

**STORMWATER AUTHORITY OF THE  
CITY OF CHESTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
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**JUNE 30, 2022 AND 2021**

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1400 N. Providence Rd., Rosetree Building 2, Suite 2000E, Media, PA 19063  
Phone: 610.544.5900 | Fax: 610.544.7455 | [www.brinkersimpson.com](http://www.brinkersimpson.com)

## **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, 2022 and 2021, 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, 2022 and 2021, 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.

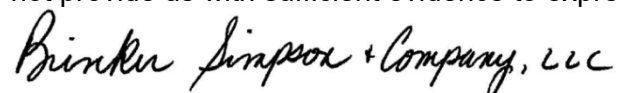
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 page 25 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  
August 1, 2023

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

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, 2022.

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. The operating expenses, capital spending and debt service budgeted determines the rate to charge property owners within the area the Authority oversees stormwater runoff. Budgeted Operating Revenue is then allocated based on each parcel's square footage that may contribute to managing the stormwater runoff.

At the end of this fiscal year ended June 30, 2022, the total assets and deferred outflows increased \$6,176,683 to reflect total assets and deferred outflows of \$32,159,488. The total liabilities and deferred outflows increase \$5,662,485 to reflect total liabilities and deferred outflows of \$28,331,885. This resulted in an increase in Net Position of \$505,675 to reflect total Net Position of \$3,816,450.

Capital Assets and Construction in Progress during the fiscal year ending June 30, 2022 increased \$6,539,090. Depreciation expense related to Capital Assets during this fiscal year was \$653,205 resulting in a net increase of \$5,885,885 of Capital Assets and Construction in Progress to reflect total Capital Assets and Construction in Progress of \$29,112,338.

Operating revenues were \$4,098,891 which is an increase of \$602,791, and a 17% increase from the prior year. Total operating revenues were in line with budgeted amount. In an effort to increase cash inflows the Authority engaged a collection agency, and transferred delinquent accounts, to pursue older outstanding amounts owed, representing approximately 3,800 parcels.

Operating expenses, excluding depreciation expense for the year were \$4,210,408. This is an increase of \$1,793,316 or 74% over the prior year. The increase is affected significantly by the write down of the carrying value of accounts receivable during the year of \$1,701,685. Total operating expenses, excluding depreciation were over budget by \$1,447,808 or 52%.

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, 2022 AND 2021**

**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 MD&A, 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 presents 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 provides information about the nature and amount of resources and obligations at fiscal year end, the **Statement of Revenues, Expenses and Changes in Net Position** presents 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** reports 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, 2022 AND 2021**

**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, 2022 and 2021.

	2022	2021
<b>Assets and Deferred Outflows of Resources:</b>		
Current assets	\$ 2,896,343	\$ 2,638,206
Capital assets	13,064,616	10,684,530
Construction in progress	16,047,722	12,541,923
<b>Total Assets</b>	32,008,681	25,864,659
 <b>Deferred Outflows of Resources</b>	 162,209	 118,146
 <b>Total Assets and Deferred Outflows of Resources</b>	 \$ 32,170,890	 \$ 25,982,805
 <b>Liabilities:</b>		
Short-term liabilities	\$ 3,837,330	\$ 2,095,961
Long-term liabilities	24,494,555	20,573,439
<b>Total Liabilities</b>	28,331,885	22,669,400
 <b>Deferred Inflows of Resources</b>	 11,153	 2,630
 <b>Net Position:</b>		
Invested in capital assets	3,254,995	1,360,300
Restricted	572,857	1,950,475
<b>Total Net Position</b>	3,827,852	3,310,775
 <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	 \$ 32,170,890	 \$ 25,982,805

For the year ended June 30, 2022, the Authority's current assets are comprised of; cash in banks of \$1,760,553; accounts receivable, net of doubtful accounts of \$1,084,021. Prepaid expense of \$40,367 represents the remaining amount of current assets. The capital assets during this same period are comprised of; infrastructure, buildings, equipment and vehicles, net of accumulated depreciation of

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

\$3,508,798, representing \$13,064,616. Two construction projects were completed previously and another project completed this year. The associated costs were capitalized as additions to infrastructure and began depreciation. Depreciable infrastructure cost recovery reflected in the statement of revenues, expenses, and changes in net position is based on recovery of costs over the next twenty-five years once placed in service. The additional amount added to infrastructure from construction in progress this year is \$2,956,830. Construction in progress costs represents two projects with capital spending this fiscal year of \$6,233,542 totaling \$16,047,722 as of this fiscal year end.

The Authority's short-term liabilities of \$3,837,330 is comprised of; accrued costs related to construction and operating expenses of \$2,910,729 and the current portion of Pennvest long term debt of \$1,006,939. The long-term liabilities of \$24,494,555 includes deferred income from acquiring the existing infrastructure from the City of Chester in the amount of \$425,700 amortized to income over the next ten and a half years, and \$23,988,517 representing the long-term portion of Pennvest loans. Each Pennvest loan funds a separate construction project of which there were five projects in progress with three completed during this fiscal year. 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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Storm drainage utility fees	\$ 4,098,891	\$ 3,496,100
<b>Total Operating Revenues</b>	<u>4,098,891</u>	<u>3,496,100</u>
<b>Operating Expenses:</b>		
Expenses except depreciation	4,199,006	2,417,092
Depreciation	653,205	454,617
<b>Total Operating Expenses</b>	<u>4,852,211</u>	<u>2,871,709</u>
<b>Other Nonoperating Revenue</b>		
Refund for prior year expenditures	1,506,140	-
Interest income	446	193
Rental income	12,947	10,050
<b>Total Nonoperating Revenue</b>	<u>1,519,533</u>	<u>10,243</u>
<b>Other Nonoperating Expense</b>		
Interest expense	(249,136)	(143,512)
<b>Change in Net Position</b>	517,077	491,122
<b>Net Position - Beginning</b>	3,310,775	2,795,683
Prior period adjustment	-	23,970
<b>Net Position - Ending</b>	<u>\$ 3,827,852</u>	<u>\$ 3,310,775</u>

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.



**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

During this fiscal year ended, three construction projects funded from Pennvest loans were completed. 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 continues a process of enabling the stormwater management system to efficiently manage water runoff, and reduce contaminants from entering the region's fresh water system.

The Authority is in the final stages of attaining a \$9.9 million dollar grant to assist in continuing capital improvements to infrastructure and redirect the flow of stormwater away from a waste water treatment plant. At the time of the release of these financial statements, the Authority has planned the next project with anticipation the funding will come from a grant from Pennvest.

The annual budget is developed by anticipating operating revenues based on historical trends of anticipated amounts collected 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, 2022 AND 2021**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and Cash Equivalents:		
WSFS#6847 Tranche 5 (72818) Checking	\$ 5,735	\$ 5,821
WSFS#5577 Tranche 4 (78023) Checking	6,691	5,188
WSFS#5740 Tranche 3 (72817) Checking	18,472	11,873
WSFS#8023 Tranche 2 (72701) Checking	23,758	22,322
WSFS#8090 Tranche 1 (72811) Checking	27,196	3,618
WSFS #8451 (Operational)	602,563	219,595
C&N CK #8895	186,827	3,710
C&N MM #8779	150,186	101,025
WSFSMM #4554 ICS	-	375,145
WSFSMM #6470 ICS	750,527	-
<b>Total Cash and Cash Equivalents</b>	<b>1,771,955</b>	<b>748,297</b>
Accounts Receivable:		
Accounts receivable	4,500	-
Accounts receivable - Minol	1,720,603	4,673,646
Accounts receivable - Portnoff	3,058,918	-
Allowance for bad debts	(3,700,000)	(2,819,500)
<b>Total Accounts Receivable</b>	<b>1,084,021</b>	<b>1,854,146</b>
Other Current Assets		
Prepaid Expenses		
<b>Total Other Current Assets</b>	<b>40,367</b>	<b>35,763</b>
<b>Total Current Assets</b>	<b>2,896,343</b>	<b>2,638,206</b>
<b>Capital Assets- Fixed Assets</b>		
Land	89,516	89,516
Buildings:		
3215 W 3rd St	404,450	348,975
29 E 5th St	175,432	175,432
31 E 5th St	725,110	725,110
410 Welsh St	181,990	163,633
Infrastructure	14,047,292	11,090,462
Vehicles, Equipment, Furniture	949,624	946,995
Accumulated depreciation	(3,508,798)	(2,855,593)
<b>Net Fixed Assets</b>	<b>13,064,616</b>	<b>10,684,530</b>
<b>Capital Assets - Construction in Progress</b>		
CIP- Tranche 3	-	2,727,742
CIP- Tranche 4	8,421,847	6,210,723
CIP- Tranche 5	7,625,875	3,603,458
<b>Total Construction in Progress</b>	<b>16,047,722</b>	<b>12,541,923</b>
<b>Deferred Outflows of Resources</b>		
Pension contributions, difference between expected and actual experience	<b>162,209</b>	<b>118,146</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 32,170,890</b>	<b>\$ 25,982,805</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2022 AND 2021**

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

	<b>2022</b>	<b>2021</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Property settlement payable	\$ -	\$ 312,826
Accrued expenses	2,725,585	1,707,362
Accrued interest	20,830	3,523
Accrued payroll and taxes	83,976	72,250
Current portion of long term debt	1,006,939	-
<b>Total Current Liabilities</b>	<b>3,837,330</b>	<b>2,095,961</b>
<b>Long-term Liabilities:</b>		
Deferred Revenue - Infrastructure	425,700	463,681
Net pension liability	80,339	91,546
Pennvest Loan A #72811- Tranche 1	3,909,823	4,227,076
Pennvest Loan B #72701- Tranche 2	3,421,062	3,818,885
Pennvest Loan C #72817- Tranche 3	2,676,592	2,634,185
Pennvest Loan D #78023- Tranche 4	7,383,301	6,001,603
Pennvest Loan E #72818- Tranche 5	6,597,738	3,336,463
<b>Total Long-term Liabilities</b>	<b>24,494,555</b>	<b>20,573,439</b>
<b>Total Liabilities</b>	<b>28,331,885</b>	<b>22,669,400</b>
<b>Deferred Inflows of Resources</b>		
Pension contributions, differences between projected and actual earnings on plan investments	11,153	2,630
<b>Net Position</b>		
Invested in capital assets, net of related debt	3,254,995	1,360,300
Restricted	572,857	1,950,475
<b>Total Net Position</b>	<b>3,827,852</b>	<b>3,310,775</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 32,170,890</b>	<b>\$ 25,982,805</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>Operating Revenues</b>		
Certification fees	\$ 20,950	\$ 18,105
Stormwater revenue - in-house billing	740,348	700,831
Stormwater revenue - Minol	3,337,593	2,777,164
<b>Total Operating Revenues</b>	<b>4,098,891</b>	<b>3,496,100</b>
<b>Operating Expenses</b>		
Advertising and marketing	4,945	11,320
Bad debts expense	1,701,685	214,500
Bank charges and fees	814	1,416
Billing company fees	232,204	226,613
Charitable contributions	23,100	49,500
Depreciation expense	653,205	454,617
Dues and subscriptions	2,495	2,794
Gas	27,609	18,721
Insurance - liability, worker compensation	48,244	26,498
Insurance - medical, dental	264,513	177,447
Job supplies	11,878	2,989
Legal and professional services	383,394	282,194
Meals and entertainment	4,561	2,310
Office supplies and software	11,528	9,951
Outside services	64,400	35,683
Payroll processing fees	2,231	2,083
Payroll taxes - employer	93,480	84,706
Payroll wages and salary	1,159,850	1,067,020
Permits and inspections	941	1,000
Fringe benefits	76,302	93,591
Refund	834	2,799
Rent expense	-	9,100
Repairs and maintenance	50,686	51,518
Supplies and materials	8,856	10,771
Taxes and licenses	755	6,218
Telephone	9,117	4,792
Utilities	13,057	20,759
Utilities-Delcora	1,527	799
<b>Total Operating Expenses</b>	<b>4,852,211</b>	<b>2,871,709</b>
<b>Net Operating Income (Loss)</b>	<b>(753,320)</b>	<b>624,391</b>
<b>Nonoperating Revenues</b>		
Refund for prior year expenditures	1,506,140	-
Rental Income	12,947	10,050
Interest income	446	193
<b>Nonoperating Expenses</b>		
Interest expense	(249,136)	(143,512)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>1,270,397</b>	<b>(133,269)</b>
<b>Net Income</b>	<b>517,077</b>	<b>491,122</b>
<b>Net Position - Beginning of Fiscal Year</b>	<b>3,310,775</b>	<b>2,795,683</b>
Prior period adjustment	-	23,970
<b>Net Position - End of Fiscal Year</b>	<b>\$ 3,827,852</b>	<b>\$ 3,310,775</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from service fees	\$ 3,129,350	\$ 2,781,501
Cash paid to and on behalf of employees	(1,560,824)	(1,201,097)
Cash paid for administrative activities	(911,164)	(935,376)
	<b>657,362</b>	<b>645,028</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Debt incurred	5,484,875	10,023,671
Debt retired	(507,632)	(56,891)
Interest paid	(231,829)	(147,946)
Capital expenditures	(76,461)	(780,090)
Construction in progress	(5,509,364)	(10,194,295)
	<b>(840,411)</b>	<b>(1,155,551)</b>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>		
Debt retired	(312,826)	(88,991)
Other receipts	1,506,140	-
Rental income	12,947	10,050
	<b>1,206,261</b>	<b>(78,941)</b>
<b>Cash Flows From Investing Activities</b>		
Interest income	446	193
	<b>1,023,658</b>	<b>(589,271)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
	<b>1,023,658</b>	<b>(589,271)</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>748,297</b>	<b>1,337,568</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 1,771,955</b>	<b>\$ 748,297</b>
<b>Reconciliation of operating income to cash flows provided by operating activities</b>		
Operating income (loss)	\$ (753,320)	\$ 624,391
Adjustments to reconcile operating income (loss) to cash flows provided by operating activities;		
Depreciation expense	653,205	454,617
Bad debt expense	1,701,685	214,500
Other	(6,475)	-
Changes in:		
Accounts receivable	(931,560)	(676,618)
Prepaid expenses	(4,604)	(35,763)
Deferred outflows of resources	(44,063)	(118,146)
Accrued expenses	83,159	101,881
Net pension liability	(11,207)	115,516
Deferred revenue	(37,981)	(37,980)
Deferred inflows of resources	8,523	2,630
	<b>\$ 657,362</b>	<b>\$ 645,028</b>

See accompanying notes.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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, 2022 and anticipate a 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, 2022 AND 2021**

**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 doubtful accounts. On June 30, 2022 and 2021, an additional allowance was recorded to reflect compliance in the early phase of charging residents the fee based on an assessment established from the beginning of operations. As of June 30, 2022 and 2021, an increase to the allowance of \$880,500 and \$214,500, respectively, were recorded to adjust the reserve for doubtful accounts during this fiscal year. The allowance is determined based on collection rates and management's analysis of specific accounts. The Authority hired an outside collection agency to pursue delinquent accounts. During the reviewing of accounts transferred to the collection agency, management's evaluation of the accounts resulted in deemed uncollectible amounts due to misbilling and other events resulting in a direct write-off of Accounts Receivables of \$821,185 charged to operations in bad debt expense. This resulted in bad debt expense of \$1,701,685. As of the release of these financial statements, the Authority has begun direct billing within the organization, and ended their relationship with a third-party billing agency. As of the date of these financial statements, collections from delinquent accounts managed by the collection agency have resulted in 17% of the assigned amounts collected.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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 as an expense and liability for employee vacation, sick leave, and compensatory time when the employee vests in such benefits. This policy has been incorporated into the Authority's company policy as of the date of these financial statements. \$38,693 and \$34,957 has been accrued for compensated absences and recorded as Accrued Payroll and Taxes at June 30, 2022 and 2021, 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, 2022 AND 2021**

**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.

**Prior Period Adjustment**

During the year ended June 30, 2021, the Authority implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, resulting in the recognition of deferred outflows of resources, net pension liability, and deferred inflows of resources. As a result, previously reported net position was increased by \$23,970.

**New Accounting Pronouncements**

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods after June 15, 2021. This pronouncement did not impact the Authority's financial statements for the year ended June 30, 2022.

**NOTE 2: CREDIT RISK**

**Custodial Credit Risk**

Investments 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, 2022, both banks, WSFS and C&N, established pools to protect amounts held by each to eliminate credit risk.

**Concentration of Credit Risk**

More than eighty percent of the Authority's depository accounts are in one bank.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 89,516	\$ -	\$ -	\$ 89,516
Construction-in-progress	12,541,923	6,380,550	(2,874,751)	16,047,722
Capital Assets Not Being Depreciated	<u>12,631,439</u>	<u>6,380,550</u>	<u>(2,874,751)</u>	<u>16,137,238</u>
Capital assets being depreciated:				
Buildings	1,413,150	73,832	-	1,486,982
Infrastructure	11,090,462	2,956,830	-	14,047,292
Vehicles, Equipment and Furniture	946,995	2,629	-	949,624
Capital Assets Being Depreciated	<u>13,450,607</u>	<u>3,033,291</u>	<u>-</u>	<u>16,483,898</u>
Less accumulated depreciation	<u>(2,855,593)</u>	<u>(653,205)</u>	<u>-</u>	<u>(3,508,798)</u>
Net Capital Assets Being Depreciated	<u>10,595,014</u>	<u>2,380,086</u>	<u>-</u>	<u>12,975,100</u>
 Net Capital Assets	 <u>\$ 23,226,453</u>	 <u>\$ 8,760,636</u>	 <u>\$ (2,874,751)</u>	 <u>\$ 29,112,338</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 progress on 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 from Pennvest provide the Authority to pay interest only at 1% rate for up to 36 months from the amortization date, adjusted, as the Authority continues borrowing from approved loan amounts. Principal payments began during 2021. The loan will be amortized over twenty years.

	Balance July 1, 2021	Borrowings	Repayments	Balance June 30, 2022
Pennvest - \$4,888,205 - Tranche #1	\$ 4,227,076	\$ 60,526	\$ (170,899)	\$ 4,116,703
Pennvest - \$4,822,315 - Tranche #2	3,818,885	20,006	(228,939)	3,609,952
Pennvest - \$3,447,464 - Tranche #3	2,634,185	293,216	(107,794)	2,819,607
Pennvest - \$9,980,156 - Tranche #4	6,001,603	1,694,060	-	7,695,663
Pennvest - \$9,946,801 - Tranche #5	3,336,463	3,417,067	-	6,753,530
	<u>\$ 20,018,212</u>	<u>\$ 5,484,875</u>	<u>\$ (507,632)</u>	<u>\$ 24,995,455</u>

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 4: DEBT (continued)**

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. Each Pennvest loan, from the closing date, has a deferral of principal payments of up to 36 months with interest only payments at 1% during this time. Future principal and interest payments are based on amounts borrowed on each project up through June 30, 2022. In addition to the \$24,995,455 of existing debt service itemized below, an additional \$5,349,917 of approved loan proceeds are available to the Authority. As each project progresses, additional borrowings will increase the future debt service listed below. Pennvest future debt service, listed below, exceeds present liability balances presented on the Statement of Net Position, because of continued borrowings against the loans, subsequent to the end of this fiscal year end of June 30, 2022. Interest is paid monthly to Pennvest at a 1% annual rate on amounts drawn down from the approved loan amounts listed below. See Subsequent Events, Note 10, 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
2023	\$ 206,881	\$ 188,890	\$ 143,015	\$ 312,361	\$ 155,792	\$ 1,006,939
2024	197,568	176,639	134,542	472,121	470,503	1,451,373
2025	199,553	178,413	135,893	477,227	475,230	1,466,316
2026	201,557	180,205	137,258	481,889	480,004	1,480,913
2027	203,582	182,016	138,637	486,696	484,826	1,495,757
Thereafter	3,107,562	2,703,739	2,130,262	5,465,369	4,687,175	18,094,107
	<u>\$ 4,116,703</u>	<u>\$ 3,609,902</u>	<u>\$ 2,819,607</u>	<u>\$ 7,695,663</u>	<u>\$ 6,753,530</u>	<u>\$ 24,995,405</u>

Future interest payments are as follows:

For the Years Ending June 30:	Pennvest #1	Pennvest #2	Pennvest #3	Pennvest #4	Pennvest #5	Total
2023	\$ 40,389	\$ 35,118	\$ 27,645	\$ 81,116	\$ 78,619	\$ 262,886
2024	38,453	33,328	26,320	78,657	78,434	255,192
2025	36,468	31,553	24,968	73,551	73,707	240,248
2026	34,464	29,761	23,603	68,889	68,933	225,650
2027	32,439	27,950	22,224	64,082	64,111	210,806
Thereafter	229,861	190,737	158,453	373,243	375,096	1,327,390
	<u>\$ 412,074</u>	<u>\$ 348,446</u>	<u>\$ 283,214</u>	<u>\$ 739,538</u>	<u>\$ 738,901</u>	<u>\$ 2,522,173</u>

**NOTE 5: DEFERRED REVENUES**

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

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 6: COMMITMENTS**

As of June 30, 2022, the Authority has agreements in place with various contractors to complete the open construction in progress projects. The balance to finish, including retainage, on these agreements prior to any subsequent change orders was approximately \$3,720,000.

**NOTE 7: PENSION PLAN**

**Plan Description**

The Authority has a contributory defined benefit pension plan. The plan is administered by the Pennsylvania Municipal Retirement System (PMRS). The following table provides information concerning the Authority's pension plan as of January 1, 2021 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$687,789
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

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, 2021:

**Employees Covered by Benefit Terms**

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	15
<b>Total Participant Count</b>	<u>15</u>

**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.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

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

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, 2020 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, 2019 measurement date can be found in the January 1, 2020 PMRS actuarial valuation report or the prior year's GASB report.

	<b>Change in Net Pension Liability</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (Asset)</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at December 31, 2019</b>	<b>\$ 139,360</b>	<b>\$ 47,814</b>	<b>\$ 91,546</b>
<b>Changes for the year:</b>			
Service cost	66,165	-	66,165
Interest	10,790	-	10,790
Changes of benefits	-	-	-
Changes of assumptions	(939)	-	(939)
Differences between expected and actual experience	(9,160)	-	(9,160)
Contributions - employer	-	61,126	(61,126)
Contributions - PMRS assessment	-	260	(260)
Contributions - employee	-	-	-
PMRS investment income	-	3,390	(3,390)
Market value investment income *	-	13,695	(13,695)
Transfers	-	-	-
Benefit payments	-	-	-
PMRS administrative expense	-	(260)	260
Additional administrative expense	-	(148)	148
<b>Net changes</b>	<b>66,856</b>	<b>78,063</b>	<b>(11,207)</b>
<b>Balances at December 31, 2020</b>	<b>\$ 206,216</b>	<b>\$ 125,877</b>	<b>\$ 80,339</b>

\*Reflects the net investment income (loss) of \$6,329 and the income (loss) due to the difference between expected and actual asset values of \$7,366, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

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."

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

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

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	\$ 245,443	\$ 206,216	\$ 174,677
Plan Fiduciary Net Position	125,877	125,877	125,877
<b>Net Pension Liability</b>	<b>\$ 119,566</b>	<b>\$ 80,339</b>	<b>\$ 48,800</b>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 51.29%	 61.04%	 72.06%

**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.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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	\$ 8,327	\$ 70,855
Changes in assumptions	854	-
Net difference between projected and actual earnings on pension plan investments	1,972	-
Contributions subsequent to the measurement date	-	91,354
<b>Total</b>	<b>\$ 11,153</b>	<b>\$ 162,209</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	\$ 3,558
2024	3,560
2025	4,216
2026	6,955
2027	6,955
Thereafter	125,812

The recognition period for experience and assumptions change gains (losses) is 11 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**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

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

**Calculation of Pension Expense**

	<b>Measurement Date as of</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>
Change in Net Pension Liability	\$ (11,207)	\$ 91,546
Change in Deferred Outflows	7,873	(78,728)
Change in Deferred Inflows	19,479	2,630
Employer Contributions	61,386	44,804
<b>Pension Expense</b>	<b>\$ 77,531</b>	<b>\$ 60,252</b>
<b>Pension Expense as % of Payroll</b>	<b>11.27%</b>	<b>12.65%</b>
<b>Operating Expenses</b>		
Service Cost	\$ 66,165	\$ 45,808
Employee Contributions	-	-
PMRS Administrative Expense	260	360
Additional Administrative Expense	148	3
Total	66,573	46,171
<b>Financing Expenses</b>		
Interest Cost	10,790	6,951
Expected Return on Assets	(3,390)	(85)
Total	7,400	6,866
<b>Changes</b>		
Change of Benefits	-	-
Recognition of Assumption Changes	(85)	-
Recognition of Liability Gains and Losses	7,040	7,873
Recognition of Investment Gains and Losses	(3,397)	(658)
Total	3,558	7,215
<b>Pension Expense</b>	<b>\$ 77,531</b>	<b>\$ 60,252</b>



**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 8: REFUND OF PRIOR YEAR EXPENDITURES**

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, whereby it was determined that the Authority was maintaining certain DELCORA infrastructure. The amount is included in nonoperating revenues on the statements of revenues, expenses and changes in net position.

**NOTE 9: RISKS AND UNCERTAINTIES**

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. These economic and market conditions and other effects of the COVID-19 outbreak may continue to cause volatility.

**NOTE 10: SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through August 1, 2023, which is the date the financial statements were available to be issued.

Established Billing Department

During late 2022 and through the first few months of 2023, the Authority acquired hardware, software and hired personnel to establish a department within the Authority to handle the responsibilities of invoicing and related collections associated to Stormwater fees. Previously, a third independent company handled the responsibilities.

Capital Spending, Improvement Projects and Financing

Capital expenditures related to five existing projects funded with Pennvest loans for the fiscal year ended June 2022 increased \$6,401,576. The first three projects are deemed complete during this fiscal year and \$2,956,830 of construction costs were capitalized to infrastructure capital assets and began depreciating over the next 25 years. Additional capital expenditures associated to the same period, for buildings, equipment and vehicles increased \$76,461. All existing projects as of June 30, 2022 are being funded through Pennvest (Pennsylvania Infrastructure Investment Authority).

The Pennvest funding for existing and subsequent projects to these financial statements are as follows through the end of May 2023:

Loan #72811 -Tranche #1 – Origination date - December 2018, \$4,888,205 was approved; \$4,313,473 has been drawn against this loan. Principal payments began in October 2021. The loan matures in September 2041.

Loan #72701 Tranche #2 - Origination date - November 2018, \$4,822,315 was approved; \$3,895,800 has been drawn against this loan. Principal payments began in April 2021. The loan matures in March 2041.

Loan #72817 Tranche #3 - Origination date - May 2019, \$3,447,464 was approved; \$2,944,367 has been drawn against this loan. Principal payments began in November 2021. The loan matures in October 2041.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

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

Loan #78023 Tranche #4 – Origination date - February 2020, \$9,980,156 was approved; \$8,873,947 has been drawn against this loan. Principal payments began in November 2022. The loan matures in October 2042.

Loan #72818 Tranche #5 – Origination date – May 2020, \$9,946,801 was approved; \$8,695,396 has been drawn against this loan. Principal payments began in March 2023. The loan matures in February 2043.

As of the end of May 2023, five projects have approved funding through Pennvest totaling \$33,084,940. From available funding, \$28,722,983 has been borrowed and invested in improvements of the infrastructure and supporting assets.

As the Authority continues planning projects to enhance its infrastructure, a request for funding the next project was submitted to Pennvest requesting funding in an amount of around \$9,963,000. An agreement to fund this project noted on a document dated June 27, 2023, a funding agreement was established between the Stormwater Authority of the City of Chester and Pennvest. Pennvest awarded the funding for the Authority's next project related to stormwater management, as a grant.

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

City of Chester Receiver's Recovery Plan

Since 1995, The City of Chester has been subject to Commonwealth of Pennsylvania financial oversight under the Municipalities Financial Recovery Act (Act 47 of 1987). During June 2020, the Governor of Pennsylvania appointed a Receiver for the City of Chester to create a Recovery Plan. In November 2022, the Receiver amended the Recovery Plan to include the Authority in the Plan. On December 2, 2022, the Authority filed objections to its inclusion in the Plan Modification. On March 6, 2023 the Authority and the Receiver entered into and filed a stipulation which, among other things, removed any and all reference to the Authority in the Receiver's Amended Plan Modification.

**STORMWATER AUTHORITY OF THE CITY OF CHESTER**  
**STATEMENT OF REVENUES AND EXPENSES - ACTUAL VS. BUDGET**  
**AND CHANGE IN NET POSITION**  
**YEAR ENDED JUNE 30, 2022**

	<u>Actual</u>	<u>Budget</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating Revenues</b>			
Certification fees	\$ 20,950	\$ 22,000	\$ (1,050)
Stormwater revenue - in-house billing	740,348	1,230,000	(489,652)
Stormwater revenue - Minol	3,337,593	3,400,000	(62,407)
<b>Total Operating Revenues</b>	<u>4,098,891</u>	<u>4,652,000</u>	<u>(553,109)</u>
<b>Operating Expenses</b>			
Advertising and marketing	4,945	14,500	9,555
Bad debts expense	1,701,685	300,000	(1,401,685)
Bank charges and fees	814	-	(814)
Billing company fees	232,204	135,000	(97,204)
Charitable contributions	23,100	12,025	(11,075)
Depreciation expense	653,205	-	(653,205)
Dues and subscriptions	2,495	2,800	305
Gas	27,609	22,000	(5,609)
Insurance - liability, worker compensation	48,244	89,500	41,256
Insurance - medical, dental	264,513	225,000	(39,513)
Job supplies	11,878	5,000	(6,878)
Legal and professional services	383,394	160,000	(223,394)
Meals and entertainment	4,561	4,000	(561)
Office supplies and software	11,528	10,000	(1,528)
Outside services	64,400	60,000	(4,400)
Payroll processing fees	2,231	2,100	(131)
Payroll taxes - employer	93,480	120,000	26,520
Payroll wages and salary	1,159,850	1,300,000	140,150
Permits and inspections	941	21,000	20,059
Fringe benefits	76,302	104,500	28,198
Refund	834	-	(834)
Repairs and maintenance	50,686	100,000	49,314
SAC staff expenses	-	23,175	23,175
Supplies and materials	8,856	9,000	144
Taxes and licenses	755	1,000	245
Telephone	9,117	-	(9,117)
Utilities	13,057	42,000	28,943
Utilities-Delcora	1,527	-	(1,527)
<b>Total Operating Expenses</b>	<u>4,852,211</u>	<u>2,762,600</u>	<u>(2,089,611)</u>
<b>Net Operating Income (Loss)</b>	<u>(753,320)</u>	<u>1,889,400</u>	<u>(2,642,720)</u>
<b>Nonoperating Revenues</b>			
Refund for prior year expenditure	1,506,140	-	1,506,140
Interest income	446	1,000	(554)
Rental income	12,947	22,600	(9,653)
<b>Nonoperating Expenses</b>			
Interest expense	249,136	305,000	55,864
<b>Net Nonoperating Revenue (Expenses)</b>	<u>1,270,397</u>	<u>(304,000)</u>	<u>1,574,397</u>
<b>Net Income</b>	<u>517,077</u>	<u>\$ 1,585,400</u>	<u>\$ (1,068,323)</u>
<b>Net Position - Beginning of Fiscal Year</b>	<u>3,310,775</u>		
<b>Net Position - End of Fiscal Year</b>	<u>\$ 3,827,852</u>		

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2020**

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						
	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>Total Pension Liability</b>							
Service cost (beginning of year)	\$ 66,165	\$ 45,808	\$ -	\$ -	\$ -	\$ -	\$ -
Interest (includes interest on service cost)	10,790	6,951	-	-	-	-	-
Changes of benefits	-	-	-	-	-	-	-
Differences expected vs actual experience	(9,160)	86,601	-	-	-	-	-
Changes of assumptions	(939)	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>66,856</b>	<b>139,360</b>	-	-	-	-	-
<b>Total Pension Liability - Beginning</b>	<b>139,360</b>	-	-	-	-	-	-
<b>Total Pension Liability - Ending</b>	<b>\$ 206,216</b>	<b>\$ 139,360</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 61,126	\$ 44,444	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - PMRS assessment	260	360	-	-	-	-	-
Contributions - employee	-	-	-	-	-	-	-
PMRS investment income	3,390	85	-	-	-	-	-
Market value investment income	13,695	3,288	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-	-
PMRS administrative expense	(260)	(360)	-	-	-	-	-
Additional administrative expense	(148)	(3)	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>78,063</b>	<b>47,814</b>	-	-	-	-	-
<b>Plan Fiduciary Net Position - Beginning</b>	<b>47,814</b>	-	-	-	-	-	-
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 125,877</b>	<b>\$ 47,814</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Pension Liability (Asset) - Ending</b>	<b>\$ 80,339</b>	<b>\$ 91,546</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)</b>	61.04%	34.31%	N/A	N/A	N/A	N/A	N/A
<b>Covered Employee Payroll</b>	\$ 687,789	\$ 476,173	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	11.68%	19.23%	N/A	N/A	N/A	N/A	N/A

**STORMWATER AUTHORITY OF THE CITY OF CHESTER  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2020**

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)

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 61,346	\$ 44,524	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	61,386	44,804	-	-	-	-	-
Contribution Deficiency/(Excess)	\$ (40)	\$ (280)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll **	\$ 687,789	\$ 476,173	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	8.83%	9.41%	N/A	N/A	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 2020 is based upon the January 1, 2017 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2020 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, 2017 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, 2020**

Measurement Year Ending	2013	2014	2015	2016	2017	2018	2019	2020
1. Total Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,360	\$ 206,216
2. Actuarial Value of Assets*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,198	\$ 108,188
3. AVA Funded Ratio [2./1.]	N/A	N/A	N/A	N/A	N/A	N/A	31.7%	52.5%
4. Market Value of Assets *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,814	\$ 125,877
5. MVA Funded Ratio [4.1/1.]	N/A	N/A	N/A	N/A	N/A	N/A	34.3%	61.0%

\* 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.