

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

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

DECEMBER 31, 2023

**JOHN R. HANNA & SONS LLC
Accounting, Audit, and Tax Services
Media, PA 19063**

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

DECEMBER 31, 2023

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John R. Hanna & Sons LLC
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Southern Delaware County Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Southern Delaware County Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Delaware County Authority as of December 31, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Southern Delaware County 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

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 Southern Delaware County 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Southern Delaware County 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 Southern Delaware County Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of the Southern Delaware County Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Southern Delaware County Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southern Delaware County Authority's internal control over financial reporting and compliance.

John R. Hanna & Sons LLC

Media, Pennsylvania
June 4, 2024

**SOUTHERN DELAWARE COUNTY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Financial Highlights

Management believes the financial position of the Southern Delaware County Authority ("SDCA") remains very strong as its net position increased by \$971,565 in 2023. For 2023, sewer usage rates were \$405.00 per year for units in the SDCA system and \$506.25 for Bethel Township units. For 2024, the sewer usage rates remained the same as SDCA did not increase sewer usage rates. SDCA's key financial highlights for the December 31, 2023 calendar year include:

- SDCA's sewer usage revenue increased over \$100,000 in 2023 (\$4,515,561 versus \$4,413,194 for the 2022 calendar year).
- SDCA's interest income increased by approximately \$56,000 in 2023 (\$90,692 versus \$34,906 for the calendar year 2022).
- The net position of SDCA increased by \$971,565 in 2023 (\$6,683,490 versus \$5,969,339 for December 31, 2022).
- SDCA's cash and cash equivalents remain very strong with an increase of \$851,257 in 2023 resulting in a year-end balance of \$3,949,522 (compared to the December 31, 2022 balance of \$3,098,265).
- SDCA continues to pay down debt with \$223,891 of principal paid in 2023. The outstanding debt balance is \$1,246,113 at December 31, 2023, compared to \$1,470,004 outstanding at December 31, 2022.

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, 2023**

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 2023.

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 \$9,511,783 on December 31, 2023. Total assets, total liabilities, and total net position are detailed below:

Condensed Statement of Net Position

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Assets	\$ 4,689,862	\$ 3,722,188
Capital Assets (net)	<u>4,821,921</u>	<u>5,019,877</u>
Total Assets	9,511,783	8,742,065
Current Liabilities	508,066	460,679
Non-current Liabilities	<u>1,168,662</u>	<u>1,417,896</u>
Total Liabilities	1,676,728	1,878,575
Net Position:		
Invested in Capital Assets, net of related debt	3,575,808	3,549,873
Unrestricted	<u>4,259,247</u>	<u>3,313,617</u>
Total Net Position	<u>\$ 7,835,055</u>	<u>\$ 6,863,490</u>

**SOUTHERN DELAWARE COUNTY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

SDCA realized operating income of \$923,674 for the current year. SDCA had an increase in its net position equaling \$971,565 for the current year. Major components of this activity are detailed below:

Condensed Statement of Revenues, Expenses, and Net Position

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Operating Revenues:		
Sewer Usage Fees	\$ 4,515,561	\$ 4,413,194
Tapping and Connection Fees	37,908	33,582
State H2O Grant	-	41,896
Sewer Certification Fees	4,279	-
Miscellaneous Revenue	<u>250</u>	<u>400</u>
Total Revenues	4,557,998	4,489,072
Operating Costs and Expenses:		
Operating Expenses	3,305,227	3,274,775
Depreciation Expense	<u>329,097</u>	<u>302,785</u>
Total Expenses	3,634,324	3,577,560
Operating Income	923,674	911,512
Non-operating Revenue (Expenses):		
Investment Income	90,692	34,906
Interest Expenses on Long-Term Debt	<u>(42,801)</u>	<u>(52,267)</u>
Total Non-operating Expenses	47,891	(17,361)
Change in Net Position	971,565	894,151
Net Position, Beginning of Year	<u>6,863,490</u>	<u>5,969,339</u>
Net Position, End of Year	<u>\$ 7,835,055</u>	<u>\$ 6,863,490</u>

**SOUTHERN DELAWARE COUNTY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

SDCA realized an increase of \$851,257 in cash and cash equivalents for the current year. The combined cash and cash equivalents ending balance was \$3,949,522, compared to SDCA's beginning cash and cash equivalents balance of \$3,098,265. Major components of this activity are detailed below:

Condensed Statement of Cash Flows

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Net Cash Flows from Operating Activities	\$ 1,158,398	\$ 1,093,298
Net Cash Flows from (used by)		
Investing Activities	(40,449)	(127,839)
Net Cash Flows (used by) Financing Activities	<u>(266,692)</u>	<u>(459,769)</u>
Net Decrease in Cash and Cash Equivalents	851,257	505,690
Cash and Cash Equivalents, Beginning of Year	<u>3,098,265</u>	<u>2,592,575</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,949,522</u>	<u>\$ 3,098,265</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income	\$ 971,565	\$ 894,151
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	329,097	302,785
Changes in Assets and Liabilities:		
Receivables/Prepays	(116,417)	(106,238)
Payables	<u>(25,847)</u>	<u>2,600</u>
Net Cash Flows from Operating Activities	<u>\$ 1,158,398</u>	<u>\$ 1,093,298</u>

**SOUTHERN DELAWARE COUNTY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Overall Analysis

SDCA's overall financial position remains very strong. During the current year, SDCA experienced an increase of \$102,367 in SDCA's sewer usage fees. The number of units in the SDCA system at the end of 2023 totaled 10,526.

For 2023, sewer usage rates were \$405.00 per year for units in the SDCA system and \$506.25 for Bethel Township units and for 2024, sewer usage rates remained the same.

Tapping and connection fee revenue was \$37,908 in 2023. 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 2023, 25 units were connected, leaving as a result, \$17,908 in revenue was recorded.

SDCA also continued to pay down debt in 2023 with \$223,891 of debt retired, leaving an outstanding debt balance of \$1,246,113 at December 31, 2023, as compared to \$1,470,004 outstanding at December 31, 2022.

Overall, SDCA's financial position remains strong as cash and cash equivalents approximate \$3.9 million and SDCA expects to remain financially sound.

Budget Variances

The 2023 SDCA budget was prepared in the last quarter of calendar year 2022 and was adopted December 6, 2022. SDCA's actual sewer usage fees of \$4,515,561 were over the budgeted amount of \$4,418,809 (net of discounts) by approximately \$100,000. The number of units in the SDCA system at the end of 2023 totaled 10,526 (as comparable to a budgeted amount of 10,442 units). Tapping and connection fees are not budgeted by SDCA; hence, there is a \$37,908 favorable variance in the actual amount of connection fees reported. Interest income earned in the amount of \$90,692 was over the budgeted amount of \$60,000 driven by significant 2023 increases in investment rates and cash invested.

**SOUTHERN DELAWARE COUNTY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

SDCA's 2023 actual sewer treatment charges of \$2,611,010 were over \$500,000 more favorable than the budgeted amount of \$3,191,270 (primarily driven by the 2023 actual Delcora rate charges and flow significantly lower than budgeted amount). Actual administration expenses totaling \$479,735 were approximately \$30,000 over the budgeted amount of \$451,183, and actual operating maintenance and service expenses of \$214,012 were in excess of \$50,000 under the budgeted amount of \$270,850. Annual debt service payments of \$266,692 made in 2023 (comprising \$42,801 of interest expense and \$223,891 of principal) were slightly below the budgeted amount of debt service of \$267,186 by approximately \$500.

Capital Asset and Long-Term Debt Activity

Management of SDCA continually monitors and evaluates the physical plant and structure of its sewer system. On December 19, 2022, SDCA submitted grant requests for I&I Project work and Beech Street Pump Station Pump and VFD upgrades under the PA Small Water & Sewer Grant program (PA DCED). Project cost estimate and form revisions were submitted to DCED January 31, 2023, with additional clarifications provided on February 14, 2023. On December 19, 2023, SDCA's submitted grant request was approved at a special CFA Board with SDCA being awarded a grant in the amount of \$425,000 with a \$75,000 matching requirement under the PA Small Water & Sewer Grant program (PA DCED). The capital infrastructure work is expected to begin later in 2024.

SDCA continued to pay down debt in 2023 with \$223,891 of debt retired, leaving an outstanding balance of \$1,246,113 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, 2023**

ASSETS:

Current Assets:

Cash and cash equivalents	\$	3,949,522
Sewer revenue receivable		161,548
Interest receivable		14,853
Refund due – Delcora usage fee		<u>563,939</u>
Total Current Assets		4,689,862

Capital Assets:

Collection system – infrastructure		11,086,317
Land and land improvements		100,633
Furniture, fixtures, and equipment		165,946
Buildings and improvements		212,476
Pumping station equipment		<u>6,064,609</u>
Total Capital Assets		17,629,981

Accumulated Depreciation		<u>(12,808,060)</u>
Net Capital Assets		<u>4,821,921</u>

TOTAL ASSETS		<u>9,511,783</u>
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DEFERRED OUTFLOWS OF RESOURCES		-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 9,511,783</u>

LIABILITIES:

Current Liabilities:

Accounts payable and accrued expenses	\$	189,029
Escrow payable		64,915
Prepaid sewer fees		22,796
Current maturities – notes payable		<u>231,326</u>
Total Current Liabilities		508,066

Noncurrent Liabilities:

Notes payable		1,014,787
Connection rebates payable		22,653
Unearned revenue – Bethel EDUs		<u>131,222</u>
Total Noncurrent Liabilities		<u>1,168,662</u>
Total Liabilities		1,676,728

DEFERRED INFLOWS OF RESOURCES		-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>1,676,728</u>

NET POSITION:

Invested in capital assets, net of related debt		3,575,808
Unrestricted		<u>4,259,247</u>
Total Net Position		<u>7,835,055</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		<u>\$ 9,511,783</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, 2023**

OPERATING REVENUES:

Sewer usage fees	\$ 4,515,561
Tapping and connection fees	37,908
Sewer certification fees	4,279
Miscellaneous revenue	<u>250</u>
Total Operating Revenues	4,557,998

OPERATING EXPENSES:

Sewer treatment fees	2,611,010
Maintenance and service	214,012
Administrative expenses	479,735
Depreciation expense	329,097
State grant construction	<u>470</u>
Total Operating Expenses	<u>3,634,324</u>

Operating Income	923,674
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NONOPERATING REVENUES (EXPENSES):

Investment income	90,692
Interest on long-term debt	<u>(42,801)</u>
Total Nonoperating Expenses	<u>47,891</u>

Change in Net Position	971,565
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NET POSITION, BEGINNING OF YEAR	<u>6,863,490</u>
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NET POSITION, END OF YEAR	<u>\$ 7,835,055</u>
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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, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from customers	\$ 4,557,998
Payment to suppliers for goods and services	(2,779,532)
Payment for operating expenses	(479,735)
Payment to employees for services	<u>(140,333)</u>
Net Cash Flows from Operating Activities	1,158,398
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital asset purchases	(131,141)
Investment income	<u>90,692</u>
Net Cash Flows Used By Investing Activities	(40,449)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Debt retired	(223,891)
Interest paid	<u>(42,801)</u>
Net Cash Flows Used by Financing Activities	<u>(266,692)</u>
Net Increase in Cash and Cash Equivalents	851,257
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,098,265</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,949,522</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 971,565
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	329,097
Changes in assets and liabilities:	
Receivables	(116,417)
Payables	<u>(25,847)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,158,398</u>

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

**SOUTHERN DELAWARE COUNTY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

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, 2023**

**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, 2023**

**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 \$45,420 for the year ended December 31, 2023.

**SOUTHERN DELAWARE COUNTY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

**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 June 4, 2024, which is the date the financial statements were available to be issued.

**SOUTHERN DELAWARE COUNTY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits – At December 31, 2023, the carrying amount of the Authority’s deposits and investments were \$3,949,522 and the bank balances were \$3,953,696. 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, 2023, 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, 2023**

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, 2023 is as follows:

	<u>Carrying Amount</u>
Mutual Fund:	
Government Obligations Fund	\$ 4,987

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, 2023, construction was not complete.

NOTE 4 CAPITAL ASSETS

A summary of changes in the Authority’s capital assets during 2023 and the accumulated cost of constructing the sewer system at December 31, 2023 was:

	<u>Balance 01/01/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/23</u>
Collection system - infrastructure	\$ 10,956,926	\$ 129,391	\$ -	\$ 11,086,317
Land and land improvements	100,633	-	-	100,633
Furniture, fixtures and office equipment	165,946	-	-	165,946
Buildings and improvements	212,476	-	-	212,476
Pumping station equipment	6,062,859	1,750	-	6,064,609
	17,498,840	131,141	-	17,629,981
Accumulated depreciation	(12,478,963)	(329,097)	-	(12,808,060)
NET CAPITAL ASSETS	\$ 5,019,877	\$ (197,956)	\$ -	\$ 4,821,921

**SOUTHERN DELAWARE COUNTY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

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, 2023 is \$176,000.

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, 2023 is \$612,266.

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, 2023 is \$202,813.

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, 2023, the principal outstanding is \$255,034.

A schedule of changes in debt is as follows:

	<u>Outstanding 01/01/23</u>	<u>2023 Loan Proceeds</u>	<u>2023 Loan Retirements</u>	<u>Outstanding 12/31/23</u>
Notes payable	\$ 1,470,004	\$ -0-	\$ 223,891	\$ 1,246,113

**SOUTHERN DELAWARE COUNTY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

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>
2024	\$ 231,326	\$ 35,985	\$ 267,311
2025	238,924	28,417	267,341
2026	246,687	20,583	267,270
2027	254,621	12,486	267,107
2028	97,300	5,281	102,581
2029-2033	<u>177,255</u>	<u>7,333</u>	<u>184,588</u>
Totals	<u>\$ 1,246,113</u>	<u>\$ 110,085</u>	<u>\$ 1,356,198</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, 2023 accounts payable balance is the amount of \$119,684 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 2023 and the Authority is entitled to a refund of \$563,939.

**SOUTHERN DELAWARE COUNTY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

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, 2023 for approved EDUs from the Township is as follows:

Unearned revenue 12/31/22 (2,225 EDUs connected)	\$ 149,130
Total EDUs covered by \$1 million (2,800 – 1,404)	
Total revenue to be recognized per EDU connected	\$716.33
Total units connected during 2023	25
Total to be recorded as revenue in 2023	<u>\$ 17,908</u>
 Unearned revenue at December 31, 2023	 <u>\$ 131,222</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.



John R. Hanna & Sons LLC
Accounting, Audit, and Tax Services

**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, 2023, and the related notes to the financial statements, which comprise the Authority's basic financial statements and have issued our report thereon dated June 4, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

John R. Hanna & Sons LLC

Media, Pennsylvania
June 4, 2024