

**UPPER PROVIDENCE TOWNSHIP
SEWER AUTHORITY**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023



UPPER PROVIDENCE TOWNSHIP
SEWER AUTHORITY

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-7
STATEMENT OF NET POSITION – MODIFIED CASH BASIS.....	8
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – MODIFIED CASH BASIS.....	9
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS.....	10
NOTES TO FINANCIAL STATEMENTS.....	11-16



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Upper Providence Township Sewer Authority
Media, Pennsylvania

Opinion

We have audited the accompanying financial statements – modified cash basis of the Upper Providence Township Sewer Authority as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the Upper Providence Township Sewer Authority as of December 31, 2023 and the respective changes in modified cash-basis financial position, and cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

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 Upper Providence Township Sewer 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of 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.



CYNTHIA FELZER LEITZELL, CPA
STELLA C. ECONOMIDIS, CPA

LEITZELL & ECONOMIDIS, PC
CERTIFIED PUBLIC ACCOUNTANTS

- 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 Upper Providence Township Sewer 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 Upper Providence Township Sewer 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 3-7 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.

Leitzell & Economidis, PC

Leitzell & Economidis, PC
Newtown Square, Pennsylvania

September 13, 2024

**UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(UNAUDITED)

This section presents management's discussion and analysis of the Upper Providence Township Sewer Authority's (Authority) financial performance during the fiscal year ended on December 31, 2022. This information should be read in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Following are key financial highlights:

- Assets of the organization exceeded its liabilities by \$8,516,228 (net position). Unrestricted net position in the amount of \$1,586,896 may be utilized to meet the Authority's ongoing obligations.
- During the year, the Authority's total net position increased by \$333,134 primarily due to the increase in sewer rates; rates increased 9.26% in the current year compared to the prior year.
- Operating revenues increased by \$262,558 or approximately 11.0% during the period. Operating expenses increased by \$37,902 or approximately 1.0%. The increase in revenues is primarily due to the sewer rent fees increasing from \$135 per quarter to \$147.50 per quarter. The slight increase in operating expenses is due to a various number of circumstances.
- During the year, the Authority continues with the construction for the Bortondale pump station rehabilitation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of two parts: Management's Discussion and Analysis (MD&A), and the basic financial statements. This MD&A represents management's analysis of the Authority's financial condition and performance. Summary financial statement data and other management tools were utilized for analysis. These financial statements report information about the organization using the modified cash accounting methods as utilized by similar businesses in the private sector.

The *Statement of Net Position – Modified Cash Basis* includes all of Authority's assets and liabilities with the difference between the two reported as *net position*. It also provides information about the nature and amounts of investments in resources (assets) and the liabilities to organization's creditors at year-end. It provides the financial position on a modified cash basis.

All of the current year revenue and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis*. This statement

presents the result of the activities over the course of the fiscal year and how net position has changed during that year.

The *Statement of Cash Flows- Modified Cash Basis* is prepared on the direct method and is designed to provide information about the Authority's cash receipts and cash disbursements during the period.

The notes to the financial statements provide required disclosures and other information essential to a full understanding of the material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant accounts and activities, obligations, commitments and subsequent events, if any.

BASIS OF ACCOUNTING

The Authority has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Authority's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions in the Statement of Net Position.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expense are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

SUMMARY OF ORGANIZATION

The Upper Providence Township Sewer Authority is a municipal authority that was organized by Upper Providence Township, Delaware County, Pennsylvania in 1979 under the provisions of the "Municipality Authorities Act of 1945," as amended. The Authority was formed for the purpose of providing sewage treatment/service to Township residents. Treatment services are currently being provided under a service agreement with Aqua America, Inc. and Central Delaware County Authority and we have a conveyance agreement with Middletown Sewer Authority. The Authority pays directly to these three entities based on their respective treatment charges.

FINANCIAL ANALYSIS

The following comparative condensed financial data serve as indicators of Upper Providence Sewer Authority's financial health or financial position. Table 1 below shows a condensed view of the Authority's *Statement of Net Position – Modified Cash Basis* at December 31, 2023 and 2022. The component change in net position is shown below in Table 2 as a condensed *Statement of Revenues, Expenses and Change in Net Position – Modified Cash Basis*. Table 3 and 4 show the changes in capital assets and debt from 2023 to 2022, respectively.

TABLE 1
STATEMENTS OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31,

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 1,579,884	\$2,297,219
Due from other municipalities and sewer authorities	7,012	3,646
Capital assets:		
Construction in progress	621,070	188,442
Property, plant and equipment, net	<u>15,081,262</u>	<u>15,295,817</u>
Total assets	<u>17,289,228</u>	<u>17,785,124</u>
Current liabilities	806,000	787,030
Noncurrent liabilities	<u>7,967,000</u>	<u>8,815,000</u>
Total liabilities	<u>8,773,000</u>	<u>9,602,030</u>
Invested in capital assets, net	6,929,332	5,882,259
Unrestricted	<u>1,586,896</u>	<u>2,300,835</u>
Total net position	<u>\$ 8,516,228</u>	<u>\$8,183,094</u>

TABLE 2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31,

	2023	2022
Revenues		
Sewer rental income	\$2,633,785	\$2,348,994
Application and tapping fees	10,043	33,275
Miscellaneous and other income	3,059	2,060
Total revenues	<u>2,646,887</u>	<u>2,384,329</u>
Operating expenses		
Operating expenses	114,940	81,962
Payroll and payroll taxes	151,369	110,429
Professional fees	88,754	102,332
Depreciation	682,927	615,788
Repairs and maintenance	449,441	569,091
Treatment charges	754,031	723,958
Total operating expenses	<u>2,241,462</u>	<u>2,203,560</u>
Operating income	405,425	180,769
Non-operating revenues and expenses		
Interest	102,037	36,832
Interest expense	(139,996)	(194,318)
Loan application fee	-	(15,705)
Sale of asset	-	7,300
Settlement funds	(34,332)	-
Total non-operating revenues and expenses	<u>(72,291)</u>	<u>(165,891)</u>
Change in net position	<u>\$ 333,134</u>	<u>\$ 14,878</u>

TABLE 3
CHANGES IN CAPITAL ASSETS
YEAR-TO-YEAR COMPARISON
DECEMBER 31,

<u>CAPITAL INVESTMENT</u>	<u>2023</u>	<u>2022</u>	<u>Inc/Dec</u>
Construction in progress	\$ 621,069	\$ 188,442	\$ 432,627
Property, plant and equipment	23,447,110	22,978,737	468,373
Totals	<u>\$ 24,068,179</u>	<u>\$ 23,167,179</u>	<u>\$ 901,000</u>

TABLE 4
CHANGES IN OUTSTANDING REVENUE NOTES
DECEMBER 31,

<u>SERIES</u>	<u>2023</u>	<u>2022</u>	<u>Inc/Dec</u>
Series 1999	\$ 1,070,000	\$ 1,322,000	\$ (252,000)
Series 2009	3,851,000	4,148,000	(297,000)
Series 2012	2,653,000	2,932,000	(279,000)
Series 2022	1,199,000	1,200,000	(1,000)
Total Debt	<u>\$ 8,773,000</u>	<u>\$ 9,602,000</u>	<u>\$ (829,000)</u>

TO CONTACT MANAGEMENT AND FOR REQUESTS FOR INFORMATION

The financial report of the Upper Providence Township Sewer Authority is intended to provide readers with a general overview of the Authority's financial operations as well as to demonstrate the Authority's accountability for its public appropriations and assessments of member municipalities. Questions concerning any of the information provided in this report or additional requests for financial information should be addressed to Board of Directors, Upper Providence Township Sewer Authority, 935 North Providence Road, Media, Pennsylvania 19063.

UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2023

	Business-Type Activities
Assets:	
Cash and cash equivalents	\$ 1,579,884
Due from other municipalities and sewer authorities	7,012
Capital assets:	
Construction in progress	621,070
Property, plant and equipment, net of accumulated depreciation	15,081,262
	15,702,332
Total assets	17,289,228
Liabilities:	
Current liabilities:	
Payroll tax liabilities	-
Notes payable	806,000
Total current liabilities	806,000
Noncurrent liabilities:	
Notes payable	7,967,000
Total noncurrent liabilities	7,967,000
Total liabilities	8,773,000
Net position:	
Invested in capital assets (net of related debt)	6,929,332
Unrestricted	1,586,896
Total net position	\$ 8,516,228

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

UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities
Operating revenues:	
Sewer rental income	\$ 2,593,304
Application and tapping fees	10,043
Liens and penalty income	40,481
Miscellaneous income	3,059
Total operating revenues	2,646,887
Operating expenses:	
Accounting fees	8,250
Administrative payroll and payroll taxes	151,369
Depreciation	682,927
Engineering fees	69,000
Legal expense	11,504
Miscellaneous	13,618
Office costs and expense	49,480
Insurance	19,262
Repairs and maintenance	449,441
Treatment charges	754,031
Utilities	32,580
Total operating expenses	2,241,462
Operating income	405,425
Non-operating revenues and expenses:	
Interest income	102,037
Interest expense	(139,996)
Settlement funds	(34,332)
Total non-operating revenues and expenses	(72,291)
Change in net position	333,134
Net position - beginning of year	8,183,094
Net position - end of year	\$ 8,516,228

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

UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities:

Cash received from customers and users	\$ 2,633,478
Cash received for tapping fees	10,043
Cash paid for services and operating expenses	(1,318,670)
Cash paid to and on behalf of employees	(151,399)
Cash paid for administrative activities	(88,496)
Net cash provided by operating activities	<u>1,084,956</u>

Cash Flows from Capital and Related Financing Activities:

Purchase of capital assets	(901,000)
Settlement payment	(34,332)
Payment of principal on debt	(829,000)
Payment of interest on debt	(139,996)
Net cash used by capital and related financing activities	<u>(1,904,328)</u>

Cash Flows from Investing Activities:

Interest	<u>102,037</u>
Net cash provided by investing activities	<u>102,037</u>

Net decrease in cash and cash equivalents	(717,335)
Cash and cash equivalents at beginning of year	<u>2,297,219</u>
Cash and cash equivalents at end of year	<u>\$ 1,579,884</u>

**Reconciliation of Operating Income to Net Cash Provided
by Operating Activities:**

Operating income	\$ 405,425
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	682,927
(Increase) in amounts due from other municipalities and sewer authorities	(3,366)
(Decrease) in amounts of payroll tax liabilities	(30)
Net cash provided by operating activities	<u>\$ 1,084,956</u>

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

**UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

The Upper Providence Township Sewer Authority (the "Authority") is a municipal authority that was organized by Upper Providence Township, Delaware County, Pennsylvania in 1979 under the provisions of the "Municipality Authorities Act of 1945", as amended. The Authority's purpose is to provide sewage treatment in Upper Providence Township and in such other territories as it may be authorized to serve.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Authority have been prepared on the modified cash basis of accounting. This basis recognizes certain revenues when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Depreciation of the property, plant and equipment additions after 1980, and long-term debt are recognized in the accounts.

B. Measurement Focus

The Statement of Net Position – Modified Cash Basis, the Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis and the Statement of Cash Flows – Modified Cash Basis are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and cash flows. All assets and liabilities associated with their activities are reported.

C. 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.

D. Property, Plant and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in these financial statements as property, plant and equipment.

Capital assets purchased with an original cost of \$1,000 or more are reported at historical cost. 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 is follows:

Equipment	3-5 years
Machinery	10 years
Infrastructure	40 years

**UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. Replacements and betterments which increase the service capacity or prolong the service life beyond that originally contemplated are capitalized. Upon retirement or disposal, the cost of the asset and the related allowance for depreciation are removed from the respective accounts, and any gain or loss is included in the statement of revenues, expenses, and changes in net position.

E. Equity

Equity is classified 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. Currently the Authority has reported no restricted net assets. Consequently, this component of net assets is not reported in these financial statements.
- c. Unrestricted net position – This consists of all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

F. Use of Estimates

The preparation of financial statements on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits

Custodial Risk - Deposits is the risk that in the event of a bank failure, the government entity’s deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The entity does not have a policy for custodial credit risk.

**UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

The Authority maintains its depository accounts within the Pennsylvania Local Government Investment Trust (PLGIT) and Wells Fargo Bank. The total deposits within the PLGIT accounts exceed the aggregate Federal Deposit Insurance Corporation (the "FDIC") insurance limits of \$250,000. However, all 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.

On December 31, 2023, the bank carrying amount of deposits was \$1,588,148. Of the balance, \$500,000 was covered by federal depository insurance. As noted above, a portion of the Authority's deposits are within PLGIT. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance 01/01/23	Additions	Deletions	Ending Balance 12/31/23
Construction in progress	\$ 188,442	\$ 432,627	\$ -	\$ 621,069
Equipment and machinery	565,487	468,373	-	1,033,860
Infrastructure	22,413,250	-	-	22,413,250
Sub-total	23,167,179	901,000	-	24,068,179
Less: Accumulated depreciation	7,682,920	682,927	-	8,365,847
Net capital assets value	<u>\$ 15,484,259</u>	<u>\$ 218,073</u>	<u>\$ -</u>	<u>\$ 15,702,332</u>

Depreciation expense for the year was \$682,927.

The future construction contract commitments outstanding for the construction in progress at year end are as follows:

Project Name	Contract Awarded	Spent to Date	Remaining Commitments
Bortondale pump station construction	\$ 864,542	\$ 395,132	\$ 469,410
	<u>\$ 864,542</u>	<u>\$ 395,132</u>	<u>\$ 469,410</u>

**UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3. CAPITAL ASSETS (continued)

The County of Delaware (“the County”) has funded the installation of a pump station and force main which is being constructed by the Authority to convey sewage from Rose Tree Park and surrounding areas to an existing force main. The Authority during the course of construction acted as a fiscal contracting agent on behalf of the County. Expenses related to the project were reimbursed and/or advanced through an exchange account on the books of the Authority which was satisfied in 2009. The project was completed in 2008. The Authority, upon dedication by the County, will assume ownership of the pump station and force main and at that time will record the assets accordingly. As of December 31, 2022, the pump station and force main has not been dedicated yet.

NOTE 4. NOTES PAYABLE

During 2012, the Authority authorized the issuance of \$5,000,000 Guaranteed Sewer Revenue Notes, 2012 Series for the continued construction of the collection sewers in its sewer area. The notes are comprised of four separate issuances totaling the \$5,000,000. The final maturity date of the notes is June of 2032. All notes are guaranteed by Upper Providence Township, and payable to the Delaware Valley Regional Finance Authority (“DVRFA”). The Guaranteed notes of 2012 bear a fixed rate of interest of 2.40%. The Guaranteed note of 1999 was converted to a fixed rate of 2.45% during 2013. In 2009, the Authority incurred a third loan to provide for construction of collection sewers within the township. The loan is comprised of four separate issuances totaling \$6,800,000. These loans bear a fixed interest rate of 2.45%. For the year ended December 31, 2023, the Authority paid \$139,996 of interest to DVRFA.

	Final Maturity date	Interest Rate %	Original Amount	Outstanding 01/01/23	Principal Paid	Outstanding 12/31/23	Amount Due In One Year
Guaranteed Sewer Rev Note Ser of 1999	12/25/27	2.450%	\$ 3,500,000	\$ 1,322,000	\$(252,000)	\$1,070,000	\$ 258,000
Guaranteed Sewer Rev Notes Ser of 2009	06/25/35	1.190%	6,800,000	4,148,000	(297,000)	3,851,000	279,000
Guaranteed Sewer Rev Notes Ser of 2012	06/25/32	1.103%	5,000,000	2,932,000	(279,000)	2,653,000	268,000
Guaranteed Sewer Rev Notes Ser of 2022	02/25/42	2.436%	1,200,000	1,200,000	(1,000)	1,199,000	1,000
			<u>\$17,710,000</u>	<u>\$ 9,602,000</u>	<u>\$(829,000)</u>	<u>\$8,773,000</u>	<u>\$ 806,000</u>

**UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 4. NOTES PAYABLE (continued)

The Board of Directors has approved the conversion of all or a portion of the Guaranteed Sewer Revenue Notes, 2009 Series and Guaranteed Sewer Revenue Notes, 2012 Series to a lower interest rate for the duration of the bonds. This will allow the Authority to terminate the loan fixed rates, anytime on or after June 25, 2022 and convert to a new loan fixed rate of 1.190% and 1.103%, respectively, that would decrease the interest rate and payments in the future, and accelerate the principal repayments of the Notes to aid in a more level annual debt service payments. During December 31, 2022, the Board of Directors approved the Guaranteed Sewer Revenue Notes that were issued on March 15, 2022 in the amount of \$1,200,000. The note is for a term of 20 years at a fixed interest rate of 2.436%. The note has been issued for the purpose of funding certain capital projects including the rebuilding of the Bortondale pump station.

The aggregate annual principal and interest payments required for each of the following five fiscal years and thereafter to maturity are as follows:

For the years ending,	Principal	Interest	Total
2024	\$ 842,000	\$ 127,838	\$ 969,838
2025	854,000	115,137	969,137
2026	868,000	102,123	970,123
2027	880,000	88,761	968,761
2028	680,000	27,689	707,689
2029 - 2033	3,214,000	234,463	3,448,463
2034 - 2038	1,085,000	73,135	1,158,135
2039 - 2042	350,000	14,380	364,380
	<u>\$ 8,773,000</u>	<u>\$ 783,526</u>	<u>\$ 9,556,526</u>

NOTE 5. WASTE TREATMENT AGREEMENTS

Sewage collected by the Authority is currently treated at treatment plants owned and operated by Aqua America, Inc. (formerly Little Washington Wastewater Company), and by Delaware County Regional Water Quality Control Authority (DELCORA) through its membership in Central Delaware County Authority (CDCA). The Authority also has a conveyance agreement with Middletown Sewer Authority.

Charges for treatment are principally determined by allocating the total operating costs of the treatment plants for a period among the agencies using the plants in proportion to the volume of sewage each delivered for treatment during the period. An additional charge is made for each agency's share of the capital cost of the treatment plants and subsequent additions.

The Authority during 2009 entered into a new agreement with Aqua America, Inc., for treatment. The agreement commenced January 1, 2009 is for a period of twenty years, which will automatically renew for successive periods of five years unless terminated by either party.

**UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6. RISKS AND UNCERTAINTIES

Since balance sheet date, various economic factors subsequent to year end, uncertainties have arisen including the volatility of the stock market. The ultimate financial impact of the economic and market conditions is unknown at this time.

NOTE 7. SUBSEQUENT EVENTS

Management of the Authority has evaluated subsequent events through September 23, 2024, the date on which the financial statements were available to be issued.