

**UPPER SOUTHAMPTON  
MUNICIPAL AUTHORITY  
FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
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YEARS ENDED JUNE, 2023 AND 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Upper Southampton Municipal Authority  
Southampton, Pennsylvania

We have audited the accompanying Statements of Net Assets of Upper Southampton Municipal Authority, a non-profit organization, at June 30, 2023 and 2022, and the related Statements of Revenue, Expenses and Change in Net Assets, and Cash Flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### **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 general 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risks 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 the Upper Southampton Municipal Authority as of June 30, 2023 and 2022 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*D'Angelo & Company PC*

Certified Public Accountants

Southampton, Pennsylvania  
October 15, 2023

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023 AND 2022**

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As management of the UPPER SOUTHAMPTON MUNICIPAL AUTHORITY (“Authority”) we offer readers of the financial statements this unaudited narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the attached financial statements and notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

The assets of the authority exceeded its liabilities at the close of the most recent fiscal year by \$15,168,645. The prior year excess amounted to \$15,271,034.

The authority's total net assets decreased by \$102,389. In 2022, it decreased by \$264,905.

The authority invested an additional \$4,910,880 in fixed assets during the current fiscal year.

Proprietary Fund- The enclosed financial statements are presented in the format of an enterprise fund. This format in concept resembles that of a business-type activity. The financial statements are prepared using generally accepted accounting principles. This format is consistent with the reporting requirements of GASB 34.

Notes to the Financial Statements - The notes provide additional information that is essential for a full understanding of the data and figures provided in the financial statements.

**CONDENSED COMPARATIVE FINANCIAL INFORMATION**

The largest portion of the authority's net assets reflects its investment in capital assets. This condensed statement of net assets is illustrative of the authority's net investment in capital assets.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 3,834,291	\$ 6,175,187	\$ 8,308,231
Capital assets	<u>23,531,961</u>	<u>22,493,673</u>	<u>20,943,529</u>
Total assets	<u>27,366,252</u>	<u>28,668,860</u>	<u>29,251,760</u>
Current liabilities	1,796,268	2,163,280	1,561,009
Noncurrent liabilities	<u>10,401,339</u>	<u>11,234,546</u>	<u>12,154,812</u>
Total liabilities	<u>12,197,607</u>	<u>13,397,826</u>	<u>13,715,821</u>
Net assets, unrestricted	3,497,697	8,068,520	2,921,224
Invested in capital assets	<u>11,670,948</u>	<u>7,202,514</u>	<u>12,614,715</u>
Total net assets	<u>\$15,168,645</u>	<u>\$15,271,034</u>	<u>\$15,535,939</u>

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023 AND 2022**

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**CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS**

For the year ending June 30, 2023, the Authority showed a loss due to an increase in expected maintenance expenses and less than expected operating revenue.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Operating Revenue	\$ 7,305,099	\$ 6,814,927	\$ 6,897,906
<u>Operating expenses:</u>			
Production expenses	4,104,183	3,816,073	3,657,506
Maintenance expenses	843,597	756,885	415,026
Administrative expenses	1,104,508	962,239	1,070,409
Depreciation	<u>1,516,962</u>	<u>1,516,898</u>	<u>1,529,451</u>
	<u>7,596,250</u>	<u>7,052,095</u>	<u>6,672,392</u>
Operating income (loss)	( 182,151)	( 237,168)	225,514
Non-operating revenue	<u>( 79,762)</u>	<u>( 27,737)</u>	<u>5,221</u>
Income (loss) before contributions	( 102,389)	( 276,905)	230,735
Contributions in aid of construction	<u>-</u>	<u>12,000</u>	<u>24,000</u>
Changes in net assets	<u>( 102,389)</u>	<u>( 264,905)</u>	<u>254,735</u>
Total net assets – July 1	<u>15,271,034</u>	<u>15,535,939</u>	<u>15,281,204</u>
Total net assets – June 30	<u>\$15,168,645</u>	<u>\$15,271,034</u>	<u>\$15,535,939</u>

**ANALYSIS OF THE SIGNIFICANT BUDGET VARIATIONS**

	<u>Budget 2023</u>	<u>Actual 2023</u>	<u>Variance 2023</u>
Total Operating Revenue	\$ 7,605,064	\$ 7,387,099	\$ 217,965
<u>Operating expenses:</u>			
Production expenses	4,238,825	4,104,183	134,642
Maintenance expenses	330,650	843,597	( 512,947)
Administrative expenses	1,120,121	1,104,508	15,613
Depreciation	<u>1,500,000</u>	<u>1,516,962</u>	<u>( 16,962)</u>
	<u>7,189,596</u>	<u>7,569,250</u>	<u>(379,654)</u>
Operating income (loss)	415,468	( 182,151)	597,619
Non-operating revenue	<u>( 36,201)</u>	<u>79,762</u>	<u>(115,963)</u>
Net income (loss)	<u>\$ 379,267</u>	<u>\$ (102,389)</u>	<u>\$ 481,656</u>

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
STATEMENTS OF NET ASSETS  
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets		
Cash and equivalents	\$ 2,099,138	\$ 4,579,589
Accounts receivable	831,005	754,994
Unbilled revenue receivable	726,860	669,139
Tapping fees receivable, current portion	33,300	35,000
Prepaid expense	143,988	136,465
<b>TOTAL CURRENT ASSETS</b>	<u>3,834,291</u>	<u>6,175,187</u>
Non current assets		
Construction escrow desposits	26,284	24,296
Tapping fees receivable	50,201	71,121
Construction in progress	598,529	2,935,224
Capital Assets		
Land	229,877	229,877
Building	2,596,624	2,249,521
Machinery and Equipment	1,605,461	985,031
Office equipment	134,929	129,686
Water mains and sewer system	48,826,063	44,918,358
	<u>53,392,954</u>	<u>48,512,473</u>
Less accumulated depreciation	<u>(30,536,007)</u>	<u>(29,049,441)</u>
	<u>22,856,947</u>	<u>19,463,032</u>
<b>TOTAL ASSETS</b>	<u>\$ 27,366,252</u>	<u>\$ 28,668,860</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Line of credit, bank	\$ -	\$ 200,000
Current poriton of note payable, DVRFA	866,000	863,000
Accounts payable and accrued expenses	930,268	1,100,280
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,796,268</u>	<u>2,163,280</u>
Non-current liabilities		
Rental escrow desposit	53,000	17,000
Construction escrow deposits	28,339	28,546
Note payable - DVRFA, net of current portion	10,320,000	11,189,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>10,401,339</u>	<u>11,234,546</u>
<b>TOTAL LIABILITIES</b>	<u>12,197,607</u>	<u>13,397,826</u>
<b>NET ASSETS</b>		
Invested in capital assets	11,670,948	7,202,514
Unrestricted	3,497,697	8,068,520
<b>TOTAL NET ASSETS</b>	<u>15,168,645</u>	<u>15,271,034</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 27,366,252</u>	<u>\$ 28,668,860</u>

See accountants' report and accompanying notes.

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
 YEARS ENDED JUNE, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUE</b>		
Revenue	\$ 7,305,293	\$ 6,752,227
Connection and tapping fees	81,806	62,700
Total operating revenue	<u>7,387,099</u>	<u>6,814,927</u>
<b>OPERATING EXPENSES</b>		
Production and connection expenses	4,104,183	3,816,073
Maintenance and repair expenses	843,597	756,885
Administrative expenses	1,104,508	962,239
Depreciation	1,516,962	1,516,898
Total operating expenses	<u>7,569,250</u>	<u>7,052,095</u>
<b>OPERATING LOSS</b>	<u>(182,151)</u>	<u>\$ (237,168)</u>
<b>NON OPERATING INCOME (EXPENSES)</b>		
Interest income	90,161	69,508
Fee, penalty and other income	141,825	118,337
Rental income	147,087	141,221
Interest expense	(238,176)	(246,958)
Unrealized gain (loss) on investments	(61,135)	(109,845)
Total non operating revenue	<u>79,762</u>	<u>(27,737)</u>
<b>DECREASE IN NET ASSETS</b>	(102,389)	(264,905)
<b>NET ASSETS, BEGINNING</b>	<u>15,271,034</u>	<u>15,535,939</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 15,168,645</u>	<u>\$ 15,271,034</u>

See accountants' report and accompanying notes.

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (102,389)	\$ (264,905)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	1,486,566	1,516,898
(Increase) decrease in assets		
Accounts and unbilled receivables	(142,249)	200,187
Accounts receivable restricted	(1,988)	-
Tapping fees receivable	22,620	18,179
Prepaid expenses	(7,523)	(25,735)
Increase (decrease) in liabilities		
Accounts payable and accrued expense	(161,496)	323,752
Accounts payable restricted	(207)	4,250
Deferred rent	36,000	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,129,334</u>	<u>1,772,626</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(4,880,481)	(467,213)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(4,880,481)</u>	<u>(467,213)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Construction in progress and related deposits	2,336,696	(2,707,387)
Proceeds from line of credit, bank	(200,000)	200,000
Principal payments of notes payable	(866,000)	(846,000)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>1,270,696</u>	<u>(3,353,387)</u>
<b>NET DECREASE IN CASH AND RESTRICTED CASH</b>	(2,480,451)	(2,047,974)
<b>CASH AND RESTRICTED CASH, BEGINNING</b>	<u>4,579,589</u>	<u>6,627,563</u>
<b>CASH AND RESTRICTED CASH, ENDING</b>	<u>\$ 2,099,138</u>	<u>\$ 4,579,589</u>
Supplementary disclosure:		
Interest paid	<u>\$ 238,176</u>	<u>\$ 246,958</u>

See accountants' report and accompanying notes.

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Upper Southampton Municipal Authority (“USMA” and “Authority”) is an enterprise fund of the Township of Upper Southampton. The fund complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) Pronouncements. Financial Accounting Standards Board (FASB) Pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the fund the option of electing to apply FASB pronouncements. The Board of Directors of USMA has elected to implement the financial reporting requirements of GASB Statement No. 34.

To conform with the recommendations of the industry audit guide, Audit of State and Local Government Units issued by the American Institutes of Certified Public Accountants in 1974, the financial statements have been prepared on the accrual basis of accounting and confirm with generally accepted accounting principles.

Construction in progress

Construction in progress represents various projects for water mains and sewer systems in different stages of completion. Once projects are complete, those costs are capitalized to capital assets.

Depreciation

Depreciation of property and equipment is provided by using the Straight-Line Method over the estimated useful life of the asset.

Building	50 years
Machinery and equipment	5 years
Office equipment	5-10 years
Mains, pumphouses and wells	10-50 years
Sanitary sewer system	10-50 years

Commitments

The Authority entered into an agreement with Lower Southampton Township dated December 14, 1988, in which the Authority agrees to pay its pro-rata share of the expense relating to the sewage treatment agreement between Lower Southampton Township and the City of Philadelphia. A portion of these pro-rata expenses included debt service costs incurred by Lower Southampton Township related to a \$5.7 million bond issue for a capital contribution option exercised in the agreement with Philadelphia to reserve capacity in Philadelphia's Northeast Water Pollution Control Plant. The pro-rata allocation is based on metered flows. This capital contribution has been paid in full.

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 PROPERTY AND EQUIPMENT

Capital asset activity consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 229,876	\$ 229,876
Building	2,596,624	2,249,521
Machinery and equipment	1,605,461	985,030
Office and equipment	134,929	129,686
Mains, pumphouses and wells	29,095,727	25,877,108
Sanitary sewer system	<u>19,730,336</u>	<u>19,041,250</u>
	53,392,954	48,512,471
Less: Accumulated depreciation	<u>30,536,007</u>	<u>29,049,441</u>
	<u>\$ 22,856,948</u>	<u>\$ 19,463,030</u>

Depreciation and amortization expense for the years ended June 30, 2023, and 2022 amounted to \$1,516,898 and \$1,518,898 respectively.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Authority occasionally maintains cash balances that is in excess of the \$250,000 Federal Deposit Insurance Corporation (FDIC) insured amount. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

NOTE 4 PENSION PLAN COSTS

The Authority participates in the Pennsylvania Municipal Retirement System ("System"), a contributory, multi-employer pension plan administered by the Pennsylvania Municipal Retirement Board covering all eligible employees. The total pension expense for the years ending June 30, 2023, and 2022 totaled \$112,458 and \$92,912 respectively.

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**NOTE 5 TAPPING FEES RECEIVABLE**

Taping fees receivable represent the unpaid portion of contracts from new customers who connect to the water or sewer systems of the Authority. New customers generally pay varying fees for connections based on location with the payment deferred over 5 years.

The receivable as of June 30, 2023, amounted to:

Tapping fee receivable	\$123,863
Less current portion	<u>34,563</u>
Non-current portion	<u>\$ 89,300</u>

**NOTE 6 LINE OF CREDIT, BANK**

The line of credit, bank, represents a short-term demand loan from the Authority’s primary financial institution, with interest at the Bank’s Prime rate plus .25%, collateralized by certain assets of the Authority.

**NOTE 7 NOTE PAYABLE – LONG TERM**

At various times between 2006 to 2021 the authority borrowed a total of \$17,700,000 from the Delaware Valley Regional Financial Authority (“DVRFA”) in four separate notes at interest rates varying from 1.26% to 2.49%, with 20-year payment terms. The purpose of the notes were to fund capital improvement projects including expansion and renovation of the water system. Interest is paid monthly with an annual principal payment made annually on the anniversary date of each note.

The note is guaranteed by the pledge of water revenues from the operation of the Municipal Water System. The revenues combined with other unrestricted funds are sufficient to provide for the following:

- The cost to operate and maintain the water system,
- 115% of the payments required under the loan agreement, and
- 115% of other debt service obligations.

Notes Payable, DVRFA as of June 30, 2023, with final payment due January 2041	\$11,186,000
Less current portion	<u>883,000</u>
Notes Payable, non-current portion	<u>\$10,303,000</u>

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**NOTE 8          SUBSEQUENT EVENTS**

Management has evaluated subsequent events through to September 1st, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023, that require recognition in the financial statements.

**SUPPLEMENTAL INFORMATION**

To the Board of Directors  
Upper Southampton Municipal Authority  
Southampton, Pennsylvania

The audited financial statements of the UPPER SOUTHAMPTON MUNICIPAL AUTHORITY for the year ended June 30, 2023 and our opinion thereon are presented in the preceding section of this report.

Our examination was made primarily for the purpose of rendering an opinion on the basic financial statements taken as a whole. The following supplemental schedules, although not necessary for a fair presentation of the financial position, result of activity, and changes in cash flows, is presented for additional analysis purposes. The supplemental schedules have been subjected to the tests and other auditing procedures applied in the examination of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

Southampton, Pennsylvania  
October 15, 2023

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
SCHEDULES OF DIRECT COSTS AND OVERHEAD EXPENSES  
YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Production and Collection Expenses</b>		
Payroll	\$ 569,847	\$ 424,300
Payroll taxes	49,617	32,059
Employee Benefits	222,061	162,742
Laboratory	25,204	15,995
Payments to Philadelphia	2,052,384	1,984,246
Power	167,174	245,822
Treatment chemicals	40,002	40,499
Truck expenses	46,476	24,124
Water purchased	931,418	886,286
	<u>\$ 4,104,183</u>	<u>\$ 3,816,073</u>

**Maintenance and Repair Expenses**

Clean water fund	\$ 20,528	\$ 30,487
Electrical maintenance	21,211	15,549
Equipment maintenance	45,719	34,806
Maintenance, other	52,712	210,276
Meter maintenance	55,961	57,984
Pump maintenance	563,226	358,727
Station security	12,244	8,146
Supplies and line maintenance	55,675	34,224
Uniforms	8,170	3,183
Wells and storage maintenance	8,150	3,503
	<u>\$ 843,596</u>	<u>\$ 756,885</u>

See accountants' report and accompanying notes.

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY  
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES  
YEARS ENDED JUNE 30, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u>
Administrative Expenses		
Payroll	\$ 386,525	\$ 333,188
Payroll Taxes	29,943	25,862
Accounting	28,000	20,500
Board fees	7,200	7,200
Dues & subscription	6,971	4,960
Electricity	11,102	10,408
Employee benefits	108,827	113,479
Engineering fees	78,942	39,545
Insurance	116,632	105,721
Legal	16,655	46,665
Maintenance	19,025	9,045
Merchant fees	37,236	27,668
Miscellaneous	8,653	8,205
Office supplies	82,631	78,499
Pension plan	112,458	92,912
Postage	10,160	12,030
Public notices	5,951	3,271
Seminars & conferences	14,112	3,348
Telephone	23,484	19,733
	<u>\$ 1,104,507</u>	<u>\$ 962,239</u>

See accountants' report and accompanying notes.