

CHADDS FORD TOWNSHIP SEWER AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022



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 CERTIFIED PUBLIC ACCOUNTANTS

CHADDS FORD TOWNSHIP SEWER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chadds Ford Township Sewer Authority
Chadds Ford, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Chadds Ford Township Sewer Authority ("the Authority"), a component unit of Chadds Ford Township, Chadds Ford, Pennsylvania as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Chadds Ford Township Sewer Authority, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence that 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 the 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 (GASB) 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.

Leitzell & Economidis, PC

LEITZELL & ECONOMIDIS, PC
Certified Public Accountants

January 15, 2024
Newtown Square, Pennsylvania

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2022**

The Chadds Ford Township Sewer Authority ("the Authority") was established by Chadds Ford Township ("the Township"), Delaware County, Pennsylvania, as a separate operating entity to implement public sewer services in the areas designated by the Township's Board of Supervisors as indicated in the Township's Act 537 Plan.

The Authority is authorized to provide for the acquisition, ownership, management, operations, maintenance, inspection, and rehabilitation of community sewage disposal systems within the Township. The Authority is a component unit of Chadds Ford Township.

Since 1992, when the Authority acquired the Ridings of Chadds Ford Wastewater Treatment Plant ("Ridings Plant"), the Authority has completed four sewer projects; the Longview/Summit extension in 2002, the Ridge Road Phase I extension in 2003, the Ridge Road Phase 2 extension in 2006, and the acquisition of the Turners Mill Treatment Plant ("Turners Mill Wastewater Treatment Plant (Turners Mill Plant)") in 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements are the representation of the Authority and were prepared in accordance with accounting principles generally accepted in the United States of America, as applied to the enterprise funds of governmental units prescribed by the Governmental Accounting Standards Board. In preparing the financial statements, the Authority has made reasonable estimates and assumptions of future events; however, actual results may differ.

As acquired by the Act, the Authority attempts to recover the cost of construction/extension projects from the assessment of tapping fees. The Authority also assesses user fees on a quarterly basis to recover operating, maintenance, and ongoing capital costs. The Authority's approach to rates is to achieve a breakeven result; however, prior to acquiring the Ridings Plant, the previous owner sold certain capacity to third parties.

FINANCIAL ANALYSIS

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's activities during 2022. These two statements report the net position of the Authority and the changes in it. One can think of the Authority's net position – the difference between assets and liabilities – as one way to measure the organization's financial health or financial position. Over time, increases and decreases in the Authority's net position are one indication of whether its financial health is improving or deteriorating.

Net Position

To begin our analysis, a summary of the Authority's Statements of Net Position is presented in Table 1.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2022**

**TABLE 1
NET POSITION
DECEMBER 31,**

| | 2022 | 2021 |
|-------------------------------------|---------------------|---------------------|
| Current assets | | |
| Current and other assets | \$ 922,755 | \$ 1,461,444 |
| Capital assets, net of depreciation | <u>6,504,181</u> | <u>6,013,229</u> |
| Total assets | <u>7,426,936</u> | <u>7,474,673</u> |
| Liabilities | | |
| Current liabilities | 136,533 | 268,050 |
| Long-term liabilities | <u>1,743,380</u> | <u>1,740,000</u> |
| Total liabilities | <u>1,879,913</u> | <u>2,008,050</u> |
| Net position | | |
| Invested in capital assets | 4,764,181 | 4,185,229 |
| Unrestricted | <u>782,842</u> | <u>1,281,394</u> |
| Total net position | <u>\$ 5,547,023</u> | <u>\$ 5,466,623</u> |

As of December 31, 2022, the Authority's working capital was \$786,222. Working Capital decreased by \$407,282 from 2021 as a result of a decrease in cash and investments coupled with an increase in capital assets. Net position increased by \$80,400 as a result of significant grant income despite an increase in operating losses this period. Operating Net position still remains strong with unrestricted net position representing almost 100 percent of operating revenues and 92 percent of operating expense.

Accounts receivable includes unpaid user fees. All amounts are subject to a lien on the related property. An allowance for doubtful accounts was established this year on a disputed amount.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2022**

Table 2 presents an overview of the Authority's operations.

**TABLE 2
SUMMARY OF CHANGES IN NET POSITION
FOR YEARS ENDED DECEMBER 31,**

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Operating revenues | \$ 726,896 | \$ 703,534 |
| Operating expenses | 844,158 | 757,891 |
| Operating loss | <u>(117,262)</u> | <u>(54,357)</u> |
| | | |
| Non operating revenues (expenses) | | |
| Interest income | 6,551 | 3,312 |
| Interest expense | (26,996) | (25,636) |
| Grant income | 120,859 | - |
| Miscellaneous income | 63,670 | - |
| Issuance costs | - | (15,939) |
| Tapping fees (net) | 33,578 | 6,815 |
| Total non operating revenues (expenses) | <u>197,662</u> | <u>(31,448)</u> |
| | | |
| Change in net position | 80,400 | (85,805) |
| | | |
| Net position, beginning of the year | <u>5,466,623</u> | <u>5,552,428</u> |
| Net position, end of the year | <u>\$ 5,547,023</u> | <u>\$ 5,466,623</u> |

As noted above net position increased by \$80,400 in 2022. Operating revenues increased by \$23,362 from 2021 to 2022 primarily due to an increase in nonresidential service fees. Operating expenses increased primarily in the area of administrative costs

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of December 31, 2022 amounts to \$6,504,181 net of accumulated depreciation. The investment in capital assets includes construction-in-progress, buildings and plant, collection system, and equipment.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2022**

**CHANGES IN CAPITAL ASSETS
YEAR-TO-YEAR COMPARISON
FOR THE YEARS ENDED DECEMBER 31,**

| <u>CAPITAL INVESTMENT</u> | <u>2022</u> | <u>2021</u> | <u>%Inc/Decr</u> |
|---|--------------------|--------------------|------------------|
| Buildings and plant | \$3,877,813 | \$3,866,813 | 0.3% |
| Collection system | 2,754,419 | 2,754,419 | 0.0% |
| Equipment | 174,535 | 174,535 | 0.0% |
| Construction in progress | 2,180,360 | 1,549,260 | 40.7% |
| Totals | <u>8,987,127</u> | <u>8,345,027</u> | |
| Less accumulated depreciation | <u>(2,482,946)</u> | <u>(2,331,798)</u> | |
| Total capital assets, net of depreciation | <u>\$6,504,181</u> | <u>\$6,013,229</u> | |

Long-term Debt

The Authority acquired the newly constructed Turners Mill Plant in August 2008. The Turners Mill Plant was acquired by the Township from a local developer and simultaneously sold to the Authority at cost, approximated \$3.7 million. The Authority received a \$1.6 million loan from the Pennsylvania Infrastructure Investment Authority ("PennVest") in April 2009. A portion of the proceeds from the loan was used to repay advances from the Township which were incurred in connection with the acquisition of the Turners Mill Plant. This loan was repaid in full during 2021 in the amount of \$790,229.

The Authority borrowed \$200,000 from the Delaware Valley Regional Finance Authority ("DVRFA") in 2007 and used the proceeds to fund a "back-to-back" loan to Painters Crossing Condominium Association ("PCCA") for installation of a pump station. PCCA previously operated as on-site wastewater treatment plant and was required to decommission that aging facility and connect to the Turners Mill Plant by the Commonwealth of Pennsylvania.

The loan will mature in 2027, and there is a \$66,000 balance as of December 31, 2022 of which is guaranteed by Chadds Ford Township. The loan is offset by a note receivable from PCCA, the balance of which was \$66,000 at December 31, 2022.

In 2021 the Authority borrowed \$1,750,000 from the Delaware Valley Regional Finance Authority, the proceeds of which are being utilized for expansion of a primary plant and decommissioning of an existing plant and conversion to a pump station. Balance remaining at December 31, 2022 was \$1,674,000.

While the Township guaranteed all of the Authority's outstanding debt, the Authority has been self sufficient over the years.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2022**

Additional information about the Authority's debt can be found on Note 6 in the Notes to Financial Statements herein.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Since the balance sheet date, certain economic uncertainties have arisen although the Sewer Authority has maintained its level services to its ratepayers. The ultimate financial impact of the economic and market conditions is unknown at this time.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Authority's finances to the residents of the Township and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Valerie Hoxter, Sewer Authority Manager, PO Box 816, Chadds Ford, Pennsylvania 19317.

CHADDS FORD TOWNSHIP SEWER AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2022

| | <u>Business-Type Activities</u> |
|--|-------------------------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 255,792 |
| Investments | 342,000 |
| Accounts receivable net of allowance account of \$26,521 | 161,338 |
| Note receivable - current portion | 12,000 |
| Prepaid assets | <u>2,632</u> |
| Total current assets | 773,762 |
| Restricted assets: | |
| Cash and cash equivalents - restricted | <u>93,055</u> |
| Total restricted assets | <u>93,055</u> |
| Noncurrent assets: | |
| Capital assets (net of accumulated depreciation): | 4,323,821 |
| Construction in progress | 2,180,360 |
| Note receivable | 54,000 |
| Security deposit | <u>1,938</u> |
| Total noncurrent assets | <u>6,560,119</u> |
| Total assets | <u>7,426,936</u> |
| Deferred outflows of resources | - |
| Total assets and deferred outflows of resources | <u>7,426,936</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 46,870 |
| Accrued interest | 663 |
| Notes payable - current portion | <u>89,000</u> |
| Total current liabilities | <u>136,533</u> |
| Current liabilities payable from restricted assets: | |
| Developer's escrow | <u>92,380</u> |
| Total current liabilities payable from restricted assets | <u>92,380</u> |
| Noncurrent liabilities | |
| Notes payable-long term portion | <u>1,651,000</u> |
| Total noncurrent liabilities | <u>1,651,000</u> |
| Total liabilities | 1,879,913 |
| Deferred inflows of resources | - |
| Total liabilities and deferred inflows of resources | <u>1,879,913</u> |
| Net Position: | |
| Invested in capital assets (net of related debt) | 4,764,181 |
| Unrestricted | <u>782,842</u> |
| Total net position | <u>\$ 5,547,023</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

CHADDS FORD TOWNSHIP SEWER AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|--|--------------------|
| Operating revenues: | |
| Sewer user fees | \$ 719,551 |
| Inspection and certification fees | 7,345 |
| | <u>726,896</u> |
| Operating expenses: | |
| Plant operating expenses | 404,113 |
| Administrative expenses | 87,904 |
| Payroll and payroll taxes | 93,949 |
| Professional fees | 80,525 |
| Bad debt expense | 26,521 |
| Depreciation | 151,146 |
| Total operating expenses | <u>844,158</u> |
| Operating loss | <u>(117,262)</u> |
| Non-operating revenues (expense): | |
| Tapping fees | 33,578 |
| Grant income | 120,859 |
| Refund | 62,905 |
| Interest income | 6,551 |
| Miscellaneous income | 765 |
| Interest expense | (26,996) |
| Total non-operating revenues (expense) | <u>197,662</u> |
| Change in net position | 80,400 |
| Net position - beginning of year | <u>5,466,623</u> |
| Net position - end of year | <u>\$5,547,023</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

CHADDS FORD TOWNSHIP SEWER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|---|-------------------|
| Cash Flows from Operating Activities: | |
| Cash received from customers and users | \$ 733,448 |
| Cash paid for services and operating expenses | (535,675) |
| Cash paid to and on behalf of employees | (94,220) |
| Net cash provided by operating activities | <u>103,553</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Capital assets purchased inclusive of construction in progress | (642,100) |
| Grant income related to construction in progress | 94,338 |
| Refunds | 62,905 |
| Tapping fees net | 33,578 |
| Principal payments | (88,000) |
| Interest expense | (26,836) |
| Net cash used by capital and related financing activities | <u>(566,115)</u> |
| Cash Flows from Investing Activities: | |
| Change in escrows | (51,000) |
| Investment purchase | (342,000) |
| Principal received on note receivable | 11,000 |
| Interest income | 6,391 |
| Net cash used by investing activities | <u>(375,609)</u> |
| Net decrease in cash and cash equivalents | (838,171) |
| Cash and cash equivalents at beginning of year | <u>1,187,018</u> |
| Cash and cash equivalents at end of year | <u>\$ 348,847</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating loss | \$ (117,262) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 151,146 |
| Bad debt expense | 26,521 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | 33,073 |
| (Increase) decrease in prepaid assets | (617) |
| Increase (decrease) in accrued liabilities and accounts payable | 10,692 |
| Net cash provided by operating activities | <u>\$ 103,553</u> |
| Cash and cash equivalents | \$ 255,792 |
| Cash and cash equivalents - restricted | 93,055 |
| Total cash and cash equivalents and restricted cash | <u>\$ 348,847</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

The Chadds Ford Township Sewer Authority is a municipal authority incorporated in the Commonwealth of Pennsylvania in 1988. The Chadds Ford Township Sewer Authority ("the Authority") was established in 1988 under the provisions of the Municipal Authorities Act of 1945, as amended. The Authority was established as a separate operating entity by Chadds Ford Township ("the Township"), Delaware County, Pennsylvania, to assist in the implementation and management of a sewer facilities plant as prescribed under the Pennsylvania Sewage Facilities Act, as amended, and regulations of the Pennsylvania Department of Environmental Resources. The Authority is authorized to provide for the acquisition, ownership, management, operations, maintenance, inspection and rehabilitation of community sewage disposal systems within the Township. The Authority is a component unit of Chadds Ford Township.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Operating revenues generally result from providing services in connection with the Authority's principal ongoing operation. The principal operating revenues of the Authority are user fees. Operating expenses include charges associated with professional services, administrative expenses, plant operation and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The financial statements of the Authority have been prepared using the accrual method of accounting.

B. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" include demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less. Restricted cash contains developers' escrow deposit pledged to the payment of costs incurred by the Authority on behalf of the developers.

C. Accounts Receivable

Accounts receivable are stated at the amount the Authority expects to collect. A provision has been made for uncollectible accounts since the Authority has the ability to lien customer properties for unpaid fees. However, this period the Authority established a provision in the amount of \$26,521 for one account under review.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Equity

Equity is described as net position and generally is classified in three components:

- a. Invested in capital assets, net of related debt.
- b. Restricted net position—This consists of assets for which constraints have been placed on the use by external groups or law.
- c. Unrestricted net position—This consists of all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. Administrative expenses are paid with the use of unrestricted resources.

Use of restricted/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.

E. Capital Assets

Capital assets, which include buildings and plant, collection system and equipment are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Expenses for maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are charged to operating expenses and not capitalized. Depreciation is provided over the assets’ useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset as follows:

| | |
|---------------------|-------------|
| Buildings and plant | 15-50 years |
| Collection system | 50 years |
| Equipment | 5 years |

F. Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Measurement Focus

The proprietary financial statements are reported using the economic resources measurement focus and the accrual basis. Revenues are recorded when earned, and expenses are recorded when a liability is incurred.

NOTE 2: CASH, DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial risk for deposits is the risk that in the event of a bank failure, the government entity's deposits may not be returned, or the government will not be able to recover collateral securities in the possession of an outside party.

The Pennsylvania Municipality Authorities Act of 1945 provides for investment of governmental funds into certain authorized types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. Statutes do not prescribe regulations related to demand deposits; however, they do permit pooling of governmental funds for investment. The Authority has no investment policy that would further limit its choices. The deposit and investment practices of the Authority adhere to state statutes and prudent business practice.

At December 31, 2022, the carrying amount of the Authority's deposits was \$348,747 (plus \$100 in petty cash), and the bank balance was \$356,294. Of the bank balance and those deposits in the Pennsylvania Local Government Investment Trust (PLGIT), \$356,293 was covered by the Federal Deposit Insurance Corporation ("FDIC"). Of the total deposits noted above, \$163,642 is maintained within PLGIT. Total deposits in PLGIT accounts do not exceed the aggregate Federal Deposit Insurance Corporation (the "FDIC") insurance limits of \$250,000. However, deposits are all within the FDIC insurance limitations or collateralized pursuant to Pennsylvania Act No. 72 of 1971, as amended, which allows depositories to satisfy collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of the federal insurance. The total value of the pool equals not less than the sum of all the pledges required for each separate deposit. Such pooled collateral is pledged with the financial institution's trust department. Consequently, deposits are either fully insured or collateralized by the pledged pooled assets.

Custodial Credit Risk - Investments

The risk that in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in position of an outside party. The risks of default are limited due to the constraints imposed upon allowable investment instruments. The Authority maintained two certificates of deposit with PLGIT in the aggregate amount of \$342,000, each withheld by a different bank thus

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2: CASH, DEPOSITS AND INVESTMENTS(continued)

maintaining balances within the constraints of FDIC insurance limitations. Such certificate of deposits were maturing in excess of three months after the year end and were not considered to be cash equivalents and thus are shown on these statements as investments: 1) an infrastructure CD for \$242,000 maturing August 29, 2023 earning an interest rate of 3.3%; and 2) a CD for \$200,000, maturing October 27, 2023 with an interest rate of 4.6%.

NOTE 3. CAPITAL ASSETS

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

| | Beginning Balance 01/01/22 | Additions | Deletions | Ending Balance 12/31/22 |
|--|----------------------------------|-------------------|-------------|-------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 10,000 | \$ - | \$ - | \$ 10,000 |
| Construction in progress | 1,549,260 | 631,100 | - | 2,180,360 |
| Total capital assets not being depreciated | 1,559,260 | 631,100 | - | 2,190,360 |
| Capital assets being depreciated | | | | |
| Buildings and plant | 3,856,813 | 11,000 | - | 3,867,813 |
| Collection system | 2,754,419 | - | - | 2,754,419 |
| Equipment | 174,535 | - | - | 174,535 |
| Total capital assets being depreciated | 6,785,767 | 11,000 | - | 6,796,767 |
| Total capital assets | 8,345,027 | 642,100 | - | 8,987,127 |
| Less: Accumulated depreciation | | | | |
| Buildings and plant | 1,320,753 | 96,056 | - | 1,416,809 |
| Collection system | 836,511 | 55,090 | - | 891,601 |
| Equipment | 174,536 | - | - | 174,536 |
| Total accumulated depreciation | 2,331,800 | 151,146 | - | 2,482,946 |
| Capital assets net of depreciation | <u>\$ 6,013,227</u> | <u>\$ 490,954</u> | <u>\$ -</u> | <u>\$ 6,504,181</u> |

Depreciation expense for the year was \$151,146.

NOTE 4 NOTE RECEIVABLE

The Authority has an outstanding note receivable totaling \$66,000 at December 31, 2022 due from Painters Crossing Condominium Association for the construction of a pumping station required for connection to the Turners Mill Plant. This loan was the result of the loan proceeds of the Delaware Valley Regional Finance Authority. The loan is repayable over 20 years at a graduated interest rate expected to average 4.27 percent, the rate in which the related loan is being repaid.

**CHADDS FORD TOWNSHIP SEWER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 4 NOTE RECEIVABLE (continued)

Future cash flows for the note receivable are as follows:

| <u>Year ending December 31</u> | |
|--------------------------------|------------------|
| 2023 | \$ 12,000 |
| 2024 | 13,000 |
| 2025 | 13,000 |
| 2026 | 14,000 |
| 2027 | 14,000 |
| | <u>\$ 66,000</u> |

NOTE 5. COMMITMENTS

As of December 31, 2022, the Authority has received both engineering services to design and prepare plans and specifications for certain projects along with the initiation of actual project costs, shown as construction in progress in the amount of \$2,180,360. Contractual commitments that exist as of year-end in connection with the Ridings WWTP construction project were \$185,182.

NOTE 6. LONG-TERM DEBT

Changes in the Authority's long-term debt is as follows:

| | Principal Outstanding 1/1/2022 | Refunding/ Maturities | Additions | Principal Outstanding 12/31/2022 | Amount Due In One Year |
|-------------|--------------------------------------|--------------------------|-------------|--|---------------------------|
| DelVal 2008 | \$ 78,000 | \$ 12,000 | \$ - | \$ 66,000 | \$ 12,000 |
| DelVal 2021 | 1,750,000 | 76,000 | - | 1,674,000 | 77,000 |
| | <u>\$ 1,872,562</u> | <u>\$ 88,000</u> | <u>\$ -</u> | <u>\$ 1,740,000</u> | <u>\$ 89,000</u> |

The Authority's long-term debt at December 31, 2022 consisted of the following:

Note payable, Delaware Valley Regional Finance Authority; Original amount of \$200,000; Principal payments beginning March 2008; interest is payable monthly at variable rates .745% at December 31, 2022; the note matures in March 2027 and is guaranteed by the Chadds Ford Township.

Note payable, Delaware Valley Regional Finance Authority; due in annual principal payments beginning in 2022; interest is payable monthly at the fixed rate of 1.525% per annum; the note matures in February 2041 and is guaranteed by Chadds Ford Township.

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NOTE 6. LONG-TERM DEBT (continued)

The Authority's debt service requirements as of December 31, 2022 were as follows:

| <u>Year ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|--------------------|-------------------|--------------------|
| 2023 | \$ 89,000 | \$ 26,984 | \$ 115,984 |
| 2024 | 91,000 | 25,252 | 116,252 |
| 2025 | 92,000 | 23,495 | 115,495 |
| 2026 | 94,000 | 21,690 | 115,690 |
| 2027 | 96,000 | 19,846 | 115,846 |
| 2028-2032 | 427,000 | 79,196 | 506,196 |
| 2033-2037 | 459,000 | 45,286 | 504,286 |
| 2038-2041 | 392,000 | 10,069 | 402,069 |
| | <u>\$1,740,000</u> | <u>\$ 251,818</u> | <u>\$1,991,818</u> |

NOTE 7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and claims in the normal course of business. The Authority manages these various risks through commercial insurance policies.

NOTE 8. RISKS AND UNCERTAINTIES

Since the balance sheet date, certain economic uncertainties have arisen although the Sewer Authority has maintained its level services to its ratepayers. The ultimate financial impact of the economic and market conditions is unknown at this time.

NOTE 9. SUBSEQUENT EVENTS

The Authority's management has evaluated subsequent events through January 15, 2024 the date on which the financial statements were available to be issued.