES**

The 2019 novel coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. These economic and market conditions and other effects of the COVID-19 outbreak may continue to cause volatility. The full extent of any adverse impact of the COVID-19 outbreak on the Authority’s future operations cannot be predicted at this time.

**NOTE 14: SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through March 27, 2023, the date on which the financial statements were available to be issued. There were no significant subsequent events to report.