

**SOUTHWEST DELAWARE COUNTY
MUNICIPAL AUTHORITY**

**A COMPONENT UNIT OF
ASTON TOWNSHIP**

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
A COMPONENT UNIT OF ASTON TOWNSHIP
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DECEMBER 31, 2025 AND 2024**

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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 years ended December 31, 2025 and 2024, 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, 2025 and 2024, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

Brinker Simpson & Company, LLC

Brinker Simpson & Company, LLC
Media, Pennsylvania
March 23, 2026

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025 AND 2024**

This section of the annual financial report of the Southwest Delaware County Municipal Authority, hereafter referred to as "Authority", presents management's analysis of the Authority's financial condition, changes in financial position, and cash flows for the year ended December 31, 2025.

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 84 miles of collection system piping, five 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.

Financial Highlights

Effective November 25, 2024, the Authority's Board of Directors approved the annual budget, that included no billing rate increase for 2025.

At year-end 2025, total assets were \$13,168,062 and exceeded liabilities by \$10,297,073 (i.e., total net position). Total assets increased \$2,092,063, total net position increased \$1,265,051, and unrestricted net position increased \$1,189,353 from 2024.

Capital assets in 2025, net of accumulated depreciation and amortization, increased \$43,558 from 2024. This increase is mainly attributed to the upgrades at the Woodbrook Pump Station.

Total operating revenues for 2025 were \$6,931,073, an increase of \$47,086, or 0.7% from 2024.

Operating expenses for 2025 were \$6,132,161, a decrease of \$385,356 from the previous year.

Capital contributions of \$171,958 were recognized in 2025. There were no capital contributions of facilities in 2024. These contributions vary from year to year with fluctuations in completed projects.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025 AND 2024**

Operating income (i.e., operating revenues in excess of operating expenses) for 2025 was \$798,912, a 118% increase compared to \$366,470 in the prior year. This increase was largely due to a year end credit adjustment to outside treatment cost of \$495,572 and a slight increase in revenues; that was offset by an increase in collection system materials and labor costs. Assessments and connections can fluctuate year to year, based on developer projects. There were assessments and connections of \$165,106 during 2025 compared to \$199,649 in 2024. Operating income for 2025 was 11.5% of total operating revenues, compared to 5.3% for 2024. Total sewer rentals increased \$9,275 when compared to 2024, while the number of direct billed customers increased by twenty-one new accounts in 2025. Outstanding sewer rents at December 31, 2025 reflected a decrease of \$47,071 as compared to 2024. The Authority will continue utilizing the most effect collection methods available to continue reducing their delinquent accounts, including the filing of new liens, the pursuit of water shut-offs in coordination with Chester Water Authority and Aqua and the process of executing on property liens as the next step in collecting the Authority's most severely delinquent accounts.

Change in net position (i.e., operating income plus non-operating revenues and less non-operating expense) for 2025 was \$1,265,051, compared to \$573,608 in 2024. The change in net position for 2025 was 18.3% of total operating revenues compared to 8.3% in 2024.

Overview of Annual Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the independent auditor's report at the front of this report and the Authority's audited financial statements and supplementary information, which follow this section.

This annual report consists of two parts: the MD&A and the financial statements.

The financial statements report information about the Authority using full accrual accounting methods similar to those used by private sector.

The financial statements include: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows; and Notes to Financial Statements.

The **Statements of Net Position** present the financial position of the Authority on a full accrual, historical cost basis. These statements present information on all the Authority's assets and liabilities, with the difference, or total assets in excess of total liabilities, reported as total net position.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the **Statements of Revenues, Expenses and Changes In Net Position** present the results of the business activities and the amount by which the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the Authority's recovery of its costs. The primary objective of a rate model is to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025 AND 2024**

The **Statements of Cash Flows** report changes in cash resulting from operating activities; capital and related financing activities; and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **Notes to Financial Statements** provide required disclosures and other information that are essential to a full understanding of the financial data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared by the Authority's staff from books and records of the Authority and audited during the independent external audit.

Financial Condition

At year-end 2025, total assets were \$13,168,062 and exceeded liabilities by \$10,297,073 (i.e., total net position). Total assets increased \$2,092,063, total net position increased \$1,265,051 and unrestricted net position increased \$1,189,353 from 2024.

Accounts receivable from sanitary sewer service customers at year-end 2025 was \$1,889,018 or a \$47,071 decrease from 2024. The decrease was a result of more effective collections during the year. The Authority's billing department methodically pursues delinquent customer accounts; all accounts receivable are considered collectible since the Authority can lien a customer's property for non-payment.

The historical cost basis of capital assets at year-end 2025 was \$28,567,740, an increase of \$658,815 during 2025.

Results of Operations: Comparison of 2025 and 2024

Capital Contributions: The Authority receives additions to its infrastructure and collections systems from developers. Prior to GASB 33 and 34 implementation, system assets received were recorded as direct contributions to the equity. GASB 33 and 34 define these fees as non-operating revenues and requires reporting the amounts through the Statements of Revenues, Expenses and Changes in Net Position. Developer capital contributions totaled \$171,958 in 2025. There were no developer capital contributions in 2024. These contributions vary from year-to-year with fluctuations in completed developer projects.

Operating Expenses: Operating expenses for 2025 were \$6,132,161. This was a decrease of \$385,356 over the previous year.

Operating Income: Operating income (i.e., operating revenues in excess of operating expenses) for 2025 was \$798,912, a 118% increase compared to \$366,470 in the prior year. Operating income for 2025 was 11.5% of total operating revenues, compared to 5.3% for 2024.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF ASTON TOWNSHIP)
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025 AND 2024**

Cash Flow Activity

The following table shows the Authority’s ability to generate net operating cash. Net cash flows from operating activities are shown both in total dollars and as a percentage of operating revenues.

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Total operating revenues	\$6,931,073	\$6,883,987	\$47,086
Net cash provided by operating activities	\$1,910,787	\$1,977,709	\$(66,922)
Net cash provided by operating activities (as a percent of total operating revenues)	27.6%	28.7%	

Capital Assets and Debt Obligation

The Authority’s capital assets as of December 31, 2025 increased to \$5,856,097 (net of accumulated depreciation and amortization). This increase of \$43,558 from 2024 is due to the acquisition of capital assets during the year.

At the year ended December 31, 2025, the Authority had total outstanding debt of \$60,000 for the lease/purchase of the Middletown Township Sewer Authority section of the original Chester Creek Interceptor, as required by the 2013 Global Agreement.

Final Comments

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Cecelia Nelson, Authority Administrator, Southwest Delaware County Municipal Authority, P.O. Box 2466, Aston, PA 19014.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
 COMPONENT UNIT OF ASTON TOWNSHIP
 STATEMENTS OF NET POSITION
 DECEMBER 31 2025 AND 2024**

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash	\$ 4,304,295	\$ 2,610,181
Accounts receivable, net of allowance for doubtful accounts of \$400,902 in 2025 and 2024	1,889,018	1,936,089
Grant receivable	84,914	96,900
Prepaid expenses	511,640	60,838
Total Current Assets	6,789,867	4,704,008
Restricted Assets		
Cash - escrow funds, developers	522,098	559,452
Total Restricted Assets	522,098	559,452
Capital Assets		
Property, plant and equipment, net of accumulated depreciation	5,855,363	5,809,770
Intangible right to use lease, net of accumulated amortization	734	2,769
Total Capital Assets	5,856,097	5,812,539
Total Assets	13,168,062	11,075,999
Deferred Outflows of Resources		
	-	-
Total Assets and Deferred Outflows of Resources	\$ 13,168,062	\$ 11,075,999

See accompanying notes.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
 COMPONENT UNIT OF ASTON TOWNSHIP
 STATEMENTS OF NET POSITION
 DECEMBER 31 2025 AND 2024**

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued expenses	\$ 233,796	\$ 163,033
Accounts payable, retainage	-	11,340
Deferred revenue	2,029,456	1,187,345
Operating lease obligations - current portion	790	2,187
Installment payment - current portion	30,000	30,000
Accrued payroll	4,776	9,041
Compensated absences payable	20,073	20,836
Total Current Liabilities	2,318,891	1,423,782
Restricted Liabilities		
Escrow deposits, developers	522,098	559,452
Noncurrent Liabilities		
Operating lease obligations - long-term portion	-	743
Installment payment - long-term portion	30,000	60,000
Total Noncurrent Liabilities	30,000	60,743
Total Liabilities	2,870,989	2,043,977
Deferred Inflows of Resources	-	-
Net Position		
Invested in capital assets, net of related debt	5,795,307	5,719,609
Unrestricted	4,501,766	3,312,413
Total Net Position	10,297,073	9,032,022
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 13,168,062	\$ 11,075,999

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, 2025 AND 2024**

	2025	2024
Operating Revenues		
Sewer rentals	\$ 6,669,353	\$ 6,660,078
Other operating revenue	<u>261,720</u>	<u>223,909</u>
Total Operating Revenues	<u>6,931,073</u>	<u>6,883,987</u>
Operating Expenses		
Sewer treatment	3,586,222	3,920,398
Collection system expense	289,705	257,788
Collection system - contract/professional fees	758,816	760,628
Administration - contract/professional fees	104,584	137,684
Salaries	305,457	292,640
Benefits including payroll taxes	116,802	110,733
Utilities	22,867	21,436
Insurance expense	62,444	55,035
Maintenance and repairs - collection system	95,558	158,926
Maintenance and repairs - administration	41,545	30,084
Service fees	2,000	1,000
Other expenses	124,921	151,079
Amortization	2,035	2,833
Depreciation	619,205	617,253
Total Operating Expenses	<u>6,132,161</u>	<u>6,517,517</u>
Operating Income	<u>798,912</u>	<u>366,470</u>
Nonoperating Revenues (Expenses)		
Assessments and connections	165,106	199,649
Grant revenue	84,914	376,053
Grant expenses	(99,899)	(402,779)
Interest on assessments	3,827	4,048
Interest income	140,233	37,235
Interest expense	-	(7,068)
Total Nonoperating Revenues (Expenses)	<u>294,181</u>	<u>207,138</u>
Income Before Capital Contributions	1,093,093	573,608
Capital contributions	<u>171,958</u>	<u>-</u>
Change in Net Position	1,265,051	573,608
Net Position, Beginning	<u>9,032,022</u>	<u>8,458,414</u>
Net Position, Ending	<u><u>\$ 10,297,073</u></u>	<u><u>\$ 9,032,022</u></u>

See accompanying notes.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
COMPONENT UNIT OF ASTON TOWNSHIP
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
Cash Flows From Operating Activities		
Cash received from customers	\$ 7,558,535	\$ 7,416,052
Cash paid to suppliers	(5,482,181)	(5,263,805)
Cash paid to employees	(427,287)	(398,447)
Other cash receipts	261,720	223,909
Net Cash Provided by Operating Activities	1,910,787	1,977,709
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(492,840)	(10,663)
Principal payments on note payable	-	(706,924)
Principal payments on installment plan	(30,000)	(30,000)
Grant revenue received	96,900	279,153
Grant expenses	(99,899)	(402,779)
Assessments and connections	165,106	199,649
Interest paid on note payable	-	(7,068)
Net Cash Used in Capital and Related Financing Activities	(360,733)	(678,632)
Cash Flows From Investing Activities		
Interest income	140,233	37,235
Interest on assessments	3,827	4,048
Net Cash Provided by Investing Activities	144,060	41,283
Net Change in Cash	1,694,114	1,340,360
Cash, Beginning	2,610,181	1,269,821
Cash, Ending	\$ 4,304,295	\$ 2,610,181
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 798,912	\$ 366,470
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	619,205	617,253
Interest expense on operating leases	(105)	(65)
Change in:		
Accounts receivable	47,071	(49,521)
Prepaid expenses	(450,802)	166,729
Accounts payable and accrued expenses	70,763	55,082
Accounts payable, retainage	(11,340)	11,340
Deferred revenue	842,111	805,495
Accrued payroll	(4,265)	2,933
Compensated absences payable	(763)	1,993
Net Cash Provided by Operating Activities	\$ 1,910,787	\$ 1,977,709
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Assets acquired through capital contributions	\$ 171,958	\$ -

See accompanying notes.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
A COMPONENT UNIT OF ASTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
A COMPONENT UNIT OF ASTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**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.

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 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.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
A COMPONENT UNIT OF ASTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**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 15th, the budget is legally adopted through the passage of a resolution at a public meeting.
- 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, 2025 and 2024, the allowance for doubtful accounts was \$400,902.

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.

**SOUTHWEST DELAWARE COUNTY MUNICIPAL AUTHORITY
A COMPONENT UNIT OF ASTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

Depreciable lives of plant and equipment are estimated as follows:

Asset	Years
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 year ended December 31, 2025 were \$171,958. There were no capital contributions for the year ended December 31, 2024.

Deferred Revenue

Income from Connection Fees is deferred and not recognized until settlement has been completed on the new homes. As of December 31, 2025 and 2024, deferred revenue was \$2,029,456 and \$1,187,345, 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, 2025 and 2024, the liabilities for unpaid compensated absences were \$20,073 and \$20,836, 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; 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.

Governmental Accounting Standards Board (GASB) Statements Being Adopted

The GASB issued Statement No. 102, "Certain Risk Disclosures". The statement is effective for fiscal years beginning after June 15, 2024. This statement is required to be adopted by the Authority for the year ending December 31, 2025. There was no material impact on the Authority's results of operations or cash flows as a result of implementing GASB No. 102.

Pending Governmental Accounting Standards Board (GASB) Statements

The GASB issued Statement No. 103, "Financial Reporting Model Improvements". The statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Authority has not yet completed the process of evaluating the impact of GASB Statement No. 103 on its financial statements.

The GASB issued Statement No. 104, "Disclosure of Certain Capital Assets". The statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Authority has not yet completed the process of evaluating the impact of GASB Statement No. 104 on its financial statements.

The GASB issued Statement No. 105, "Subsequent Events". The statement is effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. The Authority has not yet completed the process of evaluating the impact of GASB Statement No. 105 on its financial statements.

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NOTE 2: RESTRICTED ASSETS – ESCROW FUNDS

At December 31, 2025 and 2024, cash included \$522,098 and \$559,452, 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 3: 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. The Authority currently has a sweep feature with its bank whereby its credit risk is minimized. As of December 31, 2025 and 2024, \$4,575,381 and \$2,966,989, 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:

	2025	2024
Uninsured amounts	\$ 4,575,381	\$ 2,966,989
Plus: Insured amounts	250,734	250,734
Carrying Amounts - Bank Balances	4,826,115	3,217,723
Plus: Deposits in transit	17,231	11,965
Less: Outstanding checks	(17,153)	(60,255)
Plus: Petty cash	200	200
Total Cash Per Financial Statements	\$ 4,826,393	\$ 3,169,633

The cash balances as of December 31, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Cash - unrestricted	\$ 4,304,295	\$ 2,610,181
Cash - escrow funds, developers	522,098	559,452
	\$ 4,826,393	\$ 3,169,633

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NOTE 4: 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 assessments are paid in full.

NOTE 5: CAPITAL ASSETS

Capital Asset activity for the years ended December 31, 2025 and 2024 is as follows:

	2025			Balance at December 31, 2025
	Balance at January 1, 2025	Increases	Decreases	
Capital Assets, being depreciated				
Plant and system	\$ 26,383,969	\$ 664,798	\$ -	\$ 27,048,767
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	-	(5,983)	7,365
Total Capital Assets, being depreciated	27,908,925	664,798	(5,983)	28,567,740
Accumulated amortization	(10,579)	(2,035)	5,983	(6,631)
Accumulated depreciation	<u>(22,085,807)</u>	<u>(619,205)</u>	<u>-</u>	<u>(22,705,012)</u>
Total Capital Assets, being depreciated	\$ 5,812,539	\$ 43,558	\$ -	\$ 5,856,097
	2024			
	Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024
Capital Assets, being depreciated				
Plant and system	\$ 26,373,306	\$ 10,663	\$ -	\$ 26,383,969
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
Total Capital Assets, being depreciated	27,898,262	10,663	-	27,908,925
Accumulated amortization	(7,746)	(2,833)	-	(10,579)
Accumulated depreciation	<u>(21,468,554)</u>	<u>(617,253)</u>	<u>-</u>	<u>(22,085,807)</u>
Total Capital Assets, being depreciated	\$ 6,421,962	\$ (609,423)	\$ -	\$ 5,812,539

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NOTE 5: CAPITAL ASSETS (continued)

For the years ended December 31, 2025 and 2024, depreciation expense amounted to \$619,205 and \$617,253, respectively.

The postage meter and copier lease amortization are presented as 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.

NOTE 6: LONG-TERM OBLIGATIONS

Operating lease obligations - \$7,365 and \$13,348 have been recorded as intangible right to use leases included in capital assets at December 31, 2025 and 2024, respectively. 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 lease ended in June 2025 and the postage meter lease will end in 2026. A summary of the principal and interest amounts for the remaining lease is as follows:

Right to use lease	Lease end	Principal	Interest
Postage meter	2026	\$ 790	\$ 5

The maturities of operating lease obligations as of December 31, 2025 are as follows:

For the year ending December 31,	
2026	\$ 795
Less: Interest	(5)
Present value of lease liability	\$ 790

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NOTE 7: LONG-TERM DEBT

Long-term note and installment payment as of December 31, 2025 and 2024 are as follows:

	2025			
	Balance at January 1, 2025	Additions	Reductions	Balance at December 31, 2025
Installment payment	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000
Total	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000
	2024			
	Balance at January 1, 2024	Additions	Reductions	Balance at December 31, 2024
Note payable	\$ 706,924	\$ -	\$ (706,924)	\$ -
Installment payment	120,000	-	(30,000)	90,000
Total	\$ 826,924	\$ -	\$ (736,924)	\$ 90,000

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. During August 2024, the Authority paid off the loan balance in full. There is no outstanding balance as of December 31, 2025 and 2024.

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 is the MTSA CCI Installment payment debt through to maturity:

Year Ending December 31	Amount
2026	\$ 30,000
2027	30,000
	\$ 60,000

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NOTE 8: RETIREMENT PLAN

The Authority has a 457(b) 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 eighteen years of age and have performed one year of service. Effective April 1, 2025, employees when hired are immediately eligible to participate in the plan. The Authority contributes an amount equal to five percent of the annual gross salary of an eligible employee who contributes up to four percent of their annual gross salary. The Authority increases its contribution to six percent for employees who contribute five percent or more. Total contributions made by the Authority for years ended December 31, 2025 and 2024 were \$17,493 and \$16,801, respectively.

NOTE 9: 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.

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”).

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NOTE 9: DELCORA SERVICE AGREEMENT (continued)

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.

As of the December 31, 2025 and 2024, the Authority had paid DELCORA \$495,572 and \$48,146, respectively in advance for treatment services. These balances are included in prepaid expenses on the Statements of Net Position.

NOTE 10: 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 11: 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.

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NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through March 23, 2026, the date on which the financial statements were available to be issued. There were no significant subsequent events to report.