



WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)
WEST CHESTER, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)
WEST CHESTER, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22



INDEPENDENT AUDITOR'S REPORT

June 27, 2022

To the Officers
West Goshen Sewer Authority
West Chester, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Goshen Sewer Authority ("the Authority"), a component unit of West Goshen Township, West Chester, Pennsylvania, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Goshen Sewer Authority, West Chester, Pennsylvania, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

To the Officers
West Goshen Sewer Authority

includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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

To the Officers
West Goshen Sewer Authority

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

WEST GOSHEN SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

This discussion and analysis of the West Goshen Sewer Authority ("the Authority") of West Goshen, Pennsylvania, provides an overview of the Authority's performance for the year ended December 31, 2021. Please read it in conjunction with the Authority's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Authority reported \$7,765,450 of capital improvement projects and equipment purchases during 2021.
- Tapping fees for 2021 were \$441,960; a decrease of \$617,630 from 2020.
- Lease rental for 2021 was \$1,247,975; an increase of \$2,100 from 2020.
- Capital contributions from other townships for 2021 was \$179,305.
- Investment income for 2021 was \$14,309; a decrease of \$74,393 from 2020.
- As of December 31, 2021, the Authority reported an ending net position of \$31,586,686, an increase of \$1,535,714 as compared to the prior year.
- The Authority incurred \$29,209 in legal and professional fees, including an ongoing effort to determine if a total phosphorus discharge limitation established by the United States Environmental Protection Agency ("EPA") is achievable after the installation and utilization of an EPA and Authority agreed-upon tertiary treatment system.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis, financial statements, and notes. The notes explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. These statements offer short and long-term financial information about its activities.

The statement of net position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the Authority's profitability and creditworthiness. The statement of cash flows provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and

WEST GOSHEN SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

related financing activities and provides answers to such questions as "From where did cash come?," "For what was cash used?," and "What was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is, "Is the Authority better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position tables supply information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in them. You can think of the Authority's net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Authority's assets exceeded liabilities by \$31,586,686, \$30,050,972, and \$27,635,871 at the close of 2021, 2020, and 2019, respectively. Our analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the Authority.

Table 1

WEST GOSHEN SEWER AUTHORITY'S NET POSITION DECEMBER 31, 2021, 2020, AND 2019			
	2021	2020	2019
Assets:			
Current and Other Assets	\$ 7,390,875	\$ 13,633,406	\$ 15,410,522
Capital Assets	41,028,583	34,159,120	29,850,102
Total Assets	48,419,458	47,792,526	45,260,624
Current Liabilities	1,652,331	1,823,228	988,537
Noncurrent Liabilities	15,180,441	15,918,327	16,636,216
Total Liabilities	16,832,772	17,741,555	17,624,753
Net Position:			
Net Investment in Capital Assets	25,428,341	22,718,050	17,838,561
Unrestricted	6,158,345	7,332,922	9,797,310
Total Net Position	<u>\$ 31,586,686</u>	<u>\$ 30,050,972</u>	<u>\$ 27,635,871</u>

The largest portion of the Authority's net position reflects its investment in capital assets (land, buildings, equipment, infrastructure, and construction-in-progress) less any related debt used to acquire those assets that is still outstanding net of unspent debt proceeds. The majority of the outstanding debt of the Authority was incurred for capital investment required to replace aged and deteriorated infrastructure, to improve operations and personnel safety, and to prepare for future treatment requirements. Although

WEST GOSHEN SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Authority's unrestricted net position in the amounts of \$6,158,345, \$7,332,922, and \$9,797,310 for 2021, 2020, and 2019, respectively, may be used to meet the Authority's operating expenses. During 2021, the Authority's operating expenses were \$32,058 more than in 2020. During 2020, the Authority's operating expenses were \$771,892 less than 2019.

At the end of 2021, the Authority was able to report a positive balance in net position with an increase of \$1,535,714 from the net position of 2020. At the end of 2020, the Authority was able to report a positive balance in net position with an increase of \$2,415,101 from the net position of 2019. The net position for the Authority during these reporting periods increased, in large part, due to charges for services (Tapping Fees) and transfers from the Primary Government Sewer Revenue Account.

Table 2 shows the changes in net position for the years ended December 31, 2021, 2020, and 2019.

Table 2

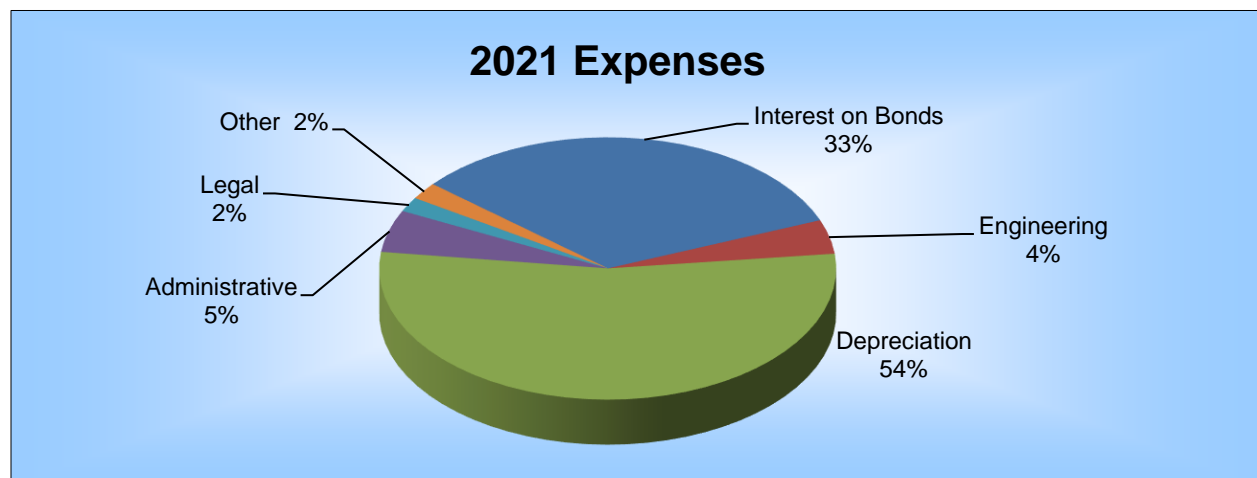
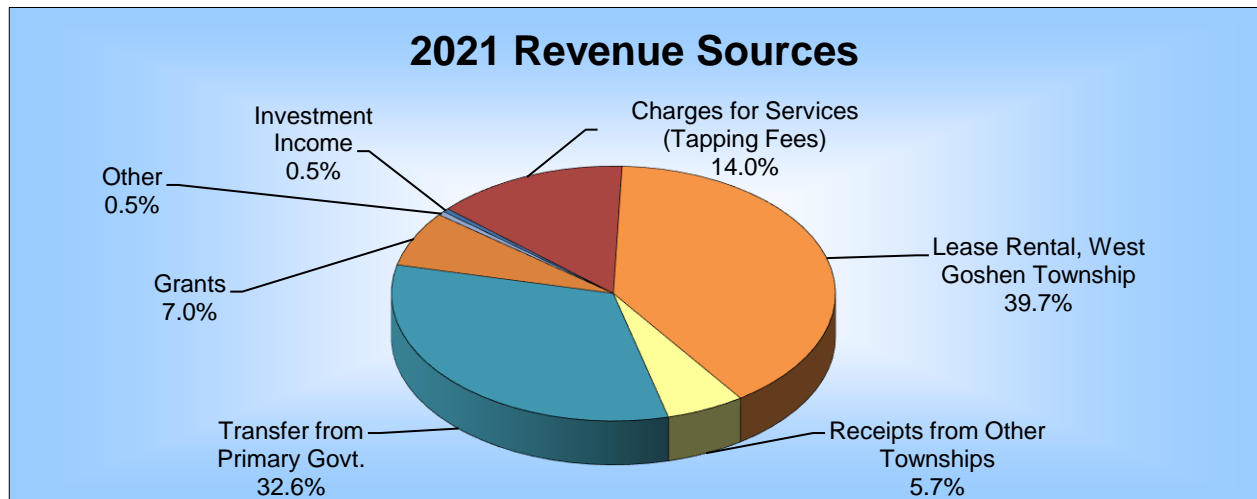
WEST GOSHEN SEWER AUTHORITY'S CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019			
	2021	2020	2019
Revenues			
Program Revenues:			
Charges for Services (Tapping Fees)	\$ 441,960	\$ 1,059,590	\$ 117,627
Capital Contributions (from other Townships)	179,305	255,708	3,923,541
General Revenues:			
Lease Rentals, Township of West Goshen	1,247,975	1,245,875	1,244,775
Investment Income (net of fees)	14,309	88,702	281,083
Transfer from Sewer Revenue – Primary Govt.	1,024,868	1,512,291	47,923
Grants	220,000	-	-
Other	16,105	565	259,620
Total Revenues	<u>3,144,522</u>	<u>4,162,731</u>	<u>5,874,569</u>
Expenses			
Operating Expenses	1,048,391	1,016,333	1,788,225
Interest Expense	530,086	552,986	571,886
Nonoperating Expenses	30,331	178,311	179,669
Total Expenses	<u>1,608,808</u>	<u>1,747,630</u>	<u>2,539,780</u>
Change in Net Position	<u>1,535,714</u>	<u>2,415,101</u>	<u>3,334,789</u>
Net Position, January 1	30,050,972	27,635,871	24,301,082
Net Position, December 31	<u>\$ 31,586,686</u>	<u>\$ 30,050,972</u>	<u>\$ 27,635,871</u>

WEST GOSHEN SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

West Goshen Township incorporated the Authority in 1958 for the sole purpose of financing construction of a sewage collection system and treatment plant, which is operated and maintained by the Township under a long-term lease. Revenues for the Authority include lease rentals from West Goshen Township, tapping fees, and capital contributions from other townships.

As indicated by the following charts, revenue is composed of rent paid by West Goshen Township (39.7 percent), charges for services (tapping fees, 14 percent), capital contributions from other townships (5.7 percent), investment income (0.5 percent), grants (7.0 percent), and transfer from primary government (32.6 percent). Expenses are composed of depreciation expense (54 percent), interest (33 percent), professional fees associated with the EPA lawsuit (2 percent), administrative (5 percent), engineering fees (4 percent), and other (2 percent).



WEST GOSHEN SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

Summary of Organization and Business

The Authority, at the request of the Township Board of Supervisors, constructed the West Goshen Township Sewerage System. Although the Authority retains ownership of the system, it is leased to the Township through the Board of Supervisors. West Goshen Township is responsible for operating the entire system, for maintenance and repair, and for establishing and collecting sewer rentals from users of the system. All sewer revenues of the Township are pledged for the payment of the sewer system operating expenses and lease rentals. Lease rentals in the amount of \$1,247,975 were paid to the Authority for 2021. In 2021, the West Goshen Board of Supervisors approved an increase in sewer use fees which began in 2022.

The sewerage system, particularly the pumping stations, force mains, interceptors, and treatment plant, was constructed with sufficient capacity to take care of the Township needs many years into the future. When new developments are constructed and/or the service is extended to existing homes, developers and residents are charged a tapping fee to connect to the system. Revenue generated from tapping fees for 2021 amounted to \$441,960. Tapping fee revenue can be used to pay down debt or to pay for capital projects.

In addition to taking care of the needs of the Township, there is sufficient capacity available in the present system to permit the Authority to provide a limited amount of sewerage service outside of the Township. The Authority currently has written agreements with West Whiteland Township, East Goshen Township, Westtown Township, and Thornbury Township to purchase sewerage capacity in the Treatment Plant. The agreements also require the contributing townships to share in costs relating to capital improvements to the plant, pump stations, and collection system. Revenue generated from capital projects for 2021 amounted to \$179,305.

In 2012, the Authority filed Civil Action against the United States Environmental Protection Agency ("EPA"), to challenge action taken by the EPA in its establishment of a total phosphorus ("TP") total maximum daily load ("TMDL") for Goose Creek. In December 2013, the Authority entered into an Interim Settlement Agreement with the EPA for the reassessment and reconsideration of Goose Creek. As a result of the reassessment, a second Interim Settlement Agreement was reached in October 2018 to further reduce effluent TP from a monthly average of 0.8 mg/L to a monthly average of 0.1 mg/L by December 2022 with the ultimate goal of demonstrating whether a U.S. EPA-approved and installed tertiary treatment system can treat to levels of TP lower than 0.1 mg/L.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of December 31, 2021, 2020, 2019 amounted to \$41,028,583, \$34,159,120, and \$29,850,102, respectively, net of accumulated depreciation. This investment in capital assets includes land and land improvements, the wastewater treatment plant, pumping stations, sewer interceptors and force mains, machinery and equipment, and any

WEST GOSHEN SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

construction-in-progress. The total increase in the Authority's investment in capital assets for the current fiscal year was \$6,869,463, net of accumulated depreciation. The amount of accumulated depreciation to date is \$24,381,467.

Table 3

WEST GOSHEN SEWER AUTHORITY'S CAPITAL ASSETS			
DECEMBER 31, 2021, 2020, AND 2019			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Buildings and Improvements	\$ 11,893,851	\$ 11,948,778	\$ 12,481,932
Equipment	21,474,070	20,014,206	12,985,031
Land Improvements	648,351	648,351	606,360
Land	82,083	82,083	82,083
Infrastructure	20,091,334	18,916,685	18,363,809
Construction-in-progress	11,220,361	6,221,230	8,693,546
Total Capital Assets	<u>65,410,050</u>	<u>57,831,333</u>	<u>53,212,761</u>
Less Accumulated Depreciation	<u>(24,381,467)</u>	<u>(23,672,213)</u>	<u>(23,362,659)</u>
Capital Assets, Net of Depreciation	<u>\$ 41,028,583</u>	<u>\$ 34,159,120</u>	<u>\$ 29,850,102</u>

In 2015, a comprehensive review of the wastewater collection, conveyance, and treatment system was conducted. The result indicated that significant improvements and capital investments were required to replace aged and deteriorated infrastructure, to improve operations and personnel safety, and to prepare for future treatment requirements. These recommendations were detailed in the 2015 Capital Improvement Plan ("CIP") that was presented to and subsequently adopted by the Authority in 2016. As a result, a comprehensive 10-year CIP has been established and is updated periodically to reflect future projects and funding needs. Major capital additions for the current fiscal year include the following construction-in-progress projects:

- CoMag tertiary treatment project,
- Sludge facility upgrade,
- Interceptor rehabilitation project – Phase 1,
- Cemetery Sewer & ARV replacement project,
- Interceptor rehabilitation project – Phase 2,
- Pump Station No. 2 upgrade,
- Pump Station No. 11 upgrade,
- Pump Station No. 13 upgrade,
- Pump Station No. 16 upgrade,
- SCADA System Integration

WEST GOSHEN SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

Additional information about the Authority's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

The Authority identified that their capital improvement campaign was going to require additional funding outside of their existing reserve funds. As a result, the Authority sold sewer revenue and guaranteed sewer revenue bonds to secure \$17,055,000 in additional capital improvement funding in 2017. As of December 31, 2021, the Authority had \$15,918,327 in long-term debt outstanding (including the unamortized premium) versus \$16,636,216 in 2020 and \$17,329,105 in 2019. Additional information about the Authority's long-term debt can be found in Note 5 to the financial statements.

NEXT YEAR'S PROJECTS

Based, in part, on the 2015 capital improvement plan, the Authority has begun implementing a program of systematic upgrades and improvements to the wastewater system where appropriate. Projects listed previously as major capital additions for the current fiscal year and identified as construction-in-progress are planned to continue into the coming year.

REQUEST FOR INFORMATION

This financial report was designed to provide a general overview of the West Goshen Sewer Authority's finances for those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to: Secretary, West Goshen Sewer Authority, 848 South Concord Road, West Chester, PA 19382.

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents - unrestricted	\$ 6,717,339	\$ 7,566,211
Cash and cash equivalents - restricted	318,085	4,204,837
Cash and cash equivalents - developer deposits	176,145	40,341
Investments - restricted	-	245,037
Accounts receivable	179,305	831,639
Accrued interest	1	69
Total Current Assets	7,390,875	12,888,134
Noncurrent Assets:		
Investments restricted	-	745,272
Total Noncurrent Investments	-	745,272
Capital Assets:		
Depreciable capital assets, net	29,726,139	27,855,807
Land	82,083	82,083
Construction-in-progress	11,220,361	6,221,230
Net Capital Assets	41,028,583	34,159,120
Total Noncurrent Assets	41,028,583	34,904,392
TOTAL ASSETS	\$ 48,419,458	\$ 47,792,526
LIABILITIES AND NET POSITION		
Current Liabilities:		
Developers' deposits	\$ 176,145	\$ 40,341
Accounts payable	707,035	1,034,017
Accrued interest payable	31,265	30,980
Long term debt, current portion	737,889	717,889
Total Current Liabilities	1,652,334	1,823,227
Noncurrent Liabilities:		
Long-term debt, current portion	15,180,438	15,918,327
Total Noncurrent Liabilities	15,180,438	15,918,327
Total Liabilities	16,832,772	17,741,554
Net Position:		
Net investment in capital assets	25,428,341	22,718,050
Unrestricted	6,158,345	7,332,922
Total Net Position	31,586,686	30,050,972
TOTAL LIABILITIES AND NET POSITION	\$ 48,419,458	\$ 47,792,526

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Lease rentals, West Goshen Township	\$ 1,247,975	\$ 1,245,875
Tapping fees	441,960	1,059,590
Transfer from sewer revenue account - primary government	1,024,868	1,512,291
Other income	16,105	565
TOTAL OPERATING REVENUES	2,730,908	3,818,321
OPERATING EXPENSES:		
Administrative expenses	83,017	68,931
Depreciation expense	866,271	865,109
Engineering fees	66,914	47,953
Miscellaneous	2,980	10,620
Professional fees	29,209	23,720
TOTAL OPERATING EXPENSES	1,048,391	1,016,333
OPERATING INCOME	1,682,517	2,801,988
NONOPERATING REVENUES (EXPENSES):		
Investment income, net of fees	14,309	88,702
Grants	220,000	-
Interest expense	(530,086)	(552,986)
Unrealized loss on investments	(613)	(5,831)
Loss on disposal of capital assets	(29,718)	(172,480)
TOTAL NONOPERATING REVENUES (EXPENSES)	(326,108)	(642,595)
Capital contributions	179,305	255,708
CHANGE IN NET POSITION	1,535,714	2,415,101
NET POSITION, BEGINNING OF YEAR	30,050,972	27,635,871
NET POSITION, END OF YEAR	\$ 31,586,686	\$ 30,050,972

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Lease rentals and transfers received from West Goshen Township	\$ 2,272,843	\$ 2,758,166
Received from customers	458,065	1,631,944
Paid to suppliers for goods and services	(50,749)	(160,230)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,680,159</u>	<u>4,229,880</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	989,696	2,694,701
Investment income, net of fees	14,377	94,472
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,004,073</u>	<u>2,789,173</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Debt retirements	(665,000)	(640,000)
Interest paid	(582,690)	(600,062)
Grants received	220,000	-
Capital contributions received participating townships	831,639	3,347,610
Cash paid for the acquisition and construction of capital assets	(8,088,001)	(4,533,724)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,284,052)</u>	<u>(2,426,176)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,599,820)	4,592,877
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,811,389</u>	<u>7,218,512</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,211,569</u>	<u>\$ 11,811,389</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,682,517	\$ 2,801,988
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	866,271	865,109
Changes in assets and liabilities:		
Decrease in accounts receivable	-	571,789
Decrease in accounts payable	(4,433)	(5,476)
Decrease in developers' deposits	135,804	(3,530)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,680,159</u>	<u>\$ 4,229,880</u>
Cash and cash equivalents - unrestricted	\$ 6,717,339	\$ 7,566,211
Cash and cash equivalents - restricted	318,085	4,204,837
Cash and cash equivalents - developer deposits	176,145	40,341
	<u>\$ 7,211,569</u>	<u>\$ 11,811,389</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES:		
Unrealized loss on investments	\$ (613)	\$ (5,831)
Loss on the disposal of capital assets	\$ (29,718)	\$ -
Accrued capital contributions from participating townships	\$ 179,305	\$ 831,639
Capital asset acquired through the incurrence of accounts payable	\$ 704,535	\$ 1,027,084
Amortization of bond premium	\$ 52,889	\$ 52,889

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Goshen Sewer Authority ("the Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") 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 below.

Reporting Entity

The Authority was incorporated by West Goshen Township ("the Township"), West Chester, Pennsylvania, for the purpose of financing construction of a sewage collection system and treatment plant, which is operated and maintained by the Township under a long-term lease. The Authority's operations are monitored by Township personnel and, therefore, no personnel service costs are incurred. The Authority is a component unit of the reporting entity of the Township.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

The term "measurement focus" is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Authority adheres to the provisions of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* ("the Codification"). The Codification established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as unspent proceeds. Net position is reported as restricted when constraints placed on their use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital funds. Unrestricted net position consists of accumulated resources that do not meet the definition of "net investment in capital assets" or "restricted."

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash deposits consist of demand and time deposits and money market funds with financial institutions and are carried at cost. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less when acquired are considered to be cash equivalents.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the Authority uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Developers' Deposits

Developers' deposits represent cash deposits made by contractors in relation to various construction projects. The Authority acts as an agent for these deposits and, accordingly, no revenue is recorded. Both assets and liabilities are recorded for the initial amount of deposit.

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted Assets

Restricted cash and cash equivalents and investments consist of unspent bond proceeds from the Guaranteed Sewer Revenue Bonds, Series of 2017 and developer deposits.

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are lease rentals and other contributions from the Township and tapping fees.

Operating expenses include the costs associated with the engineering, administrative expenses, professional fees, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the Authority are recorded at either their actual cost or estimated historical cost. Donated assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation is computed using the straight-line method over estimated asset lives as follows:

Infrastructure	50 years
Buildings and building improvements	20 - 40 years
Land improvements	10 - 60 years
Equipment	5 - 50 years

Major additions and betterments are capitalized while expenses for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Long-term Obligations

On the statement of net position, long-term obligations are broken out between current and non-current liabilities dependent on when payment will become due. Bond premiums and discounts are netted against outstanding obligation balances and amortized over the life of the debt. All amortized amounts are amortized using the straight-line method. All issuance costs associated with a debt issuance are expensed when incurred.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At December 31, 2021, the carrying amount of the Authority's deposits was \$7,211,569, and the bank balance was \$7,211,569. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$6,643,482 was collateralized by pooled securities in accordance with the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"). The deposits collateralized in accordance with Act 72 were exposed to custodial credit risk because they were uninsured, and the collateral held by the depository's agent was not in the Township's name.

The remaining \$318,087 of the Authority's deposits were invested in money market funds managed by Goldman Sachs. Goldman Sachs is registered with the Securities and Exchange Commission and subject to regulatory oversight. The objective of the fund is to maintain a stable net asset value of \$1 per share. In addition, the fund is rated by nationally recognized rating organizations (Moody's Investors Service rating of Aaa-mf and Standard & Poor's rating of AAAm as of December 31, 2021) and is subject to an independent annual audit.

At December 31, 2020, the carrying amount of the Authority's deposits was \$11,811,389, and the bank balance was \$11,811,389. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$7,358,393 was collateralized by pooled securities in accordance with the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"). The deposits collateralized in accordance with Act 72 were exposed to custodial credit risk because they were uninsured, and the collateral held by the depository's agent was not in the Township's name.

The remaining \$4,202,996 of the Authority's deposits were invested in money market funds managed by Goldman Sachs. Goldman Sachs is registered with the Securities and Exchange Commission and subject to regulatory oversight. The objective of the fund is to maintain a stable net asset value of \$1 per share. In addition, the fund is rated by nationally recognized

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

rating organizations (Moody's Investors Service rating of Aaa-mf and Standard & Poor's rating of AAAm as of December 31, 2020) and is subject to an independent annual audit.

Investments

Statutes authorize the Authority to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC"), the Federal Savings and Loan Insurance Corporation ("FSLIC"), or the National Credit Union Share Insurance Fund ("NCUSIF"). The Authority also is authorized to invest in obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

The Authority did not have any investments as of December 31, 2021.

As of December 31, 2020, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 2</u>	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>More Than Ten Years</u>
Negotiable certificates of deposit	\$ 490,679	\$ 490,679	\$ 245,037	\$ 245,642	\$ -
Municipal bonds	499,630	499,630	-	-	499,630
Totals	<u>\$ 990,309</u>	<u>\$ 990,309</u>	<u>\$ 245,037</u>	<u>\$ 245,642</u>	<u>\$ 499,630</u>

Interest Rate Risk

The Authority minimizes interest rate risk by structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2020, none of the Authority's investments were subject to custodial credit risk.

Concentration and Credit Risk

The Authority has an investment policy to address the concentration and credit risk of its investments. The Authority's municipal bonds were not rated as of December 31, 2020.

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 GUARANTY AGREEMENT

The sewage collection system and treatment plant is leased to and operated by the Township, who has guaranteed payment of the Guaranteed Sewer Revenue Bonds, Series of 2017 through a guaranty agreement dated June 27, 2017. All sewer revenues of the Township are pledged for the payment of operating expenses of the system and debt payments.

NOTE 4 CAPITAL ASSETS

A summary of changes in the Authority's capital assets is as follows:

	2021				Balance 12/31/21
	Balance 01/01/21	Additions	Deletions	Reclass- ification	
Collection system - infrastructure	\$ 18,916,685	\$ -	\$ -	\$ 1,174,649	\$ 20,091,334
Land improvements	648,351	-	-	-	648,351
Buildings and building improvements	11,948,778	-	(54,927)	-	11,893,851
Equipment	20,014,206	124,877	(131,807)	1,466,795	21,474,070
	51,528,020	124,877	(186,735)	2,641,444	54,107,606
Accumulated depreciation	(23,672,213)	(866,271)	157,017	-	(24,381,467)
Land	82,083	-	-	-	82,083
Construction-in-progress	6,221,230	7,640,575	-	(2,641,444)	11,220,361
NET CAPITAL ASSETS	\$ 34,159,120	\$ 6,899,181	\$ (29,718)	\$ -	\$ 41,028,583

	2020				Balance 12/31/20
	Balance 01/01/20	Additions	Deletions	Reclass- ification	
Collection system - infrastructure	\$ 18,363,809	\$ -	\$ -	\$ 552,876	\$ 18,916,685
Land improvements	606,360	-	(5,336)	47,327	648,351
Buildings and building improvements	12,481,932	-	(533,154)	-	11,948,778
Equipment	12,985,031	419,170	(189,545)	6,799,550	20,014,206
	44,437,132	419,170	(728,035)	7,399,753	51,528,020
Accumulated depreciation	(23,362,659)	(865,109)	555,555	-	(23,672,213)
Land	82,083	-	-	-	82,083
Construction-in-progress	8,693,546	4,927,437	-	(7,399,753)	6,221,230
NET CAPITAL ASSETS	\$ 29,850,102	\$ 4,481,498	\$ (172,480)	\$ -	\$ 34,159,120

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT

In June 2017, the Authority issued Guaranteed Sewer Revenue Bonds, Series of 2017 for the purpose of the current refunding and redemption of the Authority's Guaranteed Note, Series of 1998, the payment of the costs to construct improvements to the public sanitary sewer system of the Authority leased to the Township, and the payment of all costs and expenses related to the issuing of the bonds. The bonds mature through May 2037 with interest payable semi-annually at interest rates ranging from .90 percent to 3.25 percent.

A schedule of changes in the bonds payable is as follows:

	2021				Amounts Due in One Year
	Outstanding 01/01/21	Additions	Retirements	Outstanding 12/31/21	
Bonds payable	\$15,790,000	\$ -	\$ 665,000	\$15,125,000	\$ 685,000
Deferred amounts:					
Issuance premium	846,216	-	52,889	793,327	52,889
TOTAL	\$16,636,216	\$ -	\$ 717,889	\$15,918,327	\$ 737,889

	2020				Amounts Due in One Year
	Outstanding 01/01/20	Additions	Retirements	Outstanding 12/31/20	
Bonds payable	\$16,430,000	\$ -	\$ 640,000	\$15,790,000	\$ 665,000
Deferred amounts:					
Issuance premium	899,105	-	52,889	846,216	52,889
TOTAL	\$17,329,105	\$ -	\$ 692,889	\$16,636,216	\$ 717,889

The bond matures as follows:

Year Ending December 31,	Series of 2017	
	Principal	Interest
2022	\$ 685,000	\$ 563,681
2023	705,000	543,588
2024	735,000	511,113
2025	775,000	473,363
2026	815,000	433,613
2027 - 2031	4,615,000	1,619,688
2032 - 2036	5,570,000	667,713
2037	1,225,000	19,906
Totals	\$ 15,125,000	\$ 4,832,665

WEST GOSHEN SEWER AUTHORITY
(A Component Unit of West Goshen Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 6 RISK MANAGEMENT

The Authority has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Authority by the primary government. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 7 CONTINGENT LIABILITIES

The Authority is subject to various disputes and legal proceedings which arise in the normal course of its operations. In the opinion of management, the amount of ultimate liability with respect to these activities will not be material to the Authority's financial condition.

The Authority has been funding a legal effort to prevent the United States Environmental Protection Agency ("EPA") from adopting new nutrient discharge limitations. In 2012, the Authority filed Civil Action against the EPA to challenge action taken by the EPA in its establishment of a TMDL (phosphorus) for Goose Creek. In December 2013, the Authority entered into an Interim Settlement Agreement with the EPA for the reassessment and reconsideration of Goose Creek. As a result of the reassessment, a second Interim Settlement Agreement was reached in October 2018 to further reduce effluent TP from a monthly average of 0.8 mg/L to a monthly average of 0.1 mg/L by December 2022 with the ultimate goal of demonstrating whether or not a U.S. EPA-approved tertiary treatment system can treat to levels of TP lower than 0.1 mg/L.

NOTE 8 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the Authority's income in 2022. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 9 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through June 27, 2022, the date the financial statements were available to be issued.



INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

June 27, 2022

To the Officers
West Goshen Sewer Authority
West Chester, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Goshen Sewer Authority ("the Authority"), West Chester, Pennsylvania, which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Officers
West Goshen Sewer Authority

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP