

**STORMWATER AUTHORITY OF THE  
CITY OF CHESTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
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**JUNE 30, 2023 AND 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Stormwater Authority of the City of Chester  
Chester, Pennsylvania

### **Opinion**

We have audited the accompanying financial statements of the business-type activities of the Stormwater Authority of the City of Chester ("the Authority"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the 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 respective financial position of the business-type activities of the Authority, as of June 30, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **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 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 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 and budgetary comparison information on pages 3 through 7 and on pages 29 through 32 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.



Brinker Simpson & Company, LLC  
Media, Pennsylvania  
February 13, 2025

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2023 AND 2022**

This section of the annual financial report of the Stormwater Authority of the City of Chester, hereafter referred to as "Authority", presents management's analysis of the Authority's financial condition, changes in financial position, and cash flows for the year ended June 30, 2023.

The Stormwater Authority of the City of Chester is a municipal authority under the Commonwealth of Pennsylvania established by the City of Chester, Pennsylvania in October, 2016. The purpose of the Authority is to continue maintaining drainage and flood control facilities related to the operation of the infrastructure, as well as plan, fund, and construct improvements to the infrastructure within the Authority's boundaries.

**Financial Highlights**

The Authority's Board adopts its rates at an annual Board meeting. Based on the operating expenses, capital spending, and debt service, the budgeted fees are determined. Budgeted Operating Revenue is allocated to each parcel's square footage that may contribute to managing the stormwater runoff.

At the end of the fiscal year ending June 30, 2023, the total assets and deferred outflows increased \$299,149 to reflect total assets and deferred outflows of \$32,470,039. The total liabilities and deferred inflows increased \$294,564 to reflect total liabilities and deferred inflows of \$28,211,902. This resulted in an increase in Net Position of \$430,285 to reflect total Net Position of \$4,258,137.

Capital Assets and Construction in Progress spending during the fiscal year ended June 30, 2023, was \$2,131,999. Depreciation expense related to Capital Assets during this fiscal year was \$806,323 resulting in a net increase of \$1,325,676 of Capital Assets and Construction in Progress. The net total Capital Assets and Construction in Progress at year-end is \$30,438,014.

Operating revenues during the fiscal year were \$3,732,475 which is an 9% decrease compared to the prior year. Total operating revenues were 81% of the budget. Continuing efforts to increase cash inflows the Authority is actively engaged with a collection agency, representing approximately 3,800 parcels.

Operating expenses, excluding bad debt and depreciation expense for the year were \$2,588,316. This was an increase of \$90,995 or 4% increase over the prior year. Total operating expenses, excluding depreciation, were over budget by \$71,908 or 3%.

Non-operating income and expenses are not included in this analysis.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**Overview of Annual Financial Statements**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the independent auditor's report and the Authority's audited financial statements, as well as the notes related to the financial statements, which follow this section.

The annual report consists of three parts: the MDA, the financial statements, and related notes to the financial statements.

The financial statements report information about the Authority using full accrual accounting methods similar to those used by the private sector.

The financial statements include: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and the related Notes to Financial Statements along with required Supplemental information.

The Statement of Net Position presents the financial position of the Authority on a full accrual, historical cost basis. This statement present information on the Authority's assets and liabilities with the difference, or total assets in excess of total liabilities, reported as net position.

While the Statement of Net Position provide information about the nature and amount of resources and obligations at fiscal year end, the Statement of Revenues, Expenses and Changes in Net Position present the results of the business activities and the amount by which the net position changed at the end of the fiscal year. Changes in net position are reported as an underlying event giving rise to the changes occurring during the fiscal year, regardless of the timing of the related cash flows. These statements also provide certain information about the Authority's recovery of its capital costs.

The Statement of Cash Flows report changes in cash and cash equivalents resulting from; operating activities; capital and related financing activities; and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event; when an obligation arises; or depreciation of capital assets.

The Notes to Financial Statements provide required disclosures and other information that are essential to a full understanding of the financial data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The Supplementary Information includes the Statement of Revenues, Expenses and Changes in Net Position compared to the Authority's approved operating budget.

The financial statements were prepared from the books and records of the Authority and audited annually by an independent external audit firm.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**Summary of Organization and Business**

Changes made to the Pennsylvania Municipal Authorities Act in 2013 allows for the formation of stormwater authorities to address stormwater-related issues through planning, management, and implementation of stormwater controls. In response to these changes, the Stormwater Authority of the City of Chester was formed to regulate discharges to the Municipal Separate Storm Sewer System (MS4) to protect the City of Chester and Delaware County's water bodies and groundwater and to safeguard the public health, safety, welfare and the environments. The Authority is a body created in October 2016 under the provisions of the PA Municipal Authority Act. The governing body of the Authority is a Board consisting of five members. The Board consists of a Chairperson, Vice-Chairperson, Secretary and Treasurer and such other Board members as the Officers deem necessary. The Board appointed an Executive Manager who shall have general and active management responsibility of the affairs of the Authority and shall jointly with the Chairperson executive all contracts of the Authority.

**Financial Analysis**

The following is a condensed statement of net position of the Authority on June 30, 2023 and 2022.

	2023	2022
<b>Assets and Deferred Outflows of Resources:</b>		
Current assets	\$ 1,729,663	\$ 2,896,343
Capital assets	12,976,871	13,064,616
Construction in progress	17,461,143	16,047,722
Other assets	61,029	-
<b>Total Assets</b>	32,228,706	32,008,681
<b>Deferred Outflows of Resources</b>	241,333	162,209
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 32,470,039	\$ 32,170,890
<b>Liabilities:</b>		
Short-term liabilities	\$ 1,866,912	\$ 3,837,330
Long-term liabilities	26,317,572	24,494,555
<b>Total Liabilities</b>	28,184,484	28,331,885
<b>Deferred Inflows of Resources</b>	27,418	11,153
<b>Net Position:</b>		
Invested in capital assets	2,716,957	1,507,774
Restricted	1,541,180	2,320,078
<b>Total Net Position</b>	4,258,137	3,827,852
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	\$ 32,470,039	\$ 32,170,890

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2023 AND 2022**

At June 30, 2023, the Authority's current assets are comprised of; cash in banks of \$268,547 and accounts receivable net of doubtful accounts of \$1,420,907. Prepaid expense of \$40,209 represents the remaining amount of current assets. The capital assets are comprised of; infrastructure, construction in progress, buildings, equipment and vehicles, net of accumulated depreciation of \$4,315,121, represents \$30,438,014. Two construction projects are presently in progress and another project had begun in the following fiscal year. All associated costs of construction in progress are capitalized and upon completion added as additions to infrastructure and began depreciation. Depreciable infrastructure cost recovery reflected in statement of activity is based on recovery of costs over the next twenty-five years once placed in service.

The Authority's short-term liabilities of \$1,866,912 are comprised of; accrued costs related to construction and operating expenses of \$797,918 and the current portion of Pennvest long term debt of \$1,057,201. The long-term liabilities of \$26,317,572 include the net pension liability of \$179,956, and \$26,088,824 representing long-term portion of Pennvest debt. Each Pennvest loan funds a separate construction project of which there were five existing projects with three completed in the past year and two in construction status. Additionally, after this fiscal year end, a sixth project began from approved funding from Pennvest, in the form of a grant, more than \$9,900,000. Under the terms of each loan from Pennvest, no principal payments are required on the loans for up to 36 months beginning at the loan origination date, but interest is due on any amounts borrowed from the approved amounts.

The following is a condensed statement of revenues, expenses, and changes in net position for the Authority for the years ended June 30, 2023 and 2022.

	2023	2022
<b>Operating Revenues:</b>		
Storm drainage utility fees	\$ 3,732,475	\$ 4,098,891
<b>Total Operating Revenues</b>	3,732,475	4,098,891
<b>Operating Expenses:</b>		
Expenses except depreciation	2,834,508	4,199,006
Depreciation	806,323	653,205
<b>Total Operating Expenses</b>	3,640,831	4,852,211
<b>Other Nonoperating Revenue</b>		
Refund for prior year expenditures	120,000	1,506,140
Interest income	1,155	446
Rental income	23,836	12,947
Miscellaneous income - collection of placement fees	34,691	-
Contributed infrastructure- change in accounting estimate	425,700	-
<b>Total Nonoperating Revenue</b>	605,382	1,519,533
<b>Other Nonoperating Expense</b>		
Interest expense	(266,741)	(249,136)
<b>Change in Net Position</b>	430,285	517,077
<b>Net Position - Beginning</b>	3,827,852	3,310,775
<b>Net Position - Ending</b>	\$ 4,258,137	\$ 3,827,852



**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2023 AND 2022**

The Authority was created by the City of Chester to establish a Stormwater Authority to manage, maintain and improve existing infrastructure and to transfer the City's infrastructure to the Stormwater Authority.

During this fiscal year ended, two projects remain in progress with another anticipated project to begin and funded by a Pennvest grant. During this fiscal year, the Authority was servicing debt on three Pennvest loans associated to three completed projects.

**Economic Factors and Next Year's Budget and Rates**

The Stormwater Authority of the City of Chester continues to focus and invest on improving the stormwater management and enhancing the infrastructure. The Authority's goal is to enable the stormwater to efficiently manage water runoff and reduce contaminants from entering the region's freshwater system. Three projects have been completed, with another two nearing completion, and a sixth project in the beginning phases of progress.

The Authority was awarded a \$9.9 million dollar grant in the following month after this year ended in July 2023. From this grant, project #6 at the time of release of these financial statements has begun with more improvement to the infrastructure and redirect the flow of stormwater away from a wastewater treatment plant.

The annual budget developed for the following year has presented a significant increase to close a gap existing with the operating expenses of the Authority and matching operating income. Delinquencies associated with non-payment from residence was considered in determining a fee structure enabling the Authority to properly maintain the infrastructure's operations. The additional consideration was based on analysis of historical trends of collections compared to invoiced amounts, and other considerations. The budgeted expenses represent anticipated costs of operating expenses, capital expenditures and debt service. These uncertain times requires review of project costs increases caused by the present economic conditions. Actual costs of operations include adjustments to accounts receivable for Bad debt allowance and Depreciation which are considered noncash amounts and were considered part of the budget.

This report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided or requests for additional information should be addressed to the Director of Finance and Administration at:

Stormwater Authority of the City of Chester  
31 East 5<sup>th</sup> Street  
Chester, PA 19013  
Phone # 610-872-1000

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2023 AND 2022**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash and Cash Equivalents:		
WSFS#6847 Tranche 5 (72818) Checking	\$ 45,853	\$ 5,735
WSFS#5577 Tranche 4 (78023) Checking	45,923	6,691
WSFS#5740 Tranche 3 (72817) Checking	15,271	18,472
WSFS#8023 Tranche 2 (72701) Checking	19,151	23,758
WSFS#8090 Tranche 1 (72811) Checking	24,057	27,196
WSFS #8451 (Operational)	27,189	602,563
C&N CK #8895	24,234	186,827
C&N MM #8779	26,256	150,186
WSFS MM #6470 ICS	40,613	750,527
<b>Total Cash and Cash Equivalents</b>	<b>268,547</b>	<b>1,771,955</b>
Accounts Receivable:		
Accounts receivable	4,500	4,500
Accounts receivable - Minol	-	1,720,603
Accounts receivable - Portnoff	2,269,878	3,058,918
Accounts receivable - Vadar	2,694,256	-
Accounts receivable - Other	2,997	-
Allowance for bad debts	(3,550,724)	(3,700,000)
<b>Total Accounts Receivable</b>	<b>1,420,907</b>	<b>1,084,021</b>
Other Current Assets		
Prepaid Expenses	40,209	40,367
<b>Total Current Assets</b>	<b>1,729,663</b>	<b>2,896,343</b>
<b>Capital Assets- Fixed Assets</b>		
Land	269,828	89,516
Buildings:		
3215 W 3rd St	453,620	404,450
29 E 5th St	212,577	175,432
31 E 5th St	752,710	725,110
410 Welsh St	266,990	181,990
21-25 E 5th St and 22-24 E 4th St	128,582	-
Infrastructure	14,047,292	14,047,292
Vehicles, Equipment, Furniture	1,160,393	949,624
Accumulated depreciation	(4,315,121)	(3,508,798)
<b>Net Fixed Assets</b>	<b>12,976,871</b>	<b>13,064,616</b>
<b>Capital Assets - Construction in Progress</b>		
CIP- Tranche 4	8,768,834	8,421,847
CIP- Tranche 5	8,692,309	7,625,875
<b>Total Construction in Progress</b>	<b>17,461,143</b>	<b>16,047,722</b>
<b>Other Assets</b>		
Subscription-based IT arrangements right-of-use assets, net	61,029	-
<b>Deferred Outflows of Resources</b>		
Pension contributions, difference between expected and actual experience	241,333	162,209
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 32,470,039</b>	<b>\$ 32,170,890</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2023 AND 2022**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

	<b>2023</b>	<b>2022</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accrued expenses	\$ 745,094	\$ 2,725,585
Accrued interest	22,622	20,830
Accrued payroll and taxes	30,202	83,976
Current portion of subscription-based IT arrangement obligation	11,793	-
Current portion of long term debt	1,057,201	1,006,939
<b>Total Current Liabilities</b>	<b>1,866,912</b>	<b>3,837,330</b>
<b>Long-term Liabilities:</b>		
Deferred revenue - Infrastructure	-	425,700
Net pension liability	179,956	80,339
Subscription-based IT arrangement obligation, net of current portion	48,792	-
Pennvest Loan A #72811- Tranche 1	3,787,716	3,909,823
Pennvest Loan B #72701- Tranche 2	3,281,257	3,421,062
Pennvest Loan C #72817- Tranche 3	2,592,778	2,676,592
Pennvest Loan D #78023- Tranche 4	8,212,029	7,383,301
Pennvest Loan E #72818- Tranche 5	8,215,044	6,597,738
<b>Total Long-Term Liabilities</b>	<b>26,317,572</b>	<b>24,494,555</b>
<b>Total Liabilities</b>	<b>28,184,484</b>	<b>28,331,885</b>
<b>Deferred Inflows of Resources</b>		
Pension contributions, differences between projected and actual earnings on plan investments	27,418	11,153
<b>Net Position</b>		
Invested in capital assets, net of related debt	2,716,957	1,507,774
Restricted	1,541,180	2,320,078
<b>Total Net Position</b>	<b>4,258,137</b>	<b>3,827,852</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 32,470,039</b>	<b>\$ 32,170,890</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>Operating Revenues</b>		
Certification fees	\$ 18,076	\$ 20,950
Stormwater revenue - in-house billing	627,664	740,348
Stormwater revenue - Minol	2,101,331	3,337,593
Stormwater revenue - Vadar	985,404	-
<b>Total Operating Revenues</b>	<b>3,732,475</b>	<b>4,098,891</b>
<b>Operating Expenses</b>		
Advertising and marketing	12,253	4,945
Bad debts expense	246,192	1,701,685
Bank charges and fees	2,420	814
Billing company fees	165,886	232,204
Charitable contributions	27,255	23,100
Depreciation expense	806,323	653,205
Dues and subscriptions	2,600	2,495
Gas	28,460	27,609
Insurance - liability, worker compensation	68,379	48,244
Insurance - medical, dental	237,514	264,513
Job supplies	4,038	11,878
Legal and professional services	239,479	383,394
Meals and entertainment	2,662	4,561
Miscellaneous expense	97	-
Office supplies and software	16,802	11,528
Outside services	77,771	64,400
Payroll processing fees	1,807	2,231
Payroll taxes - employer	93,727	93,480
Payroll wages and salary	1,153,372	1,159,850
Permits and inspections	19,091	941
Postage	31,757	-
Fringe benefits	158,298	76,302
Refund	1,191	834
Repairs and maintenance	48,753	50,686
SAC staff expenses	4,408	-
Software expenses	51,180	-
Supplies and materials	9,291	8,856
Taxes and licenses	11,326	755
Telephone	16,468	9,117
Training	70,200	-
Travel	4,763	-
Utilities	27,068	14,584
<b>Total Operating Expenses</b>	<b>3,640,831</b>	<b>4,852,211</b>
<b>Net Operating Income (Loss)</b>	<b>91,644</b>	<b>(753,320)</b>
<b>Nonoperating Revenues</b>		
Refund for prior year expenditures	120,000	1,506,140
Rental Income	23,836	12,947
Interest income	1,155	446
Miscellaneous income - collection of placement fees	34,691	-
Contributed infrastructure- change in accounting estimate	425,700	-
<b>Total Nonoperating Revenues</b>	<b>605,382</b>	<b>1,519,533</b>
<b>Nonoperating Expenses</b>		
Interest expense	(266,741)	(249,136)
<b>Net Nonoperating Revenues</b>	<b>338,641</b>	<b>1,270,397</b>
<b>Net Income</b>	<b>430,285</b>	<b>517,077</b>
<b>Net Position - Beginning of Fiscal Year</b>	<b>3,827,852</b>	<b>3,310,775</b>
<b>Net Position - End of Fiscal Year</b>	<b>\$ 4,258,137</b>	<b>\$ 3,827,852</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from service fees	\$ 3,152,392	\$ 3,129,350
Cash paid to and on behalf of employees	(1,680,049)	(1,560,824)
Cash paid for administrative activities	(873,089)	(911,164)
	<b>599,254</b>	<b>657,362</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Debt incurred	3,162,987	5,484,875
Debt retired	(1,012,417)	(507,632)
Interest paid	(264,949)	(231,829)
Capital expenditures	(718,578)	(76,461)
Construction in progress	(3,449,387)	(5,509,364)
	<b>(2,282,344)</b>	<b>(840,411)</b>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>		
Debt retired	-	(312,826)
Other receipts	154,691	1,506,140
Rental income	23,836	12,947
	<b>178,527</b>	<b>1,206,261</b>
<b>Cash Flows From Investing Activities</b>		
Interest income	1,155	446
	<b>(1,503,408)</b>	<b>1,023,658</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
	<b>1,771,955</b>	<b>748,297</b>
<b>Cash and Cash Equivalents, Beginning</b>		
	<b>\$ 268,547</b>	<b>\$ 1,771,955</b>
<b>Reconciliation of operating income to cash flows provided by operating activities</b>		
Operating income (loss)	\$ 91,644	\$ (753,320)
Adjustments to reconcile operating income (loss) to cash flows provided by operating activities;		
Depreciation expense	806,323	653,205
Bad debt expense	246,192	1,701,685
Non-cash subscription-based IT arrangements cost	(128)	-
Other	-	(6,475)
Changes in:		
Accounts receivable	(583,078)	(931,560)
Prepaid expenses	(158)	(4,604)
Deferred outflows of resources	(79,124)	(44,063)
Accrued expenses	1,701	83,159
Net pension liability	99,617	(11,207)
Deferred revenue	-	(37,981)
Deferred inflows of resources	16,265	8,523
	<b>\$ 599,254</b>	<b>\$ 657,362</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Stormwater Authority of the City of Chester ("the Authority") was incorporated on October 28th of 2016. The Authority, under the provisions of the Municipal Authorities Act, will enhance, protect and safeguard the water bodies and groundwater and improve the public health and safety within the Authority's boundaries.

**Reporting Entity**

The Authority is a separate governmental entity. The Authority's board of directors includes City of Chester council members and directors along with two board members of the Chester Water Authority.

The Authority was established to maintain, repair and improve the existing infrastructure, and design and develop an infrastructure separate from the existing wastewater infrastructure, which the Authority is presently part of. The Authority took legal possession of the stormwater infrastructure in September 2018. Work began on improving the infrastructure prior to receiving legal ownership from grants and loans. Funding for repairs and improvements to the infrastructure presently consists of five active projects in place as of June 30, 2023, and an anticipated sixth project to begin in the next fiscal year.

The Authority follows Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities are to be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of the government governing body. Financial accountability includes, but is not limited to, the appointment of a majority of the organization's governing body, who has the ability to impose its will on the organization.

The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority adheres to the provisions of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and GASB Statement No. 38, "Certain Financial Statement Note Disclosure". GASB No. 34 established standards for external financial reporting for certain state and local governmental entities, which includes a statement of net position; a statement of revenues, expenses and change in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, net of related debt; restricted; and unrestricted net position.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Budgets and Budgetary Accounting**

The Authority's management prepares the Authority's operating budget. The Authority's Director submits a proposed operating budget to its Board of Directors before the beginning of the fiscal year. The Board adopts the budget and passes the appropriation resolution. After commencement of the fiscal year, the appropriation is irrevocable. However, the Board may adopt supplemental appropriations by resolution due to circumstances which could not be foreseen at the time of the adoption of the original budget. The budget lapses at the end of each year.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statement of Cash Flows**

For purposes of the statement of cash flows, the Authority considers highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

**Accounts Receivables**

Accounts receivables are expressed net of allowances for bad debts. The Authority has established an allowance for bad debts, as of June 30, 2023 and 2022, in the amounts of \$3,550,724 and \$3,700,000, respectively. The allowance is determined based on collection rates and management's analysis of specific accounts. The Authority is working with a collection agency to pursue delinquent accounts and file liens on properties with delinquent balances. As of the date of the financial statements, collections from delinquent accounts managed by the collection agency have resulted in 15% collections of the assigned accounts.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Capital Assets**

Capital assets, which include infrastructure, property, and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an estimated useful life greater than one year. The Authority has set a threshold of \$1,500 in determining expenditures to be capitalized and depreciated over a useful life as follows:

Infrastructure	25 years
Buildings	30 years
Office furniture and fixtures	7 years
Vehicles	5 years

Certain capital expenditures related to construction in progress of the infrastructure ("CIP") are not depreciated. When construction projects are complete, the project cost is transferred to the infrastructure account and depreciation of the capital cost begins. On September 12, 2018, the mayor of the City of Chester transferred the infrastructure assets they maintained over to the Stormwater Authority of the City of Chester to continue maintaining and to seek funding for improving the infrastructure. These assets are continuing to be depreciated over their remaining useful lives.

Expenditures for maintenance, repairs and minor replacements, which do not improve or extend the life of the asset, are expensed as incurred.

**Compensated Absences**

The Authority's policy is to accrue an expense and liability for earned, unpaid employee vacation, sick leave, and compensatory time. \$30,202 and \$38,693 have been accrued for compensated absences and included in accrued payroll and taxes at June 30, 2023 and 2022, respectively.

**Net Position**

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following components:

*Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition, construction or improvement of those assets.

*Restricted* - This component of net position consists of constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law.

*Unrestricted* - This component of net position consists of net position that does not meet the definition of net investment in capital assets, or restricted.



**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenues) until that time.

**New Accounting Pronouncements**

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by governments. This Statement increases usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for the arrangements that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. Under this Statement, a user of the SBITA is required to recognize a SBITA liability and an intangible right-to-use SBITA asset, thereby enhancing the relevance and consistency of information about governments' SBITA's activities. The Statement is effective for reporting periods beginning after June 15, 2022. The Authority adopted the Statement effective July 1, 2022. The adoption of the Statement did not have a material impact on the Authority's results of operations or cash flows, it primarily resulted in enhanced disclosures.

**NOTE 2: CREDIT RISK**

**Custodial Credit Risk**

Cash of the Authority may be exposed to custodial credit risk for amounts in excess of the federal depository insurance amount of \$250,000 per bank. At June 30, 2023, bank account balances were not in excess of \$250,000.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 89,516	\$ 180,312	\$ -	\$ 269,828
Construction-in-progress	16,047,722	1,413,421	-	17,461,143
Capital Assets Not Being Depreciated	<u>16,137,238</u>	<u>1,593,733</u>	<u>-</u>	<u>17,730,971</u>
Capital assets being depreciated:				
Buildings	1,486,982	327,497	-	1,814,479
Infrastructure	14,047,292	-	-	14,047,292
Vehicles, Equipment and Furniture	949,624	210,769	-	1,160,393
Capital Assets Being Depreciated	<u>16,483,898</u>	<u>538,266</u>	<u>-</u>	<u>17,022,164</u>
Less accumulated depreciation	<u>(3,508,798)</u>	<u>(806,323)</u>	<u>-</u>	<u>(4,315,121)</u>
Net Capital Assets Being Depreciated	<u>12,975,100</u>	<u>(268,057)</u>	<u>-</u>	<u>12,707,043</u>
Net Capital Assets	<u>\$ 29,112,338</u>	<u>\$ 1,325,676</u>	<u>\$ -</u>	<u>\$ 30,438,014</u>

**NOTE 4: DEBT**

There are five Pennvest loans (Pennsylvania Infrastructure Investment Authority) bearing interest at a rate of 1.0%, which represent funding for individual infrastructure projects. The approved amount of each loan is listed below. The proceeds of each Pennvest loan during this fiscal year and beyond are disbursed periodically based on reimbursing costs incurred during the construction and completion of each project. The Authority's future planning and related capital spending on infrastructure continues to utilize the loan proceeds. The loan amounts provided to the Authority from Pennvest are listed below. Each project is individually accounted for.

The terms of each loan allow the Authority to pay interest only, at rate of 1%, for up to 36 months. After that time, principal and interest payments begin on the existing loans. Principal payments began during 2021. The loans are amortized over 20 years with maturity dates in 2041, 2042 and 2043, relative to each loan's origination date.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 4: DEBT (continued)**

	Balance July 1, 2022	Borrowings	Repayments	Balance June 30, 2023
Pennvest - \$4,888,205 - Tranche #1	\$ 4,116,703	\$ 25,871	\$ (206,881)	\$ 3,935,693
Pennvest - \$4,822,315 - Tranche #2	3,609,952	-	(196,382)	3,413,570
Pennvest - \$3,447,464 - Tranche #3	2,819,607	16,966	(143,015)	2,693,558
Pennvest - \$9,980,156 - Tranche #4	7,695,663	1,178,284	(311,827)	8,562,120
Pennvest - \$9,946,801 - Tranche #5	6,753,530	1,941,866	(154,312)	8,541,084
	<u>\$ 24,995,455</u>	<u>\$ 3,162,987</u>	<u>\$ (1,012,417)</u>	<u>\$ 27,146,025</u>

The principal and interest payments on the individual loans for the future are as follows. Each Pennvest loan represents a separate project. The Authority is working towards improving the management of water runoff issues that have existed for many years. Future principal and interest payments are based on amounts borrowed as of the financial statement date. An additional \$552,412 was borrowed from approved loan proceeds after the fiscal year ended, related to Pennvest loan Tranche #5. This increases future debt service relative to the loan. See subsequent events, Note 9, for additional information.

Future principal payments are as follows:

For the Years Ending June 30:	Pennvest #1	Pennvest #2	Pennvest #3	Pennvest #4	Pennvest #5	Total
2024	\$ 147,977	\$ 132,313	\$ 100,780	\$ 350,091	\$ 326,040	\$ 1,057,201
2025	199,054	177,968	135,554	470,811	422,990	1,406,377
2026	201,054	179,756	136,916	475,541	427,241	1,420,508
2027	203,074	181,561	138,291	480,318	432,533	1,435,777
2028	205,114	183,385	139,680	485,143	435,868	1,449,190
Thereafter	2,979,420	2,558,587	2,042,337	6,300,216	6,496,412	20,376,972
	<u>\$ 3,935,693</u>	<u>\$ 3,413,570</u>	<u>\$ 2,693,558</u>	<u>\$ 8,562,120</u>	<u>\$ 8,541,084</u>	<u>\$ 27,146,025</u>

Future interest payments are as follows:

For the Years Ending June 30:	Pennvest #1	Pennvest #2	Pennvest #3	Pennvest #4	Pennvest #5	Total
2024	\$ 38,755	\$ 33,585	\$ 26,516	\$ 84,165	\$ 88,087	\$ 271,108
2025	36,966	31,998	25,308	79,967	86,090	260,329
2026	34,967	30,210	23,946	75,237	81,840	246,200
2027	32,947	28,405	22,570	70,460	76,549	230,931
2028	30,907	26,581	21,181	65,635	73,213	217,517
Thereafter	199,210	164,386	137,446	376,947	529,098	1,407,087
	<u>\$ 373,752</u>	<u>\$ 315,165</u>	<u>\$ 256,967</u>	<u>\$ 752,411</u>	<u>\$ 934,877</u>	<u>\$ 2,633,172</u>

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 5: DEFERRED REVENUE/CHANGE IN ACCOUNTING ESTIMATE**

On September 12, 2018, after a resolution signed by the mayor of the City of Chester, the stormwater infrastructure owned and maintained by the City was transferred to the Authority. The value received, was determined as the remaining depreciable value per the City's records, was being realized as annual revenue by the Authority over a 15-year period beginning on September 12, 2018.

During fiscal year ended June 30, 2023, due to a change in accounting estimate, management determined there was no basis to continue to carry and amortize the Deferred revenue. The \$425,700 balance of Deferred revenue has been recharacterized as Contributed Infrastructure on the Statement of Revenue, Expenses and Changes in Net Position as Non-Operating income.

**NOTE 6: COMMITMENTS**

The Authority enters into agreements with various contractors to complete open construction in progress projects. As of June 30, 2023, the Authority had no outstanding commitments to contractors. As of June 30, 2022, the balance to finish, including retainage, on these agreements was approximately \$3,720,000.

**NOTE 7: PENSION PLAN**

**Plan Description**

The Stormwater Authority of the City of Chester Non-Uniform Defined Benefit Plan is a single-employer contributory defined benefit pension plan controlled by provisions of Resolution No. 2013-2 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the publications page of the PMRS website at [www.pmrs.state.pa.us](http://www.pmrs.state.pa.us), or a copy can be obtained by contact the PMRS accounting office at 717-787-2065. The most recent actuarial valuation date is January 1, 2023. The following table provides information concerning the Authority's pension plan as of December 31, 2022 (the most recent actuarial valuation date of the plan):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$1,054,140
Benefit vesting	100% after five years
Normal retirement date	After 65 <sup>th</sup> birthday
Annual retirement benefit	1.50% times years of credited service times final average salary
Final salary	Average monthly compensation of 60 consecutive months of the most recent 120 consecutive months
Required employee contributions	Not required

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7: PENSION PLAN (continued)**

The following table contains the number of active employees, inactive employees entitled to but not yet receiving benefits, and inactive employees or beneficiaries currently receiving benefits from the Plan based upon the most recent actuarial valuation date January 1, 2023:

**Employees Covered by Benefit Terms**

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	14
<b>Total Participant Count</b>	<b>14</b>

**Benefits Provided**

The following is a summary of the Plan benefit provisions:

- *Eligibility Requirements:*
  - Normal Retirement – Age 65
  - Early Retirement – Age 55 and after 20 years of credited service
  - Vesting – 100% after the completion of 15 years of service
- *Retirement Benefit:* Benefit equals 1.50% times credited years of services, times Final Average Salary (FAS)
- *Disability Benefit:* For services connected disability pension benefits, 50% benefit provided to a member of the service who is unable to perform gainful employment regardless of age who has at least 10 years of service, and for disability pension benefits, 30% benefit provided to a member who is unable to perform gainful employment regardless of age who has at least 10 years of service.
- *Interest rate credited to member contributions:* 5.25%

**Basis of Accounting**

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Method Used to Value Investments**

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7: PENSION PLAN (continued)**

**Contributions**

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. In accordance with the plan's governing Ordinance, members are not required to contribute to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the Authority in accordance with Act 205. For the year ended June 30, 2023 and 2022, the Authority was required to contribute \$109,500 and \$86,009, respectively.

**Expenses**

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant plan related costs. The above expenses are allocated by PMRS to each employer account pro-rata based on their beginning fiduciary net position.

**Net Pension Liability (Asset)**

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2022 was determined as part of an actuarial valuation at January 1, 2023. The measurement date for the net pension liability is December 31, 2022, which is no earlier than the end of the prior fiscal year. The actuarial assumptions used in the January 1, 2023 valuation are as follows:

Actuarial Assumptions:	
Inflation	2.80%
Salary Increases	Age Related Scale
Investment rate of return	5.25%
Mortality Rates	RP-2000 Mortality Tables

**Long Term Expected Rate of Return on Investments**

An experience study of PMRS was conducted in July 2017. The PMRS System's long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. Expected future real rates of return are based primarily on the 20 year historic nominal rates assuming that investment expenses will be offset by the additional return performance derived from active investment management. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 2.8% to produce the rates of return. Best-estimates for each major class included in the Plan's target asset allocation as of December 31, 2022 are listed in the table below:

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 7: PENSION PLAN (continued)**

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities Large Cap	24.5%	5.00%
Domestic Equities Small Cap	8.0%	5.70%
International Equities Developed Markets	14.5%	5.10%
International Equities Emerging Markets	3.0%	5.51%
Global Equities	5.0%	4.53%
Real estate	10.0%	4.92%
Core	24.0%	2.10%
Timber	5.0%	4.00%
Fixed Income	5.0%	5.50%
Cash	1.0%	-0.30%
Total Net Blended Return		<u>4.93%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used by PMRS for each municipal plan, used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the PMRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. PMRS is required by law to establish a discount rate equal to the regular interest rate. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Based upon the Plan's current targeted investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

This schedule does not reflect changes in benefits, assumptions or reserve accounts after the Measurement Date. Except where noted below, the TPL as of December 31, 2022 was based on the data, actuarial methods and assumptions, and plan provisions. The assumptions used to determine the TPL as of the December 31, 2021 measurement date can be found in the January 1, 2022 PMRS actuarial valuation report or the prior year's GASB report.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7: PENSION PLAN (continued)**

**Change in Net Pension Liability**

The table below shows the changes in the Total Pension Liability (Asset), the Plan Fiduciary Net Position (i.e., fair value of Plan assets) during the Measurement Period, and the Net Pension Liability (Asset) as of the Measurement Date.

This report does not reflect changes in benefits, assumptions or reserve accounts after the Measurement Date. Except where noted below, the TPL as of December 31, 2022 was based on the date, actuarial methods and assumptions, and plan provisions described in Appendix A and Appendix E. The assumptions used to determine the TPL as of the December 31, 2021 measurement date can be found in the January 1, 2022 PMRS actuarial valuation report or the prior year's GASB report.

\*Reflects the net investment income (loss) of (\$61,901) and the income (loss) due to the difference between expected and actual asset values of \$22,303, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

	<b>Change in Net Pension Liability</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (Asset) (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balances at December 31, 2021</b>	<b>\$ 315,632</b>	<b>\$ 236,992</b>	<b>\$ 78,640</b>
<b>Changes for the year:</b>			
Service cost	101,287	-	101,287
Interest	21,888	-	21,888
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	57,007	-	57,007
Contributions - employer	-	103,533	(103,533)
Contributions - PMRS assessment	-	380	(380)
Contributions - employee	-	-	-
PMRS investment income	-	15,764	(15,764)
Market value investment income *	-	(39,598)	39,598
Transfers	-	-	-
Benefit payments	-	-	-
PMRS administrative expense	-	(380)	380
Additional administrative expense	-	(833)	833
<b>Net changes</b>	<b>180,182</b>	<b>78,866</b>	<b>101,316</b>
<b>Balances at December 31, 2022</b>	<b>\$ 495,814</b>	<b>\$ 315,858</b>	<b>\$ 179,956</b>



**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
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**NOTE 7: PENSION PLAN (continued)**

According to GASB Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes to determine the respective employer "plan fiduciary net position."

PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional Administrative Expenses" are the expenses in excess of the "PMRS Administrative Expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS Investment Income" is based upon the regular and excess interest used to credit accounts annually. The "Market Value Investment Income" reflects the investment income/(loss) during the year net of PMRS investment income and the income/(loss) due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the Net Pension Liability (NPL) can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

	<b>1% Decrease 4.25%</b>	<b>Discount Rate 5.25%</b>	<b>1% Increase 6.25%</b>
Total Pension Liability	\$ 583,539	\$ 495,814	\$ 424,719
Plan Fiduciary Net Position	315,858	315,858	315,858
<b>Net Pension Liability</b>	<b>\$ 267,681</b>	<b>\$ 179,956</b>	<b>\$ 108,861</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.13%	63.70%	74.37%

**Schedule of Employer Reporting Amounts**

The impact of investment gains or losses are recognized in the pension expense over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below. The impact of plan changes is recognized immediately.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. Also, assumption changes as of the Measurement Date have been reflected.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7: PENSION PLAN (continued)**

Schedule of Deferred Inflows and Outflows

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 6,661	\$ 105,782
Changes in assumptions	684	-
Net difference between projected and actual earnings on pension plan investments	-	11,605
Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 7,345</b>	<b>\$ 117,387</b>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2023	\$ 13,167
2024	13,823
2025	16,564
2026	21,207
2027	13,289
Thereafter	31,992

The recognition period for experience and assumptions change gains (losses) is 9 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in Net Pension Liability plus the changes in deferred outflows and deferred inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense as outlined below.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7: PENSION PLAN (continued)**

**Calculation of Pension Expense**

	<b>Measurement Date as of</b>	
	<b>12/31/2022</b>	<b>12/31/2021</b>
Change in Net Pension Liability	\$ 101,316	\$ (1,699)
Change in Deferred Outflows	(54,405)	7,873
Change in Deferred Inflows	(29,035)	14,271
Employer Contributions	103,913	78,855
<b>Pension Expense</b>	<b>\$ 121,789</b>	<b>\$ 99,300</b>
<b>Pension Expense as % of Payroll</b>	<b>11.55%</b>	<b>10.19%</b>
<b>Operating Expenses</b>		
Service Cost	\$ 101,287	\$ 93,672
Employee Contributions	-	-
PMRS Administrative Expense	380	260
Additional Administrative Expense	833	558
Total	102,500	94,490
<b>Financing Expenses</b>		
Interest Cost	21,888	15,744
Expected Return on Assets	(15,764)	(9,845)
Total	6,124	5,899
<b>Changes</b>		
Change of Benefits	-	-
Recognition of Assumption Changes	(85)	(85)
Recognition of Liability Gains and Losses	13,374	7,040
Recognition of Investment Gains and Losses	(124)	(8,044)
Total	13,165	(1,089)
<b>Pension Expense</b>	<b>\$ 121,789</b>	<b>\$ 99,300</b>

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT**

The Authority entered into a SBITA agreement during the year ended June 30, 2023 for a software system related to billing and accounts receivable services. The billing software system, Vadar, cost \$43,123 for the design and implementation for the Authority. Below are the significant terms of the Vadar agreement. These costs are included in the software expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

**Significant terms of SBITA**

- **Term:** The subscription terms range from three to six years.
- **Payments:** Payments are monthly and range from \$982 to \$1,080.

The subscription-based IT arrangement provides the Authority with rights to use the software and services for the term specified in the agreement. At the conclusion of the term, the Authority will not own the software or related assets, and the agreement may be renewed or renegotiated.

The following summarized the line items in the Statements of Net Position, which include amounts for the SBITA as of June 30, 2023:

SBITA right-of-use asset	\$ 63,871
Less: Accumulated amortization	<u>(2,842)</u>
	<u>\$ 61,029</u>
Current portion of SBITA liability	\$ 11,793
SBITA liability	<u>48,792</u>
Total SBITA Liability	<u>\$ 60,585</u>
SBITA cost	<u>\$ 47,054</u>

The following summarized the line item in the Statements of Revenues, Expenses, and Changes in Net Position, which includes the components of SBITA expense for the year ended June 30, 2023:

Software expenses	<u>\$ 51,180</u>
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The following summarizes cash flow information related to the SBITA for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of SBITA liability:

Cash flows for arrangement	<u>\$ 45,965</u>
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**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (continued)**

The maturities of the SBITA liability as of June 30, 2023 are as follows:

For the Years Ending June 30,		
2024	\$	11,793
2025		11,793
2026		11,793
2027		11,793
2028		11,793
Thereafter		7,862
Less: Interest		(6,242)
Present value of SBITA liability	\$	60,585

**NOTE 9: REFUNDS OF PRIOR YEAR EXPENDITURES**

During the year ended June 30, 2023, the Authority received a refund of prior year expenditures in the amount of \$120,000. The refund represents incentive fees previously paid to Corvias Infrastructure Solutions, LLC, and subsequently unallowed by the Pennvest financing agreements.

During the year ended June 30, 2022, the Authority received a refund of prior year expenditures in the amount of \$1,506,140 as a result of negotiations with DELCORA. It was determined that the Authority was maintaining certain DELCORA infrastructure.

Both amounts are included in nonoperating revenues on the Statements of Revenues, Expenses and Changes in Net Position.

**NOTE 10: SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through February 13, 2025, which is the date the financial statements were available to be issued.

Capital Spending, Improvement Projects and Financing

After June 30, 2023, additional funds in the amount of \$552,411 were borrowed on Loan #72818 Tranche #5.

As of the end of January 2025, five projects have approved funding with loans from Pennvest totaling \$33,084,940. From available funding, \$29,267,884 has been borrowed and invested in improvements of the infrastructure and supporting assets.

The Authority continues planning projects to enhance its infrastructure. A sixth project began after June 30, 2023. Funding in the amount of approximately \$9,963,000 has been approved by Pennvest. The funding will come from a grant, which does not have to be repaid.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 10: SUBSEQUENT EVENTS (continued)**

During the Fall of 2023, the Authority suffered cash flow issues and requested a temporary deferral of principal loan payments. Pennvest approved the request and suspended principal payments during the months of October, November and December 2023 for all five loans. Interest payments were not suspended.

City of Chester Receiver's Recovery Plan

During 2024, a Motion to Require Production of Documents Pursuant to Rule 2004 was filed against the Authority by the City of Chester, in City's bankruptcy proceedings. No monetary damages were requested, and none are anticipated at this time. The City is seeking to dissolve the Authority and monetize its assets in order to partially fund the City's reorganization plan. The litigation in Bankruptcy Court is ongoing. To date, the Authority has produced and submitted approximately 2,000 documents pursuant to the City's requests.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**STATEMENT OF REVENUES AND EXPENSES - ACTUAL VS. BUDGET**  
**AND CHANGE IN NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

	<u>Actual</u>	<u>Budget</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating Revenues</b>			
Certification fees	\$ 18,076	\$ 22,000	\$ (3,924)
Stormwater revenue - in-house billing	627,664	1,230,000	(602,336)
Stormwater revenue - Minol	2,101,331	3,400,000	(1,298,669)
Stormwater revenue - Vadar	985,404	-	985,404
<b>Total Operating Revenues</b>	<u>3,732,475</u>	<u>4,652,000</u>	<u>(919,525)</u>
<b>Operating Expenses</b>			
Advertising and marketing	12,253	14,500	2,247
Bad debts expense	246,192	300,000	53,808
Bank charges and fees	2,420	-	(2,420)
Billing company fees	165,886	135,000	(30,886)
Charitable contributions	27,255	12,025	(15,230)
Depreciation expense	806,323	-	(806,323)
Dues and subscriptions	2,600	2,800	200
Gas	28,460	22,000	(6,460)
Insurance - liability, worker compensation	68,379	89,500	21,121
Insurance - medical, dental	237,514	225,000	(12,514)
Job supplies	4,038	5,000	962
Legal and professional services	239,479	160,000	(79,479)
Meals and entertainment	2,662	4,000	1,338
Miscellaneous expense	97	16,875	16,778
Office supplies and software	16,802	10,000	(6,802)
Outside services	77,771	60,000	(17,771)
Payroll processing fees	1,807	2,100	293
Payroll taxes - employer	93,727	120,000	26,273
Payroll wages and salary	1,153,372	1,300,000	146,628
Permits and inspections	19,091	21,000	1,909
Postage	31,757	6,300	(25,457)
Fringe benefits	158,298	104,500	(53,798)
Refund	1,191	-	(1,191)
Repairs and maintenance	48,753	100,000	51,247
SAC staff expenses	4,408	-	(4,408)
Software expenses	51,180	-	-
Supplies and materials	9,291	9,000	(291)
Taxes and licenses	11,326	1,000	(10,326)
Telephone	16,468	-	(16,468)
Training	70,200	-	(70,200)
Travel	4,763	-	(4,763)
Utilities	27,068	42,000	14,932
<b>Total Operating Expenses</b>	<u>3,640,831</u>	<u>2,762,600</u>	<u>(827,051)</u>
<b>Net Operating Income (Loss)</b>	<u>91,644</u>	<u>1,889,400</u>	<u>(1,797,756)</u>
<b>Nonoperating Revenues</b>			
Refund for prior year expenditure	120,000	-	120,000
Interest income	1,155	1,000	155
Rental income	23,836	22,600	1,236
Miscellaneous income - collection of placement fees	34,691	-	34,691
Contributed infrastructure- change in accounting estimate	425,700	-	425,700
	<u>605,382</u>	<u>23,600</u>	<u>581,782</u>
<b>Nonoperating Expenses</b>			
Debt Service			
Interest expense	266,741	305,000	(38,259)
<b>Net Nonoperating Revenue (Expenses)</b>	<u>338,641</u>	<u>(281,400)</u>	<u>620,041</u>
<b>Net Income</b>	430,285	<u>\$ 1,608,000</u>	<u>\$ (1,177,715)</u>
<b>Net Position - Beginning of Fiscal Year - Restated</b>	<u>3,827,852</u>		
<b>Net Position - End of Fiscal Year</b>	<u>\$ 4,258,137</u>		

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2022**

The schedules of Required Supplementary Information will eventually build up to 10 years of information. The schedule below shows the changes in Net Pension Liability and related ratios required by GASB.

	Measurement Year Ending						
	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
<b>Total Pension Liability</b>							
Service cost (beginning of year)	\$ 101,287	\$ 93,672	\$ 66,165	\$ 45,808	\$ -	\$ -	\$ -
Interest (includes interest on service cost)	21,888	15,744	10,790	6,951	-	-	-
Changes of benefits	-	-	-	-	-	-	-
Differences expected vs actual experience	57,007	-	(9,160)	86,601	-	-	-
Changes of assumptions	-	-	(939)	-	-	-	-
Transfers	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>180,182</b>	<b>109,416</b>	<b>66,856</b>	<b>139,360</b>	-	-	-
<b>Total Pension Liability - Beginning</b>	<b>315,632</b>	<b>206,216</b>	<b>139,360</b>	-	-	-	-
<b>Total Pension Liability - Ending</b>	<b>\$ 495,814</b>	<b>\$ 315,632</b>	<b>\$ 206,216</b>	<b>\$ 139,360</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 103,533	\$ 78,595	\$ 61,126	\$ 44,444	\$ -	\$ -	\$ -
Contributions - PMRS assessment	380	260	260	360	-	-	-
Contributions - employee	-	-	-	-	-	-	-
PMRS investment income	15,764	9,845	3,390	85	-	-	-
Market value investment income	(39,598)	23,233	13,695	3,288	-	-	-
Transfers	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-
PMRS administrative expense	(380)	(260)	(260)	(360)	-	-	-
Additional administrative expense	(833)	(558)	(148)	(3)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>78,866</b>	<b>111,115</b>	<b>78,063</b>	<b>47,814</b>	-	-	-
<b>Plan Fiduciary Net Position - Beginning</b>	<b>236,992</b>	<b>125,877</b>	<b>47,814</b>	-	-	-	-
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 315,858</b>	<b>\$ 236,992</b>	<b>\$ 125,877</b>	<b>\$ 47,814</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Pension Liability (Asset) - Ending</b>	<b>\$ 179,956</b>	<b>\$ 78,640</b>	<b>\$ 80,339</b>	<b>\$ 91,546</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)</b>	63.70%	75.08%	61.04%	34.31%	N/A	N/A	N/A
<b>Covered Employee Payroll</b>	\$ 1,054,140	\$ 974,889	\$ 687,789	\$ 476,173	\$ -	\$ -	\$ -
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	17.07%	8.07%	11.68%	19.23%	N/A	N/A	N/A



**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2022**

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which conforms to these standards.

Last 10 Measurement Years (if available)

	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 103,873	\$ 68,145	\$ 61,346	\$ 44,524	\$ -	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	103,913	78,855	61,386	44,804	-	-	-
Contribution Deficiency/(Excess)	<u>\$ (40)</u>	<u>\$ (10,710)</u>	<u>\$ (40)</u>	<u>\$ (280)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll **	\$ 1,054,140	\$ 974,889	\$ 687,789	\$ 476,173	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	9.86%	8.09%	8.83%	9.41%	N/A	N/A	N/A

\* Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

\*\* Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation. These amounts may not match the MMO payroll.

Notes to Schedules:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions are reported. Therefore, the Actuarially Determined Contribution for calendar year 2022 is based upon the January 1, 2019 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2022 contribution rates:

Actuarial Cost Method	Entry Age
Amortization Period	Level dollar based upon the amortization period in Act 205
Asset Valuation Method	Based upon the municipal reserves
Discount Rate	5.25%
Inflation	2.80%
Salary Increases	Age related scale with merit and inflation component
COLA increases	2.8%, for those eligible for a COLA
Pre-Retirement Mortality	Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback 5 years
Post-Retirement Mortality	Males: RP 2000 Annuitant Male table projected 5 years with Scale AA Females: RP 2000 Annuitant Female table projected 10 years with Scale AA

For a complete listing of all assumptions and methods, please refer to the PMRS January 1, 2019 actuarial valuation report.

Plan Changes: Please refer to Appendix A for current year plan changes and to the Plan's Act 205 filings and/or GASB 68 reports for prior year plan changes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
SCHEDULE OF ASSETS, LIABILITIES AND FUNDED RATIOS  
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2022**

<u>Measurement Year Ending</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1. Total Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ 139,360	\$ 206,216	\$ 315,632	\$ 495,814
2. Actuarial Value of Assets*	\$ -	\$ -	\$ -	\$ -	\$ 44,198	\$ 108,188	\$ 195,888	\$ 314,246
3. AVA Funded Ratio [2./1.]	N/A	N/A	N/A	N/A	31.7%	52.5%	62.1%	63.4%
4. Market Value of Assets *	\$ -	\$ -	\$ -	\$ -	\$ 47,814	\$ 125,877	\$ 236,992	\$ 315,858
5. MVA Funded Ratio [4.1/1.]	N/A	N/A	N/A	N/A	34.3%	61.0%	75.1%	63.7%

\* Amounts may not match the Act 205 Forms due to unpaid MMOs. Actuarial Value of Assets are estimated amounts for odd year-end Measurement Dates.