

**SOUTHERN DELAWARE COUNTY AUTHORITY  
UPPER CHICHESTER, PENNSYLVANIA**

**BASIC FINANCIAL STATEMENTS  
AND REQUIRED SUPPLEMENTARY INFORMATION  
WITH REPORTS OF INDEPENDENT AUDITOR**

**DECEMBER 31, 2020**

**MINGIS, GUTOWSKI & COMPANY, LLP  
Certified Public Accountants  
Media, PA 19063**

**SOUTHERN DELAWARE COUNTY AUTHORITY  
UPPER CHICHESTER, PENNSYLVANIA**

**DECEMBER 31, 2020**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report   | 1 – 3       |
| Management's Discussion and Analysis – Required<br>Supplementary Information   | 4 – 9       |
| Basic Financial Statements   |             |
| Statement of Net Position  | 10          |
| Statement of Revenues, Expenses and Changes in Net Position  | 11          |
| Statement of Cash Flows  | 12          |
| Notes to Financial Statements  | 13 – 21     |
| Independent Auditor's Report on Internal Control over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> | 22 – 23     |

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Southern Delaware County Authority  
Upper Chichester, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southern Delaware County Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Delaware County Authority as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *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 9 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 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 May 4, 2021 on our consideration of Southern Delaware County Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Southern Delaware County Authority's internal control over financial reporting and compliance.

May 4, 2021  
Media, Pennsylvania

**SOUTHERN DELAWARE COUNTY AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS -  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Financial Highlights**

Management believes the financial position of the Southern Delaware County Authority (“SDCA”) remains very strong as its net position increased by \$523,684 in 2020. The 2020 sewer usage rates increased to a unit rate of \$355.00 per year for units in the SDCA system and a \$443.75 per unit rate for Bethel Township. For 2021, sewer usage rates will not increase and remain at the same rates. SDCA’s key financial highlights for the December 31, 2020 calendar year include:

- SDCA’s sewer usage revenue increased \$376,663 in 2020 (\$3,863,585 versus \$3,486,922 for the 2019 calendar year).
- SDCA’s interest income decreased \$28,186 in 2020 (\$24,074 versus \$52,260 for the calendar year 2019).
- The net position of SDCA increased by \$523,684 in 2020 (\$5,472,219 versus \$4,948,535 for December 31, 2019).
- SDCA’s cash and cash equivalents remain very strong with an increase of \$87,757 in 2020 resulting in a year-end balance of \$2,486,326 (compared to the December 31, 2019 balance of \$2,398,569).
- SDCA continues to pay down debt with \$511,254 of principal paid in 2020. The outstanding debt balance is \$2,406,458 at December 31, 2020, compared to \$2,917,712 outstanding at December 31, 2019.

**Overview of the Financial Statements**

The financial section of the annual report consists of three parts – Independent Auditor’s Report; Required Supplementary Information, which includes management’s discussion and analysis (this section); and the Basic Financial Statements.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS –  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

The Basic Financial Statements report information about SDCA as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of SDCA’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As SDCA follows the accrual method of accounting, the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or disbursed. Net position – the difference between SDCA’s assets and deferred outflows and liabilities and deferred inflows – are one measure of SDCA’s financial health or position. SDCA has determined it has neither deferred outflows nor deferred inflows in 2020.

The Statement of Revenues, Expenses, and Changes in Net Position provides a breakdown of the various revenues and expenses recognized during the current year.

The Statement of Cash Flows provides a breakdown of the various sources of cash flow categorized into three areas: Cash Flows from Operating Activities; Cash Flows from Investing Activities; and Cash Flows from Financing Activities.

**Financial Analysis of SDCA As A Whole**

SDCA’s total assets were \$8,332,719 on December 31, 2020. Total assets, total liabilities, and total net position are detailed below:

**Condensed Statement of Net Position**

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Current Assets                                  | \$ 2,919,178             | \$ 2,580,097             |
| Capital Assets (net)                            | 5,413,541                | 5,683,887                |
| Other Assets                                    | <u>-</u>                 | <u>-</u>                 |
| Total Assets                                    | 8,332,719                | 8,263,684                |
| Current Liabilities                             | 802,623                  | 722,571                  |
| Non-current Liabilities                         | <u>2,057,877</u>         | <u>2,592,578</u>         |
| Total Liabilities                               | 2,860,500                | 3,315,149                |
| Net Position:                                   |                          |                          |
| Invested in Capital Assets, net of related debt | 3,007,082                | 2,766,175                |
| Restricted                                      | -                        | -                        |
| Unrestricted                                    | <u>2,465,137</u>         | <u>2,182,260</u>         |
| Total Net Position                              | <u>\$ 5,472,219</u>      | <u>\$ 4,948,535</u>      |

**SOUTHERN DELAWARE COUNTY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS -  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

SDCA realized operating income of \$586,774 for the current year. SDCA had an increase in its net position equaling \$523,684 for the current year. Major components of this activity are detailed below:

**Condensed Statement of Revenues, Expenses, and Net Position**

|                                     | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------------|--------------------------|--------------------------|
| Operating Revenues:                 |                          |                          |
| Sewer Usage Fees                    | \$ 3,863,585             | \$ 3,486,922             |
| Tapping and Connection Fees         | 25,731                   | 109,057                  |
| State H2O Grant                     | -                        | -                        |
| Miscellaneous Revenue               | <u>950</u>               | <u>5,501</u>             |
| Total Revenues                      | 3,890,266                | 3,601,480                |
| Operating Costs and Expenses:       |                          |                          |
| Operating Expenses                  | 2,991,897                | 2,901,362                |
| Depreciation Expense                | <u>311,505</u>           | <u>309,639</u>           |
| Total Expenses                      | <u>3,303,492</u>         | <u>3,211,001</u>         |
| Operating Income                    | 586,774                  | 390,479                  |
| Non-operating Revenue (Expenses):   |                          |                          |
| Investment Income                   | 24,074                   | 52,260                   |
| Interest Expenses on Long-Term Debt | (87,164)                 | (104,104)                |
| Gain from Involuntary Conversion    | <u>-</u>                 | <u>-</u>                 |
| Total Non-operating Expenses        | <u>(63,090)</u>          | <u>(51,844)</u>          |
| Change in Net Position              | 523,684                  | 338,635                  |
| Net Position, Beginning of Year     | <u>4,948,535</u>         | <u>4,609,900</u>         |
| Net Position, End of Year           | <u>\$ 5,472,219</u>      | <u>\$ 4,948,535</u>      |

**SOUTHERN DELAWARE COUNTY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS -  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

SDCA realized an increase of \$87,757 in cash and cash equivalents for the current year. The combined cash and cash equivalents ending balance was \$2,486,326, compared to SDCA's beginning cash and cash equivalents balance of \$2,398,569. Major components of this activity are detailed below:

**Condensed Statement of Cash Flows**

|  | <u>Year Ended<br/>December 31, 2020</u> | <u>Year Ended<br/>December 31, 2019</u> |
|--|---|---|
| Net Cash Flows from Operating Activities   | \$ 703,260                              | \$ 603,938                              |
| Net Cash Flows from (used by)  |   |   |
| Investing Activities   | (17,085)                                | (43,050)                                |
| Net Cash Flows (used by) Financing Activities  | <u>(598,418)</u>                        | <u>(598,155)</u>                        |
| Net Decrease in Cash and<br>Cash Equivalents   | 87,757                                  | (37,267)                                |
| Cash and Cash Equivalents, Beginning of Year   | <u>2,398,569</u>                        | <u>2,435,836</u>                        |
| Cash and Cash Equivalents, End of Year   | <u>\$ 2,486,326</u>                     | <u>\$ 2,398,569</u>                     |
| Reconciliation of Operating Income to<br>Net Cash Flows from Operating<br>Activities:        |   |   |
| Operating Income   | \$ 586,774                              | \$ 390,479                              |
| Adjustments to Reconcile Operating<br>Income to Net Cash Flows from<br>Operating Activities: |   |   |
| Depreciation   | 311,505                                 | 309,639                                 |
| Changes in Assets and Liabilities:   |   |   |
| Receivables/Prepays  | (251,334)                               | 832                                     |
| Payables   | <u>56,315</u>                           | <u>(97,012)</u>                         |
| Net Cash Flows from Operating Activities   | <u>\$ 703,260</u>                       | <u>\$ 603,938</u>                       |

**SOUTHERN DELAWARE COUNTY AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS -  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Overall Analysis**

SDCA’s overall financial position remains very strong. During the current year, SDCA experienced an increase of \$376,663 in SDCA’s sewer usage fees. The number of units in the SDCA system at the end of 2020 totaled 10,327.

The 2020 sewer rates increased to a unit rate of \$355.00 per year for units in the SDCA system and a unit rate of \$443.75 per year for Bethel Township.

Tapping and connection fee revenue was \$25,731 in 2020. SDCA has the capacity in its system to absorb additional growth and expects to have additional tie-in activity for the coming years.

During the fiscal year ending June 30, 2000, SDCA received \$1.0 million from Bethel Township to be applied against future connections into the system. When the arrangement was consummated, 1,396 Equivalent Dwelling Units (“EDUs”) were covered by \$1 million of unearned revenue. In 2020, 8 units were connected, leaving as a result, \$5,731 in revenue was recorded.

SDCA also continued to pay down debt in 2020 with \$511,254 of debt retired, leaving an outstanding debt balance of \$2,406,458 at December 31, 2020, as compared to \$2,917,712 outstanding at December 31, 2019.

Overall, SDCA’s financial position remains strong as cash and cash equivalents approximate \$2.5 million and SDCA expects to remain financially sound.

**Budget Variances**

The 2020 SDCA budget was prepared in the last quarter of calendar year 2019 and was adopted December 3, 2019. SDCA’s actual sewer usage fees of \$3,863,585 were over the budgeted amount of \$3,793,498 (net of discounts) by over \$70,000. The number of units in the SDCA system at the end of 2020 totaled 10,327 (as comparable to a budgeted amount of 10,231 units). Connection fees are not budgeted by SDCA; hence, there is a \$25,731 favorable variance in the actual amount of connection fees reported. Interest income earned in the amount of \$24,074 was under the budgeted amount of \$52,000 driven by historically low investment rates.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS -  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

SDCA's 2020 actual sewer treatment charges of \$2,293,590 were over \$230,000 more favorable than the budgeted amount of \$2,527,242. Actual administration expenses totaling \$459,330 were \$20,000 over the budgeted amount of \$438,579, and actual operating maintenance and service expenses of \$239,067 were approximately \$20,000 under the budgeted amount of \$256,840. Annual debt service payments of \$598,514 made in 2020 (comprising \$87,164 of interest expense and \$511,254 of principal) were slightly above the budgeted amount of debt service of \$598,311 by approximately \$200.

**Capital Asset and Long-Term Debt Activity**

Management of SDCA continually monitors and evaluates the physical plant and structure of its sewer system. On November 20, 2018 SDCA received approval for its application, submitted February 26, 2018, with the PA Small Water & Sewer Grant program (PA DCED) and received \$392,000 of grant money for capital infrastructure work where SDCA would be required to fund 15% or \$69,777 of the total project costs of \$461,777. The capital infrastructure work began in January 2021.

SDCA continued to pay down debt in 2020 with \$511,254 of debt retired, leaving an outstanding balance of \$2,406,458 at year end.

**Contacting SDCA's Financial Management**

This financial report is designed to provide SDCA's residents, customers, and creditors with a general overview of SDCA's finances and to demonstrate SDCA's accountability for the public funds it receives. If you have any questions about this report or need additional information, contact the Office Manager Linda Lamberto, Southern Delaware County Authority, 101 Beech Street, Upper Chichester, PA 19061 or call the office at 610-485-6789.

**SOUTHERN DELAWARE COUNTY AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

**ASSETS:**

Current Assets:

|                                |                |
|--------------------------------|----------------|
| Cash and cash equivalents      | \$ 2,486,326   |
| Sewer revenue receivable       | 213,848        |
| Refund due – Delcora usage fee | <u>219,004</u> |
| Total Current Assets           | 2,919,178      |

Capital Assets:

|                                    |                  |
|------------------------------------|------------------|
| Collection system – infrastructure | 10,921,429       |
| Land and land improvements         | 100,633          |
| Furniture, fixtures, and equipment | 157,453          |
| Buildings and improvements         | 212,476          |
| Pumping station equipment          | <u>5,884,308</u> |
| Total Capital Assets               | 17,276,299       |

|                          |                     |
|--------------------------|---------------------|
| Accumulated Depreciation | <u>(11,862,758)</u> |
| Net Capital Assets       | <u>5,413,541</u>    |

TOTAL ASSETS 8,332,719

|   |                     |
|---|---------------------|
| DEFERRED OUTFLOWS OF RESOURCES                  | <u>-</u>            |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 8,332,719</u> |

**LIABILITIES:**

Current Liabilities:

|                                       |                |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 166,091     |
| Escrow payable                        | 76,546         |
| Prepaid sewer fees                    | 13,374         |
| Deferred flood revenue                | 17,652         |
| Current maturities – notes payable    | <u>528,960</u> |
| Total Current Liabilities             | 802,623        |

Noncurrent Liabilities:

|                                |                  |
|--------------------------------|------------------|
| Notes payable                  | 1,877,498        |
| Connection rebates payable     | 22,653           |
| Unearned revenue – Bethel EDUs | <u>157,726</u>   |
| Total Noncurrent Liabilities   | <u>2,057,877</u> |

Total Liabilities 2,860,500

|   |                  |
|---|------------------|
| DEFERRED INFLOWS OF RESOURCES                       | <u>-</u>         |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>2,860,500</u> |

**NET POSITION:**

|  |                     |
|--|---------------------|
| Invested in capital assets, net of related debt                    | 3,007,082           |
| Unrestricted   | <u>2,465,137</u>    |
| Total Net Position   | <u>5,472,219</u>    |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 8,332,719</u> |

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

**SOUTHERN DELAWARE COUNTY AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                   |                     |
|-----------------------------------|---------------------|
| OPERATING REVENUES:               |                     |
| Sewer usage fees                  | \$ 3,863,585        |
| Tapping and connection fees       | 25,731              |
| Miscellaneous revenue             | <u>950</u>          |
| Total Operating Revenues          | 3,890,266           |
| OPERATING EXPENSES:               |                     |
| Sewer treatment fees              | 2,293,590           |
| Maintenance and service           | 239,067             |
| Administrative expenses           | 459,330             |
| Depreciation expense              | <u>311,505</u>      |
| Total Operating Expenses          | <u>3,303,492</u>    |
| Operating Income                  | 586,774             |
| NONOPERATING REVENUES (EXPENSES): |                     |
| Investment income                 | 24,074              |
| Interest on long-term debt        | <u>(87,164)</u>     |
| Total Nonoperating Expenses       | <u>(63,090)</u>     |
| Change in Net Position            | 523,684             |
| NET POSITION, BEGINNING OF YEAR   | <u>4,948,535</u>    |
| NET POSITION, END OF YEAR         | <u>\$ 5,472,219</u> |

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

**SOUTHERN DELAWARE COUNTY AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

|  |                         |
|--|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                         |
| Received from customers  | \$ 3,631,686            |
| Payment to suppliers for goods and services  | (2,469,096)             |
| Payment for operating expenses   | (341,864)               |
| Payment to employees for services  | <u>(117,466)</u>        |
| Net Cash Flows from Operating Activities   | 703,260                 |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                         |
| Capital asset purchases  | (41,159)                |
| Investment income  | <u>24,074</u>           |
| Net Cash Flows Used By Investing Activities  | (17,085)                |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                         |
| Debt retired   | (511,254)               |
| Interest paid  | <u>(87,164)</u>         |
| Net Cash Flows Used by<br>Financing Activities   | <u>(598,418)</u>        |
| <br>Net Increase in Cash and Cash Equivalents  | <br>87,757              |
| <br>CASH AND CASH EQUIVALENTS,<br>BEGINNING OF YEAR  | <br><u>2,398,569</u>    |
| <br>CASH AND CASH EQUIVALENTS,<br>END OF YEAR  | <br><u>\$ 2,486,326</u> |
| <br><b>RECONCILIATION OF OPERATING INCOME TO NET<br/>CASH FLOWS FROM OPERATING ACTIVITIES:</b> |                         |
| Operating income   | \$ 586,774              |
| Adjustments to reconcile operating income to net<br>cash flows from operating activities:      |                         |
| Depreciation   | 311,505                 |
| Changes in assets and liabilities:   |                         |
| Receivables  | (251,334)               |
| Payables   | <u>56,315</u>           |
| <br>NET CASH FLOWS FROM OPERATING ACTIVITIES   | <br><u>\$ 703,260</u>   |

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

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Southern Delaware County Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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

Southern Delaware County Authority was incorporated as an independent authority by Upper Chichester Township for the purpose of providing sewer and collection services to the surrounding area.

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 financial statements. 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 in the Authority’s financial statements. The Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred, even though actual receipt or payment may not occur until after the reporting period ends.

The Authority previously adopted the provisions of GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” and GASB Statement No. 38, “Certain Financial Statement Note Disclosures.” Implementation of Statement No. 34 has restructured the financial reporting of the Authority from governmental funds to a single enterprise fund. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Recent Accounting Pronouncements

The Authority has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement requires certain items that were previously reported as assets and liabilities to be reclassified as deferred outflows of resources or deferred inflows of resources.

Net Position

In accordance with GASB Statement No. 34 and GASB Statement No. 63, net position is classified into the following categories:

Invested In Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all other items of net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted 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 resources first.

Use of Estimates in the Preparation of Financial Statements

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Cash and Cash Equivalents

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

Developers' Deposits

Developers' Deposits represent cash deposits made by contractors in connection with various construction projects. The Authority acts as an agent for retention of these deposits and, accordingly, no revenue is recorded in connection with the acceptance of the deposits. Both an asset and liability are recorded for the initial amount of deposit. Interest is recorded as earned.

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 tapping fees. Revenues from sewer fees are recognized at the time of service delivery. Revenues from tapping fees are recognized when connection to the system is complete. Operating expenses comprise the costs associated with sewer treatment, engineering, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses. Revenues are reported net of discounts, which amounted to \$36,405 for the year ended December 31, 2020.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 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 exhaustible capital assets is charged as an operating expense. Depreciation is computed using the straight-line method over estimated asset lives as follows:

|   |               |
|---|---------------|
| Infrastructure                            | 30 – 50 years |
| Furniture, fixtures, and office equipment | 5 – 15 years  |
| Buildings and improvements                | 5 – 40 years  |
| Pumping station equipment                 | 5 – 30 years  |

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

Date of Management’s Review

Management has evaluated subsequent events through May 4, 2021, which is the date the financial statements were available to be issued.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS**

The Authority maintains various cash and investment accounts, including balances required by contractual obligation.

Deposits – At December 31, 2020, the carrying amount of the Authority’s deposits and investments were \$2,486,326 and the bank balances were \$2,488,988. All depositories are required by state law to have all public funds insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured; and for the amounts above, the insured maximum approved collateral must be pledged by the depository to the Authority to which the deposited funds belong. At December 31, 2020, all funds on deposit were covered by FDIC insurance or collateralized with securities held by the pledging depository’s trust department in the name of the Authority.

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 amounts of institutions insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund. The Authority is also authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies 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’s investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category One (1) includes investments that are insured or registered or for which the securities are held by the Authority or its agents in the Authority’s name. Category Two (2) includes uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s trust department or agent in the Authority’s name. Category Three (3) includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Authority’s name.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

GASB Statement No. 3, provides that certain types of cash investments, such as investments in a state treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own the specific securities. Therefore, the mutual fund investments in these statements will not be assigned a credit risk category. The carrying amount of the Authority's mutual funds as of December 31, 2019 is as follows:

|                             | <u>Carrying Amount</u> |
|-----------------------------|------------------------|
| Mutual Fund:                |                        |
| Government Obligations Fund | <u>\$4,697</u>         |

**NOTE 3 LEASE REVENUE**

On April 2, 2002, the Authority entered into a lease agreement with Peak Media Group LLC. Upon completion of construction, Peak Media Group LLC, in consideration of \$15,000 annual rent to be paid yearly in advance to the Authority, is granted rights of possession, use and ingress to real estate known as 1500 Naamans Creek Road. As of December 31, 2020, construction was not complete.

**NOTE 4 CAPITAL ASSETS**

A summary of changes in the Authority's capital assets during 2020 and the accumulated cost of constructing the sewer system at December 31, 2020 was:

|  | <u>Balance<br/>01/01/20</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Balance<br/>12/31/20</u> |
|--|-----------------------------|---------------------|------------------|-----------------------------|
| Collection system - infrastructure       | \$ 10,898,068               | \$ 23,361           |                  | \$ 10,921,429               |
| Land and land improvements               | 100,633                     |                     |                  | 100,633                     |
| Furniture, fixtures and office equipment | 157,453                     |                     |                  | 157,453                     |
| Buildings and improvements               | 212,476                     |                     |                  | 212,476                     |
| Pumping station equipment                | <u>5,866,510</u>            | <u>17,798</u>       | <u>\$ -</u>      | <u>5,884,308</u>            |
|  | 17,235,140                  | 41,159              | -                | 17,276,299                  |
| Accumulated depreciation                 | <u>(11,551,253)</u>         | <u>(311,505)</u>    | <u>-</u>         | <u>(11,862,758)</u>         |
| <b>NET CAPITAL ASSETS</b>                | <u>\$ 5,683,887</u>         | <u>\$ (270,346)</u> | <u>\$ -</u>      | <u>\$ 5,413,541</u>         |

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 5 SEWER REVENUE NOTES**

On April 13, 1999, the Authority entered into a loan agreement with Delaware Valley Regional Finance Authority in the amount of \$750,000 at a rate of 5.210% for the purpose of providing partial funding for the construction of the sewer system in Upper Chichester and the Naamans Creek Interceptor project. This loan is guaranteed by Upper Chichester Township. The loan matures in 2027 and the principal balance outstanding at December 31, 2020 is \$288,000.

On January 16, 2002, the Authority entered into a loan agreement with Pennvest in the amount of \$4,859,024 at a rate of 2.702% for the first 60 months and 3.432% thereafter, for the purpose of providing funding for sewer construction. The loan matures in 2022 and the principal balance outstanding at December 31, 2020 is \$509,356.

On February 22, 2007, the Authority entered into a loan agreement with Pennvest in the amount of \$2,345,189 at a rate of 2.298% for the first 60 months and 3.02% thereafter, for the purpose of rehabilitating certain sections of the sewer system. The loan matures in 2028 and the principal balance outstanding at December 31, 2020 is \$999,556.

On July 16, 2009, the Authority entered into a sixth loan agreement with Pennvest. \$508,000 was authorized at a rate of 2.155% for the first 60 months and 2.988% thereafter, for the purpose of providing enhancements to the pumping station. The loan matures in 2029. The principal balance outstanding at December 31, 2020 is \$282,819.

On February 14, 2012, the Authority entered into a loan agreement with Pennvest in the amount of \$500,000 at a rate of 1.282% for the first 60 months and 2.151% thereafter for the purpose of providing funding for improvements to the existing sewer system. This loan matures in 2033. As of December 31, 2020, the principal outstanding is \$326,727.

A schedule of changes in debt is as follows:

|               | Outstanding<br><u>01/01/20</u> | 2020 Loan<br><u>Proceeds</u> | 2020 Loan<br><u>Retirements</u> | Outstanding<br><u>12/31/20</u> |
|---------------|--------------------------------|------------------------------|---------------------------------|--------------------------------|
| Notes payable | \$ <u>2,917,712</u>            | \$ <u>-0-</u>                | \$ <u>511,254</u>               | \$ <u>2,406,458</u>            |

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 5 SEWER REVENUE NOTES (CONTINUED)**

Future principal and interest payment requirements on the sewer notes are due as follows.

| <u>Year Ending December 31,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|---------------------------------|---------------------|-------------------|---------------------|
| 2021                            | \$ 528,961          | \$ 69,715         | \$ 598,676          |
| 2022                            | 407,494             | 52,543            | 460,037             |
| 2023                            | 223,891             | 43,295            | 267,186             |
| 2024                            | 231,326             | 35,985            | 267,311             |
| 2025                            | 238,924             | 28,417            | 267,341             |
| 2026-2030                       | 707,233             | 43,886            | 751,119             |
| 2031-2033                       | <u>68,629</u>       | <u>1,798</u>      | <u>70,427</u>       |
| Totals                          | <u>\$ 2,406,458</u> | <u>\$ 275,639</u> | <u>\$ 2,682,097</u> |

**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. 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 ACCOUNTS PAYABLE**

A principal component of the December 31, 2020 accounts payable balance is the amount of \$106,912 due to Southwest Delaware County Municipal Authority for sewage treatment costs.

**NOTE 8 DELCORA USAGE FEES**

The Authority is billed on a budgeted basis by Delcora for sewer usage fees. The actual cost was determined to be less than the budgeted cost in 2020 and the Authority is entitled to a refund of \$219,004.

**SOUTHERN DELAWARE COUNTY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**NOTE 9    UNEARNED REVENUE**

In 2000, the Authority received \$1,000,000 from Bethel Township to be applied to future connections to the Authority’s sewer system. The agreement states that the Township is to pay the Authority for the first 1,404 Equivalent Dwelling Units (“EDUs”) and then the \$1,000,000 will be reduced by each of the additional EDUs approved to be placed on the system up to 2,800 EDUs. Activity during the year ended December 31, 2020 for approved EDUs from the Township is as follows:

|   |          |                  |
|---|----------|------------------|
| Unearned revenue 12/31/19 (2,205 EDUs connected)  |          | \$163,467        |
| Total EDUs covered by \$1 million (2,800 – 1,404) | 1,396    |                  |
| Total revenue to be recognized per EDU connected  | \$716.33 |                  |
| Total units connected during 2020                 | 8        |                  |
| Total to be recorded as revenue in 2020           |          | <u>\$ 5,731</u>  |
| Unearned revenue at December 31, 2020             |          | <u>\$157,736</u> |

**NOTE 10    CONNECTION REBATES PAYABLE**

Connection rebates payable represent fees payable to developers upon homeowners connecting to the system.

**NOTE 11    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, if any, will not be material to the Authority’s financial condition.

**NOTE 12    DEFERRED FLOOD REVENUE**

Significant flood damage was sustained by the Authority’s office and pump station in August 2020. In December 2020, an insurance reimbursement in the amount of \$41,961 was received to satisfy the claim. As of December 31, 2020, the sum of \$24,308 was paid in flood related costs. The excess of insurance recoveries over expenses paid at December 31, 2020 is classified as deferred flood revenue at December 31, 2020. It is expected that these funds will be used in 2021 to restore or replace the damaged assets.

**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**

Board of Directors  
Southern Delaware County Authority  
Upper Chichester, 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 Southern Delaware County Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which comprise the Authority’s basic financial statements and have issued our report thereon dated May 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Delaware County 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 over financial reporting. 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 entity’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.

Our consideration of internal control over financial reporting 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 Southern Delaware County 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 4, 2021  
Media, Pennsylvania