

North Huntingdon Township Municipal Authority

Financial Statements
and Required Supplementary
and Supplementary Information

Years Ended April 30, 2022 and 2021
with Independent Auditor's Report

MaherDuessel

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NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

YEARS ENDED APRIL 30, 2022 AND 2021

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Independent Auditor's Report

**Board of Directors
North Huntingdon Township Municipal Authority**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the North Huntingdon Township Municipal Authority (Authority), as of and for the years ended April 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of April 30, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part

of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the entity's basic financial statements. The Analysis of Operating Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The analysis of operating revenues and expenses is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
September 9, 2022

North Huntingdon Township Municipal Authority Management's Discussion and Analysis

This section of the North Huntingdon Township Municipal Authority's (Authority) financial report presents an analysis of the Authority's financial condition and performance for the fiscal year 2022 that ended on April 30, 2022. Please read it in conjunction with the Authority's Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

Revenues

- Total operating revenues increased by \$261,037 or 2.75%.
- Delinquencies decreased from an average of 3.39% in 2021 to 3.28% in 2022. The Authority has been aggressively pursuing their delinquent accounts. The Authority has eliminated payment plans unless absolutely necessary for hardship cases.

Expenses

- Operating expenses increased by \$250,915 or 3.38%.

Budgeting

- Comparing budget to actual, revenues were \$92,630 higher, or a variance of 0.96%.
- Comparing budget to actual, expenses were \$550,406 lower, or a variance of 9.00%.
- Comparing budget to actual, operating income, before depreciation, was \$643,036 higher, or a variance of 18.08%.

Long-Term Debt

- In June 2021, the Authority issued \$18,015,000 in Sewer Revenue Bonds, Series of 2021, to be used for funding the design and construction of the treatment facilities and pump stations and to refund the existing Pennvest Loan. Interest is payable semi-annually on October 1 and April 1 through maturity at rates ranging from 4.00% to 5.00%, with principal due on April 1. The Bonds are due serially through April 2051. The outstanding balance as of year-end was \$16,935,000.

Other

- The Authority remained in compliance with all debt covenants required by its borrowing agreements.
- The system grew with 72 new customers with 12,500 active customers.

Fiscal Year 2022 Projects

Projects Undertaken in Fiscal Year 2022

- Continue to clean, televise, and repair main and private lines in the Brush Creek and Youghiogheny Watersheds.
- Continue our program of televising private laterals at the time of home sales and refinancing. Reinforcing the Authority's commitment to removal of Inflow and Infiltration in the private sector as well as the Authority's own lines.
- Completed the second (2nd) Phase of the Five Pines area line replacement project.
- Repaving of Indian Lake and Mountain Ridge pump station driveways.
- Install security cameras for the entire Yough Treatment Facility Campus.
- Complete construction of the pump station replacement project for Highland Terrace Pump Station.
- Implementation of the special purpose tap fee in the Falcon Ridge drainage basin.
- SCADA enhancements at pump stations.

Fiscal Year 2023 Projects

Projects Scheduled for Fiscal Year 2023

The Authority's five-year capital plan projects \$2,215,500 in expenditures in fiscal year 2023, which include:

- Continue to clean, televise, and repair main and private lines in the Brush Creek and Youghiogheny Watersheds.
- Miscellaneous pump replacements.

- Completion of the planning and design for Youghiogheny Wastewater Treatment Facility upgrade. Advertise the project for bids in November or December 2022. Plan to award in February or March 2023.
- Design, plan, and bid the Hartford Heights Pump Station pump station replacement project.
- Design, plan, advertise for bid and complete replacement of lines in the Markvue Manor Phase Four (4) project area.
- Design and plan for the replacement of lines in the Markvue Manor Phase Five (5) project area.
- ALCOSAN regionalization repairs in ALCOSAN's service area.
- Repaving of Master's Lane and Ardara Road pump station driveways.
- Retention Tank repairs at Long Run and Indian Lake Pump Stations.
- Advertise, bid, and complete phase 9 of the CDBG Grant private lateral replacement project.

Other Actions Anticipated During Fiscal Year 2023

- Aggressive efforts to collect outstanding billing and assessments.
- Assessment of the Overholt Acres area collection lines.
- Revision of the Authority's official Rules and Regulations.
- Continued updating of the Authority's GIS system using ArcView software to ensure coordination with North Huntingdon Township's (Township) system.

RESIDENTIAL AND COMMERCIAL DEVELOPMENT

Approximately, one-half of the sewage generated in the Township is treated at the Brush Creek Water Pollution Control Plant on Route 993. This plant is owned and operated by the Western Westmoreland Municipal Authority (WWMA), the Authority (NHTMA) owns and maintains the pump station and lines that convey flow to that facility. The Authority also handles the billing and collection for these customers. The remaining one-half of the flow is treated at the Authority's Youghiogheny Wastewater Treatment Facility on Turner Valley Road in the Township.

The Brush Creek Water Pollution Control Plant is still under a 2010 DEP-imposed tap restriction, which has increased monthly sewer rates passed along to the Authority in addition to the paperwork involved in obtaining tap permits for this area. This however has not severely impacted development in the Brush Creek watershed. The Yough basin has no restrictions at the present time.

During fiscal year 2022, 97 new construction permits were issued, 78 in the Yough Basin, 18 in the Brush Creek basin, and 1 in the ALCOSAN Drainage Area.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information on the Authority's use of accounting methods that are similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all of the Authority's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its sewage disposal rates and other fees. The Authority's rate studies are updated periodically to reflect both the operating and long-term capital requirements of the Authority. The Authority annually does a rate study in conjunction with the annual budget. The most recent rate study for consumption was completed in 2007 and the five-year Capital Improvements Plan was updated in May 2020.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the reporting period.

The Notes to Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the 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.

NET POSITION

The summary of the Authority's statements of net position is presented below:

Condensed Statements of Net Position
Table 1

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>	<u>Dollar Change</u>
Current assets	\$ 2,753,729	\$ 2,404,253	\$ 349,476
Capital and other long-term assets	<u>75,689,552</u>	<u>55,033,544</u>	<u>20,656,008</u>
Total Assets	<u>\$ 78,443,281</u>	<u>\$ 57,437,797</u>	<u>\$ 21,005,484</u>
Deferred outflows related to pension	<u>\$ 1,108,609</u>	<u>\$ 921,258</u>	<u>\$ 187,351</u>
Total Deferred Outflows of Resources	<u>\$ 1,108,609</u>	<u>\$ 921,258</u>	<u>\$ 187,351</u>
Current liabilities	\$ 1,256,136	\$ 698,808	\$ 557,328
Current liabilities (payable from restricted assets)	391,053	96,806	294,247
Non-current liabilities	<u>18,776,346</u>	<u>532,972</u>	<u>18,243,374</u>
Total Liabilities	<u>\$ 20,423,535</u>	<u>\$ 1,328,586</u>	<u>\$ 19,094,949</u>
Deferred inflows related to pension	<u>\$ 1,218,163</u>	<u>\$ 907,047</u>	<u>\$ 311,116</u>
Total Deferred Inflows of Resources	<u>\$ 1,218,163</u>	<u>\$ 907,047</u>	<u>\$ 311,116</u>
Net investment in capital assets	\$ 53,424,178	\$ 52,357,420	\$ 1,066,758
Restricted	128,166	112,292	15,874
Unrestricted	<u>4,357,848</u>	<u>3,653,710</u>	<u>704,138</u>
Total Net Position	<u>\$ 57,910,192</u>	<u>\$ 56,123,422</u>	<u>\$ 1,786,770</u>

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change
Current assets	\$ 2,404,253	\$ 2,815,258	\$ (411,005)
Capital and other long-term assets	55,033,544	52,492,312	2,541,232
Total Assets	\$ 57,437,797	\$ 55,307,570	\$ 2,130,227
Deferred outflows related to pension	\$ 921,258	\$ 1,030,560	\$ (109,302)
Total Deferred Outflows of Resources	\$ 921,258	\$ 1,030,560	\$ (109,302)
Current liabilities	\$ 698,808	\$ 799,656	\$ (100,848)
Current liabilities (payable from restricted assets)	96,806	359,252	(262,446)
Non-current liabilities	532,972	1,855,834	(1,322,862)
Total Liabilities	\$ 1,328,586	\$ 3,014,742	\$ (1,686,156)
Deferred inflows related to pension	\$ 907,047	\$ 103,254	\$ 803,793
Total Deferred Inflows of Resources	\$ 907,047	\$ 103,254	\$ 803,793
Net investment in capital assets	\$ 52,357,420	\$ 50,093,845	\$ 2,263,575
Restricted	112,292	112,255	37
Unrestricted	3,653,710	3,014,034	639,676
Total Net Position	\$ 56,123,422	\$ 53,220,134	\$ 2,903,288

With the Statements of Net Position giving the view of net changes, the Statements of Revenues, Expenses, and Changes in Net Position give the basis for these changes. A condensed version of the Statements of Revenues, Expenses, and Changes in Net Position is provided:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Table 2

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Operating revenues	\$ 9,764,294	\$ 9,503,257	\$ 261,037
Non-operating revenues	335,607	308,835	26,772
Total Revenues	10,099,901	9,812,092	287,809
Depreciation expense	2,108,756	2,057,637	51,119
Other operating expenses	5,564,955	5,365,159	199,796
Non-operating expenses	745,051	24,902	720,149
Total Expenses	8,418,762	7,447,698	971,064
Net Income (Loss)	1,681,139	2,364,394	(683,255)
Capital contribution revenues	105,631	538,894	(433,263)
Change in Net Position	1,786,770	2,903,288	(1,116,518)
Net position, beginning of year	56,123,422	53,220,134	2,903,288
Net position, end of year	\$ 57,910,192	\$ 56,123,422	\$ 1,786,770

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Table 2

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change
Operating revenues	\$ 9,503,257	\$ 9,471,303	\$ 31,954
Non-operating revenues	308,835	294,717	14,118
Total Revenues	9,812,092	9,766,020	46,072
Depreciation expense	2,057,637	1,842,615	215,022
Other operating expenses	5,365,159	5,667,138	(301,979)
Non-operating expenses	24,902	64,445	(39,543)
Total Expenses	7,447,698	7,574,198	(126,500)
Net Income (Loss)	2,364,394	2,191,822	172,572
Capital contribution revenues	538,894	55,612	483,282
Change in Net Position	2,903,288	2,247,434	655,854
Net position, beginning of year	53,220,134	50,972,700	2,247,434
Net position, end of year	<u>\$ 56,123,422</u>	<u>\$ 53,220,134</u>	<u>\$ 2,903,288</u>

SUMMARY OF ORGANIZATION AND BUSINESS

The Authority was incorporated in 1946 under the Municipality Authorities Act of 1945. The Authority was originally formed to act as a water authority. The Authority later became a school authority and finally was charged with the responsibility of constructing and maintaining a sanitary sewer system in 1969. In prior years, the Township of North Huntingdon and the Authority determined that the Authority had met the criteria to be considered a component unit of the Township. The Township and the Authority determined that the Authority no longer met that criteria for the Township's financial statements for the year ended December 31, 2021 going forward.

The Authority operates a 3.31 mgd sewer treatment facility known as the Youghiogheny Wastewater Treatment Facility located on Turner Valley Road in the Township, where sewage from approximately one-half of its 12,500 active customers are treated. The remaining half is treated at the Brush Creek Water Pollution Control Plant owned by the WWMA on Route 993 in the Township. In addition, the Authority owns and maintains 14 pump stations, approximately 290 miles of sewer lines, and over 6,000 manholes.

The Authority's Board of Directors (Board) are made up of five members who are appointed by the Township's Board of Commissioners. Board members are appointed for

five-year, staggered terms. Day-to-day operation of the Authority is the responsibility of the General Manager, who is hired by the Board to carry out its policies.

The Authority has 21 full-time employees, 14 who work throughout the system and 7 Administrative staff.

Regular monthly meetings are held on the second Wednesday of each month with the work session beginning at 5:30 pm and the regular meeting to immediately follow, but no earlier than 6:00 pm. Meetings are held in the main meeting room at the NHTMA Administrative Building, 4130 Turner Valley Road, North Huntingdon, PA 15642.

FUTURE CHALLENGES

The Authority's biggest challenge continues to be the need to eliminate inflow and infiltration (I&I) of storm water into the sanitary sewer system, as well as maintaining our aging infrastructure. The sanitary sewer system was designed to carry a specific volume of sanitary sewer flows. Deteriorating public lines, manholes, and private laterals along with illegal connections permit I&I to enter our sewer system during certain wet weather conditions.

I&I can result in basement flooding, pump station bypasses, and ultimately could require additional retention facilities. Rather than allocate funds to build additional retention facilities, the Authority has implemented methods for removal of I&I such as inspecting private sanitary sewer laterals at the time of sale, transfer, or refinancing of a property. Additionally, as part of our ongoing main line replacement projects, the Authority tests every private lateral after our sewer main lines are replaced. In all cases, we require homeowners to make repairs when necessary. The Authority continues its program of repairing main lines and manholes under its five-year Capital Improvement Plan.

Additional challenges are addressing new treatment limits that could be imposed in the future at our Youghiogeny Wastewater Treatment Facility. Also, the Authority is evaluating its current underground "canned" pump stations and is replacing them with new above ground, vacuum pump, or submersible type pumping stations.

CONTACTING THE AUTHORITY

This financial report is designed to provide our ratepayers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, please contact the Authority's General Manager or Finance Director at 724-863-2860.

Michael L. Branthoover
General Manager

**NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY**

STATEMENTS OF NET POSITION

APRIL 30, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>	<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>	<u>2022</u>	<u>2021</u>
Current assets:			Liabilities:		
Cash	\$ 928,292	\$ 624,698	Current liabilities:		
Investments	445,266	445,009	Accounts payable	\$ 315,872	\$ 285,352
Accounts receivable (net of allowance of \$0 for 2022 and 2021):			Accrued payroll and withholdings	150,264	145,538
Sewer service	1,221,832	1,174,409	Current portion of Revenue Obligation Note, Series 2021	790,000	-
Assessments and tap-ins	6,634	8,482	Current portion of PennVest loans	-	267,918
Interest receivable-assessments	15,482	20,827			
Prepaid expenses	136,223	130,828	Total current liabilities	1,256,136	698,808
Total current assets	2,753,729	2,404,253			
Noncurrent assets:			Current liabilities (payable from noncurrent assets):		
Restricted cash	-	112,292	Accounts payable	19,203	17,558
Restricted investments	18,761,138	-	Accrued interest payable	58,841	1,531
Construction funds, Authority funded	2,570,862	1,995,728	Developer deposits	313,009	77,717
Net pension asset	128,166	-	Total current liabilities (payable from noncurrent assets)	391,053	96,806
Capital assets not depreciated	4,930,425	1,773,980			
Capital assets, net of accumulated depreciation	49,298,961	51,151,544	Long-term liabilities:		
Total noncurrent assets	75,689,552	55,033,544	Loans and bonds payable, net of unamortized bond premiums and discounts	18,776,346	300,186
			Net pension liability	-	232,786
Total Assets	78,443,281	57,437,797	Total long-term liabilities	18,776,346	532,972
			Total Liabilities	20,423,535	1,328,586
			Deferred Inflows of Resources:		
			Deferred inflows related to pension	1,218,163	907,047
			Total Deferred Inflows of Resources	1,218,163	907,047
			Net Position:		
			Net investment in capital assets	53,424,178	52,357,420
			Restricted	128,166	112,292
			Unrestricted	4,357,848	3,653,710
			Total Net Position	57,910,192	56,123,422
			Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 79,551,890	\$ 58,359,055
Deferred Outflows of Resources					
Deferred outflows related to pension	1,108,609	921,258			
Total Deferred Outflows of Resources	1,108,609	921,258			
Total Assets and Deferred Outflows of Resources	\$ 79,551,890	\$ 58,359,055			

See accompanying notes to financial statements.

**NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

YEARS ENDED APRIL 30, 2022 AND 2021

	2022	2021
Operating Revenues:		
Sewer service	\$ 9,206,470	\$ 9,093,114
New construction tap-ins and saddles	502,306	326,566
Existing development tap-ins	55,518	83,577
	9,764,294	9,503,257
Operating Expenses:		
Sewer system operation	2,221,512	2,120,039
Purchased sewer treatment - WWMA	2,459,750	2,383,367
Administration	883,693	861,753
Depreciation	2,108,756	2,057,637
	7,673,711	7,422,796
Operating Income	2,090,583	2,080,461
Nonoperating Revenues (Expenses):		
Interest revenue	24,729	10,857
Interest on Variable Rate Demand Revenue Bonds	(501,986)	876
Interest on PennVest loan	(4,419)	(22,960)
Bond issuance costs	(238,646)	-
Interest on Revenue Note	-	(1,942)
Gain on sale of capital assets	9,900	4,375
Miscellaneous	300,978	292,727
	(409,444)	283,933
Income before capital contribution revenues	1,681,139	2,364,394
Capital Contribution Revenues	105,631	538,894
Change in Net Position	1,786,770	2,903,288
Net Position:		
Beginning of year	56,123,422	53,220,134
End of year	\$ 57,910,192	\$ 56,123,422

See accompanying notes to financial statements.

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Cash received from customers	\$ 9,948,616	\$ 9,425,466
Cash payments for administrative expenses	(942,990)	(897,216)
Cash payments for operating expenses	(4,823,906)	(4,611,081)
Net cash provided by (used in) operating activities	4,181,720	3,917,169
Cash Flows From Noncapital Financing Activities:		
Miscellaneous	300,978	292,727
Cash Flows From Capital and Related Financing Activities:		
Proceeds from bond issuance	20,773,856	-
Interest paid on debt	(825,326)	(27,657)
Capital asset purchases, net of capital contributions	(3,056,743)	(3,605,834)
Proceeds from sale of capital assets	9,900	4,375
Repayment to PennVest	(568,104)	(259,396)
Repayment of Revenue Obligation Note	(1,080,000)	(108,082)
Bond issuance costs	(238,646)	-
Net cash provided by (used in) capital and related financing activities	15,014,937	(3,996,594)
Cash Flows From Investing Activities:		
Purchase of investments	(20,010,992)	-
Sale of investments	1,255,064	304,630
Interest earned	24,729	10,857
Net cash provided by (used in) investing activities	(18,731,199)	315,487
Increase (Decrease) in Cash	766,436	528,789
Cash and Restricted Cash:		
Beginning of year	2,732,718	2,203,929
End of year	\$ 3,499,154	\$ 2,732,718
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 2,090,583	\$ 2,080,461
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	2,108,756	2,057,637
Change in:		
Accounts receivable - sewer service	(47,423)	(8,523)
Accounts receivable - assessments and tap-ins	1,848	1,678
Accounts receivable - other	-	283
Prepaid expenses	(5,395)	(655)
Deferred outflow related to pension	(187,351)	109,302
Accounts payable	30,520	(5,677)
Accrued payroll and withholdings	4,726	4,389
Developer's deposits	235,292	(70,574)
Deferred inflow related to pension	311,116	803,793
Net pension liability	(360,952)	(1,054,945)
Net cash provided by (used in) operating activities	\$ 4,181,720	\$ 3,917,169
Schedule of Noncash Transactions:		
Contributed capital - developer conveyed sewer lines	\$ 105,631	\$ 538,894

See accompanying notes to financial statements.

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2022 AND 2021

1. Reporting Entity

The North Huntingdon Township Municipal Authority (Authority) is a body corporate and politic, organized, and existing under the laws of the Commonwealth of Pennsylvania, pursuant to the Municipality Authorities Act of 1945, as amended. The Authority is authorized to acquire, hold, construct, improve, own, maintain, and operate sewage collection and treatment facilities within North Huntingdon Township (Township), Westmoreland County, Pennsylvania. In prior years, the Township of North Huntingdon and the Authority determined that the Authority had met the criteria to be considered a component unit of the Township. The Township and the Authority determined that the Authority no longer met that criteria for the Township's financial statements for the year ended December 31, 2021 going forward.

2. Summary of Significant Accounting Policies

The accompanying financial statements of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) for governmental enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing the service to the general public, including depreciation, be financed or recovered primarily through user charges.

The following is a summary of the significant accounting policies of the Authority:

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized. The accompanying financial statements are presented on an accrual basis whereby revenues are recognized when earned, irrespective of when they are billed or collected, and expenses are recognized when incurred.

Statements of Cash Flows

For purposes of the statements of cash flows, cash is defined as bank demand deposits and petty cash on hand.

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Restricted Assets

The Authority has established certain restricted assets accounts to satisfy the requirements of a bond trust indenture. In accordance with the terms of the bond trust indenture, the Authority is required to periodically set aside certain amounts to assure the availability of adequate moneys for servicing the Authority's long-term debt and completing capital additions. These restricted accounts are held by a trustee.

The Authority has established certain restricted asset accounts to satisfy the requirements of a loan, which required the Authority to maintain a money market account with the lender. The loan was paid in full during the year ended April 30, 2022 and the restricted funds were released.

Construction Funds, Authority funded

The Authority has established construction funds to fund upcoming projects, which are held in separate bank accounts.

Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Land and construction in progress are not depreciated. Depreciation is provided on all capital assets on a straight-line basis over the following estimated useful lives of the assets:

<u>Assets</u>	<u>Years</u>
Plant and system	15-40
Motor vehicles	5
Office furniture and equipment	10
Tools and equipment	5-10

Net Position

Accounting standards require the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

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These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional or enabling legislation. The Authority had restricted net position of \$128,166 and \$112,292 at April 30, 2022 and 2021, respectively.
- Unrestricted – This component of net position consists of net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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) until then. The Authority currently has one item that qualifies for reporting in this category: deferred outflows related to pension (Note 7) on the statements of net position.

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow 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 deferred inflows related to pension (Note 7) on the statements of net position.

Receivables

User fees are recognized when earned; accordingly, at year-end, an amount is recognized as revenue for fees that have been earned but not yet billed. Tap-in fees are a one-time charge billed to customers who are connecting to the existing sewer system. The tap-in fees are recognized as revenue when billed to customers.

Accounts receivable are shown net of an allowance of \$0 at April 30, 2022 and 2021. The allowance is determined by management based on specific identification and no allowance was deemed appropriate.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Adopted Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements were adopted for the year ended April 30, 2022: Statement Nos. 89 (Accounting for Interest Cost), 91 (Conduit Debt Obligations), 93 (Interbank Offered Rates), and 98 (The Annual Comprehensive Financial Report). These statements had no significant impact on the Authority's financial statements for the year ended April 30, 2022.

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Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections), and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

3. Cash and Investments

The Authority is authorized to make investments of the following types: (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria in (1) through (4) above.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the period that were in violation of either the state statutes or the policy of the Authority.

The bond trust indenture authorized the Authority to invest in obligations of the U.S. Government and government-sponsored agencies and instrumentalities; certificates of deposit, fully insured or collateralized; certain commercial paper and repurchase agreements; and highly rated bank promissory notes, investment funds, or trusts. Throughout the years ended April 30, 2022 and 2021, the Authority invested its funds in only the above authorized investments.

Statement No. 40, *“Deposit and Investment Risk Disclosures,”* requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Authority’s deposit and investment risks:

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Custodial Credit Risk – 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 April 30, 2022 and 2021, \$3,900,142 and \$2,847,757, respectively, of the Authority’s bank balance of \$4,150,142 and \$3,210,049, respectively, was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. These deposits have carrying amounts of \$3,499,158 and \$2,732,718 as of April 30, 2022 and 2021, respectively. At April 30, 2022 and 2021, the statements of net position classify the following cash book balances, which tie to the statements of cash flows, as follows:

	2022	2021
Cash	\$ 928,292	\$ 624,698
Restricted Cash	-	112,292
Construction Funds	2,570,862	1,995,728
	\$ 3,499,154	\$ 2,732,718

The Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF) were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, municipal authorities, and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments. The Authority’s deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The fair value of the Authority’s position in the external investment pool is the same as the value of the pooled shares. All investments in the external investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The amounts in PLGIT at April 30, 2022 and 2021 were \$19,012,730 and \$251,372, respectively. Of these amounts, \$18,761,134 and \$0 were reported as restricted investments at April 30, 2022 and 2021, respectively. The amounts in PSDLAF at April 30, 2022 and 2021 were \$193,670 and \$193,637, respectively. The Authority is limited to two withdrawals or redemptions per calendar month. These investments are reflected as current asset investments on the statements of net position.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from

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increasing interest rates. However, the U.S. Government Money Market Funds held by the Authority at April 30, 2022 had an average maturity of less than 90 days.

Credit Risk – The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of April 30, 2022 and 2021, the Authority’s investments in PLGIT and PSDLAF were rated AAAM by Standard & Poor’s.

At April 30, 2022 and 2021, the Authority also held U.S. Government Money Market Funds totaling \$0 and \$112,292, respectively. These funds were classified as restricted cash on the statements of net position. As of April 30, 2022 and 2021, these investments were rated AAAM by Standard & Poor’s.

Concentration of Credit Risk – No such concentrations of risk existed at April 30, 2022 and 2021.

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4. Capital Assets

A summary of changes in capital assets is as follows:

	Balance at May 1, 2021	Transfers/ Additions	Transfers/ Deletions	Balance at April 30, 2022
Capital assets, not being depreciated:				
Land and rights of way	\$ 1,460,902	\$ -	\$ -	\$ 1,460,902
Capital additions in progress	313,078	3,251,451	(95,006)	3,469,523
Total capital assets, not being depreciated	<u>1,773,980</u>	<u>3,251,451</u>	<u>(95,006)</u>	<u>4,930,425</u>
Capital assets, being depreciated:				
Plant and system	97,029,704	195,435	(193,237)	97,031,902
Motor vehicles	1,746,700	-	(57,499)	1,689,201
Office furniture and equipment	855,170	17,065	-	872,235
Tools and equipment	968,850	45,812	-	1,014,662
Total capital assets, being depreciated	<u>100,600,424</u>	<u>258,312</u>	<u>(250,736)</u>	<u>100,608,000</u>
Less: accumulated depreciation for:				
Plant and system	(46,743,793)	(1,939,729)	191,098	(48,492,424)
Motor vehicles	(1,295,250)	(91,248)	57,499	(1,328,999)
Office furniture and equipment	(658,641)	(37,481)	-	(696,122)
Tools and equipment	(751,196)	(40,298)	-	(791,494)
Total accumulated depreciation	<u>(49,448,880)</u>	<u>(2,108,756)</u>	<u>248,597</u>	<u>(51,309,039)</u>
Total capital assets, being depreciated, net	<u>51,151,544</u>	<u>(1,850,444)</u>	<u>(2,139)</u>	<u>49,298,961</u>
Total capital assets, net	<u>\$ 52,925,524</u>	<u>\$ 1,401,007</u>	<u>\$ (97,145)</u>	<u>\$ 54,229,386</u>

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	Balance at May 1, 2020	Transfers/ Additions	Transfers/ Deletions	Balance at April 30, 2021
Capital assets, not being depreciated:				
Land and rights of way	\$ 1,460,902	\$ -	\$ -	\$ 1,460,902
Capital additions in progress	5,114,033	3,355,210	(8,156,165)	313,078
Total capital assets, not being depreciated	<u>6,574,935</u>	<u>3,355,210</u>	<u>(8,156,165)</u>	<u>1,773,980</u>
Capital assets, being depreciated:				
Plant and system	88,489,743	8,539,961	-	97,029,704
Motor vehicles	1,714,626	32,074	-	1,746,700
Office furniture and equipment	692,330	162,840	-	855,170
Tools and equipment	949,035	19,815	-	968,850
Total capital assets, being depreciated	<u>91,845,734</u>	<u>8,754,690</u>	<u>-</u>	<u>100,600,424</u>
Less: accumulated depreciation for:				
Plant and system	(44,845,762)	(1,898,031)	-	(46,743,793)
Motor vehicles	(1,205,073)	(90,177)	-	(1,295,250)
Office furniture and equipment	(627,539)	(31,102)	-	(658,641)
Tools and equipment	(712,869)	(38,327)	-	(751,196)
Total accumulated depreciation	<u>(47,391,243)</u>	<u>(2,057,637)</u>	<u>-</u>	<u>(49,448,880)</u>
Total capital assets, being depreciated, net	<u>44,454,491</u>	<u>6,697,053</u>	<u>-</u>	<u>51,151,544</u>
Total capital assets, net	<u>\$ 51,029,426</u>	<u>\$ 10,052,263</u>	<u>\$ (8,156,165)</u>	<u>\$ 52,925,524</u>

Capital additions in progress at the end of April 30, 2022 consisted of, or related primarily to, treatment plants, pump station, and sewer projects. Capital additions in progress at the end of April 30, 2021 consisted of, or related primarily to, pump station and sewer projects.

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5. Long-Term Debt

The following are changes in debt:

Year Ended April 30, 2022	Beginning of Year Balance	New Debt	Repayment	End of Year Balance	Due Within One Year
Direct borrowing- Revenue Obligation Note - 2021	\$ -	\$ 18,015,000	\$ (1,080,000)	\$ 16,935,000	\$ 790,000
Direct borrowing- PennVest Loan #2	568,104	-	(568,104)	-	-
	<u>\$ 568,104</u>	<u>\$ 18,015,000</u>	<u>\$ (1,648,104)</u>	<u>\$ 16,935,000</u>	<u>\$ 790,000</u>

Year Ended April 30, 2021	Beginning of Year Balance	New Debt	Repayment	End of Year Balance	Due Within One Year
Direct borrowing- Revenue Obligation Note - 2006	\$ 108,082	\$ -	\$ (108,082)	\$ -	\$ -
Direct borrowing- PennVest Loan #2	827,499	-	(259,395)	568,104	267,918
	<u>\$ 935,581</u>	<u>\$ -</u>	<u>\$ (367,477)</u>	<u>\$ 568,104</u>	<u>\$ 267,918</u>

In April 2002, the Authority obtained a PennVest loan in the amount of \$4,734,573 for the purpose of constructing and operating a community sewer system. Interest only on the unpaid principal will be payable in monthly installments on the first day of each calendar month, beginning with the first calendar month following a loan payment and ended on September 1, 2003. The PennVest loan was repaid in full with the issuance of the 2021 Bonds. Principal and interest was payable in monthly installments commencing on the first day of each calendar month, beginning with October 1, 2003. The loan bears interest at rates ranging from 1.619% to 3.237%. The Authority drew down \$4,369,410 from the PennVest loan as of April 30, 2006, which is the full amount drawn down. The balance of the loan was \$0 and \$568,104 at April 30, 2022 and 2021, respectively. The loan was secured by pledge of gross revenue and gross receipts of the Authority.

In February 2006, the Authority obtained a Revenue Obligation Note, Series 2006, in the amount of \$1,500,000 for the purpose of constructing a maintenance garage at its Youghiogheny Sewage Treatment Plant and for other related capital improvements. The

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Note bears interest on the unpaid principal at an annual rate of 3.9%, payable in monthly installments. The note was paid in full in February 2021.

The Authority's outstanding term loans from direct borrowings contained a provision that in an event of default, outstanding amounts became due immediately.

In June 2021, the Authority issued \$18,015,000 in Sewer Revenue Bonds, Series of 2021, to be used for funding the design and construction of the treatment facilities and pump stations and to refund the existing Pennvest Loan. Interest is payable semi-annually on October 1 and April 1 through maturity at rates ranging from 4.00% to 5.00%, with principal due on April 1. The Bonds are due serially through April 2051.

Future annual debt service requirements for the bonds are as follows:

Year	Principal	Interest	Total
2023	\$ 790,000	\$ 706,100	\$ 1,496,100
2024	300,000	666,600	966,600
2025	320,000	651,600	971,600
2026	340,000	635,600	975,600
2027	355,000	618,600	973,600
2028-2032	2,050,000	2,820,750	4,870,750
2033-2037	2,500,000	2,364,000	4,864,000
2038-2042	3,045,000	1,822,400	4,867,400
2043-2047	3,705,000	1,162,200	4,867,200
2048-2051	3,530,000	360,000	3,890,000
	<u>\$ 16,935,000</u>	<u>\$ 11,807,850</u>	<u>\$ 28,742,850</u>

Long-term debt on the statement of net position as of April 30, 2022 includes unamortized bond premiums totaling \$2,747,328 and unamortized bond discounts totaling \$115,982. Amortization expense for the year ended April 30, 2022 was \$127,510.

Under the bond trust indenture, the Authority has made certain covenants, which essentially provide that the rates are to be set at levels such that system revenues together with amounts available in the revenue fund are sufficient to provide funds to pay current expenses of the Authority (without consideration for depreciation) and an amount equal to

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110% of debt service requirements related to the bonds. The Authority is in compliance with the aforementioned debt covenants.

6. Purchased Sewage Treatment

The Authority has a service agreement with the Western Westmoreland Municipal Authority (WWMA) whereby WWMA provides treatment of sewage drained from the Authority's Brush Creek Collection System. Payments to WWMA are based upon WWMA's current rates and the number of Equivalent Dwelling Units served by WWMA. The Authority incurred \$2,459,750 and \$2,383,367 of expense in fiscal years 2022 and 2021, respectively.

There may be additional payments by the Authority in the event that receipts and revenues from customers are insufficient to enable the WWMA to meet its obligations. No additional payments were required in fiscal years 2022 and 2021.

7. Pension Plan

Plan Description

The Authority established a pension plan (Plan) for its employees by resolution effective July 1, 1980. The Plan was subsequently amended; the latest pension agreement was effective February 21, 1991. The Plan is part of the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities and authorities. The Plan operates on a calendar year basis. The Plan is not subject to fiduciary reporting as the Authority's board is not the same as the Pension Board, the Plan's budget or contribution requirements are not approved by the Authority, and the Authority does not have control of the assets.

All permanent, full-time employees are eligible to participate in the Plan. An employee is fully vested after five years. The normal retirement age is 60 years of age or older. Plan provisions are established by municipal ordinance with the Authority for municipal contributions required by Act 205 of the Commonwealth (the Act). The basic annual benefit shall be equal to 2% of the member's final salary multiplied by all years of credited service.

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Final salary shall be calculated based upon the highest three-year average salary. Early retirement is available to those members who have separated voluntarily after 20 years of credited service or who have been involuntarily terminated after eight years of credited service. Benefits will be actuarially reduced for each year or partial year thereof prior to age 60 that early retirement takes place. At retirement, a member may select a reduced joint annuitant benefit. There shall be no offset for social security benefits received. Members shall contribute 3.5% of their total compensation in a manner consistent with Board-established policy. The Authority is required to contribute the remaining amount necessary to fund the plan, using the actuarial basis specified by statute. The Authority may optionally award post-retirement benefit adjustments based on investment performance. Included in the Authority's Plan is a Deferred Retirement Option Plan (DROP) effective June 1, 2012. The Authority has two employees that have elected the DROP option as of the year ended April 30, 2022.

Per the latest available demographic information, December 31, 2021, employee membership data related to the Plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>23</u>
Total plan members	<u><u>42</u></u>

Contribution and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth of Pennsylvania allocation must be funded by the Authority (and could include employee contributions). For the plan years ended December 31, 2021 and 2020, the Authority contributed the funds necessary to meet the MMO for the Plan in the amounts of \$235,839 and \$231,586, respectively.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

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The Authority uses the measurement date of December 31, that is 16 months prior to the Authority's fiscal year end. This is due to the timing of the PMRS reporting that is primarily concerned with calendar year end for participating municipalities and authorities. The Authority has determined that for its plan, there is no material difference in this information within 16 months of its year end, and information that would be within 12 months of its year end.

Changes in the Net Pension Liability

The changes in the Authority's net pension liability at April 30, 2022 based on a measurement date of December 31, 2020 are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at April 30, 2021	\$ 8,376,913	\$ 8,144,127	\$ 232,786
Changes for the year:			
Service cost	190,068	-	190,068
Interest	435,489	-	435,489
Differences between expected and actual experience	96,514	-	96,514
Changes of assumptions	327,987	-	327,987
Employer contributions	-	199,170	(199,170)
Member contributions	-	50,608	(50,608)
Net investment income	-	1,179,188	(1,179,188)
Transfers	332	332	-
Benefit payments	(551,270)	(551,270)	-
Administrative expense	-	(780)	780
Other	-	(17,176)	17,176
	499,120	860,072	(360,952)
Balances at April 30, 2022	\$ 8,876,033	\$ 9,004,199	\$ (128,166)
Plan fiduciary net position as a percentage of the total pension liability			101.44%

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The changes in the Authority's net pension liability at April 30, 2021 based on a measurement date of December 31, 2019 are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at April 30, 2020	\$ 8,306,954	\$ 7,019,223	\$ 1,287,731
Changes for the year:			
Service cost	183,404	-	183,404
Interest	431,329	-	431,329
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Employer contributions	-	197,698	(197,698)
Member contributions	-	46,015	(46,015)
Net investment income	-	1,440,254	(1,440,254)
Transfers	45,197	45,197	-
Benefit payments	(589,971)	(589,971)	-
Administrative expense	-	(880)	880
Other	-	(13,409)	13,409
	69,959	1,124,904	(1,054,945)
Net changes			
Balances at April 30, 2021	\$ 8,376,913	\$ 8,144,127	\$ 232,786
Plan fiduciary net position as a percentage of the total pension liability			97.22%

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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2020, with liabilities measured at December 31, 2020, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	2.80%
Underlying inflation rate	2.80%
Cost-of-living adjustments	2.80%
Pre-retirement mortality: Sex-distinct PUB-2010 General Employees tables	
Post-retirement mortality: Sex-distinct RP 2006 Annuitant tables	

Changes in Actuarial Assumptions – Assumptions based on the PMRS Experience Study for the period covering January 1, 2014 through December 31, 2018 issued by the actuary in September 2020.

Long-Term Expected Rate of Return – The PMRS System’s (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to the method:

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the PMRS Board’s opinion, any such asset classes are expected in the future to significantly vary from its 20-year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are

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presented in the chart labeled “System Nominal and Real Rates of Return by Asset Class.”

4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study, the minimum acceptable confidence level for the PMRS Board has been determined to be 70%. The chart labeled “Confidence Levels for System Nominal and Real Rates of Return” identifies simulated portfolio returns at various confidence levels.

The following are the System Nominal and Real Rates of Return by Asset Class as of December 31, 2020:

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic equity (large capitalized firms)	25%	7.56%	5.31%
Domestic equity (small capitalized firms)	15%	8.31%	6.06%
International equity (developed markets)	15%	7.78%	5.53%
International equity (emerging markets)	10%	8.20%	5.95%
Real estate	15%	7.50%	5.25%
Timber	5%	6.03%	3.78%
Fixed income	15%	4.12%	1.87%
	<u>100%</u>	<u>7.80%</u>	<u>5.55%</u>

Based on the four-part analysis, the PMRS Board established the System’s long-term expected rate of return at 7.80%.

Discount Rate. The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Authority’s contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2022 AND 2021

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the plan calculated using the discount rates described above, as well as what the plan's net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
2022	\$ 945,364	\$ (128,166)	\$ (1,040,164)
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
2021	\$ 1,197,004	\$ 232,786	\$ (589,779)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the years ended April 30, 2022 and 2021, the Authority recognized pension expense of (\$2,188) and \$88,916, respectively. At April 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 360,087	\$ -
Changes in assumptions	346,324	-
Pension contributions subsequent to measurement date	402,198	-
Net difference between projected and actual earnings on pension plan investments	-	1,218,163
Total	\$ 1,108,609	\$ 1,218,163

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2022 AND 2021

At April 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 385,627	\$ 10,039
Changes in assumptions	100,116	-
Pension contributions subsequent to measurement date	435,515	-
Net difference between projected and actual earnings on pension plan investments	-	897,008
Total	\$ 921,258	\$ 907,047

\$402,198 reported as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending April 30, 2023. \$435,515 reported as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended April 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending April 30,	
2023	\$ (224,607)
2024	(66,097)
2025	(245,984)
2026	(96,350)
2027	60,643
Thereafter	60,643
	\$ (511,752)

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2022 AND 2021

8. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Code Section 457. The deferred compensation plan, available to all employees, permits them to defer a portion of their salaries until future years. Participation in the deferred compensation plan is optional. The deferred compensation plan is not available to the employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the deferred compensation plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust solely for the benefit of the participants. Investments are managed by the deferred compensation plan's trustee under several investment options selected by the participant.

The total assets held in the deferred compensation plan as of April 30, 2022, were \$550,785. The total assets held in the deferred compensation plan as of April 30, 2021, the most current balance available, were \$597,554.

9. Comparison of Budget to Actual

The following is a comparison of budget to actual operating revenues and expenses for the years ended April 30, 2022 and 2021:

Year ended April 30, 2022:

	Budget	Actual	Variance
Operating revenues:			
Sewage rentals	\$ 9,246,564	\$ 9,206,470	\$ (40,094)
New construction tap-ins and saddles	365,100	502,306	137,206
Existing development tap-ins	60,000	55,518	(4,482)
Total operating revenues	9,671,664	9,764,294	92,630
Operating expenses:			
Sewer system operation	2,580,257	2,221,512	358,745
Purchased sewage treatment - WWMA	2,525,306	2,459,750	65,556
Administration	1,009,798	883,693	126,105
Total operating expenses	6,115,361	5,564,955	550,406
Operating income, before depreciation	\$ 3,556,303	\$ 4,199,339	\$ 643,036

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2022 AND 2021

Year ended April 30, 2021:

	Budget	Actual	Variance
Operating revenues:			
Sewage rentals	\$ 9,142,694	\$ 9,093,114	\$ (49,580)
New construction tap-ins and saddles	225,000	326,566	101,566
Existing development tap-ins	60,000	83,577	23,577
Total operating revenues	9,427,694	9,503,257	75,563
Operating expenses:			
Sewer system operation	2,545,590	2,120,039	425,551
Purchased sewage treatment - WWMA	2,525,306	2,383,367	141,939
Administration	1,008,362	861,753	146,609
Total operating expenses	6,079,258	5,365,159	714,099
Operating income, before depreciation	\$ 3,348,436	\$ 4,138,098	\$ 789,662

Existing development tap-ins and the provision for depreciation is not an element of cost considered in the setting of rates. Therefore, depreciation is not considered when establishing the operating budget. Budgeted operating revenue is estimated using the total of the equivalent dwelling units and the annual sewage rental less an allowance for uncollectible accounts.

10. Contingencies

While the Authority is party to a number of actual and possible matters of litigation, the ultimate outcome of such matters is not expected to be material to the Authority's financial statements.

During 2005, the Department of Environmental Resources placed the Western Westmoreland Municipal Authority (WWMA) under a Corrective Action Plan for its Brush Creek Water Pollution Control Plant and has restricted taps for that entire facility. This impacts approximately 50% of the Authority's service area.

WWMA is implementing its Long-Term Control Plan, which will require the Authority to locate and remove inflow and infiltration from that drainage basis. The effect of this plan on the Authority and the costs associated with this plan are unknown at this time.

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2022 AND 2021

During 2009, WWMA initiated action against the Authority seeking a determination that the Authority violated terms of an Intermunicipal Service Agreement by providing transportation treatment services at one of its sewage treatment plants for certain developments allegedly located within the WWMA's service area. In November 2020, the Authority paid WWMA \$220,000 to purchase its Ardara/Cavittsville Pump Station and Interceptor, thereby settling the 2009 lawsuit.

11. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not significantly exceeded commercial insurance coverage for the past three years. There were no significant changes in insurance coverage from the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN

SCHEDULE OF CHANGES IN THE NET
PENSION LIABILITY AND RELATED RATIOS

LAST TEN YEARS*

	2022	2021	2020	2019	2018	2017
Total Pension Liability:						
Service cost	\$ 190,068	\$ 183,404	\$ 162,805	\$ 160,476	\$ 148,358	\$ 159,003
Interest	435,489	431,329	406,362	411,587	405,134	395,141
Differences between expected and actual experience	96,514	-	364,964	-	332,073	-
Changes of assumptions	327,987	-	-	-	211,868	32,601
Transfers	332	45,197				
Benefit payments, including refunds of member contributions	(551,270)	(589,971)	(404,037)	(936,955)	(342,208)	(445,241)
Net Changes in Total Pension Liability	499,120	69,959	530,094	(364,892)	755,225	141,504
Total Pension Liability - Beginning	8,376,913	8,306,954	7,776,860	8,141,752	7,386,527	7,245,023
Total Pension Liability - Ending (a)	<u>\$ 8,876,033</u>	<u>\$ 8,376,913</u>	<u>\$ 8,306,954</u>	<u>\$ 7,776,860</u>	<u>\$ 8,141,752</u>	<u>\$ 7,386,527</u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 199,170	\$ 197,698	\$ 163,852	\$ 157,957	\$ 157,960	\$ 144,576
Contributions - member	50,608	46,015	44,315	43,972	50,874	42,199
Net investment income	1,179,188	1,440,254	(166,884)	1,185,148	555,054	25,730
Benefit payments, including refunds of member contributions	(551,270)	(589,971)	(404,037)	(936,955)	(342,208)	(445,241)
Administrative expense	(780)	(880)	(820)	(800)	(740)	(740)
Transfers	332	45,197	-	-	-	-
Other	(17,176)	(13,409)	(15,353)	(16,983)	(18,494)	(15,283)
Net Change in Plan Fiduciary Net Position	860,072	1,124,904	(378,927)	432,339	402,446	(248,759)
Plan Fiduciary Net Position - Beginning	8,144,127	7,019,223	7,398,150	6,965,811	6,563,365	6,812,124
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,004,199</u>	<u>\$ 8,144,127</u>	<u>\$ 7,019,223</u>	<u>\$ 7,398,150</u>	<u>\$ 6,965,811</u>	<u>\$ 6,563,365</u>
Net Pension Liability (Asset) - Ending (a-b)	<u>\$ (128,166)</u>	<u>\$ 232,786</u>	<u>\$ 1,287,731</u>	<u>\$ 378,710</u>	<u>\$ 1,175,941</u>	<u>\$ 823,162</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>101.44%</u>	<u>97.22%</u>	<u>84.50%</u>	<u>95.13%</u>	<u>85.56%</u>	<u>88.86%</u>
Covered Payroll	<u>\$ 1,423,714</u>	<u>\$ 1,289,879</u>	<u>\$ 1,249,445</u>	<u>\$ 1,231,575</u>	<u>\$ 1,176,868</u>	<u>\$ 1,205,749</u>
Net Pension Liability as a Percentage of Covered Payroll	-9.00%	18.05%	103.06%	30.75%	99.92%	68.27%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available. The amounts presented were determined as of determination dates of December 31, 2020, 2019, 2018, 2017, 2016 and 2015 respectively.

**NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY**

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
LAST TEN YEARS*

	2022	2021	2020	2019	2018	2017
<u>Schedule of Authority Contributions</u>						
Actuarially determined contribution	\$ 199,950	\$ 198,518	\$ 164,672	\$ 158,757	\$ 158,868	\$ 145,088
Contributions in relation to the actuarially determined contribution	199,950	198,578	164,692	158,837	158,720	145,296
Contribution deficiency (excess)	\$ -	\$ (60)	\$ (20)	\$ (80)	\$ 148	\$ (208)
Covered payroll	<u>\$ 1,423,714</u>	<u>\$ 1,289,879</u>	<u>\$ 1,249,445</u>	<u>\$ 1,231,575</u>	<u>\$ 1,176,868</u>	<u>\$ 1,205,749</u>
Contributions as a percentage of covered payroll	14.04%	15.40%	13.18%	12.90%	13.49%	12.05%

Notes to Required Supplementary Pension Schedules:

Valuation date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2020 is based upon the January 1, 2017 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	Based on periods in Act 205
Asset valuation method	Based upon the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.25%
Underlying inflation	2.80%
Projected salary increases	2.8% with age related scale with merit/seniority component
Cost-of-living adjustment increase	2.80%

Mortality - Union Plan Pre-Retirement - Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA; Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years

Post-Retirement - Males: RP2000 Annuitant Male table projected 5 years with Scale AA; Females: RP2000 Annuitant Female table projected 10 years with Scale AA

There were no benefit changes made in connection with the December 31, 2020 actuarial valuation. Changes in assumptions for the December 31, 2020 actuarial valuation are based on the PMRS Experience Study covering January 1, 2014 through December 31, 2018.

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the required information for the plan is presented for as many years are available. The amounts presented were determined as of determination dates of December 31, 2020, 2019, 2018, 2017, 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

ANALYSIS OF OPERATING REVENUES AND EXPENSES

YEARS ENDED APRIL 30, 2022 AND 2021

	2022	2021
Operating Revenues:		
Sewage service	\$ 9,142,096	\$ 9,061,668
Late payment penalties	81,407	48,799
Discounts	(17,033)	(17,353)
New construction tap-ins and saddles	502,306	326,566
Existing development tap-ins	55,518	83,577
	<u>9,764,294</u>	<u>9,503,257</u>
Total operating revenues	<u>\$ 9,764,294</u>	<u>\$ 9,503,257</u>
Operating Expenses:		
Sewer system operation:		
Personnel	\$ 1,524,645	\$ 1,553,443
Electric, gas, and water	192,564	165,111
Chemicals	9,507	8,568
Telephone	18,165	16,902
Equipment rental, repairs, and maintenance	82,899	49,533
Insurance	132,849	121,765
Operating supplies	4,818	7,665
Lab supplies	13,936	13,903
Vehicle operation	65,078	32,135
Small tools and equipment	2,026	1,525
Sludge disposal	52,140	44,252
System maintenance	64,421	63,709
Other	58,464	41,528
	<u>2,221,512</u>	<u>2,120,039</u>
Total sewer system operation	<u>2,221,512</u>	<u>2,120,039</u>
Purchased sewage treatment - WWMA	<u>2,459,750</u>	<u>2,383,367</u>
Administration:		
Personnel	541,898	550,439
Office rental	7,261	12,037
Office supplies	6,342	11,295
Postage	3,836	2,054
Billing and collection	28,547	26,434
Telephone	3,000	3,168
Equipment rental, repair, and maintenance	14,519	13,912
Professional fees	244,579	212,093
Board member expenses	6,576	4,967
Other	27,135	25,354
	<u>883,693</u>	<u>861,753</u>
Total administration	<u>883,693</u>	<u>861,753</u>
Depreciation:		
Plant and system	1,939,728	1,898,031
Motor vehicles	91,248	90,177
Office furniture and equipment	37,481	31,102
Tools and equipment	40,299	38,327
	<u>2,108,756</u>	<u>2,057,637</u>
Total depreciation	<u>2,108,756</u>	<u>2,057,637</u>
Total operating expenses	<u>\$ 7,673,711</u>	<u>\$ 7,422,796</u>