

**UPPER SOUTHAMPTON
MUNICIPAL AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
TABLE OF CONTENTS
YEARS ENDED JUNE, 2024 AND 2023

INDEX

<u>Exhibits</u>	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Net Assets	3
Statement of Revenue, Expenses and Changes in Fund Net Assets	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
Supplemental Information	
Accountant's Opinion on Supplement Schedules	10
Schedule of Production, Collection Maintenance and Repair Expenses	11
Schedule of Administrative Expenses	12

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, 2024 and 2023, 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 generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

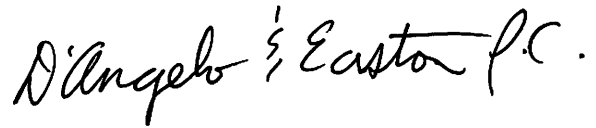
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2024 and 2023 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.



Certified Public Accountants

Southampton, Pennsylvania
October 17, 2024

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,841,213	\$ 2,099,138
Accounts receivable	955,367	831,005
Unbilled revenue receivable	841,133	726,860
Tapping fees receivable, current portion	33,801	33,300
Prepaid expense	162,414	143,988
TOTAL CURRENT ASSETS	<u>4,833,928</u>	<u>3,834,291</u>
Non current assets		
Construction escrow desopits	68,060	26,284
Tapping fees receivable	39,400	50,201
Construction in progress	1,425,436	598,529
Capital Assets		
Land	229,877	229,877
Building	2,621,054	2,596,624
Machinery and Equipment	2,056,425	1,605,461
Office equipment	175,497	134,929
Water mains and sewer system	50,571,627	48,826,063
	55,654,480	53,392,954
Less accumulated depreciation	<u>(32,217,445)</u>	<u>(30,536,007)</u>
	<u>23,437,035</u>	<u>22,856,947</u>
TOTAL ASSETS	<u>\$ 29,803,859</u>	<u>\$ 27,366,252</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Line of credit, bank	\$ 300,000	\$ -
Current poriton of note payable, DVRFA	1,005,000	866,000
Accounts payable and accrued expenses	1,781,403	930,268
TOTAL CURRENT LIABILITIES	<u>3,086,403</u>	<u>1,796,268</u>
Non-current liabilities		
Rental escrow desposit	39,000	53,000
Construction escrow deposits	46,240	28,339
Note payable - DVRFA, net of current portion	12,298,000	10,320,000
TOTAL NON-CURRENT LIABILITIES	<u>12,383,240</u>	<u>10,401,339</u>
TOTAL LIABILITIES	<u>15,469,643</u>	<u>12,197,607</u>
NET ASSETS		
Invested in capital assets	10,134,035	11,670,948
Unrestricted	4,200,181	3,497,697
TOTAL NET ASSETS	<u>14,334,216</u>	<u>15,168,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,803,859</u>	<u>\$ 27,366,252</u>

See accountants' report and accompanying notes.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUE		
Revenue	\$ 7,867,462	\$ 7,305,293
Connection and tapping fees	130,776	81,806
Total operating revenue	<u>7,998,238</u>	<u>7,387,099</u>
OPERATING EXPENSES		
Production and connection expenses	4,967,624	4,104,183
Maintenance and repair expenses	1,113,102	843,597
Administrative expenses	1,178,976	1,104,508
Depreciation	<u>1,681,438</u>	<u>1,516,962</u>
Total operating expenses	<u>8,941,140</u>	<u>7,569,250</u>
OPERATING LOSS	<u>(942,902)</u>	<u>(182,151)</u>
NON OPERATING INCOME (EXPENSES)		
Interest income	75,930	90,161
Fee, penalty and other income	130,306	141,825
Rental income	139,000	147,087
Interest expense	(235,398)	(238,176)
Loan acquisition costs	(17,151)	-
Unrealized gain (loss) on investments	<u>15,786</u>	<u>(61,135)</u>
Total non operating revenue	<u>108,473</u>	<u>79,762</u>
DECREASE IN NET ASSETS	(834,429)	(102,389)
NET ASSETS, BEGINNING	<u>15,168,645</u>	<u>15,271,034</u>
NET ASSETS, ENDING	<u>\$ 14,334,216</u>	<u>\$ 15,168,645</u>

See accountants' report and accompanying notes.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (834,429)	\$ (102,389)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	1,681,438	1,486,566
(Increase) decrease in assets		
Accounts and unbilled receivables	(238,640)	(142,249)
Accounts receivable restricted	(41,775)	(1,988)
Tapping fees receivable	10,300	22,620
Prepaid expenses	(18,425)	(7,523)
Increase (decrease) in liabilities		
Accounts payable and accrued expense	851,135	(161,496)
Accounts payable restricted	17,901	(207)
Deferred rent	(14,000)	36,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,413,505</u>	<u>1,129,334</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,261,525)	(4,880,481)
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,261,525)</u>	<u>(4,880,481)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Construction in progress and related deposits	(826,907)	2,336,696
Proceeds from line of credit, bank	300,000	(200,000)
Principal payments of notes payable	2,117,000	(866,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,590,093</u>	<u>1,270,696</u>
NET (INCREASE) DECREASE IN CASH	742,073	(2,480,451)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,099,138</u>	<u>4,579,589</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,841,211</u>	<u>\$ 2,099,138</u>
Supplementary disclosure:		
Interest paid	<u>\$ 235,398</u>	<u>\$ 238,176</u>

See accountants' report and accompanying notes.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 conform 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, 2024 AND 2023

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>2024</u>	<u>2023</u>
Land	\$ 229,877	\$ 229,877
Building	2,621,054	2,596,624
Machinery and equipment	2,056,425	1,605,461
Office and equipment	175,497	134,929
Mains, pumphouses and wells	29,180,520	29,095,727
Sanitary sewer system	<u>21,391,107</u>	<u>19,730,336</u>
	55,654,480	53,392,954
Less: Accumulated depreciation	<u>32,217,445</u>	<u>30,536,007</u>
	<u>\$ 23,437,035</u>	<u>\$ 22,856,947</u>

Depreciation and amortization expense for the years ended June 30, 2024, and 2023 amounted to \$1,681,438 and \$1,516,962 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, 2024, and 2023 totaled \$137,940 and \$112,458 respectively.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2024, amounted to:

Tapping fee receivable	\$ 73,201
Less current portion	<u>33,801</u>
Non-current portion	<u>\$ 39,400</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 \$23,700,000 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, 2024, with final payment due December 2044	\$13,303,000
Less current portion	<u>1,005,000</u>
Notes Payable, non-current portion	<u>\$12,298,000</u>

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 SUBSEQUENT EVENTS

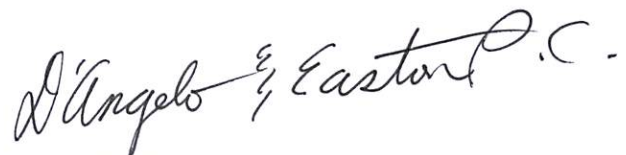
Management has evaluated subsequent events through to October 1st, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2024, that require recognition in the financial statements.

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, 2024 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 11, 2024

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
SCHEDULES OF DIRECT COSTS AND OVERHEAD EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Production and Collection Expenses		
Payroll	\$ 695,221	\$ 569,847
Payroll taxes	55,710	49,617
Employee Benefits	239,749	222,061
Laboratory	30,796	25,204
Payments to Philadelphia	2,644,973	2,052,384
Power	181,576	167,174
Treatment chemicals	32,654	40,002
Truck expenses	52,880	46,476
Water purchased	<u>1,034,065</u>	<u>931,418</u>
	<u>\$ 4,967,624</u>	<u>\$ 4,104,183</u>
 Maintenance and Repair Expenses		
Clean water fund	\$ 10,553	\$ 20,528
Electrical maintenance	14,848	21,211
Equipment maintenance	86,269	45,719
Maintenance, other	78,058	52,712
Meter maintenance	65,457	55,961
Pump maintenance	730,070	563,226
Station security	11,429	12,244
Supplies and line maintenance	107,513	55,675
Uniforms	6,455	8,170
Wells and storage maintenance	<u>2,450</u>	<u>8,150</u>
	<u>\$ 1,113,102</u>	<u>\$ 843,596</u>

See accountants' report and accompanying notes.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Administrative Expenses		
Payroll	\$ 435,153	\$ 386,525
Payroll Taxes	35,311	29,943
Accounting	30,000	28,000
Board fees	7,200	7,200
Dues & subscription	8,100	6,971
Electricity	4,908	11,102
Employee benefits	130,686	108,827
Engineering fees	75,463	78,942
Insurance	133,187	116,632
Legal	11,896	16,655
Maintenance	13,133	19,025
Merchant fees	29,790	37,236
Miscellaneous	8,054	8,653
Office supplies	82,403	82,631
Pension plan	137,940	112,458
Postage	12,209	10,160
Public notices	1,378	5,951
Seminars & conferences	4,889	14,112
Telephone	<u>17,276</u>	<u>23,485</u>
	<u>\$ 1,178,976</u>	<u>\$ 1,104,508</u>

See accountants' report and accompanying notes.