North Huntingdon Township Municipal Authority

A Component Unit of
North Huntingdon Township

Financial Statements
and Required Supplementary
and Supplementary Information

Years Ended April 30, 2019 and 2018
with Independent Auditor's Report

MaherDuessel

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NORTH HUNTINGDON TOWNSHIP MUNICIPAL AUTHORITY

YEARS ENDED APRIL 30, 2019 AND 2018

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Independent Auditor's Report

Board of Directors
North Huntingdon Township
Municipal Authority

We have audited the accompanying financial statements of the North Huntingdon Township Municipal Authority, a component unit of North Huntingdon Township, as of and for the years ended April 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the entity as of April 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages i through x, and pages 31 through 32, respectively, 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the entity's basic financial statements. The Analysis of Operating Revenues and Expenses and Schedules of Balances – Trustee Controlled Accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The analysis of operating revenues and expenses and schedules of balances – trustee controlled accounts are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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
July 26, 2019

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 2019 that ended on April 30, 2019. Please read it in conjunction with the Authority's Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

Revenues

- Total operating revenues increased by $177,031 or 1.90%.
- Delinquencies decreased from an average of 3.72% in 2018 to 3.58% in 2019. The Authority has been aggressively pursuing their delinquent accounts. The Authority has eliminated payment plans unless absolutely necessary for hardship cases.

Expenses

- Operating expenses decreased by $211,268 or -2.84%.

Budgeting

- Comparing budget to actual, revenues were $105,916 lower, or a variance of 1.10%.
- Comparing budget to actual, expenses were $522,079 lower, or a variance of 8.84%.
- Comparing budget to actual, operating income, before depreciation, was $416,163 higher, or a variance of 11.29%.

Long-Term Debt

- The Authority entered into a Swaption contract on October 20, 2005 that gave the counterparty (PNC) the option to make the Authority enter into a receivable-variable pay-fixed interest rate swap on the first day of each month commencing May 1, 2011 and terminating on April 1, 2020. The counterparty exercised this option April 1, 2011 which resulted in the Authority refunding the previously existing Guaranteed Sewer Revenue Bonds, Series of 2001 and issuing Variable Rate Demand Revenue Bonds, Series of 2011. Further disclosure regarding the

Authority's derivative transaction can be found in Notes 2, 5, and 12 to the financial statements.

- Remaining balances on long-term debt at fiscal year-end were:

2011 Bond Issue	$ 1,045,000	
2002 PennVEST Loan	1,078,643	
2006 Rev. Obligation Note	233,437	(Yough Garage & Office)
Total	**$ 2,357,080**	

Other

- The Authority remained in compliance with all debt covenants required by its borrowing agreements.

- The system grew with 60 new customers with 12,262 active customers.

Fiscal Year 2019 Projects

Projects Undertaken in Fiscal Year 2019

- 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.

- Complete Phase 2 of the Markvue Manor Plan line replacement project.

- Bid award and begin construction of the new Administration Building at the Yough Treatment Facility.

- Bid award and begin construction of the Lab/Personnel Building at the Yough Treatment Facility.

- Miscellaneous computer hardware, furniture, and Server in the Administrative Offices.

- Began planning and bidding process for Markvue Manor Phase 3 line replacement project.

- Implementation and design for a new website was done for www.nhtma.org.

- Purchased ¾ Ton Utility Truck.

- Design, plan, and bid the line realignment projects for Route 993 and NCAA Ballfields near Manor Borough.

- Purchased Gas Monitoring and Confined Space equipment for all pump stations.

- Design and plan upgrades/improvements for the Falcon Ridge Pump Station and Force Main.

Fiscal Year 2020 Projects

Projects Scheduled for Fiscal Year 2020

The Authority's five-year capital plan projects $5.35 million in expenditures in fiscal year 2020, which include:

- Construction of the Lab/Personnel Building at Yough Treatment Facility.

- Construction of the Administration Building at Yough Treatment Facility.

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

- Long Run pump station SCADA Enhancements.

- Purchase Ardara/Cavittsville interceptor and pump station – *On-going.*

- Miscellaneous pump replacements.

- Replacement of lines in the Markvue Manor Phase 3 project area.

- Bid the line replacement project in Markvue Manor Phase 4.

- Bid improvements to the Falcon Ridge Pump Station and Force Main to increase capacity.

- Computer hardware replacement in the Administrative offices and Yough Treatment Facility offices.

- Move Administrative offices to our Administrative building, purchasing new furniture and equipment as necessary.

- Move Laboratory facilities into the new Lab/Personnel building, purchasing new furniture and equipment as necessary.

- Purchase a new ½ Ton Pick-Up Truck.
- Completion of the Markvue Manor Phase 3 line replacement project.
- Re-bid and completion of the line realignment projects for Route 993 and NCAA Ballfields near Manor Borough.
- Design, plan and bid the line replacement project for Five Pines Phase 1.
- Repairs needed for the ALCOSAN Regionalization Project.
- Design, plan and bid the pump station replacement project for Highland Terrace Pump Station.

Other Actions Anticipated During Fiscal Year 2020

- Emergency repairs of a main sewer line on Peachtree Lane.
- Aggressive efforts to collect outstanding assessments.
- Assessment of the McKee Road collection line.
- Implementation of the special purpose tap fee in the Falcon Ridge drainage basin.
- 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), although the Authority owns and maintains the 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 2019, 65 new construction permits were issued, 42 in the Yough Basin, 23 in the Brush Creek basin, and 0 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 2018.

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

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change
Current assets	$ 2,675,992	$ 2,674,784	$ 1,208
Capital and other long-term assets	51,745,764	51,073,415	672,349
Total Assets	$ 54,421,756	$ 53,748,199	$ 673,557
Deferred loss on defeasance	$ 25,084	$ 50,167	$ (25,083)
Deferred outflows related to pension	772,688	880,362	(107,674)
Total Deferred Outflows of Resources	$ 797,772	$ 930,529	$ (132,757)
Current liabilities	$ 1,981,572	$ 2,282,502	$ (300,930)
Current liabilities (payable from restricted assets)	263,293	677,473	(414,180)
Non-current liabilities	1,314,288	3,607,601	(2,293,313)
Total Liabilities	$ 3,559,153	$ 6,567,576	$ (3,008,423)
Derivative instruments	$ 36,614	$ 27,396	$ 9,218
Deferred loss on defeasance	651,061	40,147	610,914
Total Deferred Inflows of Resources	$ 687,675	$ 67,543	$ 620,132
Net investment in capital assets	$ 44,383,013	$ 42,486,586	$ 1,896,427
Restricted	4,656,308	3,804,478	851,830
Unrestricted	1,933,379	1,752,545	180,834
Total Net Position	$ 50,972,700	$ 48,043,609	$ 2,929,091

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change
Current assets	$ 2,674,784	$ 2,552,369	$ 122,415
Capital and other long-term assets	51,073,415	49,641,992	1,431,423
Total Assets	$ 53,748,199	$ 52,194,361	$ 1,553,838
Derivative instruments	$ -	$ 71,380	$ (71,380)
Deferred loss on defeasance	50,167	75,250	(25,083)
Deferred outflows related to pension	880,362	623,011	257,351
Total Deferred Outflows of Resources	$ 930,529	$ 769,641	$ 160,888
Current liabilities	$ 2,282,502	$ 2,110,291	$ 172,211
Current liabilities (payable from restricted assets)	677,473	75,603	601,870
Non-current liabilities	3,607,601	5,022,253	(1,414,652)
Total Liabilities	$ 6,567,576	$ 7,208,147	$ (640,571)
Derivative instruments	$ 27,396	$ -	$ 27,396
Deferred inflows related to pension	40,147	50,183	(10,036)
Total Deferred Inflows of Resources	$ 67,543	$ 50,183	$ 17,360
Net investment in capital assets	$ 42,486,586	$ 40,381,563	$ 2,105,023
Restricted	3,804,478	3,510,925	293,553
Unrestricted	1,752,545	1,813,184	(60,639)
Total Net Position	$ 48,043,609	$ 45,705,672	$ 2,337,937

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 2019	Fiscal Year 2018	Dollar Change
Operating revenues	$ 9,485,900	$ 9,308,869	$ 177,031
Non-operating revenues	496,237	152,722	343,515
Total Revenues	9,982,137	9,461,591	520,546
Depreciation expense	1,844,080	1,919,855	(75,775)
Other operating expenses	5,384,873	5,520,366	(135,493)
Non-operating expenses	125,064	207,559	(82,495)
Total Expenses	7,354,017	7,647,780	(293,763)
Net Income (Loss)	2,628,120	1,813,811	814,309
Capital contribution revenues	300,971	524,126	(223,155)
Change in Net Position	2,929,091	2,337,937	591,154
Net position, beginning of year	48,043,609	45,705,672	2,337,937
Net position, end of year	$ 50,972,700	$ 48,043,609	$ 2,929,091

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

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change
Operating revenues	$ 9,308,869	$ 9,222,915	$ 85,954
Non-operating revenues	152,722	157,784	(5,062)
Total Revenues	9,461,591	9,380,699	80,892
Depreciation expense	1,919,855	2,018,823	(98,968)
Other operating expenses	5,520,366	5,368,487	151,879
Non-operating expenses	207,559	290,599	(83,040)
Total Expenses	7,647,780	7,677,909	(30,129)
Net Income (Loss)	1,813,811	1,702,790	111,021
Capital contribution revenues	524,126	247,424	276,702
Change in Net Position	2,337,937	1,950,214	387,723
Net position, beginning of year	45,705,672	43,755,458	1,950,214
Net position, end of year	$ 48,043,609	$ 45,705,672	$ 2,337,937

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.

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 12,262 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 13 pump stations, approximately 255 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 23 full-time employees – 17 who work at the Youghiogheny Water Pollution Control Plant and throughout the collection system, and six located in the Administrative Offices on the second floor of the Town House at 11265 Center Highway, North Huntingdon, PA.

Regular monthly meetings are held on the second Wednesday of each month beginning than 6:00 PM in the training room at the Youghiogheny Water Pollution Control Plant at 4222 Turner Valley Road. The regular meeting is preceded by a public work session at 5:30 PM at the same location.

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 Youghiogheny Treatment Facility. Also, the Authority will be evaluating the possibility of replacing its current underground "canned" pump stations 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, 2019 AND 2018

Assets

	2019	2018
Current assets:		
Cash	$ 618,721	$ 613,445
Investments	727,795	698,101
Accounts receivable (net of allowance of $0 for 2019 and 2018):		
Sewer service	1,154,246	1,195,009
Assessments and tap-ins	10,160	12,065
Interest receivable-assessments	22,806	28,781
Other	14,584	-
Prepaid expenses	127,680	127,383
Total current assets	2,675,992	2,674,784
Noncurrent assets:		
Restricted cash	282,507	468,160
Restricted investments	4,637,094	4,013,791
Derivative asset	36,614	27,396
Capital assets not depreciated	2,252,611	3,380,565
Capital assets, net of accumulated depreciation	44,536,938	43,183,503
Total noncurrent assets	51,745,764	51,073,415
Total Assets	54,421,756	53,748,199

Deferred Outflows of Resources

	2019	2018
Deferred loss on defeasance	25,084	50,167
Deferred outflows related to pension	772,688	880,362
Total Deferred Outflows of Resources	797,772	930,529
Total Assets and Deferred Outflows of Resources	$ 55,219,528	$ 54,678,728

Liabilities, Deferred Inflows of Resources, and Net Position

	2019	2018
Liabilities:		
Current liabilities:		
Accounts payable	$ 313,010	$ 423,981
Accrued payroll and withholdings	172,520	162,532
Current portion of Revenue Obligation Note, Series 2006	125,358	120,570
Current portion of PennVest loans	251,144	243,156
Current portion of borrowing payable - derivative transaction	74,540	72,263
Current portion of Refunding Bonds, Series of 2011	1,045,000	1,260,000
Total current liabilities	1,981,572	2,282,502
Current liabilities (payable from restricted assets):		
Accounts payable	88,241	315,614
Accrued interest payable	8,856	8,856
Developer deposits	166,196	353,003
Total current liabilities (payable from restricted assets)	263,293	677,473
Long-term liabilities:		
Long-term portion of borrowing payable - derivative transaction	-	74,540
Loans and bonds payable	935,578	2,357,120
Net pension liability	378,710	1,175,941
Total long-term liabilities	1,314,288	3,607,601
Total Liabilities	3,559,153	6,567,576
Deferred Inflows of Resources:		
Derivative instruments	36,614	27,396
Deferred inflows related to pension	651,061	40,147
Total Deferred Inflows of Resources	687,675	67,543
Net Position:		
Net investment in capital assets	44,383,013	42,486,586
Restricted	4,656,308	3,804,478
Unrestricted	1,933,379	1,752,545
Total Net Position	50,972,700	48,043,609
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 55,219,528	$ 54,678,728

See accompanying notes to financial statements.

NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED APRIL 30, 2019 AND 2018

	2019	2018
Operating Revenues:		
Sewer service	$ 9,086,506	$ 9,088,116
New construction tap-ins and saddles	341,918	172,141
Existing development tap-ins	57,476	48,612
Total operating revenues	9,485,900	9,308,869
Operating Expenses:		
Sewer system operation	2,103,461	2,215,393
Purchased sewer treatment - WWMA	2,474,307	2,478,239
Administration	807,105	826,734
Depreciation	1,844,080	1,919,855
Total operating expenses	7,228,953	7,440,221
Operating Income	2,256,947	1,868,648
Nonoperating Revenues (Expenses):		
Interest revenue	98,593	28,006
Interest on borrowing payable - derivative instrument	(3,541)	(5,751)
Interest on Variable Rate Demand Revenue Bonds	(45,606)	(113,577)
Interest on PennVest loan	(39,200)	(46,935)
Interest on Revenue Note	(11,634)	(16,213)
Amortization of deferred refunding loss	(25,083)	(25,083)
Gain on sale of capital assets	78,660	-
Miscellaneous	318,984	124,716
Total nonoperating revenues (expenses)	371,173	(54,837)
Income before capital contribution revenues	2,628,120	1,813,811
Capital Contribution Revenues	300,971	524,126
Change in Net Position	2,929,091	2,337,937
Net Position:		
Beginning of year	48,043,609	45,705,672
End of year	$ 50,972,700	$ 48,043,609

See accompanying notes to financial statements.

NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Cash received from customers	$ 9,326,880	$ 9,659,896
Cash payments for administrative expenses	(825,979)	(806,240)
Cash payments for operating expenses	(4,738,520)	(4,268,523)
Net cash provided by (used in) operating activities	3,762,381	4,585,133
Cash Flows From Noncapital Financing Activities:		
Miscellaneous	318,984	124,716
Cash Flows From Capital and Related Financing Activities:		
Interest paid on debt	(135,349)	(146,084)
Capital asset purchases, net of capital contributions	(1,856,027)	(1,904,333)
Proceeds from sale of capital assets	78,660	-
Payment of bond principal	(1,260,000)	(1,200,000)
Repayment to PennVest	(243,156)	(235,420)
Repayment of Revenue Obligation Note	(120,610)	(116,030)
Payment of borrowing payable- derivative transaction	(72,263)	(70,053)
Net cash provided by (used in) capital and related financing activities	(3,608,745)	(3,671,920)
Cash Flows From Investing Activities:		
Purchase of investments	(3,934,937)	(3,546,058)
Sale of investments	3,183,347	2,956,179
Interest earned	98,593	28,006
Net cash provided by (used in) investing activities	(652,997)	(561,873)
Increase (Decrease) in Cash	(180,377)	476,056
Cash:		
Beginning of year	1,081,605	605,549
End of year	$ 901,228	$ 1,081,605
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	$ 2,256,947	$ 1,868,648
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	1,844,080	1,919,855
Change in:		
Accounts receivable - sewer service	40,763	5,687
Accounts receivable - assessments and tap-ins	1,905	5,880
Accounts receivable - other	(14,584)	-
Prepaid expenses	(297)	139
Deferred outflow related to pension	107,674	(257,351)
Accounts payable	(110,971)	364,876
Accrued payroll and withholdings	9,988	(4,665)
Developer's deposits	(186,807)	339,321
Deferred inflow related to pension	610,914	(10,036)
Net pension liability	(797,231)	352,779
Net cash provided by (used in) operating activities	$ 3,762,381	$ 4,585,133
Schedule of Noncash Transactions:		
Contributed capital - developer conveyed sewer lines	$ 300,971	$ 524,126

See accompanying notes to financial statements.

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.

Under accounting principles generally accepted in the United States of America, the Authority is a component unit of the Township, because the Township appoints all Authority Board members and guarantees its debt. Thus, it is an integral part of the Township and should be included in the financial statements of the Township. However, separate financial statements of the Authority are prepared to satisfy reporting requirements of its debt covenants and the Municipal Authority Act.

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.

Restricted Assets

The Authority has established certain restricted asset 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.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided on all capital assets on a straight-line basis over the following estimated useful lives of the assets:

Assets	Years
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.

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. The Authority had restricted net position of $4,656,308 and $3,804,478 at April 30, 2019 and 2018, respectively. These amounts are restricted by the debt covenants and by the rate-setting legislation passed by the Authority.

- 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 two items that qualify for reporting in this category: the deferred loss on defeasance, and deferred outflows related to pension (Note 7) on the statements of net position.

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) and deferred inflows related to the derivative instrument (Note 12) on the statements of net position.

The deferred loss on defeasance is amortized over the life of the related bonds utilizing the straight-line method. Any unamortized portion of the deferred refunding loss is reflected as a deferred outflow of resources 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, 2019 and 2018. 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 Pronouncement

The requirements of the following Governmental Accounting Standards Board (GASB) Statement were adopted for the Authority's financial statements:

GASB Statement No. 85, "*Omnibus 2017,*" addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). The provisions of this Statement have been adopted and incorporated into these financial statements, with minimal impact.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 83 (Certain Asset Retirement Obligations), 84 (Fiduciary Activities), 87 (Leases), 88 (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 90 (Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61), and 91 (Conduit Debt Obligations). 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 authorizes 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, 2019 and 2018, 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:

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, 2019 and 2018, $1,007,061 and $1,249,472, respectively, of the Authority's bank balance of $1,368,345 and $1,609,624, 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 $901,228 and $1,081,605 as of April 30, 2019 and 2018, respectively. At April 30, 2019 and 2018, the statements of net position classify the following cash book balances, which tie to the statement of cash flows, as follows:

	2019	2018
Cash	$ 618,721	$ 613,445
Restricted Cash	282,507	468,160
	$ 901,228	$ 1,081,605

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, 2019 and 2018 were $537,140 and $511,052, respectively. The amounts in PSDLAF at April 30, 2019 and 2018 were $190,655 and $187,049, respectively. The Authority can withdraw funds from its external investment pools without restriction. 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 increasing interest rates. However, the U.S. Government Money Market Funds held by the Authority have 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, 2019 and 2018, the Authority's investments in PLGIT and PSDLAF were rated AAA by Standard & Poor's.

At April 30, 2019 and 2018, the Authority also held U.S. Government Money Market Funds totaling $4,637,094 and $4,013,791, respectively. These funds are classified as restricted investments on the statements of net position. As of April 30, 2019 and 2018, these investments were rated AAA by Standard & Poor's.

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in any one issuer. As of April 30, 2019 and 2018, the Authority had 94% of its investments in U.S. Government Money Market Funds with Manufacturers and Traders Trust Company.

4. Capital Assets

A summary of changes in capital assets is as follows:

	Balance at May 1, 2018	Transfers/ Additions	Transfers/ Deletions	Balance at April 30, 2019
Capital assets, not being depreciated:				
Land and rights of way	$ 1,460,902	$ -	$ -	$ 1,460,902
Capital additions in progress	1,919,663	1,521,888	(2,649,842)	791,709
Total capital assets, not being depreciated	3,380,565	1,521,888	(2,649,842)	2,252,611
Capital assets, being depreciated:				
Plant and system	83,691,375	3,096,192	-	86,787,567
Motor vehicles	1,646,443	62,121	-	1,708,564
Office furniture and equipment	649,259	14,574	-	663,833
Tools and equipment	900,974	24,628	-	925,602
Total capital assets, being depreciated	86,888,051	3,197,515	-	90,085,566
Less: accumulated depreciation for:				
Plant and system	(41,454,155)	(1,698,394)	-	(43,152,549)
Motor vehicles	(1,030,131)	(87,205)	-	(1,117,336)
Office furniture and equipment	(579,642)	(23,470)	-	(603,112)
Tools and equipment	(640,620)	(35,011)	-	(675,631)
Total accumulated depreciation	(43,704,548)	(1,844,080)	-	(45,548,628)
Total capital assets, being depreciated, net	43,183,503	1,353,435	-	44,536,938
Total capital assets, net	$ 46,564,068	$ 2,875,323	$ (2,649,842)	$ 46,789,549

	Balance at May 1, 2017	Transfers/ Additions	Transfers/ Deletions	Balance at April 30, 2018
Capital assets, not being depreciated:				
Land and rights of way	$ 1,460,902	$ -	$ -	$ 1,460,902
Capital additions in progress	1,291,490	1,477,620	(849,447)	1,919,663
Total capital assets, not being depreciated	2,752,392	1,477,620	(849,447)	3,380,565
Capital assets, being depreciated:				
Plant and system	82,317,799	1,373,576	-	83,691,375
Motor vehicles	1,337,102	309,341	-	1,646,443
Office furniture and equipment	600,660	48,599	-	649,259
Tools and equipment	832,204	68,770	-	900,974
Total capital assets, being depreciated	85,087,765	1,800,286	-	86,888,051
Less: accumulated depreciation for:				
Plant and system	(39,660,943)	(1,793,212)	-	(41,454,155)
Motor vehicles	(958,622)	(71,509)	-	(1,030,131)
Office furniture and equipment	(555,892)	(23,750)	-	(579,642)
Tools and equipment	(609,236)	(31,384)	-	(640,620)
Total accumulated depreciation	(41,784,693)	(1,919,855)	-	(43,704,548)
Total capital assets, being depreciated, net	43,303,072	(119,569)	-	43,183,503
Total capital assets, net	$ 46,055,464	$ 1,358,051	$ (849,447)	$ 46,564,068

Capital additions in progress at the end of April 30, 2019 consisted primarily of the Yough office and garage addition, and various other pump station projects. Capital additions in progress at the end of April 30, 2018 consisted primarily of the GIS System mapping project, Yough office and garage addition, and various other pump station projects.

5. Long-Term Debt

The following are changes in debt:

Year Ended April 30, 2019	Beginning of Year Balance	Additions	Retirements	End of Year Balance	Due Within One Year
Revenue Obligation Note - 2006	$ 354,047	$ -	$ (120,610)	$ 233,437	$ 125,358
PennVest Loan #2	1,321,799	-	(243,156)	1,078,643	251,144
Variable Rate Demand Bonds - 2011	2,305,000	-	(1,260,000)	1,045,000	1,045,000
	$ 3,980,846	$ -	$ (1,623,766)	$ 2,357,080	$ 1,421,502

Year Ended April 30, 2018	Beginning of Year Balance	Additions	Retirements	End of Year Balance	Due Within One Year
Revenue Obligation Note - 2006	$ 470,077	$ -	$ (116,030)	$ 354,047	$ 120,570
PennVest Loan #2	1,557,219	-	(235,420)	1,321,799	243,156
Variable Rate Demand Bonds - 2011	3,505,000	-	(1,200,000)	2,305,000	1,260,000
	$ 5,532,296	$ -	$ (1,551,450)	$ 3,980,846	$ 1,623,726

On April 1, 2011, the Authority issued a Variable Rate Demand Revenue Bonds, Series of 2011, in the amount of $9,525,000 to refinance the Guaranteed Sewer Revenue Bonds, Series of 2001. The Variable Rate Demand Revenue Bonds, Series of 2011 mature on various dates with payments ranging from $875,000 to $1,260,000 with varying interest rates determined monthly.

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

Year	Principal	Interest	Total
2020	$ 1,045,000	$ 55,280	$ 1,100,280

Interest payments were calculated for the Variable Rate Demand Revenue Bonds, Series of 2011 using the synthetic fixed rate of 5.29% as described in Note 12.

Under the bond trust indenture related to the 2011 Bonds, the Authority has made certain covenants, which essentially provide that 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 110% of debt service requirements related to the bonds. The Authority is in compliance with the aforementioned debt covenants.

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. Principal and interest will be payable in monthly installments commencing on the first day of each calendar month, beginning with October 1, 2003. The loan, whose last scheduled debt maturity is May 1, 2023, 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 $1,078,643 and $1,321,799 at April 30, 2019 and 2018, respectively.

The annual debt service maturities are as follows:

Fiscal	Revenue Obligation Note		
Year	Principal	Interest	Total
2020	$ 251,144	$ 31,212	$ 282,356
2021	259,396	22,960	282,356
2022	267,918	14,438	282,356
2023	276,799	5,637	282,436
2024	23,386	-	23,386
	$ 1,078,643	$ 74,247	$ 1,152,890

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

Note bears interest on the unpaid principal at an annual rate of 3.9%, payable in monthly installments through February 2021.

The annual debt service maturities are as follows:

Fiscal	Revenue Obligation Note		
Year	Principal	Interest	Total
2020	$ 125,358	$ 6,886	$ 132,244
2021	108,079	1,945	110,024
	$ 233,437	$ 8,831	$ 242,268

Future aggregate debt service requirements for the Authority are as follows:

	Principal	Interest	Total
2020	$ 1,421,502	$ 93,378	$ 1,514,880
2021	367,475	24,905	392,380
2022	267,918	14,438	282,356
2023	276,799	5,637	282,436
2024	23,386	-	23,386
	$ 2,357,080	$ 138,358	$ 2,495,438

In conjunction with their derivative instrument transaction described in Note 12, the Authority received an upfront cash payment. The upfront cash payment received by the Authority was considered to be a borrowing at a rate of 3.11%. As of April 30, 2019 and 2018, the borrowing had an outstanding liability balance of $74,540 and $146,803, respectively. No payments had been made on the borrowing until the swaption was exercised by the counterparty on April 1, 2011. Principal and interest payments of $6,317 began monthly on May 1, 2011 as a component of the fixed rate payments required to be made by the Authority per their interest rate swap and will continue until the borrowing's final maturity in 2020, as summarized in the table below. Interest through April 30, 2011 was being accreted to the principal amount annually. Accreted interest on the borrowing of $85,187 at April 30, 2011 was included in the borrowing's principal balance once the swaption was exercised and principal and interest payments began.

Year Ending April 30,	Principal	Interest	Total
2020	$ 74,540	$ 1,262	$ 75,802

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 $2,474,307 and $2,478,239 of expense in fiscal years 2019 and 2018, 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 2019 or 2018.

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.

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. 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 three employees that have elected the DROP option as of the year ended April 30, 2019.

Per the latest available demographic information, December 31, 2017, employee membership data related to the Plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	21
Total plan members	39

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, 2018 and 2017, the Authority contributed the funds necessary to meet the MMO for the Plan in the amounts of $198,518 and $164,671, respectively.

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

Changes in the Net Pension Liability

The changes in the Authority's net pension liability at April 30, 2019 based on a measurement date of December 31, 2017 are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at April 30, 2018	$ 8,141,752	$ 6,965,811	$ 1,175,941
Changes for the year:			
Service cost	160,476	-	160,476
Interest	411,587	-	411,587
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Employer contributions	-	157,957	(157,957)
Member contributions	-	43,972	(43,972)
Net investment income	-	1,185,148	(1,185,148)
Benefit payments	(936,955)	(936,955)	-
Administrative expense	-	(800)	800
Other	-	(16,983)	16,983
Net changes	(364,892)	432,339	(797,231)
Balances at April 30, 2019	$ 7,776,860	$ 7,398,150	$ 378,710
Plan fiduciary net position as a percentage of the total pension liability			95.13%

The changes in the Authority's net pension liability at April 30, 2018 based on a measurement date of December 31, 2016 are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at April 30, 2017	$ 7,386,527	$ 6,563,365	$ 823,162
Changes for the year:			
Service cost	148,358	-	148,358
Interest	405,134	-	405,134
Differences between expected and actual experience	332,073	-	332,073
Changes of assumptions	211,868	-	211,868
Employer contributions	-	157,960	(157,960)
Member contributions	-	50,874	(50,874)
Net investment income	-	555,054	(555,054)
Benefit payments	(342,208)	(342,208)	-
Administrative expense	-	(740)	740
Other	-	(18,494)	18,494
Net changes	755,225	402,446	352,779
Balances at April 30, 2018	$ 8,141,752	$ 6,965,811	$ 1,175,941
Plan fiduciary net position as a percentage of the total pension liability			85.56%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2017, with liabilities measured at December 31, 2017, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	3.00%
Underlying inflation rate	3.00%
Cost-of-living adjustments	3.00%

Pre-retirement mortality: RP 2000 with 1 and 5 year set back for male and females, respectively

Post-retirement mortality: Sex-distinct RP 2000 Combined Healthy Mortality

Changes in Actuarial Assumptions – The investment rate of return assumption was changed from 5.50% to 5.25%.

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 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, 2017:

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic equity (large capitalized firms)	25%	8.6%	5.6%
Domestic equity (small capitalized firms)	15%	10.2%	7.2%
International equity (developed markets)	15%	7.6%	4.6%
International equity (emerging markets	10%	11.7%	8.7%
Real estate	20%	9.2%	6.2%
Fixed income	15%	5.1%	2.1%
	100%	8.6%	5.6%

Based on the four-part analysis, the PMRS Board established the System's long-term expected rate of return at 7.3%.

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.

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%)
2019	$ 1,272,906	$ 378,710	$ (385,526)
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
2018	$ 2,112,093	$ 1,175,941	$ 375,847

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

For the years ended April 30, 2019 and 2018, the Authority recognized pension expense of $119,054 and $249,304, respectively. At April 30, 2019, 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	$ 237,195	$ 30,111
Changes in assumptions	169,964	-
Pension contributions subsequent to balance sheet date	365,529	-
Net difference between projected and actual earnings on pension plan investments	-	620,950
Total	$ 772,688	$ 651,061

At April 30, 2018, 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	$ 284,634	$ 40,147
Changes in assumptions	204,888	-
Pension contributions subsequent to balance sheet date	324,968	-
Net difference between projected and actual earnings on pension plan investments	65,872	-
Total	$ 880,362	$ 40,147

$167,011 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, 2019. $365,529 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 years ending April 30, 2020 and April 30, 2021, accordingly. 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,	
2020	$ (56,710)
2021	(57,885)
2022	(126,205)
2023	(80,808)
2024	77,706
2025	-
	$ (243,902)

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, 2019, were $344,455. The total assets held in the deferred compensation plan as of March 31, 2018, the most current balance available, were $644,548.

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, 2019 and 2018:

Year ended April 30, 2019:

	Budget	Actual	Variance
Operating revenues:			
Sewage rentals	$ 9,091,816	$ 9,086,506	$ (5,310)
New construction tap-ins and saddles	440,000	341,918	(98,082)
Existing development tap-ins	60,000	57,476	(2,524)
Total operating revenues	9,591,816	9,485,900	(105,916)
Operating expenses:			
Sewer system operation	2,495,161	2,103,461	391,700
Purchased sewage treatment - WWMA	2,526,234	2,474,307	51,927
Administration	885,557	807,105	78,452
Total operating expenses	5,906,952	5,384,873	522,079
Operating income, before depreciation	$ 3,684,864	$ 4,101,027	$ 416,163

Year ended April 30, 2018:

	Budget	Actual	Variance
Operating revenues:			
Sewage rentals	$ 9,037,497	$ 9,088,116	$ 50,619
New construction tap-ins and saddles	415,000	172,141	(242,859)
Existing development tap-ins	60,000	48,612	(11,388)
Total operating revenues	9,512,497	9,308,869	(203,628)
Operating expenses:			
Sewer system operation	2,422,567	2,215,393	207,174
Purchased sewage treatment - WWMA	2,512,327	2,478,239	34,088
Administration	870,581	826,734	43,847
Total operating expenses	5,805,475	5,520,366	285,109
Operating income, before depreciation	$ 3,707,022	$ 3,788,503	$ 81,481

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. The Authority remains subject to the Commonwealth of Pennsylvania Department of Environmental Protection Agency (DEP) monitoring and can be mandated to take corrective actions that are not funded by DEP.

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.

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. The litigation remains pending, but the parties have reached a tentative settlement which should be finalized later in 2018. As part of the settlement the Authority may be required to purchase certain assets including a service line and a pump station.

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.

12. Derivative Instrument

Description of Transaction

In October 2005, the Authority entered into a swaption contract that provided the Authority an up-front payment of $509,215. As a synthetic refunding of its 2001 Guaranteed Sewer Revenue Bonds, this payment represents the present-value, risk-adjusted savings of a refunding as of April 1, 2011, without issuing refunding bonds at October 2005. The swaption gave the counterparty the option to make the Authority enter into a pay-fixed, receive-variable interest rate swap on the first day of each month during the period commencing on, and including, May 1, 2011 and terminating on April 1, 2020.

The counterparty exercised the option on April 1, 2011. At that time, the Authority current refunded the existing 2001 Guaranteed Sewer Revenue Bonds and issued Variable Rate Demand Revenue Bonds, Series of 2011 (2011 Bonds). The intention of the swap is to effectively change the Authority's variable interest rate on the 2011 Bonds to a synthetic fixed rate of 5.29%.

Per the swap agreement, effective with the first payment on May 1, 2011 and continuing monthly thereafter, the Authority receives interest at the variable rate of 68% of 1 month USD-LIBOR-BBA (London Interbank Offered Rate) while paying a fixed rate of 5.29%. The interest payments are calculated based on a notional amount of $9,525,000, which began reducing beginning on April 1, 2012 so that the notional amount approximates the principal outstanding on the 2011 Bonds. The Authority makes monthly net swap payments as required by the terms of the contract, that is, receiving a variable rate as noted above for the term of the swap from the counterparty and making a fixed rate payment to the counterparty.

The swap would expire on April 1, 2020, consistent with the last anticipated principal payment on the 2011 Bonds.

The upfront cash payment received by the Authority at the time the swaption was entered into is considered to be a borrowing at a rate of 3.11%. As of April 30, 2019 and 2018, the borrowing had an outstanding balance of $74,540 and $146,803, respectively, and is disclosed in more detail in Note 5.

The Authority has the ability to early terminate the swap and to cash settle the transaction on any business day by providing at least five business days written notice to the counterparty. Evidence that the Authority has sufficient funds available to pay any amount payable to the counterparty must be provided at the time notice is given. At early termination, the Authority will be required to pay or receive a settlement amount that is comprised of the market value of the terminated transaction based on market quotations and any amounts accrued under the contract.

Accounting and Risk Disclosures

Current Notional Amount	4/30/2017 Market Value*	Change in Market Value	4/30/2018 Market Value*	Change in Market Value	4/30/2019 Market Value*
Hedging derivatives, Cash flow hedges, Receive variable - pay fixed, Interest rate swap:					
$ 2,305,000	$ (71,380)	$ 98,776	$ 27,396	$ 9,218	$ 36,614

* The market value is estimated using the zero-coupon method. This method calculates future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot rate interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As noted in the table above, current period changes in market value for the interest rate swap that are accounted for as a cash flow hedge are recorded on the statements of net position as a change in deferred outflows. The fair market value of the outstanding interest rate swap of April 30, 2019 and 2018 is reported on the statements of net position as a swap asset at April 30, 2019 and 2018.

During fiscal years 2019 and 2018, the Authority made interest payments to the counterparty of approximately $121,000 and $190,000, respectively, and did not receive any cash from the counterparty during that time.

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the recurring fair value measurement as of April 30, 2019 for the swap noted above. The swap is valued using significant other observable inputs (Level 2 inputs). Through the use of derivative instruments such as this swap, the Authority is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, and basis risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. On April 30, 2019, the swap counterparty is rated A by Standard & Poor's, a nationally recognized statistical rating organization. If the counterparty failed to perform according to the terms of the swap agreement, there is some risk of loss to the Authority, up to the fair market value of the swap. Currently, the interest rate swap is a liability to the Authority and as such there would be no impact to the Authority in the event that the counterparty defaults.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Authority's financial instruments or the Authority's cash flows. The interest rate swap is highly sensitive to changes in interest rates; changes in the variable rate will have a material effect on the interest rate swap's fair market value.

- Termination risk is the risk that a derivative's unscheduled end will affect the Authority's asset/liability strategy or will present the Authority with potentially significant unscheduled termination payments to the counterparty. The counterparty to the transaction does not have the ability to voluntarily terminate the swap; however, the Authority is exposed to termination risk in the event that the counterparty defaults.

- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. Under the terms of the interest rate swap transactions, the Authority is subject to basis risk as the interest index on the variable rate arm of the swap is based on a percentage of one-month USD-LIBOR-BBA and the variable interest rate on the 2011 Bonds is based on a tax-exempt index established weekly per the terms of the bond indenture. Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect the Authority's calculated payments, and as a result, cost savings or synthetic interest rates may not be realized.

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*

	2019	2018	2017	2016
Total Pension Liability:				
Service cost	$ 160,476	$ 148,358	$ 159,003	$ 152,540
Interest	411,587	405,134	395,141	390,322
Differences between expected and actual experience	-	332,073	-	(70,255)
Changes of assumptions	-	211,868	32,601	-
Benefit payments, including refunds of member contributions	(936,955)	(342,208)	(445,241)	(339,076)
Net Changes in Total Pension Liability	(364,892)	755,225	141,504	133,531
Total Pension Liability - Beginning	8,141,752	7,386,527	7,245,023	7,111,492
Total Pension Liability - Ending (a)	$ 7,776,860	$ 8,141,752	$ 7,386,527	$ 7,245,023
Plan Fiduciary Net Position:				
Contributions - employer	$ 157,957	$ 157,960	$ 144,576	$ 81,818
Contributions - member	43,092	50,874	42,199	36,776
Net investment income	1,186,028	555,054	25,730	354,997
Benefit payments, including refunds of member contributions	(936,955)	(342,208)	(445,241)	(339,076)
Administrative expense	(800)	(740)	(740)	(740)
Other	(16,983)	(18,494)	(15,283)	(13,840)
Net Change in Plan Fiduciary Net Position	432,339	402,446	(248,759)	119,935
Plan Fiduciary Net Position - Beginning	6,965,811	6,563,365	6,812,124	6,692,189
Plan Fiduciary Net Position - Ending (b)	$ 7,398,150	$ 6,965,811	$ 6,563,365	$ 6,812,124
Net Pension Liability - Ending (a-b)	$ 378,710	$ 1,175,941	$ 823,162	$ 432,899
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.13%	85.56%	88.86%	94.02%
Covered Payroll	$ 1,231,575	$ 1,176,868	$ 1,205,749	$ 1,177,159
Net Pension Liability as a Percentage of Covered Payroll	30.75%	99.92%	68.27%	36.77%

*

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 the calendar year December 31, 2017.

NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER

LAST TEN YEARS*

	2019	2018	2017	2016
Schedule of Authority Contributions				
Actuarially determined contribution	$ 158,757	$ 158,868	$ 145,088	$ 80,949
Contributions in relation to the actuarially determined contribution	158,837	158,720	144,576	81,818
Contribution deficiency (excess)	$ (80)	$ 148	$ 512	$ (869)
Covered payroll	$ 1,231,575	$ 1,176,868	$ 1,205,749	$ 1,177,159
Contributions as a percentage of covered payroll	12.90%	13.49%	11.99%	6.95%

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 2019 is based upon the January 1, 2017 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age normal
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	3.00%
Projected salary increases	3.0% with age related scale with merit/seniority component
Cost-of-living adjustment increase	3.00%
Mortality - Union Plan	Pre-Retirement - Males - RP 2000 with 1 year setback; Females - RP 2000 with 5 year setback Post-Retirement - Sex-distinct RP-2000 Combined Healthy Mortality

There were no benefit changes made in connection with the December 31, 2017 actuarial valuation. The investment rate of return assumption was changed from 5.50% to 5.25%.

* 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 the calendar year December 31, 2017.

SUPPLEMENTARY INFORMATION

NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY

ANALYSIS OF OPERATING REVENUES AND EXPENSES

YEARS ENDED APRIL 30, 2019 AND 2018

	2019	2018
Operating Revenues:		
Sewage service	$ 9,038,366	$ 9,037,681
Late payment penalties	63,015	65,585
Discounts	(14,875)	(15,150)
New construction tap-ins and saddles	341,918	172,141
Existing development tap-ins	57,476	48,612
Total operating revenues	$ 9,485,900	$ 9,308,869
Operating Expenses:		
Sewer system operation:		
Personnel	$ 1,478,817	$ 1,615,001
Electric, gas, and water	210,284	206,742
Chemicals	8,174	7,724
Telephone	13,424	12,210
Equipment rental, repairs, and maintenance	71,307	83,240
Insurance	114,520	76,813
Operating supplies	3,916	7,002
Lab supplies	17,472	15,462
Vehicle operation	43,561	51,221
Small tools and equipment	3,243	2,771
Sludge disposal	46,866	41,984
System maintenance	58,396	50,992
Other	33,481	44,231
Total sewer system operation	2,103,461	2,215,393
Purchased sewage treatment - WWMA	2,474,307	2,478,239
Administration:		
Personnel	508,783	519,627
Office rental	19,624	21,408
Office supplies	5,166	6,083
Postage	3,138	2,942
Billing and collection	27,643	27,389
Telephone	2,765	3,120
Equipment rental, repair, and maintenance	6,150	7,307
Professional fees	190,153	205,293
Board member expenses	6,168	6,610
Other	37,515	26,955
Total administration	807,105	826,734
Depreciation:		
Plant and system	1,698,394	1,793,216
Motor vehicles	87,205	71,509
Office furniture and equipment	23,470	23,746
Tools and equipment	35,011	31,384
Total depreciation	1,844,080	1,919,855
Total operating expenses	$ 7,228,953	$ 7,440,221

NORTH HUNTINGDON TOWNSHIP
MUNICIPAL AUTHORITY

SCHEDULES OF BALANCES - TRUSTEE CONTROLLED ACCOUNTS

YEARS ENDED APRIL 30, 2019 AND 2018

	Debt Service	Capital Reserve	Insured Swap Payment	Total
Temporary investments at April 30, 2019	$ 175,748	$ 4,458,183	$ 3,163	$ 4,637,094

	Debt Service	Capital Reserve	Insured Swap Payment	Total
Temporary investments at April 30, 2018	$ 213,182	$ 3,793,392	$ 7,217	$ 4,013,791