

**UPPER SOUTHAMPTON
MUNICIPAL AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
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YEARS ENDED JUNE, 2025 AND 2024**

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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, 2025 and 2024, 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, 2025 and 2024 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.

A handwritten signature in blue ink that reads "D'Angelo & Easton P.C." with a stylized flourish.

Certified Public Accountants

Southampton, Pennsylvania
October 24, 2025

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 897,145	\$ 2,841,213
Accounts receivable	930,429	955,367
Unbilled revenue receivable	892,011	841,133
Tapping fees receivable, current portion	27,585	33,801
Prepaid expense	192,178	162,414
TOTAL CURRENT ASSETS	<u>2,939,348</u>	<u>4,833,928</u>
Non current assets		
Construction escrow desposits	14,839	68,060
Tapping fees receivable	33,601	39,400
Construction in progress	2,223,504	1,425,436
Capital Assets		
Land	219,877	229,877
Building	2,664,886	2,621,054
Machinery and Equipment	2,200,340	2,056,425
Office equipment	187,218	175,497
Water mains and sewer system	51,370,725	50,571,627
	56,643,045	55,654,480
Less accumulated depreciation	(33,921,284)	(32,217,445)
	<u>22,721,761</u>	<u>23,437,035</u>
TOTAL ASSETS	<u>\$ 27,933,052</u>	<u>\$ 29,803,859</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Line of credit, bank	\$ 400,000	\$ 300,000
Current poriton of note payable, DVRFA	1,003,000	1,005,000
Accounts payable and accrued expenses	1,113,276	1,781,403
TOTAL CURRENT LIABILITIES	<u>2,516,276</u>	<u>3,086,403</u>
Non-current liabilities		
Escrow deposits	62,136	85,240
Note payable - DVRFA, net of current portion	11,297,000	12,298,000
TOTAL NON-CURRENT LIABILITIES	<u>11,359,136</u>	<u>12,383,240</u>
TOTAL LIABILITIES	<u>13,875,412</u>	<u>15,469,643</u>
NET ASSETS		
Invested in capital assets	10,421,761	10,134,035
Unrestricted	3,635,879	4,200,181
TOTAL NET ASSETS	<u>14,057,640</u>	<u>14,334,216</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,933,052</u>	<u>\$ 29,803,859</u>

See accountants' report and accompanying notes.

**UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
OPERATING REVENUE		
Revenue	\$ 8,560,173	\$ 7,867,462
Connection and tapping fees	107,418	130,776
Total operating revenue	<u>8,667,591</u>	<u>7,998,238</u>
OPERATING EXPENSES		
Production and connection expenses	5,401,538	4,967,624
Maintenance and repair expenses	718,370	1,113,102
Administrative expenses	1,173,126	1,178,976
Depreciation	1,785,067	1,681,438
Total operating expenses	<u>9,078,101</u>	<u>8,941,140</u>
OPERATING LOSS	<u>(410,511)</u>	<u>(942,902)</u>
NON OPERATING INCOME (EXPENSES)		
Interest income	56,810	75,930
Fee, penalty and other income	114,542	130,306
Rental income	142,581	139,000
Interest expense	(326,754)	(235,398)
Loan acquisition costs	-	(17,151)
Gain on sale of capital assets	124,257	-
Unrealized gain on investments	22,388	15,786
Total non operating revenue	<u>133,825</u>	<u>108,473</u>
DECREASE IN NET ASSETS	(276,686)	(834,429)
NET ASSETS, BEGINNING	<u>14,334,326</u>	<u>15,168,755</u>
NET ASSETS, ENDING	<u>\$ 14,057,640</u>	<u>\$ 14,334,326</u>

See accountants' report and accompanying notes.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (276,686)	\$ (834,429)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	1,785,067	1,681,438
(Increase) decrease in assets		
Accounts and unbilled receivables	(25,941)	(238,640)
Accounts receivable restricted	53,220	(41,775)
Tapping fees receivable	12,015	10,300
Prepaid expenses	(29,764)	(18,425)
Increase (decrease) in liabilities		
Accounts payable and accrued expense	(685,443)	851,135
Accounts payable restricted	6,213	17,901
Deferred rent	(12,000)	(14,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>826,680</u>	<u>1,413,505</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of capital assets	(1,069,679)	(2,261,525)
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,069,679)</u>	<u>(2,261,525)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Construction in progress and related deposits	(798,068)	(826,907)
Proceeds from line of credit, bank, net of repayments	100,000	300,000
Net borrowings (repayments) of notes payable	(1,003,000)	2,117,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(1,701,068)</u>	<u>1,590,093</u>
NET (INCREASE) DECREASE IN CASH	(1,944,066)	742,073
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,841,211</u>	<u>2,099,138</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 897,145</u>	<u>\$ 2,841,211</u>
Supplementary disclosure:		
Interest paid	<u>\$ 326,754</u>	<u>\$ 235,398</u>

See accountants' report and accompanying notes.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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, 2025 AND 2024

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 CAPITAL ASSETS

Capital asset activity consist of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 219,877	\$ 229,877
Building	2,664,886	2,621,054
Machinery and equipment	2,274,111	2,056,425
Office and equipment	187,218	175,497
Mains, pumphouses and wells	29,720,816	29,180,520
Sanitary sewer system	<u>21,811,672</u>	<u>21,391,107</u>
	56,720,816	55,654,480
Less: Accumulated depreciation	<u>34,002,511</u>	<u>32,217,445</u>
	<u>\$22,718,304</u>	<u>\$ 23,437,035</u>

Depreciation and amortization expense for the years ended June 30, 2025, and 2024 amounted to \$1,681,438 and 1,785,066 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, 2025, and 2024 totaled \$171,474 and \$137,940 respectively.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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, 2025, amounted to:

Tapping fee receivable	\$ 61,186
Less current portion	<u>27,585</u>
Non-current portion	<u>\$ 33,601</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, 2025, with final payment due December 2044	\$12,300,000
Less current portion	<u>1,003,000</u>
Notes Payable, non-current portion	<u>\$11,297,000</u>

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2025, the Authority entered into an arrangement with the Township to take over its stormwater operations, effective January 1, 2026. The fees will be billed quarterly, and the Township has notified residents through advertisements, mailed notices, and public meetings. Preparatory work was performed prior to assuming operations. The financial impact of this arrangement on the Authority's future operations has not yet been determined.

Additionally, subsequent to June 30, 2025, the Authority collected tapping fees for water and sewer connections for a residential building project starting in the fall of 2025 in Upper Southampton Township. These fees amounted to approximately \$1,329,000.

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, 2025 and 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.

D'Angelo & Easton PC.

Certified Public Accountants

Southampton, Pennsylvania
October 24, 2025

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
SCHEDULES OF DIRECT COSTS AND OVERHEAD EXPENSES
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Production and Collection Expenses		
Payroll	\$ 961,208	\$ 695,221
Payroll taxes	77,118	55,710
Employee Benefits	326,096	239,749
Laboratory	33,243	30,796
Payments to Philadelphia	2,682,253	2,644,973
Power	132,210	181,576
Treatment chemicals	35,067	32,654
Truck expenses	33,500	52,880
Water purchased	<u>1,120,843</u>	<u>1,034,065</u>
	<u>\$ 5,401,538</u>	<u>\$ 4,967,624</u>

Maintenance and Repair Expenses

Clean water fund	\$ 20,575	\$ 10,553
Electrical maintenance	42,711	14,848
Equipment maintenance	20,518	86,269
Maintenance, other	57,364	78,058
Meter maintenance	61,010	65,457
Pump maintenance	397,076	730,070
Station security	11,659	11,429
Supplies and line maintenance	86,419	107,513
Uniforms	8,072	6,455
Wells and storage maintenance	<u>12,967</u>	<u>2,450</u>
	<u>\$ 718,370</u>	<u>\$ 1,113,102</u>

See accountants' report and accompanying notes.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Administrative Expenses		
Payroll	\$ 391,828	\$ 435,153
Payroll Taxes	30,922	35,311
Accounting	22,500	30,000
Board fees	9,000	7,200
Dues & subscription	7,373	8,100
Electricity	11,101	4,908
Employee benefits	98,016	130,686
Engineering fees	73,105	75,463
Insurance	125,462	133,187
Legal	15,265	11,896
Maintenance	11,618	13,133
Merchant fees	28,415	29,790
Miscellaneous	14,447	8,054
Office supplies	125,664	82,403
Pension plan	171,474	137,940
Postage	13,162	12,209
Public notices	1,080	1,378
Seminars & conferences	7,196	4,889
Telephone	<u>15,499</u>	<u>17,276</u>
	<u>\$ 1,173,126</u>	<u>\$ 1,178,976</u>

See accountants' report and accompanying notes.