

Chester Water Authority

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Chester Water Authority

We have audited the accompanying financial statements of Chester Water Authority (a Commonwealth of Pennsylvania municipal authority), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of Chester Water Authority as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 and the Schedule of Funding Progress and Employer Contributions for Pension, Schedule of Changes in Plan's Net Pension Liability (Assets) and Related Ratios, Schedule of Money-Weighted Rate of Returns - Pension, Schedule of Changes in Plan's Net OPEB Liability (Assets) and Related Ratios, and Schedule of Money-Weighted Rate of Returns - OPEB on pages 38, 39, 40, 41, and 42, respectively to be presented to supplement the basic financial statements. Such information, 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.

Supplementary and Other Information

The Schedules of Operating Expenses for the years ending December 31, 2020 and 2019 presented on pages 43 and 44 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Barsz Gowie Amon & Fultz, LLC

Media, Pennsylvania
June 28, 2021

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MANAGEMENT’S DISCUSSION AND ANALYSIS
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Management’s Discussion and Analysis (“MD&A”) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management’s examination and analysis of the Authority’s financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority’s strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar government entities. The financial statements include statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and notes to financial statements.

The years of Litigation over the Authority’s future

The City of Chester (“City”) has been under financial supervision by the Pennsylvania Department of Community and Economic Development’s (“DCED”) through the DCED Act 47 program since 1995. In the fall of 2017, the DCED recommended to the City that the City commence action to attempt to take over the assets of the Chester Water Authority, sell the assets to a for profit business and use the proceeds for City operations and obligations. The City and CWA began discussing their respective positions and commenced negotiations with the mutual goal of resolving their respective positions through a written settlement agreement. At the conclusion of these negotiations, which negotiations included recommendations from mutually appointed consultants, a written settlement proposal was submitted to the City after being authorized by a unanimous vote of the CWA Board (copy available at www.cwa.org).

An important part of the CWA’s written settlement proposal was to protect the CWA assets that the CWA Board maintains it holds in trust for the present and future ratepayers of CWA and all Pennsylvanians under Article I, section 27 of the Pennsylvania Constitution.

On March 1, 2019 the Chester Water Authority filed a Petition with the Orphans’ Court division of the Court of Common Pleas, Delaware County, seeking approval to transfer certain of its assets into an express Trust for the benefit of the Authority’s ratepayers. *In re: Chester Water Authority Trust, Petition for Approval of Declaration of Trust Under Pennsylvania Law and the Transfer of Legal Title to Certain Assets of Said Trust*, CCP Del. Co. O.C. No. 217-2019 (the “Trust Action”). Chester County, Delaware County and a group of ratepayers who successfully intervened in the action support the relief requested. The City of Chester, Aqua Pennsylvania, and Wells Fargo Bank, N.A. opposed the request. The Pennsylvania Department of Environmental Protection and Susquehanna River Basin Commission requested that compliance with permits and laws continue to be met in any transfer.

Subsequent to CWA’s Petition, Aqua filed an action to challenge any potential settlement that might be reached between the City and CWA, *Aqua Pennsylvania, Inc. v. Chester Water Authority and City of Chester*, CCP Del. Co., Civil Div. No. 2019-002924 (the “Aqua Rate Case”). Aqua claims that as a ratepayer it would be harmed by a settlement that increased CWA’s rates, even though Aqua is already passing along the CWA’s proposed rate increase to Aqua’s existing ratepayers. A few months later the City sued the CWA, *City of Chester v. Chester Water Authority*, CCP Del. Co. Civil Div. No. 2019-005976 (the “City’s Action”) in which it requested declaratory relief that it can terminate the CWA, sell it, and keep all of the proceeds of any sale of its assets

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for itself. Ratepayers intervened in both of the City’s and Aqua’s lawsuits. Finally, in response to Sunshine Act violations by the City of Chester, CWA received injunctive relief in *Chester Water Authority v. City of Chester and Aqua Pennsylvania, Inc.*, CCP Del Co, Civil Div. No. 2019-005400 (the “Sunshine Act Litigation”), which ultimately led to maintenance of the *status quo* during the pendency of the multiple litigations involving CWA, precluding the City from attempting to terminate CWA while the litigations are ongoing. Maintenance of this status quo has been the subject of several emergency filings and hearings throughout the course of the litigations, generally.

During the course of trial court actions certain decisions have generated appeals to the Commonwealth Court. The first round of appeals arose out of, *inter alia*, the Court’s orders preserving the *status quo*, which led to seven (7) appeals that were ultimately stayed by stipulation. More recently, on April 24, 2020, the Trial Court determined in two cases that the City did not have the ability under Pennsylvania statutes to unilaterally sell or terminate the CWA, rather it could only do so along with the unanimous consent of Chester County and Delaware County. The City and Aqua filed several appeals and/or requests for permission to appeal these decisions. In all, there is the potential for up to fifteen (15) appeals pending in the Commonwealth Court at one time.

Also pending in the Commonwealth Court’s original jurisdiction, to which the CWA is not a party, is DCED’s action to put the City in receivership, *Davin v. City of Chester*, Commw. Ct. No. 336 MD 2020 (the “Receivership Action”). The CWA was served with the petition and so filed an answer to make clear that it is not subject to those proceedings. The Commonwealth Court also made clear that the CWA is not a party to the receivership.

Finally, since 2018 CWA has had multiple litigations with DCED over its deficient responses to Right to Know Requests. Certain litigation which began in the administrative tribunal of the OOR was accepted for review by the Pennsylvania Supreme Court in two matters *CWA v. DCED*, Pennsylvania Supreme Court No. 44 and 45 EAP 2019. On April 29, 2021, the Supreme Court ruled in CWA’s favor in those consolidated appeals on the core issue of whether the DCED could invoke deliberative process privilege to withhold or redact scores of communications with outside contractors and subcontractors, concluding that DCED could not withhold those communications.

Background

The Authority was established as a public corporation and acquired the assets of the Chester Water Service Company pursuant to the provisions of the Municipality Authorities Act of 1935, later repealed and replaced by the Municipality Authorities Act of 1945. The Authority provides water service to over 44,000 customers in Southeastern Pennsylvania between the Susquehanna River and the Delaware River. The Authority is directed by a nine-member Board of Directors. Three Directors are appointed by the Chester County Commissioners, three by the Delaware County Council, and three by Chester City Council. All directors serve five-year terms.

The Authority operates and maintains a potable water treatment and delivery system with daily capacity of approximately 60 million gallons of conventional surface water. The Authority’s delivery system produces a daily average of 30 million gallons per day at its Octoraro treatment plant.

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The Authority has no taxing power. Operational and maintenance costs are funded from revenue earned on water sales to customers, customer fees and charges. The acquisition and construction of capital assets are funded by the issuance of municipal bonds, capital contributions from developers, and revenue earned on water sales to customers.

The Authority's rates are based on actual cost of service studies prepared by consulting engineers. The rates established by the Authority do not require legislative approval and the Authority is not subject to Pennsylvania PUC rules and regulations.

The financial affairs of the Authority are governed in certain respects by its Trust Indenture.

The Service Area

The Authority delivers public water supply to customers in Western Delaware County and portions of Southern Chester County. The population served directly or indirectly is estimated to be greater than 200,000.

The Authority's customer class includes residential, commercial, industrial, fire and other water utilities.

The Authority supplies water service to the following seven water utilities and municipalities on a wholesale contract basis: Borough of Oxford; Borough of Kennett Square; London Grove Township Municipal Authority; Suez Water-Bethel; Aqua, PA (4 different service locations); Rising Sun, MD, and Artesian Water Company and Suez Water, DE.

Some of the major industrial and commercial customers served by the Authority are: Monroe Energy, Sunoco Oil, Covanta, Evonik Degussa, Kimberly Clark, Concord Beverage Company, George W. Hill Correctional Institution, PA Department of Corrections, Crozer-Chester Medical Center, Widener University, Neumann University, Lincoln University, Cheyney University, Harrah's Philadelphia Casino, Jennersville Regional Hospital, Glen Mills Schools, Chester Upland School District and Garnet Valley School District.

Source of Supply/Water Treatment Facilities

The Authority owns and operates the 60 million gallons per day (MGD) Octoraro Water Treatment Plant (the Plant) which is located at the base of the Octoraro Reservoir in Lancaster County, PA. The Octoraro Reservoir and the Susquehanna River are the two permitted sources of supply for the Plant. Allocation permits totaling 60 MGD allow for the withdrawal of up to 30 MGD from each source of supply. The two sources provide redundancy in water supply and provide operational flexibility that allows the Authority to provide the highest quality potable water at the lowest cost to our customers. The Authority's potable water meets or surpasses all State and Federal drinking water regulations.

The Authority delivers potable water for domestic, commercial, and industrial uses in addition to providing water for irrigation and fire protection services to more than 44,000 direct customers. In addition, the Authority supplies water, through bulk water sales, to other water utilities and municipalities in Pennsylvania, Delaware and Maryland.

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Transmission Facilities

The capacity of treated-water pumps at the Treatment Plant is 54 MGD (not including 35 MGD in standby facilities). The treated water is pumped from the Treatment Plant to the three Oxford Summit storage tanks five miles from the Treatment Plant. From the storage tanks water flows by gravity 34 miles to the demand center in Delaware County, Pennsylvania. This gravity transmission main has a capacity of 54 MGD.

The following table illustrates the average daily pumpage for the Water System from 2010 to 2020:

Years (As of 12/31)	Average Daily Pumpage for The Year MGD
2010	32.42
2011	31.30
2012	32.10
2013	30.40
2014	28.98
2015	29.18
2016	29.64
2017	29.56
2018	30.20
2019	32.00
2020	31.40

Storage Facilities and Distribution System

The Authority has covered storage facilities with an aggregate capacity of 101.5 million gallons of treated water representing a supply for approximately three days' average use. The distribution system including transmission main comprises approximately 690 miles of pipelines varying in diameter from 48-inch down to $\frac{3}{4}$ -inch.

The following table presents the Authority's storage facilities:

Storage Facilities	Million Gallons
Village Green Tanks	87.70
Oxford Summit Tanks	9.00
Brinton Lake Tank	2.50
Norway Tank	1.00
Jennersville Tank	0.45
Newark Road Tank	0.25
Broadmeadows Tank	0.30
Bethel Tank	0.30
TOTAL	101.50

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The Authority had a total of 55 main leaks in 2020, five occurred on 10 inch and larger diameter pipes; 90% of the leaks occurred on pipes 8 inch or less in size.

COVID - 19

The Authority was deemed an essential business at the start of the COVID-19 pandemic when non-essential businesses were government mandated to close. The Plant operations remained uninterrupted although employee schedules were adjusted to allow for limited interactions between employees. Revenues were impacted but only marginally as commercial and industrial consumption declined. The Authority also saw decrease in developer contributions due to halted development in Delaware and Chester counties. Additional costs were incurred on equipment for employees working from home, additional cleaning costs for a safe working environment and purchases of personal protective equipment.

General Trends & Significant Events

- The economic situation within the Authority's service area remains stable. The population growth rate in Delaware and Chester Counties over the last five years has been approximately 0.7% and 2.4%, respectively. Median household income in Delaware County and Chester County were reported as \$74,477 and \$100,214, respectively, which are well above the United States median household income of \$62,843. The last available data from US Census Bureau was as of 2019.
- The Authority's rates remained unchanged since 2010. The Authority's water rates are lower than those charged by neighboring private water companies.
- Total operating revenues in 2020 decreased by 1% or \$522,582 when compared to 2019. This decrease was attributed to decrease in commercial and industrial demand. In addition, the Authority stopped collecting penalties during the pandemic.
- Management worked to minimize operating expenses in 2020 knowing that consumption was down.

Overview of Annual Financial Report

The *statement of net position* provides information about the nature and amounts of investments in resources (assets), obligation to creditors (liabilities) as well as the deferred inflows and outflows of resources. The difference between these amounts is reported as net position.

The *statement of revenues, expenses, and changes in net position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. The statement accounts for all of the revenues and expenses for the year, measures the financial results of the Authority's operation.

The *statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. The statement presents cash receipts and cash

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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 material 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 *schedule of funding progress* provides as required supplementary information (RSI) immediately following the notes to the financial statements, and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial Accrued Liability (AAL) for benefits.

Financial Highlights

Operating Revenues

Revenues from operations are derived from water services and ancillary charges. Ancillary charges include tapping fees, delinquency turnoff fees, engineering and inspection services, and charges for other miscellaneous services. The Authority has five classes of water customers: residential, commercial, industrial, fire protection (includes private and public fire protection) and other water utilities.

	2020	2019	<u>2020 vs.</u> <u>2019</u>	<u>2020 vs.</u> <u>2019</u>
Water customers at year end:				
Residential	41,071	41,170	(99)	0%
Commercial	2,472	2,370	102	4%
Industrial	42	44	(2)	(5)%
Fire Protection	597	598	1	0%
Other water utilities	<u>11</u>	<u>11</u>	<u>0</u>	<u>0%</u>
Total Customers	<u>44,193</u>	<u>44,193</u>	<u>0</u>	<u>0%</u>
Average Annual Residential Bill	<u>\$403.46</u>	<u>\$403.46</u>	<u>\$0</u>	<u>0%</u>
Water consumption (millions of gallons):				
Residential	2,165.9	2,067.1	99	5%
Commercial	1,434.2	1,465.5	(31)	(2)%
Industrial	3,814.0	3,784.2	30	1%
Other water utilities	2,077.3	1,850.9	226	12%
Fire Protection	<u>38.7</u>	<u>24.9</u>	<u>14</u>	<u>55%</u>
Total Water Consumption	<u>9,530.1</u>	<u>9,192.6</u>	<u>338</u>	<u>4%</u>

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Average Operating Revenue per 1,000 gallons consumed	<u>\$4.96</u>	<u>\$5.15</u>
Average Operating Expenses per 1,000 gallons consumed	<u>\$3.67</u>	<u>\$3.39</u>

Financial Highlights-Continued

In 2020 customer accounts totaled 44,193. Industrial and commercial customers represented 6% of customer base and accounted for 36% of operating revenues. Residential customers represented 93% of total customer base during 2020 and 38% of operating revenues.

Operating Revenue from

Water Services and Other Fees:	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Residential	\$17,121,643	\$16,511,126	\$610,517	4%
Commercial	6,768,994	7,179,069	(410,075)	(6)%
Industrial	9,367,380	9,832,034	(464,654)	(5)%
Fire Protection	4,295,482	4,063,901	231,581	6%
Other Water Utilities	7,166,136	6,802,562	363,574	5%
Capacity, Flat Fees and Late Fees	<u>520,960</u>	<u>1,374,484</u>	<u>(853,524)</u>	<u>(62)%</u>
Total	<u>\$45,240,595</u>	<u>\$45,763,176</u>	<u>\$(522,581)</u>	<u>(1)%</u>

The Authority realized operating revenues of \$45,240,595 and \$45,763,176 for the years ended December 31, 2020 and 2019, respectively, a 1% decrease. The decrease is attributable to lower commercial and industrial demand during COVID-19 mandated closures. In addition, the Authority stopped collecting late fees during the COVID emergency.

Interest Income

The Authority earned interest income of \$254,729 and \$155,689 for the years ended December 31, 2020 and 2019, respectively, representing a 64% increase.

Operating Expenses

Total operating expenses (excluding depreciation) amounted to \$31,023,697 and \$31,604,292 in 2020 and 2019, respectively. The 2% decrease is attributable to changes in operations due to COVID-19.

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Financial Analysis

The Authority's financial condition remained strong at year-end with adequate liquid assets and unrestricted net assets. Management believes that the current financial condition, technical support, staff capabilities, and operating and expansion plans to meet anticipated customer needs are firm and well balanced.

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators management uses in monitoring and planning.

Condensed Statement of Net Position
(In Thousands)

	December, 31		
	2020	2019	2018
Current assets	\$30,721	\$25,240	\$22,187
Restricted cash and investments	23,093	28,305	7,630
Capital assets-net of accumulated depreciation	280,862	282,114	277,882
Net pension asset	-	806	-
Total Assets	334,676	336,465	307,699
Deferred Outflows of Resources related to pension & bond issuance	10,448	3,048	5,067
Total Assets and Deferred Outflows of Resources	<u>\$345,124</u>	<u>\$339,513</u>	<u>\$312,766</u>
Current liabilities	\$9,001	\$8,491	\$9,058
Noncurrent liabilities	80,054	90,702	69,009
Net pension liability	4,838		
Net OPEB liability	6,406		
Total Liabilities	<u>100,299</u>	<u>99,193</u>	<u>78,067</u>
Deferred Inflows of Resources	<u>4,751</u>	<u>2,247</u>	<u>664</u>
Net Position			
Invested in capital assets-net of debt	197,865	194,947	215,520
Restricted	23,093	28,305	7,630
Unrestricted	19,116	14,821	10,884
Total Net Position	<u>240,074</u>	<u>238,073</u>	<u>234,034</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$345,124</u>	<u>\$339,513</u>	<u>\$312,765</u>

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Financial Analysis-Continued

Total Liabilities, Deferred Inflows of Resources and Net Position increased by \$5.6 million for the year ended December 31, 2020, which is largely due to positive operating results for 2020.

The Authority's investment policy complies with the requirements of the Pennsylvania Municipality Authorities Act, as amended (the "Authorities Act") and Act 72 of 1971, as amended and supplemented (the "Collateralization Act"). The Authority's investment policy permits investments in: obligations of the US Treasury; direct obligations of the United States of America or its agencies or instrumentalities; Obligations of the Commonwealth of Pennsylvania and the Commonwealth of Pennsylvania's agencies, instrumentalities and subdivision obligations backed by the full faith and credit of the Commonwealth of Pennsylvania; insured or properly collateralized bank savings accounts and time deposits collateralized in accordance with the requirements of the Collateralization Act; Shares of an investment company registered pursuant to the Investment Company Act of 1940 (i.e. inter alia, certain mutual funds, money market funds, other pooled funds, etc.) provided that such investment vehicles are secured by direct obligations of the United States of America, the Commonwealth of Pennsylvania, in the amounts necessary to preserve the market value of the deposit; Local government investment pools or other instruments provided by an investment trust pursuant to 53 Pa C.S. Ch. 23 Subch. A (related to intergovernmental cooperation) and related statutes if the trust has been in existence for at least five years and the board of trustees of the trust consists exclusively of public officials and public employees elected by the members.

Investments of the authority are reported at fair value. The Authority's investment balance, including cash and cash equivalents, as of December 31, 2020 was \$15.5 million, an increase of \$1.8 million from the prior year.

Accounts receivables increased by \$1.7 million due to pause on water shut-offs during COVID-19. Unbilled revenue represents amounts due based on estimated usage from the latest meter reading to the end of the accounting period. Unbilled revenues as of December 31, 2020 were \$4,654,512, an increase of \$470,445 or 11% from prior year.

Materials and supplies on December 31, 2020 were valued at \$3,960,894 as compared to the prior year balance of \$2,392,807. The increase of \$1,568,087 was primarily due to the decrease in construction activity during COVID-19.

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Financial Analysis-Continued

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the Authority had \$198 million invested in capital assets (net of debt), consisting primarily of water mains, structures and related equipment. The Authority's major capital asset additions during 2020 included: major upgrades to its distribution SCADA system and replacement of transformers at the treatment plant.

Debt

The Authority's outstanding debt includes \$78,624,353 in long term revenue bonds. The Authority's current portion of long term debt of \$4,372,880 includes scheduled bond principal payments to be paid within the next 12 months.

Deferred Inflows and Deferred Outflows

Deferred inflows of resources consist of the unamortized balance of differences in expected and actual experience related to the net pension liability and OPEB experience.

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Financial Analysis-Continued

**Condensed Statements of Revenue, Expenses, and Changes in Net Position
(In Thousands)**

	December 31,		
	2020	2019	2018
Operating revenues	\$ 45,241	\$45,763	\$43,326
Operating expenses	40,312	41,058	41,839
Operating income	4,929	4,705	1,487
Nonoperating income:			
Interest income	255	156	132
Other	817	791	933
Gain on sale of property	11	302	-
Total non-operating income	1,083	1,249	1,065
Total non-operating expenses	4,014	2,810	2,777
Change in Net Position before Contributions	1,998	3,144	(225)
Capital Contributions	3	895	5,653
Change in net position	2,001	4,039	5,428
Net Position-Beginning of the year	238,073	234,034	233,539
Cumulative effect of prior period adjustment for adoption of GASB 75	-	-	(4,933)
Net Position-Beginning of the year, restated	-	-	228,606
Net Position-End of the year	<u>\$240,074</u>	<u>\$238,073</u>	<u>\$ 234,034</u>

The operating ratio (operating revenues divided by operating expenses less depreciation) was 1.46 in 2020 and 1.45 in 2019.

Operating Revenues

Revenues in fiscal 2020 decreased by approximately 1% or \$522,582. The slight decrease in revenue occurred due to decrease in consumption as businesses closed during the COVID-19 emergency declaration.

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Financial Analysis-Continued

Operating Expenses

Operating expenses (including depreciation) decreased in 2020 by 2% or \$746,300 primarily due to changes in operations due to COVID-19.

Depreciation and Amortization Expenses

For the years ended December 31, 2020 and 2019, depreciation expense amounted to \$9.3 million and \$9.5 million, respectively. Completed capital projects are closed out into fixed assets, where they are depreciated; there were over \$3.9 million worth of capital improvement projects closed in 2020.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses are comprised primarily of bond interest expense, amortization of bond discounts and debt issuance costs, overhead administrative fees and gain/loss on the disposal of property and equipment. Interest expense increased by 14% consistent with scheduled debt service payments.

Capital Contributions

The Authority collects water capacity fees to ensure that current customers do not bear the entire burden of growth. These fees are paid by new customers and represent, on a residential equivalent unit basis, the cost of the water capacity by the new account. Most of these fees are generated from units of capacity purchased by residential and commercial real estate developers.

The Authority also receives and records additions to its distribution system from developers. Developers convey these residential systems and extensions to the Authority upon completion of projects in accordance with plans and specifications approved by the Authority. In 2020, due to COVID-19 restrictions developers contributed less than \$3,000 in system extensions. These contributions are not budgeted as they are of limited relevance to rate setting and the timing is not subject to Authority control.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, contact Chester Water Authority, 415 Welsh St, Chester, PA 19013.

Chester Water Authority
Statements of Net Position
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Assets and Deferred Outflows of Resources

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and cash equivalents	15,530,656	\$ 12,498,028
Investments	-	1,224,596
Accounts receivable, net of allowance for doubtful accounts of \$300,000 in both 2020 and 2019	6,430,271	4,715,593
Unbilled revenue	4,654,512	4,184,067
Materials and supplies	3,960,894	2,392,807
Other current assets	144,954	225,138
Total Current Assets	<u>30,721,287</u>	<u>25,240,228</u>
<u>Non-Current Assets</u>		
Property, plant, and equipment—net of accumulated depreciation	280,862,318	282,114,520
Net pension asset		806,245
Total Non-Current Assets	<u>280,862,318</u>	<u>282,920,765</u>
<u>Restricted Assets</u>		
Cash and cash equivalents	23,092,782	28,304,535
Total Restricted Assets	<u>23,092,782</u>	<u>28,304,535</u>
Total Assets	<u>334,676,387</u>	<u>336,465,528</u>
<u>Deferred Outflows of Resources</u>		
Changes in pension investment returns and actuarial assumptions	8,625,661	1,134,806
Changes in OPEB investment returns and actuarial assumptions	1,822,033	1,912,766
Total Deferred Outflows of Resources	<u>10,447,694</u>	<u>3,047,572</u>
<u>Total Assets and Deferred Outflows of Resources</u>	<u>\$ 345,124,081</u>	<u>\$ 339,513,100</u>

See accompanying notes to financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 3,742,920	\$ 3,415,023
Accrued interest on debt	253,918	270,415
Customer deposits	631,746	636,295
Bonds payable (current)	4,372,880	4,169,445
Total Current Liabilities	<u>9,001,464</u>	<u>8,491,178</u>
 <u>Non-Current Liabilities</u>		
Advances for construction	1,429,680	1,355,230
Bonds payable (long-term)	78,624,353	82,997,233
Net pension liability	4,838,485	-
Net OPEB liability	6,406,003	6,349,041
Total Non-Current Liabilities	<u>91,298,521</u>	<u>90,701,504</u>
 Total Liabilities	<u>100,299,985</u>	<u>99,192,682</u>
 <u>Deferred Inflows of Resources</u>		
Differences in pension experience	4,025,119	1,743,519
Differences in OPEB experience	725,469	503,883
Total Deferred Inflows of Resources	<u>4,750,588</u>	<u>2,247,402</u>
 <u>Net Position</u>		
Invested in capital assets—net of related debt	197,865,085	194,947,842
Restricted, for debt service	23,092,782	28,304,535
Unrestricted	19,115,641	14,820,639
Total Net Position	<u>240,073,508</u>	<u>238,073,016</u>
 <u>Total Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>\$ 345,124,081</u>	<u>\$ 339,513,100</u>

Chester Water Authority
Statements of Revenues, Expenses, and Changes In Net Position
For The Years Ended December 31, 2020 and 2019

	December 31,	
	<u>2020</u>	<u>2019</u>
<u>Operating Revenues</u>		
Residential	\$ 17,121,643	\$ 16,511,126
Commercial	6,768,994	7,179,069
Industrial	9,367,380	9,832,034
Fire protection	4,295,482	4,063,901
Capacity charges, flat and late fee revenues	520,960	1,374,484
Sales to other water utilities	7,166,136	6,802,562
Total Operating Revenues	<u>45,240,595</u>	<u>45,763,176</u>
<u>Operating Expenses</u>		
Purification and Pumping	7,593,847	7,409,809
Distribution	6,454,917	6,687,166
Administrative	12,980,171	13,672,346
Finance/customer service, billing and collections	3,994,762	3,834,971
Depreciation	9,287,985	9,453,690
Total Operating Expenses	<u>40,311,682</u>	<u>41,057,982</u>
<u>Operating Income</u>	<u>4,928,913</u>	<u>4,705,194</u>
<u>Non-Operating Revenues/(Expenses)</u>		
Actuarial changes for OPEB and pension	(804,757)	-
Net investment income	254,729	155,689
Interest expense	(3,209,698)	(2,810,444)
Other nonoperating revenues	267,789	311,563
Amortization of bond discounts and debt issuance costs	549,445	479,795
Gain (loss) on disposal of property and equipment	11,160	302,194
Total Non-Operating Revenues/(Expenses)	<u>(2,931,332)</u>	<u>(1,561,203)</u>
<u>Income Before Contributions</u>	1,997,581	3,143,991
<u>Capital Contributions</u>	<u>2,911</u>	<u>894,723</u>
<u>Change In Net Position</u>	<u>2,000,492</u>	<u>4,038,714</u>
<u>Net Position - Beginning of year</u>	<u>238,073,016</u>	<u>234,034,302</u>
<u>Net Position - End of year</u>	<u><u>\$ 240,073,508</u></u>	<u><u>\$ 238,073,016</u></u>

See accompanying notes to financial statements.

Chester Water Authority
Statements of Cash Flows
For The Years Ended December 31, 2020 and 2019

	December 31,	
	<u>2020</u>	<u>2019</u>
<u>Operating Activities</u>		
Receipts from customers	\$ 43,050,923	\$ 45,289,489
Payments to suppliers and others	(20,748,949)	(20,592,433)
Payments to employees	(11,431,196)	(12,148,537)
Net cash provided by operating activities	<u>10,870,778</u>	<u>12,548,519</u>
 <u>Capital and Related Financing Activities</u>		
Acquisition of capital assets	(8,035,783)	(12,772,364)
Bond issuance cost	-	103,300
Repayment of water revenue bonds	(3,620,000)	(2,715,000)
Interest paid on water revenue bonds	(3,209,698)	(2,718,456)
Proceeds from sale of water revenue bonds	-	28,000,000
Advances for construction	57,304	398,584
Proceeds received from sales of assets	11,160	302,195
Other non-operating receipts	267,789	189,133
Net cash used in capital and related financing activities	<u>(14,529,228)</u>	<u>10,787,392</u>
 <u>Investing Activities</u>		
Proceeds from sale and maturities of investments	1,224,596	-
Interest received	254,729	155,689
Net cash provided by investing activities	<u>1,479,325</u>	<u>155,689</u>
 <u>Net Increase (Decrease) In Cash and Cash Equivalents</u>	(2,179,125)	23,491,600
 <u>Cash and Cash Equivalents - Beginning of year</u>	<u>40,802,563</u>	<u>17,310,963</u>
 <u>Cash and Cash Equivalents - End of year</u>	<u><u>\$ 38,623,438</u></u>	<u><u>\$ 40,802,563</u></u>

See accompanying notes to financial statements.

	December 31,	
	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 4,928,913</u>	<u>\$ 4,705,194</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	9,287,985	9,453,690
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	(1,714,678)	(500,074)
Unbilled revenues	(470,445)	(40,720)
Materials and supplies	(1,568,087)	316,834
Other current assets	80,184	(180,402)
Deferred outflows of resources	(7,400,122)	2,018,969
Deferred inflows of resources	2,560,148	(1,695,236)
Accounts payable and accrued expenses	331,456	(1,595,763)
Pension liability	5,644,730	-
Pension expense - actuarial adjustment	(804,757)	-
Customer deposits	<u>(4,549)</u>	<u>66,027</u>
Net cash provided by operating activities	<u><u>\$ 10,870,778</u></u>	<u><u>\$ 12,548,519</u></u>
Non-Cash Capital and Financing Activities		
Capital assets acquired through contributions from developers	<u><u>\$ -</u></u>	<u><u>\$ 427,537</u></u>

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 1 The Authority

Chester Water Authority (the “Authority”) was established as a municipal authority and acquired the assets of the Chester Water Service Company pursuant to the provisions of the Municipality Authorities Act of 1935. The Authority provides water service to approximately 44,000 customers in Southeastern Pennsylvania between the Susquehanna River and the Delaware River. The Authority is directed by a nine-member Board of Directors, which are appointed by the Chester City Council, Chester County Commissioners, and Delaware County Council, and serve five-year terms.

The financial affairs of the Authority are governed in certain respects by its Master Trust Indenture (“Indenture”).

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental entities. The Governmental Accounting Standards Board (“GASB”) is accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. As required by GASB standards, the transactions of the Authority are accounted for on a flow of economic resources measurement focus and accrual basis of accounting.

Use of Management’s Estimates

The presentation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition

The Authority distinguishes operating revenues from non-operating items in the preparation of the financial statements. Operating revenues and expenses generally result from providing services in connection with the Authority’s ongoing operations. Water service revenues are recognized based on actual customer water usage, which includes both amounts billed to customers for services provided, and unbilled amounts based on estimated usage from the latest meter reading to the end of the accounting period. Other operating revenues are recognized when service has been rendered and collection is reasonably assured. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues/expenses.

Cash and Cash Equivalents, and Investments

Substantially all of the Authority’s cash is held in interest bearing accounts. For purposes of reporting cash flows, the Authority considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Investments

Investments are reported at their fair values in the statements of net position (see Note 3). Unrealized gains and losses are included in the change in net position.

Concentrations

Credit Risk

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of cash and accounts receivables. The Authority maintains cash in bank accounts which, at times, may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage of \$250,000. The Authority's deposits held by banks are collateralized by a pool of each bank's assets. The pool of assets is invested in various obligations of the United States Treasury or of the Commonwealth of Pennsylvania. In accordance with the applicable Federal and Pennsylvania law, including Pennsylvania Act 72 of 1971, collateral of \$32,234,047 was pledged by Republic Bank to secure deposits in excess of FDIC insurance limits.

For the years ended December 31, 2020 and 2019, sales to the top ten industrial and commercial customers (excluding other water utilities) account for approximately 21% and 34% of total operating revenues, respectively and sales to one customer accounted 9% of the top ten for the year ended December 31, 2020. Total annual billings to the top ten largest customers as of December 31, 2020 and 2019 were \$9,490,304 and \$9,991,635, respectively.

Interest Rate Risk

Interest rate risk is the risk associated with changes in interest rates adversely affecting the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The Authority manages its exposure to interest rate risk by investing in fixed rate obligations with maturities of one year or less. For interest rate risk for the Pension plan, see Note 6.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect. The Authority maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Authority estimates its allowance for doubtful accounts based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific balances may be uncollectible, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due accounts receivable balances are written off after management has used reasonable collection efforts through a charge to the valuation allowance. The allowance for doubtful accounts for both years ended December 31, 2020 and 2019 totaled \$300,000.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Capital Contributions

The Authority receives and records additions to its distribution system (main extensions, services and hydrants) from developers. Developers convey these residential systems and extensions to the Authority upon completion of projects in accordance with plans and specifications approved and certified by the Authority. These contributions are not budgeted as they are of limited relevance to rate setting and the timing is not subject to Authority control. The Authority received \$2,911 and \$427,537 of capital assets through contributions from developers during 2020 and 2019, respectively. In addition, the Authority received \$467,186 in cash contribution from developers in 2019. There were no cash contributions received from developers in 2020.

Materials and Supplies

Materials and supplies inventory are held solely for the use on current construction in progress and for repairs and maintenance. Inventory is stated at the lower of cost or net realizable value and is based on the average cost method.

Capital Assets

Capital assets are stated at cost, or in the case of donated property, at its estimated fair value at the date of receipt. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred. Construction in progress is not depreciated until the asset is placed in service. Renewals, improvements and the cost of additions to and replacements of capital assets are capitalized. Cost includes materials, direct labor, overhead, and charges for third-party engineering and supervision. The disposition of property, as well as the ownership of any proceeds, is subject to government regulations. The original cost of property replaced, retired, or otherwise disposed of in ordinary retirements, along with removal expense less salvage value, is charged to non-operating expense on the Statements of Revenues, Expenses and Changes in Net Position. Upon retirement or other disposition of items of property and equipment, the cost of the item and the related accumulated depreciation are relieved, and any gain or loss is included in other income and expense on the statements of Revenues, Expenses and Changes in Net Position.

Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Years</u>
Computer equipment and software	3-5
Other equipment	5-20
Buildings and pumping stations	40
Reservoirs	60
Mains	75

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Capital Assets (continued)

The Authority evaluates long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write down to a new depreciable basis is required. If required, an impairment charge is measured by the difference between the carrying value and the estimated fair value of the assets. There were no identified impairment charges.

Capitalized Interest

Interest is capitalized as a part of the cost of capital assets if the assets are financed by debt proceeds or if debt is outstanding during the capitalization period. Total capitalized interest as of December 31, 2020 and 2019 was \$4,146,473 for both years.

Bonds Discounts and Premiums

Amortization of the debt premium is computed using effective interest method over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond refunding costs are amortized to expense over the shorter of the life of the refunding bonds or the refunded bonds and are reported as deferred outflows and inflows in the accompanying statement of net position. For debt defeasance, the difference between the carrying amount of the debt and the amount of funds needed to retire the debt is recognized immediately in the Statements of Revenues, Expenses and Changes in Net Position in the period of extinguishment.

Compensated Absences

Compensated absences are accrued when earned and reported as a liability in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

Revenue Bonds

Revenue bonds are limited obligations of the Authority and are not a debt of the Commonwealth of Pennsylvania, the City of Chester, Chester County, Delaware County, or any other political subdivision thereof. These obligations are secured by a pledge of the Indenture of all receipts and revenues from the water system. Funds required to be maintained under the bond indentures are based on formulas specified in the bond indentures. At December 31, 2020 the Authority's bonds were rated Aa2 by Moody's Investor Service.

Deferred Outflows/Inflows of Resources

The statement of net position reports separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow (expense/expenditure) of resources until then. Deferred inflow represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow (revenue) of resources until then.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Net Position

The Authority's net position represents the excess of assets over liabilities and is categorized as follows:

Net Investment in capital assets - Net investment consists of unrestricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.

Restricted for debt service - Net position restricted for debt service represents the summation of the restricted net position of the Authority's bond programs, which are consolidated in the financial statements of the Authority. The bond indenture requires that all related equity balances be restricted for the bond programs.

Unrestricted net position - Unrestricted net position is the remaining portion of net position and is categorized as designated or undesignated. Designated assets are committed for specific purposes pursuant to Authority policy and/or Board directives. Designated assets include funds and assets committed to working capital.

Tax Status

The Authority qualifies as a tax-exempt organization under applicable sections of the Internal Revenue Code. Accordingly, there is no provision for income taxes reflected in the accompanying financial statements.

New Accounting Standards Adopted

The Governmental Standards Board issued Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement amends Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 119; Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraphs 10 and 12; Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, paragraph 11; NCGA Interpretation 6, *Notes to the Financial Statements Disclosure*, paragraphs 4 and 5; and Implementation Guide No. 2015-1, Question 7.85.7. This Statement improves the consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for fiscal years beginning after June 15, 2018, with early adoption permitted. The Authority has elected to adopt the Statement for year-ended December 31, 2019.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Pending Accounting Changes

The Governmental Standards Board issued Statement No 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 and will be applicable for the Organization's calendar year ending December 31, 2021. The Authority has elected not to early adopt.

Note 3 Investments and Fair Value Measurements

The Authority's investments comply with the guidelines of the current Trust Indenture, the requirements of the Pennsylvania Municipality Authorities Act, as amended (the "Authorities Act") and Act 72 of 1971, for investments.

Restricted for Operation and Maintenance Reserve - In accordance with the Trust Indenture, the Authority shall maintain an amount equal to 15% of the prior fiscal year's receipts and revenues from the water system in this Operating and Maintenance Reserve Account.

Restricted for Debt Service - In accordance with the Trust Indenture, the Authority maintains a Debt Service Reserve Fund. The reserve is held by a Fiscal Agent. Funds held for debt service reserve are used solely for the purpose of paying the principal and interest on the bonds, and for retiring the bonds prior to maturity, and are reported as restricted investments in the accompanying statement of net position. Principal amounts for the bonds are payable on December 1 and interest payable on June 1 and December 1.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 3 **Investments and Fair Value Measurements (Continued)**

Amounts in the debt service and bond funds are invested in the Wells Fargo Advantage Government Money Market Fund.

Restricted for Construction - In accordance with the Trust Indenture, funds held for construction in the Construction Fund are for the costs of acquiring, constructing, and replacing the water system and are reported as restricted cash in the accompanying statement of net position.

Fair Value Measurement - The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets.

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

At December 31, 2020 and 2019, the Authority had the following recurring fair value measurements which were all deemed to be Level 1 investments and were recorded at fair value as follows:

Investments by Fair Value Level	December 31,	
	<u>2020</u>	<u>2019</u>
Interest Bearing Checking		
- Restricted for:		
Unused Bond Proceeds	\$15,250,906	\$20,466,309
Operation & Management Reserve	7,190,416	7,187,446
Money Market Funds		
- Restricted for:		
Debt Service	651,460	650,780
- Unrestricted	6,469,232	2,160,946
Certificates of Deposit – Unrestricted	-	1,224,596
	<u>\$29,562,014</u>	<u>\$31,690,077</u>

Cash and cash equivalents are invested in interest bearing checking accounts and money market funds daily.

Certificates of deposits are valued based on stated value including accrued interest calculated based on date of maturity.

There were no transfers between Level 2 and Level 3 investments during the year.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 4 **Capital Assets**

Changes in capital assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>Year ended December 31, 2020</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Land and Improvements	\$ 6,711,765	\$ -	\$ -	\$ 6,711,765
Equipment	59,678,574	6,414,826	-	66,093,400
Vehicles	5,386,018	-	-	5,386,018
Hydrants	7,271,564	-	-	7,271,564
Mains	185,078,678	1,315,587	-	186,394,265
Meters	19,131,425	-	-	19,131,425
Services	29,149,635	87,724	-	29,237,359
Structures	99,280,735	405,589	-	99,686,324
Technology	9,262,343	-	4,370,552	4,891,791
Utility/Non-Utility	3,273,993	8,421	-	3,282,414
Capitalized Interest				
during Construction	4,146,471	3	-	4,146,473
Construction in progress and other	<u>31,679,160</u>	<u>4,174,187</u>	<u>-</u>	<u>35,853,347</u>
 Total	 <u>\$460,050,361</u>	 <u>\$12,406,337</u>	 <u>\$4,370,552</u>	 <u>\$468,086,145</u>
 <u>Less: Accumulated Depreciation:</u>				
Land and Improvements	\$ -	\$ -	\$ -	\$ -
Equipment	33,293,520	6,728,588	-	40,022,108
Vehicles	4,485,375	345,956	-	4,831,331
Hydrants	2,627,908	138,586	-	2,766,494
Mains	45,203,269	2,415,386	-	47,618,655
Meters	13,864,127	678,616	-	14,542,743
Services	11,972,442	657,773	-	12,630,215
Structures	54,385,523	2,073,385	-	56,458,908
Technology	8,331,119	363,158	4,316,285	4,377,992
Utility/Non-Utility	2,942,507	75,058	-	3,017,565
Capitalized Interest				
during Construction	<u>830,051</u>	<u>127,765</u>	<u>-</u>	<u>957,816</u>
 Total	 <u>\$177,935,841</u>	 <u>\$13,604,271</u>	 <u>\$ 4,316,285</u>	 <u>\$187,223,827</u>
 Total Net Capital Assets	 <u>\$282,114,520</u>	 <u>\$ (1,197,934)</u>	 <u>\$ 54,267</u>	 <u>\$280,862,318</u>

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 4 **Capital Assets (Continued)**

	<u>Year ended December 31, 2019</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Land and Improvements	\$ 6,711,765	\$ -	\$ -	\$ 6,711,765
Equipment	59,041,520	695,104	58,050	59,678,574
Vehicles	5,614,349	-	228,332	5,386,017
Hydrants	7,246,662	24,902	-	7,271,564
Mains	181,202,683	3,875,995	-	185,078,678
Meters	19,131,425	-	-	19,131,425
Services	28,875,911	273,724	-	29,149,635
Structures	99,272,357	8,378	-	99,280,735
Technology	9,262,343	-	-	9,262,343
Utility/Non-Utility	3,268,857	5,137	-	3,273,994
Capitalized Interest during Construction	4,146,471	-	-	4,146,471
Construction in progress and other	<u>22,875,695</u>	<u>8,803,465</u>	<u>-</u>	<u>31,679,160</u>
 Total	 <u>\$446,650,038</u>	 <u>\$13,686,705</u>	 <u>\$ 286,382</u>	 <u>\$460,050,361</u>
 <u>Less: Accumulated Depreciation:</u>				
Land and Improvements	\$ -	\$ -	\$ -	\$ -
Equipment	30,995,566	2,356,004	58,050	33,293,520
Vehicles	4,322,641	391,066	228,332	4,485,375
Hydrants	2,488,235	139,673	-	2,627,908
Mains	42,731,387	2,471,882	-	45,203,269
Meters	13,131,409	732,718	-	13,864,127
Services	11,303,368	669,074	-	11,972,442
Structures	52,336,533	2,048,990	-	54,385,523
Technology	7,894,985	436,134	-	8,331,119
Utility/Non-Utility	2,862,123	80,384	-	2,942,507
Capitalized Interest during Construction	<u>702,286</u>	<u>127,765</u>	<u>-</u>	<u>830,051</u>
 Total	 <u>\$168,768,533</u>	 <u>\$ 9,453,690</u>	 <u>\$ 286,382</u>	 <u>\$177,935,841</u>
 Total Net Capital Assets	 <u>\$277,881,505</u>	 <u>\$ 4,233,015</u>	 <u>\$ -</u>	 <u>\$282,114,520</u>

For the years ended December 31, 2020 and 2019, depreciation expense amounted to \$9,287,985 and \$9,453,690 respectively. Included in equipment depreciation expense for 2020 is the reclass of accumulated depreciation totaling \$4,316,285 for assets that were categorized as technology but deemed to be equipment.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 5 Long-term Debt

Long-term debt consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Bonds payable – net of current maturities	<u>\$ 78,624,353</u>	<u>\$ 82,997,233</u>

In 2019, the Authority issued \$8,000,000 Water Revenue Bonds, Series of 2019A (the “2019A Bonds”). The 2019A Bonds are tax-exempt and bear interest, which is payable semi-annually, on June 1 and December 1 of each year, at an annual rate of 2.45%. The 2019A Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on any date prior to maturity at 100% of the principal amount thereof, together with accrued interest to the redemption date. Bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption on December 1 of each year at a redemption price equal to 100% of the principal amount of the bond to be redeemed, plus interest accrued to the date fixed for such mandatory redemption. As security for its obligation under the Indenture, including the payment of all notes issued there-under, the Authority has pledged and granted to the Master Trustee (as defined in the Indenture) revenues derived from the operation of the water system.

In 2019, the Authority issued \$20,000,000 Water Revenue Bonds, Series of 2019 (the “2019 Bonds”). The 2019 Bonds are tax-exempt and bear interest, which is payable semi-annually, on June 1 and December 1 of each year, at an annual rate of 2.45%. The 2019 Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on any date prior to maturity at 100% of the principal amount thereof, together with accrued interest to the redemption date. Bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption on December 1 of each year at a redemption price equal to 100% of the principal amount of the bond to be redeemed, plus interest accrued to the date fixed for such mandatory redemption. As security for its obligation under the Indenture, including the payment of all notes issued there-under, the Authority has pledged and granted to the Master Trustee (as defined in the Indenture) revenues derived from the operation of the water system.

In 2014, the Authority issued \$63,720,000 Water Revenue Bonds, Series of 2014 (the “2014 Bonds”). The 2014 Bonds are tax-exempt and bear interest, which is payable semi-annually, on June 1 and December 1 of each year, maturing annually at rates between 3% and 5%. The 2014 Bonds maturing on and after December 1, 2025 are subject to an optional redemption date on or after December 1, 2024 and are secured under the provisions of the Indenture.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 5 Long-term Debt (Continued)

Each callable bond is subject to redemption prior to maturity, at the option of the Authority, upon payment of a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The 2014 Bonds maturing in 2039 are subject to mandatory sinking fund redemption on December 1 of each year at a redemption price equal to 100% of the principal amount of the 2014 Bonds to be redeemed, plus interest accrued to the date fixed for such mandatory redemption. As security for its obligation under the Indenture, including the payment of all notes issued there-under, the Authority has pledged and granted to the Master Trustee (as defined in the Indenture) revenues derived from the operation of the water system.

The Authority's outstanding notes from direct borrowings related to business-type activities that contain various provisions regarding events of default, termination events, and accelerated payment clauses that allow the lender to modify the repayment terms and accelerate payment of the entire principle amount to become immediately due if the lender determines that a material adverse change occurs. As of the date of these financials there were no adverse changes which caused the acceleration of principle due by the Authority for outstanding notes.

The Indenture contains various financial and non-financial covenants with which the Authority must comply. Under the terms of the Indenture, the Authority is required to maintain a debt service coverage ratio of 1.2. For the years ended December 31, 2020 and 2019, the Authority was in compliance with this financial covenant.

Debt principal outstanding is reflected net of bond premium where applicable in the amount of \$74,830,000 and \$78,450,000 at December 31, 2020 and 2019, respectively. Premium costs are being amortized on the straight-line method over the term of the related indebtedness.

The annual debt service requirements for bonds payable as of December 31, 2020 are as follows:

<u>Years Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2021	\$3,770,000	\$3,047,008	\$6,817,008
2022	3,635,000	2,878,143	6,513,143
2023	3,810,000	2,716,665	6,526,665
2024	9,310,000	2,547,203	11,857,203
2025-2044	<u>54,305,000</u>	<u>21,287,333</u>	<u>75,592,333</u>
Total	<u>\$74,830,000</u>	<u>\$32,476,350</u>	<u>\$107,306,350</u>

Unamortized premiums on bonds payable as of December 31, 2020 and 2019 were \$8,167,233 and \$8,716,678, respectively.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 6 Pension Plan

Plan description

The Retirement Income Plan for Employees of Chester Water Authority (the “Plan”) is a single-employer, non-contributory defined benefit pension plan administered by the Authority. The Plan covers substantially all employees of the Authority and provides retirement and death benefits to eligible Plan members and their spouses. The Plan is governed by the elected Chester Water Authority Board of Directors and Pension Board (“Board”). The Board has delegated the authority to manage Plan assets to CBIZ-InR Advisory Services, LLC. The Plan issues stand-alone financial reports, which can be obtained from the Authority’s offices.

As of December 31, 2020, membership consisted of:

Inactive plan members currently receiving benefits	78
Inactive plan members entitled to but not yet receiving benefits	37
Active plan members	<u>132</u>
Total	<u>247</u>

Funding Policy and Contributions

The Authority’s funding policy is to contribute annually an amount to meet the financial requirement and minimum municipal obligation (the “MMO”). The MMO is determined based on prior year annual payroll at a normal cost rate, plus amortization of prior gains/losses, as actuarially determined, in accordance with the Municipal Pension Plan Funding Standard and Recovery Act 205 of 1984 (the “Act”). As a condition of participation, full-time employees are not required to contribute to the Plan. This contribution is governed by the Plan’s ordinances. Plan contributions were \$1,252,686 and \$1,084,168 in 2020 and 2019, respectively, which represented 100% of the MMO. The Authority in complying to the provisions of Act 205 as amended, deposited \$1,252,686 into the pension plan.

Plan assets consist of cash, fixed income and equity securities. The deposits and investments of the Plan are held separately from those of the Authority and are under the control of the Plan’s Board of Directors.

The Authority’s investment strategy, with respect to its retirement income plan portfolio, is to reduce risk while maximizing returns through the diversification of the portfolio. The target allocations are 70% equity securities, 27% fixed income, and 3% mutual funds. All of the investments in the plan are marketable securities which are recorded at fair value determined by quoted prices in active markets. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 6 **Pension Plan (Continued)**

Actuarial Assumptions

The Authority's net pension liability was measured as of January 1, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was determined using the following actuarial assumptions.

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	14 years

Asset Valuation Method Market Value Assumptions:

Inflation	2.25%
Salary Increases	4.75%
Investment Rate of Return	7.75% (Net of pension plan investment expense including inflation)
Retirement Age	65
Mortality rates	RP-2000 Mortality Table projected to 2017 using Scale AA.
Discount rate	6.75%

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 6 **Pension Plan (Continued)**

Net Pension Liability

Changes in net pension liability for the year ended December 31, 2020, were as follows.

	Total Pension Liability {a}	Plan Fiduciary Net Position {b}	Net Pension Liability {a} - {b}
Balance at December 31, 2019	\$ 41,140,673	\$ 41,946,918	\$ (806,245)
Changes for the year:			
Service cost	1,206,820		1,206,820
Interest	2,713,206		2,713,206
Differences between expected and actual experience	114,099		114,099
Changes of assumptions	8,986,112		8,986,112
Contributions – authority & state aid		1,252,686	(1,252,686)
Net investment income		6,143,521	(6,143,521)
Benefit payments	(1,890,071)	(1,890,071)	-
Administrative expense		(20,700)	20,700
Net changes	11,130,166	5,485,436	5,644,730
Balance at December 31, 2020	<u>\$ 52,270,839</u>	<u>\$ 47,432,354</u>	<u>\$ 4,838,485</u>

For the years ended December 31, 2020 and 2019, the Authority recognized a pension expense of \$1,252,686 and \$1,317,250, respectively.

At December 31, 2020, deferred outflows of resources and deferred inflows of resources related to pensions amounted to:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,676	\$ (490,473)
Changes in assumptions	8,528,985	-
Net difference between projected and actual earnings		
on pension plan investments	-	(3,534,646)
Total	<u>\$8,625,661</u>	<u>\$(4,025,119)</u>

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 6 Pension Plan (Continued)

Net Pension Liability (continued)

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended December 31:

2021	\$ 702,052
2022	1,039,597
2023	(32,101)
2024	849,366
2025	1,523,390
Thereafter	518,238

Note 7 Post-Employment Benefits other than Pensions

Plan Description

The Chester Water Authority Other Postemployment Benefit (the “OPEB”) Plan is a single employer defined benefit healthcare plan administered by Chester Water Authority (the “Authority”) that provides certain postemployment life and health insurance benefits to eligible retired and disabled employees of the Authority and their spouses. The Plan is classified as a single employer plan for GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB Statement No. 43”), purposes and provides medical benefits, as well as prescription drug coverage through fully insured products. For retirees age 62 through 64, the Authority pays the full cost of medical insurance coverage. For retirees age 65 and over, the Authority provides a monthly allowance which can be utilized to purchase medical coverage either through the Authority or elsewhere. Retirees are also eligible for group life insurance.

On December 18, 2008, the Authority, as the Trust Sponsor, established an irrevocable trust, known as the Authority OPEB Trust (the "Trust"), which is an entity separate from the Authority, for the exclusive purpose of providing for payments of the OPEB and associated expenses of administering the Trust. It is intended that the Trust shall constitute a “Qualified OPEB Trust” according the standards set forth in GASB Statement No. 43. Effective fiscal year 2017, Statement No. 43 was superseded by GASB Statement 74 of the same title. The Trust is a tax-exempt governmental trust in accordance with Section 115 of the Internal Revenue Code and is managed by a three-member committee of Trustees consisting of the Chair and Vice Chairman of the Chester Water Authority Board of Directors (the “Board”) and the Executive Manager of the Authority.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 7 Post-Employment Benefits other than Pensions (Continued)

The Trust has no financial obligations beyond the funds made available through the Authority.

At January 1, 2019, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Fully eligible active employees	16
Other active employees not fully eligible	117
Active	<u>68</u>
Total	<u>201</u>

Contributions

The contribution requirements of the Authority are established and may be amended by the Trustees of the Plan. Investment expenses, including investment manager and custodial services are funded through investment earnings. Administrative costs of the Trust are paid by the Authority. In 2020, The Authority contributed \$480,233 to the Plan on a basis other than actuarially determined.

Actuarial Assumptions

The Authority's total OPEB liability was determined as part of an actuarial valuation at January 1, 2019, and an actuarial evaluation is performed biennially. Update procedures were used to roll forward to the municipal entity's fiscal years ending December 31, 2020 and 2019. The total OPEB liability was determined using the following actuarial assumptions.

The significant actuarial assumptions used to value the liability are as follows:

Retirement rate:

Economic Assumptions

Discount rate: 6.25%

Salary increases: 4.75% compounded annually

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 7 Post-Employment Benefits other than Pensions (Continued)

<u>Healthcare Cost Trend Rate</u> Non-Medicare and Medicare medical and pharmacy costs assumed increase:	<u>Years After Valuation</u>	<u>Medical & Pharmacy</u>	<u>Years After Valuation</u>	<u>Medical & Pharmacy</u>
	1	0.00%	7	5.75
	2	7.00	8	5.50
	3	6.75	9	5.25
	4	6.50	10	5.00
	5	6.25	11	4.75
	6	6.00	12	4.50

Medicare Medical
Allowance Trend: 2% per year

Medicare Prescription
Drug Allowance Trend: 3% per year

Demographic Assumption
Mortality: SOA Pub-2010 General Headcount-Weighted
Mortality Margin for mortality improvements:
Scale MP-2020

Members are assumed to retire with the following table:

Age	Probability of Retiring During the Year
62	20%
63	20%
64	20%
65+	100%

Probability of Marriage: 65% of future retirees are assumed to have a
spouse participating in coverage.

Participation: 100% of eligible retirees and spouses are
assumed to participate in Personal Choice 20
and the over age 65 medical allowance. 50% of
retirees and spouses are assumed to participate
in the prescription drug coverage.

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 7 **Post-Employment Benefits other than Pensions (Continued)**

Net OPEB Liability

Changes in net OPEB liability for the year ended December 31, 2020, were as follows.

	Total OPEB Liability <u>{a}</u>	Plan Fiduciary Net Position <u>{b}</u>	Net OPEB Liability <u>{a} - {b}</u>
Balance at December 31, 2019	\$11,626,896	\$ 5,277,855	\$6,349,041
Changes for the year:			
Service cost	408,402		408,402
Interest	864,407		864,407
Net Benefits Paid by Employer	(263,337)		(263,337)
Projected Earnings on Fiduciary On Fiduciary Net Position		400,052	(400,052)
Differences between expected and actual experience		362,253	(362,253)
Changes in assumptions & cost method	290,028		290,028
Contributions – employer		743,570	(743,570)
Contributions – other			
Net investment income			
Benefit payments		(263,337)	263,337
Administrative expense			
Net changes	<u>1,299,500</u>	<u>1,242,538</u>	<u>56,962</u>
Balance at December 31, 2020	<u>\$ 12,926,396</u>	<u>\$ 6,520,393</u>	<u>\$6,406,003</u>

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 7 Post-Employment Benefits other than Pensions (Continued)

Net OPEB Liability

The OPEB expense for fiscal year ended December 31, 2020

Service cost	\$ 408,402
Interest on total OPEB liability	864,407
Changes in benefit terms	-
Differences between expected & actual experience	341,883
Changes in assumptions & cost method	(40,116)
Other contributions	-
Projected earnings on OPEB plan investments	(400,052)
Amortization of difference between projected & actual earnings on investment	(61,672)
Administrative expenses	-
Other changes in fiduciary net position	-
Total OPEB expense	<u>\$1,112,852</u>

At December 31, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB amounted to:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,570,883	\$ -
Changes in assumptions & cost method	251,150	(362,962)
Net difference between projected and actual earnings on OPEB plan investments		(362,507)
Total	<u>\$ 1,822,033</u>	<u>\$(725,469)</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year Ended December 31:

2021	\$ 240,095
2022	240,093
2023	135,055
2024	229,318
2025	195,243
Thereafter	56,760

Chester Water Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 8 Commitments

The Authority's Capital Construction Program for 2021 is estimated to cost approximately \$22 million. No significant commitments have been made in connection with the projects included in this program as of December 31, 2020.

Note 9 Leases

The Authority leases office space in Kennett Square for its operations, subject to a month to month lease with the rental payments of \$3,004 per month. In addition, the Authority leased various equipment under operating leases that expire over the next several years.

For the years ended December 31, 2020 and 2019, rent and lease expense amounted to \$36,048 and \$33,044, respectively.

Note 10 Risk Management

The Authority has commercial insurance to cover risks of loss related to general liabilities; torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters and the coverage has been sufficient to satisfy loss claims. The Authority is also insured for unemployment compensation and cyber insurance to mitigate tech-related risks.

On January 1, 2017, the Authority entered into a Healthcare Trust ("the Trust") for the purpose of providing health and related benefits for qualified personnel. Under the agreement with the Trust, the Authority pays monthly premiums to the Trust. No liability has been recorded for claims incurred, but not paid as of December 31, 2020.

Note 11 Contingencies

In the normal course of business, the Authority is subject to litigation. In the opinion of legal counsel, supported by management, the impact of any such matters, if adversely determined, would not have a material adverse effect on the financial statements or operations of the Authority.

Note 12 Subsequent Events

An ongoing worldwide pandemic of coronavirus disease 2019 ("COVID-19") has continued to have an effect on the United States since March 2020. As of the report date, the Company continues to evaluate the ongoing effects of this pandemic on its current and future 2021 operations.

The Authority has evaluated subsequent events through June 28, 2021, the date which the financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

Chester Water Authority
Required Supplementary Information
December 31, 2020 and 2019

Schedule of Funding Progress for Pension - Unaudited

Years ending December 31,	The Authority's pension liability	The Authority's covered employee payroll pension plan	The Authority's net pension liability	Fiduciary (SERS) net position as a % of the total pension liability
2020	\$ 52,270,839	\$ 47,432,354	\$ 4,838,485	90.74%
2019	41,140,673	41,946,918	(806,245)	101.96%
2018	39,041,540	35,489,560	3,551,980	90.90%
2017	36,948,039	38,449,221	(1,501,182)	104.06%
2016	34,604,756	33,249,562	1,355,194	96.08%
2015	32,541,467	30,520,603	2,020,864	93.79%
2014	29,874,682	30,449,994	(575,312)	101.93%

** The "Schedule of Proportionate Share of Net Pension Liability" presented above is to illustrate the required 10-year trend of information. However, until the Authority can compile a full 10-year schedule of information, the Authority is presenting the information for years which are available.*

Schedule of Employer Contributions for Pension - Unaudited

Years ending December 31,	Required contributions	The Authority's contributions recognized by the pension plan	Contributions excess/ (deficiency)	The Authority's covered employee payroll	The Authority's contribution as a % of covered employee payroll
2020	\$ 1,252,686	\$ 1,252,686	\$ -	\$ 12,131,438	10.33%
2019	1,084,168	1,084,168	-	12,928,222	8.39%
2018	1,030,429	1,030,429	-	12,164,892	8.47%
2017	718,040	2,369,830	(1,651,790)	10,566,626	22.43%
2016	718,376	718,376	-	10,571,614	6.80%
2015	929,473	929,473	-	10,550,684	8.81%
2014	884,123	884,123	-	9,803,582	9.02%

** The "Schedule of Proportionate Share of Net Pension Liability" presented above is to illustrate the required 10-year trend of information. However, until the Authority can compile a full 10-year schedule of information, the Authority is presenting the information for years which are available.*

Chester Water Authority
Required Supplementary Information
December 31, 2020 and 2019

Schedule of Changes in Plan's Net Pension Liability and Related Ratios - Last 10 Fiscal Years* - Unaudited

	For The Years Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 1,206,820	\$ 814,996	\$ 799,443	\$ 763,191	\$ 751,391	\$ 715,610	\$ 608,668
Interest	2,713,206	3,021,586	2,864,572	2,708,773	2,611,447	2,452,351	2,248,885
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	114,099	781	-	(525,489)	-	(378,558)	-
Changes in Assumptions	8,986,112	-	-	822,085	-	1,007,937	-
Benefit Payments, Including Refunds of Member Contributions	(1,890,071)	(1,738,230)	(1,570,514)	(1,425,277)	(1,299,549)	(1,130,555)	(970,533)
Net Change in Total Pension Liability	11,130,166	2,099,133	2,093,501	2,343,283	2,063,289	2,666,785	1,887,020
Total Pension Liability - Beginning	41,140,673	39,041,540	36,948,039	34,604,756	32,541,467	29,874,682	27,987,662
Total Pension Liability - Ending	\$ 52,270,839	\$ 41,140,673	\$ 39,041,540	\$ 36,948,039	\$ 34,604,756	\$ 32,541,467	\$ 29,874,682
Plan Fiduciary Net Position							
Contributions - Employer	\$ 1,252,686	\$ 1,084,168	\$ 1,030,429	\$ 2,369,830	\$ 718,376	\$ 929,473	\$ 884,123
Net Investment Income	6,143,521	7,111,420	(2,419,576)	4,255,264	3,310,132	271,691	2,104,051
Benefit Payments, Including Refunds of Member Contributions	(1,890,071)	(1,738,230)	(1,570,514)	(1,425,277)	(1,299,549)	(1,130,555)	(970,533)
Administrative Expense	(20,700)	-	-	(158)	-	-	-
Net Change in Plan Fiduciary Net Position	5,485,436	6,457,358	(2,959,661)	5,199,659	2,728,959	70,609	2,017,641
Plan Fiduciary Net Position - Beginning	41,946,918	35,489,560	38,449,221	33,249,562	30,520,603	30,449,994	28,432,353
Plan Fiduciary Net Position - Ending	\$ 47,432,354	\$ 41,946,918	\$ 35,489,560	\$ 38,449,221	\$ 33,249,562	\$ 30,520,603	\$ 30,449,994
Plan's Net Pension Liability - Ending	\$ 4,838,485	\$ (806,245)	\$ 3,551,980	\$ (1,501,182)	\$ 1,355,194	\$ 2,020,864	\$ (575,312)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>90.7%</u>	<u>102.0%</u>	<u>90.9%</u>	<u>104.1%</u>	<u>96.1%</u>	<u>93.8%</u>	<u>101.9%</u>
Covered Payroll	<u>\$ 11,560,848</u>	<u>\$ 12,928,222</u>	<u>\$ 12,164,892</u>	<u>\$ 10,566,626</u>	<u>\$ 10,571,614</u>	<u>\$ 10,550,684</u>	<u>\$ 9,803,582</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>41.9%</u>	<u>-6.2%</u>	<u>29.2%</u>	<u>-14.2%</u>	<u>12.8%</u>	<u>19.2%</u>	<u>-5.9%</u>

Notes to Required Supplementary Schedule:

1. Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Table projected to 2017 using Scale AA, the interest rate assumption was decreased from 8.0% to 7.75%, and the salary scale assumption was decreased from 5.0% to 4.75%.

2. Benefit Changes - There were no benefit changes as of December 31, 2020.

* This schedule is presented on a prospective basis.

* This schedule should present the required 10-year trend of information. However, until the Authority can compile a full 10-year schedule of information, the Authority is presenting the information for years which are available.

Chester Water Authority
Required Supplementary Information
December 31, 2020 and 2019

Schedule of Money-Weighted Rate of Return Pension (*) - Unaudited

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.00%	20.04%	-6.29%	12.80%	11.29%	0.82%	7.51%

**GASB Statement No. 68 requires this information to be reported for 10 years. Additional years will be displayed as the information is available.*

Chester Water Authority
Required Supplementay Information
December 31, 2020 and 2019

Schedule of Changes in Plan's Net OPEB Liability and Related Ratios - Last 10 Fiscal Years* - (Unaudited)

	For The Years Ended December 31,		
	2020	2019	2018
Total Pension Liability			
Service Cost	\$ 408,402	\$ 357,594	\$ 360,267
Interest	864,407	805,094	623,023
Changes in Methodology		-	-
Changes of Benefit Terms			
Differences Between Expected and Actual Experience		2,254,649	-
Changes in Assumptions & Cost Method	290,028	(520,950)	-
Benefit Payments	(263,337)	(565,875)	(453,925)
Net Change in Total OPEB Liability	<u>1,299,500</u>	<u>2,330,512</u>	<u>529,365</u>
Total OPEB Liability - Beginning	<u>11,626,896</u>	<u>9,296,384</u>	<u>8,767,019</u>
Total OPEB Liability - Ending	<u>\$ 12,926,396</u>	<u>\$ 11,626,896</u>	<u>\$ 9,296,384</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 480,233	\$ 480,233	\$ 433,000
Contributions - Other		-	-
Net Investment Income	762,305	771,876	(241,636)
Benefit Payments, Including Refunds of Member Contributions	-	-	-
Administrative Expense	-	-	-
Net Change in Plan Fiduciary Net Position	<u>1,242,538</u>	<u>1,252,109</u>	<u>191,364</u>
Plan Net Position - Beginning	<u>5,277,855</u>	<u>4,025,746</u>	<u>3,834,382</u>
Plan Net Position - Ending	<u>\$ 6,520,393</u>	<u>\$ 5,277,855</u>	<u>\$ 4,025,746</u>
Plan's Net OPEB Liability - Ending	<u>\$ 6,406,003</u>	<u>\$ 6,349,041</u>	<u>\$ 5,270,638</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>50.4%</u>	<u>45.4%</u>	<u>43.3%</u>
Covered Employee Payroll	<u>\$ 11,560,848</u>	<u>\$ 12,090,661</u>	<u>\$ 11,820,293</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	<u>55.4%</u>	<u>52.5%</u>	<u>44.6%</u>

Notes to Required Supplementary Schedule:

** This schedule should present the required 10-year trend of information. However, until the Authority can compile a full 10-year schedule of information, the Authority is presenting the information for years which are available.*

Chester Water Authority
Required Supplementary Information
December 31, 2020 and 2019

Schedule of Money-Weighted Rate of Return OPEB (*) - Unaudited

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	13.83%	18.10%	-5.97%	13.51%

**GASB Statement No. 75 requires this information to be reported for 10 years. Additional years will be displayed as the information is available.*

Chester Water Authority
Supplementary Information
Year Ended December 31, 2020

Schedule of Operating Expenses

	Purification and Pumping	Distribution	Administrative	Finance/Customer Service, Billing and Collections	Total
Salaries and Payroll Taxes	\$ 3,071,540	\$ 3,980,278	\$ 2,029,598	\$ 3,078,007	\$ 12,159,423
Employee Benefits	-	65,006	5,582,425	-	5,647,431
Advertising	-	377	16,262	-	16,639
Bad Debt Expense	-	-	-	195,933	195,933
Bank Charges	-	-	-	8,029	8,029
Chemicals	1,204,080	-	-	-	1,204,080
Contributions	-	-	5,500	-	5,500
Construction Materials	214,937	350,718	105,541	-	671,196
Damages	-	-	-	-	-
Delivery/Freight In	7,822	904	145	106,800	115,671
Dues and Subscriptions	7,767	5,837	77,830	4,782	96,216
Fees	708,070	-	9,742	81	717,893
Hardware and Software	12,902	-	-	-	12,902
Heating Fuel	37,445	53,234	2,509	6,495	99,683
Insurance	9,301	17,134	1,414,651	7,343	1,448,429
Laboratory Analysis	70,564	-	-	-	70,564
Licenses and Permits	6,202	33,403	-	-	39,606
Obsolete Inventory	-	(332,117)	-	-	(332,117)
Office Expense	-	25,936	22,275	40,595	88,806
Office Supplies	104,914	23,055	28,356	43,858	200,183
PA One Call	8,536	16,905	-	-	25,441
Parking and Tolls	177	15	40	-	232
Paving	-	131,261	-	-	131,261
Power	1,672,004	467,307	-	-	2,139,311
Professional Fees	380,505	330,191	2,669,808	368,383	3,748,887
Real Estate Taxes	22,163	-	-	-	22,163
Repairs and Maintenance Expense	54,439	438,816	55,856	56,713	605,824
Security	479	845,090	-	72,407	917,976
Telecommunication	-	-	937,441	-	937,441
Tuition	-	-	10,415	-	10,415
Training	-	1,567	11,777	5,336	18,680
Total	7,593,847	6,454,917	12,980,171	3,994,762	31,023,697
Depreciation Expense					9,287,985
Total Operating Expenses	\$ 7,593,847	\$ 6,454,917	\$ 12,980,171	\$ 3,994,762	\$ 40,311,682

Chester Water Authority
Supplementary Information
Year Ended December 31, 2019

Schedule of Operating Expenses

	Purification and Pumping	Distribution	Administrative	Finance/Customer Service, Billing and Collections	Total
Salaries and Payroll Taxes	\$ 3,116,846	\$ 4,373,610	\$ 4,226,001	\$ 2,808,502	\$ 14,524,959
Employee Benefits	-	-	4,500,441	-	4,500,441
Advertising	-	1,323	20,046	-	21,369
Bad Debt Expense	-	-	-	102,299	102,299
Bank Charges	-	-	-	15,914	15,914
Chemicals	1,452,909	-	-	-	1,452,909
Contributions	-	-	6,915	-	6,915
Construction Materials	2,535	269,422	-	-	271,957
Damages	-	-	58,190	-	58,190
Delivery/Freight In	6,553	1,400	1,057	188,660	197,670
Dues and Subscriptions	5,694	5,668	49,974	1,030	62,366
Fees	746,361	-	-	409	746,770
Hardware and Software	32,086	-	359,061	-	391,147
Heating Fuel	37,908	-	-	-	37,908
Insurance	-	-	1,285,587	-	1,285,587
Laboratory Analysis	58,500	-	-	-	58,500
Licenses and Permits	46,248	51,001	-	-	97,250
Obsolete Inventory	(4,476)	4,361	-	-	(115)
Office Expense	23,812	182,499	7,247	37,311	250,869
Office Supplies	124,869	8,439	43,864	52,397	229,569
PA One Call	40	893	-	-	933
Parking and Tolls	322	70	113	-	505
Paving	-	392,818	-	-	392,818
Power	1,203,010	378,684	-	-	1,581,694
Professional Fees	229,111	387,134	2,771,312	560,594	3,948,151
Real Estate Taxes	10,092	-	-	-	10,092
Repairs and Maintenance Expense	303,749	563,896	64,649	53,929	986,223
Security	-	46,005	-	-	46,005
Telecommunication	-	-	245,702	-	245,702
Training	13,640	19,943	32,187	13,926	79,696
Total	7,409,809	6,687,166	13,672,346	3,834,971	31,604,292
Depreciation Expense					9,453,690
<u>Total Operating Expenses</u>	<u>\$ 7,409,809</u>	<u>\$ 6,687,166</u>	<u>\$ 13,672,346</u>	<u>\$ 3,834,971</u>	<u>\$ 41,057,982</u>