

**East Brandywine Township
Municipal Authority
(A Component Unit of
East Brandywine Township,
Chester County,
Pennsylvania)**

Financial Statements
Years Ended December 31, 2023 and 2022



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EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of East Brandywine Township, Chester County, Pennsylvania)

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INDEPENDENT AUDITOR'S REPORT

**East Brandywine Township Municipal Authority Board
East Brandywine Township Municipal Authority
Downingtown, Pennsylvania**

Opinion

We have audited the accompanying financial statements of East Brandywine Township Municipal Authority, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the East Brandywine Township Municipal 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 cash basis financial position of the East Brandywine Township Municipal Authority, as of December 31, 2023 and 2022, and the respective changes in its cash basis financial position for the years then ended in accordance with the cash basis of accounting described below.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 East Brandywine Township Municipal Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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 cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the 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 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 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 generally accepted 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, 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 East Brandywine Township Municipal 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 East Brandywine Township Municipal 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 through 5 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.

Philadelphia, Pennsylvania
, 2024

EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY

(A Component Unit of East Brandywine Township, Chester County, Pennsylvania)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023 and 2022

Management's discussion and analysis ("**MD&A**") of the East Brandywine Township Municipal Authority (the "**Authority**") provides an overview of the Authority's financial performance for 2023. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

The Authority was established through Ordinance Number 99-02 of East Brandywine Township (the "**Township**") on March 16, 1999. The Township created the Authority for the purpose of acquiring, holding, constructing, financing, improving, maintaining and operating a sewerage system for the collection and treatment of wastewater for the benefit of 1,388 customers in the communities of Keats Glen/Delaware County Community College, Hopewell/Guthriesville, Applecross/Applecross Country Club, Mapleview, Hideaway Farms and the Estates at Dowlin Forge. The activities of the Authority are accounted for as an enterprise fund of the proprietary fund type. An enterprise fund accounts for the operations that are financed and operated in a manner similar to private enterprises where the intent is that the cost of providing goods and services be recovered primarily through user fees and charges. The operating revenues of the Authority consist primarily of charges for services from customers.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities resulting in total net position of \$2,661,990 at the close of 2023. All of the Authority's net position as of December 31, 2023 is considered unrestricted. The Authority has internally reserved net position of \$562,880 for a capital reserve for the Applecross wastewater treatment facility, \$37,012 for a capital reserve for the Keats Glen wastewater treatment facility, \$32,764 for a capital reserve for the Hillendale wastewater treatment facility, \$246,834 to be spent on capital improvements as part of an American Rescue Plan Act grant received in 2023, and \$168,401 for reimbursement of debt service to the Township associated with the acquisition of the Applecross wastewater treatment facility.
- During 2023, the Authority's net position increased by \$558,052. Operating income for 2023 was \$522,507 and was offset by net nonoperating expenses of \$35,545 which consisted primarily of a \$283,541 reimbursement to the Township for debt service associated with the acquisition of the Applecross wastewater treatment facility offset by grant revenues of \$249,500.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS

The Authority's financial statements have been prepared on the cash basis of accounting. Accordingly, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

The *Statement of Net Position – Cash Basis* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position – Cash Basis* presents information showing how the Authority's net position changed during the most recent fiscal year.

The basic financial statements can be found on Pages 6 and 7 of this report.

EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of East Brandywine Township, Chester County, Pennsylvania)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023 and 2022

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The notes to the financial statements can be found on Pages 8 through 10 of this report.

FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of an entity's financial health. In the case of the Authority, assets exceeded liabilities by \$2,661,990 at December 31, 2023. A summary of the Statement of Net Position – Cash Basis as of December 31, 2023 and 2022 is presented below.

Statements of Net Position

	<u>2022</u>	<u>2023</u>
Assets		
Current assets	\$2,713,953	\$2,144,747
Liabilities		
Current liabilities	<u>51,963</u>	<u>40,809</u>
Net Position		
Unrestricted	<u>\$2,661,990</u>	<u>\$2,103,938</u>

The Authority's total assets as of December 31, 2023 were \$2,713,953 which consisted solely of the Authority's cash. The Authority's total liabilities as of December 31, 2023 were \$51,963 which consisted solely of developer escrow liabilities.

The Authority had unrestricted net position of \$2,661,990 at December 31, 2023. The Authority's unrestricted net position increased by \$558,052 during 2023.

The Authority's net position increased by \$558,052 during 2023. A summary of the Statement of Revenues, Expenses and Changes in Net Position – Cash Basis for the years ending December 31, 2023 and 2022 is presented below.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating revenues	\$1,435,788	\$1,608,032
Operating expenses	<u>913,281</u>	<u>931,213</u>
Operating income	<u>522,507</u>	<u>676,819</u>
Nonoperating revenues (expenses)		
Interest income	69,586	17,924
Grant revenues	249,500	-
Reimbursement to Township for debt service	<u>(283,541)</u>	<u>(286,169)</u>
Total nonoperating revenues (expenses)	<u>35,545</u>	<u>(268,245)</u>
Change in net position	<u>\$ 558,052</u>	<u>\$ 408,574</u>

**EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of East Brandywine Township, Chester County, Pennsylvania)**

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023 and 2022

The Authority's operating revenues for 2023 and 2022 consisted of user fees for wastewater treatment services, tapping fees in connection with new construction and administrative fees charged for developer escrow management. Operating revenues for 2023 decreased by \$172,244 when compared to 2022 primarily due to less tapping fees due to a reduction in tapping fee rates per agreements with developers. Operating expenses for 2023 and 2022 primarily consisted of wastewater treatment services and contracted services for engineering and sludge removal. Operating expenses for 2023 decreased by \$17,932 due to increased chemical and lab costs offset by lower engineering costs than 2022, which were elevated due to new sewer districts coming on line.

Nonoperating revenues and expenses consist of reimbursements to the Township for debt service associated with the acquisition of the Applecross development wastewater treatment facility and excess sewage treatment capacity described below. The grant revenue shown in 2023 is part of an American Rescue Plan funded grant from Chester County.

REIMBURSEMENT AND REPAYMENT AGREEMENT BETWEEN TOWNSHIP AND AUTHORITY

On January 25, 2017, the Township issued \$4,385,000 of general obligation bonds, Series of 2017 (the "**2017 Bonds**"), the proceeds from which were used for the acquisition of the Applecross development wastewater treatment facility and excess sewage treatment capacity and to pay for the costs of issuance. The 2017 Bonds are payable annually in varying amounts from December 2017 through December 2036, interest is payable semi-annually at rates ranging from 1.20% to 4.00% and are secured by the guaranty of the Township. In conjunction, with the issuance of the 2017 Bonds, the Authority accepted dedication and acquired the Applecross wastewater treatment facility and excess sewage treatment capacity and the Authority and Township entered into a repayment agreement for the 2017 Bonds. Pursuant to the repayment agreement, the Authority has pledged sewer revenues sufficient to retire the 2017 Bonds as they become due.

On January 26, 2021, the Township issued \$3,930,000 of general obligation bonds, Series of 2021A, (the "**2021A Bonds**") which advance refunded the 2017 Bonds. The 2021A Bonds have interest payable semi annually at rates ranging from 0.586%-2.671% and are secured by the guaranty of the Township. The 2021A bonds are payable annually in varying amounts from December 2021 through December 2036. The Township refunded the 2017 Bonds to reduce future debt service payments by \$248,544.

FACTORS BEARING ON THE AUTHORITY'S FUTURE

The Township's current sewerage system is sufficient to meet the Township's current needs. As new and/or extended service to existing or new development is required the Authority will evaluate the need to enhance the sewerage system and accommodate future growth in the Township.

The Mapleview 154-unit townhouse development is in progress and has a total 126 customers connected to date. Pending developments include the 87-unit Plank Farm and the 294-unit Brandywine Walk (aka Weaver Tract) development.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority Manager, East Brandywine Township Municipal Authority, 1214 Horseshoe Pike, Downingtown, PA 19335.

EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of East Brandywine Township, Chester County Pennsylvania)

STATEMENTS OF NET POSITION - CASH BASIS

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	<u>\$ 2,713,953</u>	<u>\$ 2,144,747</u>
LIABILITIES		
CURRENT LIABILITIES		
Developer escrows	<u>51,963</u>	<u>40,809</u>
NET POSITION		
Unrestricted	<u>\$ 2,661,990</u>	<u>\$ 2,103,938</u>

See accompanying notes

EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of East Brandywine Township, Chester County Pennsylvania)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Charges for services	\$ 1,394,361	\$ 1,369,644
Tapping fees	<u>41,427</u>	<u>238,388</u>
Total operating revenues	<u>1,435,788</u>	<u>1,608,032</u>
OPERATING EXPENSES		
Administrative expenses	73,871	111,838
Engineering services	91,493	142,249
Insurance	19,644	19,905
Professional services	9,272	22,084
Repairs and maintenance	92,976	95,111
Chemicals and lab supplies/testing	187,636	133,826
Sludge removal	126,696	101,026
Utilities	146,390	148,058
Wastewater treatment services	<u>165,303</u>	<u>157,116</u>
Total operating expenses	<u>913,281</u>	<u>931,213</u>
OPERATING INCOME	<u>522,507</u>	<u>676,819</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	69,586	17,924
Grant revenues	249,500	-
Reimbursement to Township for debt service	<u>(283,541)</u>	<u>(286,169)</u>
Total nonoperating revenues (expenses)	<u>35,545</u>	<u>(268,245)</u>
CHANGE IN NET POSITION	558,052	408,574
NET POSITION		
Beginning of year	<u>2,103,938</u>	<u>1,695,364</u>
End of year	<u>\$ 2,661,990</u>	<u>\$ 2,103,938</u>

See accompanying notes

EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of East Brandywine Township, Chester County, Pennsylvania)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Brandywine Township Municipal Authority (the "**Authority**") have been prepared in conformity with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. The significant accounting principles and policies utilized by the Authority are described below:

Organization and Reporting Entity

East Brandywine Township (the "**Township**"), a Second Class Township of the Commonwealth of Pennsylvania, adopted Resolution Number 99-02 on March 16, 1999, under the provisions of the Municipality Authorities Act of 1945, as amended, to organize the Authority for the purpose of acquiring, holding, constructing financing, improving, maintaining and operating a sewerage system for the collection and treatment of wastewater for the benefit of approximately 1,368 customers in the communities of Keats Glen/Delaware County Community College, Hopewell/Guthriesville, Mapleview, Hideaway Farms, Dowlin Forge and Applecross Country Club ("**Applecross**"). A Certification of Incorporation for the Authority was filed and recorded with the Office of the Secretary of the Commonwealth of Pennsylvania on April 28, 1999. The Authority's Board consists of five members appointed for a five-year term by the Township Board of Supervisors.

The Authority is a component unit of the Township. The Authority is reported as if it were part of the primary government because its sole purpose is to operate a sewer system for the benefit of the residents of the Township.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

The financial statements are presented using the cash basis of accounting. Accordingly, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

The net position of the Authority represents the difference between assets and liabilities and is classified in one of two components. The net position of the Authority is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of restricted net position.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

Revenues and expenses are segregated into operating and nonoperating items. Operating revenues generally result from providing service in connection with the Authority's principal operations. The principal operating revenues of the Authority are charges for services, tapping fees and administrative fees charged for developer escrow management. Operating expenses include the costs associated with the operation and administration of the sewer system. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Developer Escrows

Escrow accounts are held on behalf of developers within the Township and are custodial in nature and do not involve measurement of results of operations. The Authority has established developer escrows for sewer projects to be completed by the developer and for actuals costs incurred by the Authority's professional consultants. Developer escrows are reflected in the Statement of Net Position – Cash Basis as a liability until development costs are incurred by the Authority or the sewer project is completed and the funds are released to the developer.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the presentation in the 2023 financial statements.

(2) DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a policy for custodial credit risk on deposits. At December 31, 2023, the carrying amount of the Authority's deposits was \$2,713,953 and the bank balance was \$2,716,429. At December 31, 2022, the carrying amount of the Authority's deposits was \$2,144,747 and the bank balance was \$2,159,854. The Authority is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. At December 31, 2023, of the bank balance, \$2,229,461 was covered by federal depository insurance, and \$486,969 was collateralized by the Authority's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. At December 31, 2022, of the bank balance, \$2,089,397 was covered by federal depository insurance, and \$70,457 was collateralized by the Authority's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

(3) REIMBURSEMENT AND REPAYMENT AGREEMENT BETWEEN TOWNSHIP AND AUTHORITY

On January 25, 2017, the Township issued \$4,385,000 of general obligation bonds, Series of 2017 (the "**2017 Bonds**"), the proceeds from which were used for the acquisition of the Applecross wastewater treatment facility and excess sewage treatment capacity and to pay for the costs of issuance. The 2017 Bonds are payable annually in varying amounts from December 2017 through December 2036, interest is payable semi-annually at rates ranging from 1.20% to 4.00% and are secured by the guaranty of the Township. In conjunction, with the issuance of the 2017 Bonds, the Authority accepted dedication and acquired the Applecross wastewater treatment facility and excess sewage treatment capacity and the Authority and Township entered into a repayment agreement for the 2017 Bonds. Pursuant to the repayment agreement, the Authority has pledged sewer revenues sufficient to retire the 2017 Bonds as they become due.

On January 26, 2021, the Township issued \$3,930,000 of general obligation bonds, Series of 2021A, (the "**2021A Bonds**") which advance refunded the 2017 Bonds. The 2021A Bonds have interest payable semi-annually at rates ranging from 0.586%-2.671% and are secured by the guaranty of the Township. The 2021A bonds are payable annually in varying amounts from December 2021 through December 2036. The Township refunded the 2017 Bonds to reduce future debt service payments by \$248,544.

EAST BRANDYWINE TOWNSHIP MUNICIPAL AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Future minimum payments under this agreement are as follows:

<u>December 31,</u>	
2024	\$ 282,055
2025	290,318
2026	287,996
2027	285,359
2028	286,950
2029-2033	1,497,066
2034-2036	<u>916,742</u>
	<u>\$3,846,486</u>

(4) SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in the financial statements.