

CALN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Caln Township, Chester County)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2022

INTRODUCTORY SECTION

CALN TOWNSHIP MUNICIPAL AUTHORITY

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YEAR ENDED DECEMBER 31, 2022

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of the Authority
Caln Township Municipal Authority
Thorndale, Pennsylvania

Opinion

We have audited the financial statements of the business-type activities of Caln Township Municipal Authority (the Authority), a component unit of Caln Township, Chester County, Pennsylvania, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Caln Township Municipal Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Caln Township Municipal Authority, as of December 31, 2022, and the respective changes in financial position and the cash flows of its business-type activities for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Caln Township Municipal Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Caln Township Municipal 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.

To the Board of the Authority
Caln Township Municipal Authority
Thorndale, Pennsylvania

Auditors' 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 auditors' 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 Caln Township Municipal 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 Caln Township Municipal 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.

To the Board of the Authority
Caln Township Municipal Authority
Thorndale, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Caln Township Municipal Authority's basic financial statements. The combining statement of net position and the combining statement of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statement of net position and the combining statement of revenues, expenses and changes in net position are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position and the combining statement of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Limerick, Pennsylvania
June 8, 2023

CALN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

This discussion and analysis of Caln Township Municipal Authority's performance provides an overview review of the Authority's financial activities for the fiscal year ended December 31, 2022. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements, and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These basic financial statements are comprised of the government-wide financial statements presented in the statement of net position, similar to businesses in the private sector. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Financial Statements

The statements of net position present information on the Authority's assets and liabilities, with the difference between the two reported as net position. The statements of revenues, expenses and changes in net position present information on the Authority's revenues and expenses, with the difference reported as the change in net position.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes can be found immediately following the basic financial statements in this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, other supplementary information presents a combining statement of net position and combining statement of revenues, expenses and changes in net position.

CALN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

FINANCIAL ANALYSIS OF THE AUTHORITY - GOVERNMENT-WIDE FINANCIAL STATEMENTS

Schedule of Net Position

The schedule of net position reflects the current "net worth" of the Authority after consideration of total assets and liabilities. Net position of the Authority was \$13,315,981 as of December 31, 2022, and \$12,016,472, as of December 31, 2021. The increase in net position was \$1,299,509.

Schedule of Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
ASSETS		
Current and other assets	\$ 5,200,731	\$ 3,759,015
Noncurrent assets	10,797,799	11,128,852
TOTAL ASSETS	\$ 15,998,530	\$ 14,887,867
LIABILITIES		
Current and other liabilities	\$ 222,025	\$ 238,458
Noncurrent liabilities	2,460,624	2,632,937
TOTAL LIABILITIES	2,682,649	2,871,395
NET POSITION		
Investment in capital assets	7,808,924	8,025,977
Restricted for capital projects	2,934,637	2,480,812
Unrestricted	2,572,420	1,509,683
TOTAL NET POSITION	13,315,981	12,016,472
TOTAL LIABILITIES AND NET POSITION	\$ 15,998,630	\$ 14,887,867

The Authority's assets can be divided into the following main categories:

- 1) Pipes, manholes, and other portions of the sewer system
- 2) Vehicles and equipment
- 3) Cash, investments, and account receivables
- 4) EDUs held for resale

CALN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

When the Authority was created, the Township turned over more than \$2,000,000 in capital assets. Cash assets are generated from the activities of the sewer operating fund and the connection fees.

Schedule of Revenues, Expenses and Changes in Net Position

The increase in total net position for the period ended December 31, 2022, was \$1,299,509. The Statement of Revenues, Expenses, and Changes in Net Position shows revenue of \$4,081,467 for 2022, and \$3,311,079 for 2021. The charges for services increased by \$154,456 due an increase in sewer rates. Other revenues increased by \$360,914 due to Hurricane IDA reimbursement. Tapping/connection fees increased \$241,137 due to receiving the 1st installment of \$260,300 from the Willows at Valley Run Project.

The residential sewer rates increased from 2021. Each resident pays \$486 per year for sewer rental fees.

The total expenses were lower at \$2,781,958 for 2022 as compared to \$3,417,281 for 2021. This was due to a decrease in operations and maintenance expenses and wastewater treatment expenses.

Changes in Net Position
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Charges for services	\$ 3,214,898	\$ 3,060,442
Tapping/connection fees	484,497	243,360
Investment income	22,158	8,277
Other operating revenues	360,914	-
Transfers to/from Township, net	<u>(1,000)</u>	<u>(1,000)</u>
TOTAL REVENUES	<u>4,081,467</u>	<u>3,311,079</u>
EXPENSES		
Personnel services	561,809	574,570
Operations and maintenance	591,301	932,635
Wastewater treatment	1,239,257	1,514,435
Depreciation	331,053	334,479
Interest expense	<u>58,538</u>	<u>61,162</u>
TOTAL EXPENSES	<u>2,781,958</u>	<u>3,417,281</u>
CHANGE IN NET POSITION	<u>\$ 1,299,509</u>	<u>\$ (106,202)</u>

CALN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Capital Assets

At December 31, 2022, the Authority had \$10,275,924 invested in a broad range of capital assets, including buildings and furniture, equipment, vehicles, and infrastructure. This amount represents a net decrease (including additions and depreciation) of \$331,053 from last year. The following schedule depicts the capital assets for the period ended December 31, 2022.

The total capital assets of the Authority were \$24,718,168 as of December 31, 2022. There were no capital projects/improvements in the current year.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Construction in progress	\$ 21,109	\$ -	\$ -	\$ 21,109
Capital assets being depreciated				
Sewer lines	23,393,874	-	-	23,393,874
Vehicles	258,945	-	-	258,945
Equipment	114,240	-	-	114,240
Pump stations	930,000	-	-	930,000
Total capital assets being depreciated	<u>24,697,059</u>	<u>-</u>	<u>-</u>	<u>24,697,059</u>
Total capital assets	<u>24,718,168</u>	<u>-</u>	<u>-</u>	<u>24,718,168</u>
Less accumulated depreciation				
Sewer lines	13,599,567	297,554	-	13,897,121
Vehicles	217,798	6,367	-	224,165
Equipment	112,899	3,882	-	116,781
Pump station	180,927	23,250	-	204,177
Total accumulated depreciation	<u>14,111,191</u>	<u>331,053</u>	<u>-</u>	<u>14,442,244</u>
Net capital assets	<u>\$ 10,606,977</u>	<u>\$ (331,053)</u>	<u>\$ -</u>	<u>\$ 10,275,924</u>

Long-Term Debt

At the end of 2022, the Caln Township Municipal Authority had total debt outstanding of \$2,467,000. The Authority's total debt decreased by \$114,000. The Authority's long-term debt consists of the following:

	<u>Issue Amount</u>	<u>Debt Outstanding December 31, 2022</u>
2019 Notes	\$2,800,000	2,467,000

CALN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

Articles of Incorporation were filed on January 12, 2005, for the incorporation of the Caln Township Municipal Authority pursuant to the Authority Act. In a Management Agreement dated May 12, 2005, between the Township and the Authority, the Township agreed to convey all real property and specific personal property interests that the Township owned which comprise the Caln Township Sewer System to the Authority. On July 1, 2005, the Township transferred all of its rights, title, and interest to all sanitary sewers, pump stations, all easements, rights of way, and other property interests that the Township owned which are used or useful in connection with the maintenance and operation of sanitary sewers located in Caln.

In June 2005, the Authority adopted a sewer rental fee and a connection fee for users of the system. The connection fee, consistent with Act 57 legislation, will be used for all new connections after July 1, 2005. Increases in Authority Revenues were primarily due to the collection of these fees and additional lines accepted by the Authority from new developments.

The Township and Authority entered into an Asset Purchase Agreement with an effective date of April 1, 2015 in order to (1) transfer the remaining assets of the sewer system to the Authority; (2) transfer the Sewer Capital Fund to the Authority; (3) release the Township from any obligation to retain the Sewer Reserve Fund; (4) sell the 177 EDUs in the DRWPCC to the Authority; (5) assign all rights and obligations under the PAWC Conveyance Agreement to the Authority; and (6) assign the South Bailey Road Contribution to the Authority.

The First Amendment to the Agreement established the time frame for when the Authority must reimburse the Township for the purchase of the 177 EDU's of unused capacity allocated to the Township in the DRWPCC. The Authority agreed to reimburse the Township for such EDU's at \$3,125 per EDU, in ten (10) equal annual installments of \$55,312.50 with the first annual installment due on or before October 31, 2016 and every subsequent annual payment due on or before December 31 of each succeeding year until paid in full.

THE AUTHORITY'S FUTURE

The Authority is currently updating the Township's current Act 537 Plan by examining previous wastewater planning, demographics, and existing collection/conveyance/treatment facilities in an effort to establish a basis for the wastewater needs of Caln Township. An assessment of future growth and development is necessary to determine the extent of facility modifications required to satisfy the wastewater needs of the planning area. Caln Township adopted an Act 537 plan in 2005 to meet the future wastewater needs within the planning area. This Plan Update will revisit the analysis previously completed to incorporate data that is currently available. The Downingtown Area Regional Authority (DARA) and Pennsylvania American Water Company (PAWC) service areas within the Township will be evaluated based on existing and future treatment capacity.

CALN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

The Authority will continue to contract with the Township for the ongoing maintenance and operation of the system, as well as, the connection of new land developments. Important tasks for the future include:

- Continuation of an appropriate fee schedule for long term budgetary needs.
- Financing ongoing maintenance activities and reducing infiltration and Inflow.
- Extending service to existing on-lot neighborhoods in a fair and cost effective manner.
- Financing ongoing capital needs to Improve and expand the system.
- Depositing annual funds into a capital reserve account for future equipment and capital project expenditures.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and taxpayers, with a general overview of the Authority's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Township Administrative offices.

CALN TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,222,030
Accounts receivable	907,026
Prepaid expenses	71,775
TOTAL CURRENT ASSETS	<u>5,200,831</u>

NONCURRENT ASSETS

Capital assets	10,275,924
EDUs held for resale	521,875
TOTAL NONCURRENT ASSETS	<u>10,797,799</u>

TOTAL ASSETS	<u>15,998,630</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	49,713
Due to Caln Township	55,312
Notes payable	117,000
TOTAL CURRENT LIABILITIES	<u>222,025</u>

NONCURRENT LIABILITIES

Due to Caln Township	110,624
Notes payable	2,350,000
TOTAL NONCURRENT LIABILITIES	<u>2,460,624</u>

TOTAL LIABILITIES	<u>2,682,649</u>
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NET POSITION

Net investment in capital assets	7,808,924
Restricted for capital projects	2,934,637
Unrestricted	2,572,420

TOTAL NET POSITION	<u>\$ 13,315,981</u>
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See accompanying notes to the basic financial statements.

CALN TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES

Charges for services	\$ 3,214,898
Tapping/connection fees	484,497
Other operating revenues	<u>360,914</u>
TOTAL OPERATING REVENUES	<u>4,060,309</u>

OPERATING EXPENSES

Personnel services	561,809
Operations and maintenance	591,301
Wastewater treatment	1,239,257
Depreciation	<u>331,053</u>
TOTAL OPERATING EXPENSES	<u>2,723,420</u>

OPERATING INCOME	<u>1,336,889</u>
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NONOPERATING REVENUES (EXPENSES)

Investment income	22,158
Interest expense	(58,538)
Payments to Caln Township	<u>(1,000)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(37,380)</u>

CHANGE IN NET POSITION	1,299,509
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NET POSITION AT BEGINNING OF YEAR	<u>12,016,472</u>
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NET POSITION AT END OF YEAR	<u>\$ 13,315,981</u>
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See accompanying notes to the basic financial statements.

CALN TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers and users	\$ 3,983,108
Payments to suppliers	(1,860,898)
Payments to employees, including fringe benefits and payroll taxes	<u>(561,809)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,560,401</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Payments to Caln Township	<u>(1,000)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on debt	(169,313)
Interest paid on debt	<u>(58,538)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(227,851)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>22,158</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS 1,353,708

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 2,868,322

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 4,222,030

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 1,336,889
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	331,053
Increase in accounts receivable	(77,201)
Increase in prepaid expenses	(10,907)
Decrease in accounts payable and accrued expenses	<u>(19,433)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 1,560,401

See accompanying notes to the basic financial statements.

CALN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Caln Township Municipal Authority (the Authority), Chester County, Pennsylvania conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

Organization

The Authority is a municipal authority formed for the purpose of having oversight and approval authority over the Caln Township public sewer system and the power to hold, construct, finance, improve, maintain, operate, own, and lease the sewer system within Caln Township. The Authority receives funding through user fees, grants, borrowings, and other sources. All of the funds collected go toward programs of the Authority. The Authority is governed by a five-member Board all of whom are appointed by the Caln Township Board of Commissioners. The Township has determined that the Authority is a component unit of Caln Township.

Basis of Presentation

All the activities of the Authority are accounted for within a single enterprise fund. Enterprise funds are used to account for activities similar to those in the private sector where the determination of net income is necessary for sound financial administration. Enterprise funds distinguish operating revenues and expenses from non-operating items. The Authority's financial statements are prepared on the accrual basis of accounting,

Fund Accounting

The Authority's accounts are organized on the basis of sub-funds to the single enterprise fund. The operations of each sub-fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, and fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Caln Township Municipal Authority uses the following sub-fund types in its activities:

Capital Projects Funds - The Capital Projects Funds are maintained for transactions related to the collection of tapping fees, the expenditure of the tapping fees, and the purchase and accounting for the Authority's capital assets including infrastructure.

Operating Fund - The Operating Fund is maintained for transactions related to the operation and maintenance of the system and treatment costs at the Downingtown Area Regional Authority and Pennsylvania Water Company plants.

CALN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The basis of accounting that is used determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements are prepared using the accrual basis of accounting.

Revenues-Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions (in which each party gives and receives essentially equal value) is recorded on the accrual basis when the exchange takes place. On the accrual basis, revenue is recorded when earned and revenue from sewer billing is recognized in the fiscal year which the fees are billed.

Nonexchange transactions (in which the Authority receives value without directly giving equal in return) include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Cash and Cash Equivalents and Investments

Investments with an original maturity of three months or less are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Capital Assets

Capital assets are stated at cost and depreciation is calculated on the straight-line basis over the estimated useful lives of the assets.

CALN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Authority maintains a capitalization threshold of \$1,500.

All capital assets are depreciated, improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Sewer lines	30-50 years
Equipment	5-20 years
Pump stations	40 years
Vehicles	8-15 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the financial statements.

Accounts Receivable

Accounts receivable are presented net of allowances for uncollectible amounts.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets represent the costs of capital assets net of related debt (due to Township) and net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CALN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the Authority's policy to permit employees to accumulate sick days to a maximum of 90 days. Upon termination, employees will not be paid for unused sick days. The Authority does not allow for the carryover of vacation days.

NOTE B - CASH 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 year-end, the total carrying amount of the Authority's checking, savings, and money market deposits was \$4,222,030 and the corresponding bank balance was \$4,222,030. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,972,030 was collateralized under Act 72 through pools of securities held by the respective depository institutions. There is no custodial credit risk.

Investments

Statutes authorize the Authority to invest in U.S. Treasury bills, U.S. Government Agency bonds, savings or money market accounts at institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

The Authority has no investments as of December 31, 2022.

Interest Rate Risk - The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Authority has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2022, the Authority has no investments.

Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer.

CALN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Construction in progress	\$ 21,109	\$ -	\$ -	\$ 21,109
Capital assets being depreciated				
Sewer lines	23,393,874	-	-	23,393,874
Vehicles	258,945	-	-	258,945
Equipment	114,240	-	-	114,240
Pump stations	930,000	-	-	930,000
Total capital assets being depreciated	<u>24,697,059</u>	<u>-</u>	<u>-</u>	<u>24,697,059</u>
Total capital assets	<u>24,718,168</u>	<u>-</u>	<u>-</u>	<u>24,718,168</u>
Less accumulated depreciation				
Sewer lines	13,599,567	297,554	-	13,897,121
Vehicles	217,798	6,367	-	224,165
Equipment	112,899	3,882	-	116,781
Pump station	180,927	23,250	-	204,177
Total accumulated depreciation	<u>14,111,191</u>	<u>331,053</u>	<u>-</u>	<u>14,442,244</u>
Net capital assets	<u>\$ 10,606,977</u>	<u>\$ (331,053)</u>	<u>\$ -</u>	<u>\$ 10,275,924</u>

NOTE D - TOWNSHIP/AUTHORITY ASSET PURCHASE AGREEMENT

In 2015, the Authority and Caln Township entered into an asset purchase agreement whereby:

The Authority purchased the rights to 177 Equivalent Dwelling Units from the Township for \$553,125 to be paid to the Township over 10 years.

The Township transferred to the Authority title for the remaining sewer assets.

The Township assigned the South Baily Road Developers Contribution to the Authority.

The Township transferred to the Authority \$327,000, which was the balance of the Township's Sewer Capital Account.

The Authority relinquished its rights to the balance of the Township's Sewer Reserve Fund of \$520,726.

CALN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE D - TOWNSHIP/AUTHORITY ASSET PURCHASE AGREEMENT (Continued)

The Authority has assumed responsibility for the Township's liabilities to Pennsylvania American Water (PAW) under the March 10, 2005, Waste Water Conveyance System Agreement. Under the agreement, PAW will increase the capacity of the East End Trunk Lines which connect Caln Township to the PAW sewer plant in Coatesville. The work on the interceptor will be done in two phases. When the first phase one is completed and certified, the Authority will owe PAW an estimated \$400,000.

NOTE E - LONG-TERM DEBT

At December 31, 2022, long-term debt consists of the following:

	Balance Outstanding December 31, 2021	Additions	Payments	Balance Outstanding December 31, 2022	Due Within One Year
Guaranteed Sewer Revenue					
Notes, 2019 Series	\$ 2,581,000	-	\$ (114,000)	\$ 2,467,000	\$ 117,000
Due to Caln Township	221,249	-	(55,313)	165,936	55,312

Notes Payable

In June 2019, the Authority issued Guaranteed Sewer Revenue Notes, 2019 Series, in the amount of \$2,800,000 for the construction of a pump station, a low-pressure force main and other related improvements. The interest rate is 2.328% payable monthly from June 2019 through May 2039.

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 117,000	\$ 57,432
2024	120,000	54,708
2025	123,000	51,914
2026	126,000	49,051
2027	130,000	46,118
2028-2032	702,000	183,632
2033-2037	800,000	97,427
2038-2039	349,000	12,246
	<u>2,467,000</u>	<u>552,528</u>
Less current portion	<u>(117,000)</u>	<u>(57,432)</u>
	<u>\$ 2,350,000</u>	<u>\$ 495,096</u>

CALN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE E - LONG-TERM DEBT (Continued)

Due to Caln Township

The Authority under the 2015 Asset Purchase Agreement with the Township purchased 177 EDUs from the Township for \$553,125 at 0% interest to be paid in equal payments over 10 years.

The following is a summary of the remaining debt payments:

<u>Year Ending</u> <u>December 31,</u>	
2023	\$ 55,312
2024	55,312
2025	<u>55,312</u>
	165,936
Less current portion	<u>(55,312)</u>
	<u>\$ 110,624</u>

NOTE F - MANAGEMENT FEE - CALN TOWNSHIP

The Authority has a management agreement with Caln Township. Under this agreement, the Township will provide management and other services for the Authority. The Agreement expires December 31, 2030. For the year ended December 31, 2022, the Authority paid the Township \$561,922 for personnel services and benefits, \$160,818 for management services and \$25,000 for rental of facilities.

SUPPLEMENTARY INFORMATION SECTION

CALN TOWNSHIP MUNICIPAL AUTHORITY

COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2022

	<u>Sewer Operating</u>	<u>Sewer Capital Equipment</u>	<u>Tapping Fees</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,693,307	\$ 1,881,321	\$ 647,402	\$ 4,222,030
Accounts receivable	868,457	38,569	-	907,026
Prepaid expenses	71,775	-	-	71,775
Interfund balances	(11,406)	11,406	-	-
TOTAL CURRENT ASSETS	<u>2,622,133</u>	<u>1,931,296</u>	<u>647,402</u>	<u>5,200,831</u>
NONCURRENT ASSETS				
Capital assets	-	10,275,924	-	10,275,924
EDUs held for resale	-	521,875	-	521,875
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>10,797,799</u>	<u>-</u>	<u>10,797,799</u>
TOTAL ASSETS	<u>2,622,133</u>	<u>12,729,095</u>	<u>647,402</u>	<u>15,998,630</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	49,713	-	-	49,713
Due to Caln Township	-	55,312	-	55,312
Notes payable	-	-	117,000	117,000
TOTAL CURRENT LIABILITIES	<u>49,713</u>	<u>55,312</u>	<u>117,000</u>	<u>222,025</u>
NONCURRENT LIABILITIES				
Due to Caln Township	-	110,624	-	110,624
Notes payable	-	-	2,350,000	2,350,000
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>110,624</u>	<u>2,350,000</u>	<u>2,460,624</u>
TOTAL LIABILITIES	<u>49,713</u>	<u>165,936</u>	<u>2,467,000</u>	<u>2,682,649</u>
NET POSITION				
Net investment in capital assets	-	10,275,924	(2,467,000)	7,808,924
Restricted for capital projects	-	2,287,235	647,402	2,934,637
Unrestricted	2,572,420	-	-	2,572,420
TOTAL NET POSITION	<u>\$ 2,572,420</u>	<u>\$ 12,563,159</u>	<u>\$ (1,819,598)</u>	<u>\$ 13,315,981</u>

CALN TOWNSHIP MUNICIPAL AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022

	<u>Sewer Operating</u>	<u>Sewer Capital Equipment</u>	<u>Tapping Fees</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 3,214,898	\$ -	\$ -	\$ 3,214,898
Tapping/connection fees	-	-	484,497	484,497
Other operating revenues	360,914	-	-	360,914
TOTAL OPERATING REVENUES	<u>3,575,812</u>	<u>-</u>	<u>484,497</u>	<u>4,060,309</u>
OPERATING EXPENSES				
Personnel services	561,809	-	-	561,809
Operations and maintenance	385,974	192,873	12,454	591,301
Wastewater treatment	1,239,257	-	-	1,239,257
Depreciation	-	331,053	-	331,053
TOTAL OPERATING EXPENSES	<u>2,187,040</u>	<u>523,926</u>	<u>12,454</u>	<u>2,723,420</u>
OPERATING INCOME (LOSS)	<u>1,388,772</u>	<u>(523,926)</u>	<u>472,043</u>	<u>1,336,889</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,565	15,793	3,800	22,158
Interest expense	-	-	(58,538)	(58,538)
Payments to Caln Township	(1,000)	-	-	(1,000)
Transfers in (out)	(327,600)	327,600	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(326,035)</u>	<u>343,393</u>	<u>(54,738)</u>	<u>(37,380)</u>
CHANGE IN NET POSITION	<u>1,062,737</u>	<u>(180,533)</u>	<u>417,305</u>	<u>1,299,509</u>
NET POSITION AT BEGINNING OF YEAR	<u>1,509,683</u>	<u>12,743,692</u>	<u>(2,236,903)</u>	<u>12,016,472</u>
NET POSITION AT END OF YEAR	<u>\$ 2,572,420</u>	<u>\$ 12,563,159</u>	<u>\$ (1,819,598)</u>	<u>\$ 13,315,981</u>