

**EASTTOWN MUNICIPAL AUTHORITY  
(A Component Unit of Easttown Township)**

**FINANCIAL STATEMENTS**

*Year Ended December 31, 2019*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**

TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2019

---

	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	2
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Statement of Assets, Liabilities and Net Position--Modified Cash Basis	8
Statement of Revenues, Expenses and Changes in Net Position--Modified Cash Basis	9
Statement of Cash Flows--Modified Cash Basis	10
Notes to the Basic Financial Statements	11

## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Members  
Easttown Municipal Authority  
Devon, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the Easttown Municipal Authority (a component unit of Easttown Township), which comprise the statement of assets, liabilities and net position--modified cash basis as of December 31, 2019, and the related statements of revenues, expenses and changes in net position--modified cash basis and cash flows--modified cash basis for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Easttown Municipal Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Members  
Easttown Municipal Authority  
Devon, Pennsylvania

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net position of the Easttown Municipal Authority as of December 31, 2019, and its revenues and expenses and cash flows during the year then ended in accordance with the modified cash basis of accounting described in Note B.

***Basis of Accounting***

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Emphasis of Matter***

We draw attention to Note H of the financial statements, subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Authority operations including rent received from Easttown Township derived from the collection of sewer charges from Township residents and businesses. Our opinion is not modified with respect to this matter.

***Other Matter***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7 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.

*Maillie LLP*

West Chester, Pennsylvania  
March 21, 2020

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
 YEAR ENDED DECEMBER 31, 2019

---

The management of the Easttown Municipal Authority offers the readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the Authority's basic financial statements in the financial section of this report.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: (1) financial statements and (2) notes to the basic financial statements.

**Components of the Annual Financial Report**

Management's Discussion and ..... Analysis	Basic Financial Statements .....	Notes to the Basic Financial Statements
--	-------------------------------------	---

**Basic Financial Statements**

The basic financial statements are comprised of the statement of assets, liabilities and net position--modified cash basis and the statement of revenues, expenses and changes in net position--modified cash basis. These statements are designed to provide readers with a broad overview of the Authority's finances utilizing the modified cash basis of accounting.

The statement of assets, liabilities and net position--modified cash basis presents information on all the Authority's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating.

The statement of revenues, expenses and changes in net position--modified cash basis presents information showing how the Authority's net position changed during the most recent fiscal year.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements are found in the following pages of this report.

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

---

**Basis of Accounting**

The Authority has elected to present its financial statements on a modified cash basis of accounting. The modified cash basis is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the Authority's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of long-term debt, depreciation and amortization expense on capital assets and deferred charges in the basic financial statements.

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

The analysis below focuses on net position and changes in net position of the Authority's business-type activities.

***Condensed Statements of Net Position--Modified Cash Basis***  
***December 31, 2019 and 2018***

	December 31,		Variance	
	2019	2018	Amount Increase (Decrease)	%
<b>ASSETS</b>				
Cash	\$ 3,781,613	\$ 7,399,437	\$ (3,617,824)	-48.89%
Capital assets, net	11,629,259	12,137,216	(507,957)	-4.19%
Bond discounts, net	19,570	207,031	(187,461)	-90.55%
TOTAL ASSETS	<u>15,430,442</u>	<u>19,743,684</u>	<u>(4,313,242)</u>	-21.85%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding, net	266,005	106,347	159,658	150.13%
<b>LIABILITIES</b>				
Bonds payable	15,354,560	19,149,379	(3,794,819)	-19.82%
<b>NET POSITION</b>				
Net investment in capital assets	(2,023,057)	(5,307,240)	3,284,183	61.88%
Unrestricted	2,364,944	6,007,892	(3,642,948)	-60.64%
TOTAL NET POSITION	<u>\$ 341,887</u>	<u>\$ 700,652</u>	<u>\$ (358,765)</u>	51.20%

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

---

**Condensed Statements of Revenues, Expenses and  
Changes in Net Position--Modified Cash Basis  
Years Ended December 31, 2019 and 2018**

	December 31,		Variance	
	2019	2018	Amount Increase (Decrease)	%
OPERATING REVENUES				
Sewer lease	\$ 1,249,314	\$ 1,453,316	\$ (204,002)	-14.04%
Sewer rents and fees	29,520	85,280	(55,760)	-65.38%
Other income	-	3,421,911	(3,421,911)	100.00%
	<u>1,278,834</u>	<u>4,960,507</u>	<u>(3,681,673)</u>	-74.22%
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
Administrative expenses	4,486	-	4,486	0.00%
Sewer system upgrades	120,559	188	120,371	64027.13%
Depreciation and amortization	868,867	850,822	18,045	2.12%
	<u>993,912</u>	<u>851,010</u>	<u>142,902</u>	16.79%
TOTAL OPERATING EXPENSES				
OPERATING INCOME	284,922	4,109,497	(3,824,575)	-93.07%
NONOPERATING REVENUES (EXPENSES)	<u>(643,687)</u>	<u>(632,680)</u>	<u>(11,007)</u>	-1.74%
CHANGE IN NET POSITION	(358,765)	3,476,817	<u>\$ (3,835,582)</u>	110.32%
NET POSITION AT BEGINNING OF YEAR	<u>700,652</u>	<u>(2,776,165)</u>		
NET POSITION AT END OF YEAR	<u>\$ 341,887</u>	<u>\$ 700,652</u>		

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

---

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

During 2019, The EMA continued progress in implementing its multi-year capital plan for sanitary sewer systems to address operational and capacity issues:

- Sharp's Woods Gravity Main and Force Main Replacement Project – The bidding documents were completed and the Request for Proposals was issued.
- Inflow and Infiltration (I&I) – To reduce I&I, the EMA completed around \$20,000 of repairs to pipes and manholes (cleaning, televising, grouting, and repairing).
- Professional Services – The Township retained ARRO as its consulting engineer and Buckley Brion as its legal counsel.
- Capital Items – The EMA authorized the purchase of back up pumps for Saybrook PS and Daylesford PS, the repair/replacement of a Muffin Monster at Berwyn PS, the installation of a back-up controller at Berwyn PS, and the repair of manholes and pipes near Argyle Road.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Administrator, at 566 Beaumont Road, Devon, PA 19333 or telephone at 610-687-3000.

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**

STATEMENT OF ASSETS, LIABILITIES AND NET  
POSITION--MODIFIED CASH BASIS  
DECEMBER 31, 2019

---

ASSETS	
Cash	\$ 3,781,613
Capital assets, net	11,629,259
Bond discounts, net	<u>19,570</u>
TOTAL ASSETS	<u>15,430,442</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net	<u>266,005</u>
LIABILITIES	
Portion due or payable within one year	
Bonds payable	640,000
Portion due or payable after one year	
Bonds payable	14,415,000
Bond premium, net	<u>299,560</u>
TOTAL LIABILITIES	<u>15,354,560</u>
NET POSITION	
Net investment in capital assets	(2,023,057)
Unrestricted	<u>2,364,944</u>
TOTAL NET POSITION	\$ <u><u>341,887</u></u>

*See accompanying notes to the basic financial statements.*

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION--MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2019

---

OPERATING REVENUES	
Sewer rents and fees	\$ 29,520
Sewer lease	1,249,314
TOTAL OPERATING REVENUES	<u>1,278,834</u>
OPERATING EXPENSES	
Administrative expenses	4,486
Sewer system upgrades	120,559
Depreciation and amortization	868,867
TOTAL OPERATING EXPENSES	<u>993,912</u>
OPERATING INCOME	<u>284,922</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	74,962
Interest expense	(573,884)
Issuance costs	(144,765)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(643,687)</u>
CHANGE IN NET POSITION	(358,765)
NET POSITION AT BEGINNING OF YEAR	<u>700,652</u>
NET POSITION AT END OF YEAR	<u>\$ 341,887</u>

*See accompanying notes to the basic financial statements.*

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
**STATEMENT OF CASH FLOWS--MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2019**

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from rental and tapping fees	\$ 1,278,834
Payments to suppliers	<u>(125,045)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,153,789</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest paid on capital debt	(555,122)
Acquisition, construction and improvement of capital assets	(360,910)
Principal paid on bonds	(13,760,000)
Proceeds from bonds issued at a premium	9,974,222
Issuance costs paid on bond	<u>(144,765)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,846,575)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>74,962</u>
NET INCREASE/(DECREASE) IN CASH	(3,617,824)
CASH AT BEGINNING OF YEAR	<u>7,399,437</u>
CASH AT END OF YEAR	<u>\$ 3,781,613</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 284,922
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	<u>868,867</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,153,789</u>

*See accompanying notes to the basic financial statements.*

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

---

**NOTE A - ORGANIZATION**

Easttown Municipal Authority (the "Authority") is a component unit of Easttown Township (the "Township") and is incorporated under the Municipal Authorities Act of the Commonwealth of Pennsylvania. The Authority was created for the purpose of operating and maintaining the facilities necessary to furnish the collection and treatment of sewage waste in the Township.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The basic financial statements of the Authority are prepared on the modified cash basis of accounting. Revenues are recognized when received rather than when earned, with the exception of the proceeds of long-term debt. Expenses are recognized when cash is disbursed rather than when the obligation is incurred, with the exception of deferred charges and depreciation. These financial statements are not intended to present results of operations in accordance with accounting principles generally accepted in the United States of America.

**Capital Assets**

Capital assets are stated at cost. The Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The cost of repairs, maintenance and minor replacements is charged to expense. Depreciation is being provided on a straight-line method based upon the following estimated useful lives of the assets:

	<u>Years</u>
Buildings	25
Equipment	20

**Deferred Charges**

Financing costs are being amortized on a straight-line basis over the terms of the bonds.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of assets, liabilities and net position--modified cash basis will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority's deferred charge on refunding is qualified for reporting in this category.

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

---

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of assets, liabilities and net position--modified cash basis will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no types of items that qualify for reporting in this category.

**Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE C - DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2019, \$3,285,080 of the Authority's bank balance of \$3,785,080 was exposed to custodial credit risk. This uninsured amount was collateralized by funds held by the pledging bank's trust department but not in the Authority's name.

**Credit Risk**

Pennsylvania statutes authorize the Authority to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Township may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE D - CAPITAL ASSETS**

Capital assets consist of:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land	\$ 294,170	\$ -	\$ -	\$ 294,170
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and improvements	800,746	-	-	800,746
Machinery and equipment	18,893,698	360,910	-	19,254,608
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>19,694,444</b>	<b>360,910</b>	<b>-</b>	<b>20,055,354</b>
<b>Accumulated depreciation</b>				
Buildings and improvements	(419,943)	(30,925)	-	(450,868)
Machinery and equipment	(7,431,455)	(837,942)	-	(8,269,397)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(7,851,398)</b>	<b>(868,867)</b>	<b>-</b>	<b>(8,720,265)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>11,843,046</b>	<b>(507,957)</b>	<b>-</b>	<b>11,335,089</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 12,137,216</b>	<b>\$ (507,957)</b>	<b>\$ -</b>	<b>\$ 11,629,259</b>

**NOTE E - LONG-TERM DEBT**

As of December 31, 2019, bonds payable consisted of the following individual issues:

Guaranteed Sewer Revenue Bonds, Series of 2012, due in annual installments through 2032, bearing interest at fixed rates of 1% to 3.25%	\$ 695,000
Guaranteed Sewer Revenue Bonds, Series of 2013, due in annual installments through 2025, bearing interest at fixed rates of 2.0% to 3.0%	1,780,000
Guaranteed Sewer Revenue Bonds, Series of 2014, due in annual installments through 2027, bearing interest at fixed rates of 1.75% to 4.0%	2,855,000
Guaranteed Sewer Revenue Bonds, Series of 2019, due in annual installments through 2036, bearing interest at fixed rates of 2.0% to 3.0%	<u>9,725,000</u>
	<u>\$ 15,055,000</u>

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE E - LONG-TERM DEBT (Continued)**

The debt service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 640,000	\$ 371,931	\$ 1,011,931
2021	650,000	339,775	989,775
2022	665,000	385,835	1,050,835
2023	680,000	369,892	1,049,892
2024	845,000	352,716	1,197,716
2025 to 2029	4,815,000	1,374,756	6,189,756
2030 to 2034	4,960,000	639,505	5,599,505
2035 to 2036	1,800,000	81,450	1,881,450
	<u>\$ 15,055,000</u>	<u>\$ 3,915,860</u>	<u>\$ 18,970,860</u>

**Changes in Long-Term Debt**

Long-term debt activity was as follows:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2019</u>	<u>Amount Due Within One Year</u>
<b>GUARANTEED SEWER REVENUE BONDS</b>					
Series of 2011	\$ 8,725,000	\$ -	\$ (8,725,000)	\$ -	\$ -
Series of 2012	5,140,000	-	(4,445,000)	695,000	25,000
Series of 2013	2,065,000	-	(285,000)	1,780,000	285,000
Series of 2014	3,160,000	-	(305,000)	2,855,000	320,000
Series of 2019	-	9,725,000	-	9,725,000	10,000
	<u>\$ 19,090,000</u>	<u>\$ 9,725,000</u>	<u>\$ (13,760,000)</u>	<u>\$ 15,055,000</u>	<u>\$ 640,000</u>

In October 2019, The Authority issued the Guaranteed Sewer Revenue Bonds, Series of 2019, to fully currently refund the Guaranteed Sewer Revenue Bonds, Series of 2011 and partially currently refund the Guaranteed Sewer Revenue Bonds, Series of 2012. The new issue will decrease debt service payments by \$1,081,254, and the refunding will have an overall economic gain of \$951,941.

**EASTTOWN MUNICIPAL AUTHORITY**  
**(A Component Unit of Easttown Township)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

---

**NOTE F - SEWER SYSTEM LEASE**

The Authority leases sewer system facilities to the Township under a lease agreement dated November 1, 1998, amended January 1, 2004 and February 15, 2004. The lease calls for the Township to maintain the sewer system and to pay, from revenues of the sewer system and other available funds, rentals in such amounts as shall be sufficient to pay the principal and interest on the bonds issued by the Authority. The lease commenced November 1, 1998 and expires December 1, 2027. Lease rental income was \$1,249,314 for the year ended December 31, 2019.

**NOTE G - SEWERAGE PROCESSING AGREEMENTS**

The Authority has a sewage processing agreement with Valley Forge Sewer Authority. The Authority has waste water conveyance agreements with AQUA, Radnor Haverford Marple Sewer Authority (RHM), Tredyffrin Township, and Willistown Township.

**NOTE H - SUBSEQUENT EVENT**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Authority operations including rent received from Easttown Township derived from the collection of sewer charges from Township residents and businesses. The related financial impact and duration cannot be reasonably estimated at this time.