

**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position - Business-Type Activities	3
Statement of Revenues, Expenses and Changes in Net Position And Statement of Activities - Budget and Actual - Business-Type Activities	4
Statement of Cash Flows - Business-Type Activities	5
Notes to Financial Statements	6



# MALONEY, REED, SCARPITTI & COMPANY, LLP

---

Certified Public Accountants and Business Advisors  
ERIE • EDINBORO • CORRY

Joseph P. Maloney, CPA, CFE  
James R. Scarpitti, CPA  
Rick L. Clayton, CPA

Christopher A. Elwell, CPA  
Ryan D. Garofalo, CPA  
Michael J. Reed, Retired

## INDEPENDENT AUDITOR'S REPORT

To the Board Members  
North & South Shenango Joint Municipal Authority  
Jamestown, Pennsylvania

We have audited the accompanying financial statements of the business-type activities of the North & South Shenango Joint Municipal Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the North & South Shenango Joint Municipal Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 business-type activities of the North & South Shenango Joint Municipal Authority, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows for the business-type activities thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of revenues, expenses, and changes in net position – business-type activities - budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues, expenses and changes in net position – business-type activities - budget and actual is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and changes in net position – business-type activities - budget and actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Maloney, Reed, Scarpitti & Company, LLP*

Edinboro, Pennsylvania  
July 15, 2021

## **FINANCIAL STATEMENTS**

**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY**  
**STATEMENT OF NET POSITION - BUSINESS-TYPE ACTIVITIES**  
December 31, 2020

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	701,494
Accounts receivable, net of allowance account		185,355
Prepaid expenses		<u>29,249</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$</b>	<b><u>916,098</u></b>

**CAPITAL ASSETS**

Land	\$	12,749
Sewer system		21,492,453
Equipment		623,445
Building, office		<u>402,257</u>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$</b>	<b><u>22,530,904</u></b>

Less: Accumulated depreciation		<u>(9,811,263)</u>
--------------------------------	--	--------------------

<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$</b>	<b><u>12,719,641</u></b>
----------------------------------	-----------	--------------------------

**OTHER ASSETS**

Cash and cash equivalents, restricted	\$	416,631
Net pension benefit		16,653
Bond insurance, net of amortization		<u>12,277</u>
<b>TOTAL OTHER ASSETS</b>	<b>\$</b>	<b><u>445,561</u></b>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>14,081,300</u></b>
---------------------	-----------	--------------------------

**DEFERRED OUTFLOWS OF RESOURCES**

Pension	\$	84,522
Deferred amount on bond refunding		<u>138,320</u>

<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$</b>	<b><u>222,842</u></b>
---	-----------	-----------------------

<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$</b>	<b><u><u>14,304,142</u></u></b>
--	-----------	---------------------------------

**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY**  
**STATEMENT OF NET POSITION - BUSINESS-TYPE ACTIVITIES**  
December 31, 2020

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$	22,479
Accrued payroll liabilities		1,348
Accrued interest		17,195
Current portion of bonds payable		<u>230,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$</b>	<b><u>271,022</u></b>
 <b>NON-CURRENT LIABILITIES</b>		
Bonds payable - net of discounts	\$	3,970,343
Accrued compensated absences		<u>2,299</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$</b>	<b><u>3,972,642</u></b>
	<b>TOTAL LIABILITIES</b>	<b>\$ <u>4,243,664</u></b>
 <b>DEFERRED INFLOWS OF RESOURCES - PENSIONS</b>	 <b>\$</b>	 <b><u>-</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$</b>	<b><u>4,243,664</u></b>
 <b>NET POSITION</b>		
Net investment in capital assets	\$	8,657,618
Restricted		416,631
Unrestricted		687,721
Board designated		<u>298,508</u>
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>10,060,478</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$</b>	<b><u><u>14,304,142</u></u></b>

**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION AND**  
**STATEMENT OF ACTIVITIES - BUDGET AND ACTUAL - BUSINESS-TYPE ACTIVITIES**  
For the Year Ended December 31, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Service fees	\$ 1,200,491	\$ 1,207,312	\$ 6,821
Inspection fees	7,000	3,500	(3,500)
Tap-in fees	14,380	24,927	10,547
Septage fees	7,000	15,549	8,549
Miscellaneous revenues	10,000	1,995	(8,005)
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 1,238,871</b>	<b>\$ 1,253,283</b>	<b>\$ 14,412</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	\$ 280,000	\$ 197,910	\$ 82,090
Payroll taxes	28,100	15,427	12,673
Fringe benefits	91,555	60,895	30,660
Electric	95,000	80,167	14,833
Telephone	8,000	9,248	(1,248)
Employee mileage and travel	2,500	274	2,226
Truck	3,000	3,691	(691)
Gas, oil, and fuel	18,000	7,148	10,852
Office supplies and postage	17,500	16,903	597
Chemicals	5,500	8,233	(2,733)
Advertising	1,000	2,177	(1,177)
Insurance	29,007	25,528	3,479
Supplies and materials	60,000	75,076	(15,076)
Repairs and maintenance	30,000	37,088	(7,088)
Safety equipment	2,000	182	1,818
Legal and professional	30,000	45,371	(15,371)
Contracted operator	44,380	23,168	21,212
Contracted professionals	-	14,351	(14,351)
Bio-solids	10,000	10,313	(313)
Consulting engineer	15,000	35,033	(20,033)
Board expense	19,500	381	19,119
Educational programs	4,000	1,639	2,361
Depreciation	370,560	384,957	(14,397)
Miscellaneous	500	1,674	(1,174)
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,165,102</b>	<b>\$ 1,056,834</b>	<b>\$ 108,268</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 73,769</b>	<b>\$ 196,449</b>	<b>\$ 122,680</b>
<b>NON-OPERATING INCOME AND (EXPENSE)</b>			
Investment income	\$ 1,033	\$ 1,663	\$ 630
Bond interest expense	-	(154,875)	(154,875)
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<b>\$ 1,033</b>	<b>\$ (153,212)</b>	<b>\$ (154,245)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 74,802</b>	<b>\$ 43,237</b>	<b>\$ (31,565)</b>
<b>NET POSITION-BEGINNING OF YEAR</b>		<b>\$ 10,017,241</b>	
<b>NET POSITION-END OF YEAR</b>		<b>\$ 10,060,478</b>	

The notes to the financial statements are an integral part of this statement.



**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY**  
**STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES**  
As of December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,205,007
Cash received from miscellaneous revenues	45,971
Cash payments for personnel costs	(274,232)
Cash payments for other operating expenses	<u>(358,022)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>618,724</u></b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest paid on bonds payable	\$ (154,875)
Principal paid on bonds payable	(225,000)
Purchase of capital assets	<u>(19,780)</u>
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ <u>(399,655)</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	\$ <u>1,663</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>1,663</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 220,732</b>
<b>CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR</b>	<b><u>897,393</u></b>
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<b>\$ <u><u>1,118,125</u></u></b>
 <b>RECONCILIATION OF NET OPERATING INCOME OR (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>	
Net operating income or (loss)	\$ 196,449
 <b>Adjustments to reconcile net operating income or (loss) to net cash provided by (used in) operating activities:</b>	
Depreciation and amortization	\$ 384,957
Net pension expense	2,043
(Increase) decrease in receivables	(2,305)
(Increase) decrease in prepaid expenses	(313)
(Increase) decrease in bond refunding	13,832
Increase (decrease) in accounts payable	22,479
Increase (decrease) in accrued payroll taxes	699
Increase (decrease) in accrued interest	(575)
Increase (decrease) in accrued compensated absences	<u>1,458</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u><u>618,724</u></u></b>

The notes to the financial statements are an integral part of this statement.

**NORTH AND SOUTH SHENANGO  
JOINT MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND REPORTING ENTITY**

**Reporting Entity**

The North & South Shenango Joint Municipal Authority (Authority) was organized under the provisions of the Pennsylvania Municipal Authorities Act. The Authority's purpose is to construct, maintain, finance and operate a waste-water treatment system to serve the North Shenango Township and South Shenango Township geographical areas. The Authority depends on sewer service fees paid by users of the system to maintain operations. The system currently services approximately 2,700 customers.

**Principles Determining Scope of Reporting Entity**

The financial statements of the Authority consist only of the funds of the Authority. The Authority has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Authority. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the Authority's accounting policies are described below.

**Basis of Presentation**

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Proprietary Funds** – The sewer funds are self-supporting concerns that render services to the public on a consumer charge basis. They are therefore classified and accounted for as enterprise funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recorded primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## **Measurement Focus**

**Fund Financial Statements** – Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activity.

## **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary funds use the accrual basis of accounting.

**Revenues/Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

## **Accrued Liabilities and Payables**

All payables and accrued liabilities payable from proprietary funds are reported on the proprietary fund financial statements.

## **Long-Term Obligations**

In the proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs are recognized as expenses at the time they are incurred.

## **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of these assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

## **Accounts Receivable and Allowance Account**

Management reports accounts receivable at face amount, net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on an aging schedule of accounts and historical collection patterns. At December 31, 2020, the allowance for doubtful accounts was \$285,000. No collateral is required on outstanding balances.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Capital Assets**

The cost of capital assets is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. The cost of capital assets retired or otherwise disposed of and the accumulated depreciation thereon is eliminated from the asset and related reserve accounts and the resulting difference, after giving effect to any proceeds from sales, is charged against income. The Authority capitalizes capital assets which have a life expectancy of over one year and a cost value of over \$5,000. Maintenance and repairs are charged to expense as incurred.

The estimated useful lives of assets are as follows:

Sewer and water system	5 - 40 years
Buildings	5 - 40 years
Property and equipment	5 - 20 years

## **Budgets and Budgetary Accounting**

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Authority's business manager presents a preliminary budget at the first board meeting in October. The proposed operating budget is discussed by the Board for the calendar year commencing on January 1, of the next year.
- (b) The budget is approved in November by the Board and made available for public inspection.
- (c) The Board is also authorized to transfer budgeted amounts between accounts.
- (d) The budget for the Authority is prepared on the accrual basis.
- (e) There were no changes to the original budget during the year.

## **Cash and Cash Equivalents**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S., and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. The Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or certificates of deposit and are captioned as "cash and cash equivalents" in the Statement of Net Position. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

As of December 31, 2020 the carrying value of the Authority's unrestricted cash deposits was \$701,494 and the related bank balance was \$724,869. The bank balances were covered by Federal Deposit Insurance coverage (FDIC) up to a maximum of \$250,000. The Authority's uncovered balance as of December 31, 2020 was \$474,869. This uncovered balance was secured by the banking institute in accordance with the Pooled Asset Pledging law, Act 72 of the 1971 Session of the Pennsylvania General Assembly. The Authority had no other bank balances collateralized with securities held by the pledging financial institution.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net 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 has four items that qualify for reporting in this category. The first is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item represents the difference between the expected and actual experience during the Authority's pension liability measurement period. The third item represents the difference between the projected and actual investment earnings during the pension measurement period. The fourth is the Authority's contribution to the pension plan subsequent to the pension asset measurement date under GASB Statement 68.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualifies for reporting in this category. These items relate to pension reported in the Statement of Net Position. These represent the net difference between projected and actual earnings on the pension plan investments and the difference between expected and actual experience.

### **Operating/Non-Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Authority, these revenues are charges for sewage collection. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Risk Management**

The Authority carries commercial insurance for all risks of loss, including workers compensation, general liability and employee health insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Compensated Absences**

The Authority's employees are entitled to paid vacation, sick time and personal days depending on their length of service and related factors. Unused vacation is paid to employees by December 31<sup>st</sup> of each year-end, unused personal days are forfeited at December 31<sup>st</sup> of each year. Sick days may be accumulated in accordance with written policies. As of December 31, 2020 the accumulated compensated absences balance was \$2,299.

### **NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Authority provides sewer services and grants credit to its customers who are located within the geographic area it serves. All accounts are considered collectable at year end net of an allowance account.

#### NOTE 4 - COMMITMENTS

The Authority maintains the following credit card account limits and outstanding balances are paid in full with each monthly statement.

<u>Name of Creditor</u>	<u>Line of Credit</u>	<u>Interest Rate</u>
Sunoco	\$ 700	6.99%
John Deere Financial	1,500	12.99%
FNB Visa	<u>21,000</u>	14.99%
	<u>\$ 23,200</u>	

#### NOTE 5 – RELATED PARTIES

During the year ended December 31, 2020, a company owned by a member of the Board provided services to the Authority at arms-length. The total disbursements to this related company was \$23,167.

#### NOTE 6 - LONG-TERM DEBT AND RESTRICTED CASH

On March 29, 2017, the Authority issued Series of 2017 Guaranteed Sewer Revenue Bonds for a total of \$5,155,000. These bonds mature in various increments over a 19-year period with the final payment due at the end of 2035. The interest rate varies from 2.00% to 3.75%. The net proceeds were used to advance refund the Series of 2011 and 2015 Guaranteed Sewer Revenue Bonds and complete a capital project. The net proceeds after the refundings was used to set up restricted cash accounts. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds were removed from the Authority's liabilities in 2017. The advance refunding was done in order to reduce debt payments in the future by obtaining debt with a lower interest rate and provide capital project funds. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and new bonds) of approximately \$1,098,517.

The bond agreement requires the following accounts to segregate monies for bond related payments:

- A. Debt service fund account - this account has been established to pay principal on an annual basis and interest on a semi-annual basis. Funds are transferred into this account as needed. This account balance is restricted. The balance at December 31, 2020 is \$60,778 and is held in a bank money market account.
- B. Capital projects account - this account had been established for a specific use of capital projects both current and future. All monies deposited in this account were restricted and required trustee approval for disbursement. This account was closed with trustee approval in 2020 and remaining funds were transferee into the Authorities regular operating account. The balance at December 31, 2020 was zero.
- C. Repair and replacement account - this account has been established for the specific use of system maintenance and repair and can only be disbursed with trustee approval. All monies deposited in this account are restricted. The balance at December 31, 2020 was \$355,853 and is held in a bank money market account.

The agreement also has a restrictive rate covenant. The Authority was in compliance with this covenant for the year ended December 31, 2020.

A schedule of changes in long-term debt of the Authority for the year ended December 31, 2020 is as follows:

	<u>Principal Outstanding 12/31/19</u>	<u>Additional Borrowings</u>	<u>Principal Payments</u>	<u>Principal Outstanding 12/31/20</u>	<u>Due Within One Year</u>
Series of 2017 Revenue Bonds, payable in annual installments as defined by the Bond Indenture, interest varies from 2.00% to 3.75% and matures 11/15/35. Secured by Authority revenues and any funds remaining in the trusts accounts.	\$ 4,450,000	\$ -	\$ 225,000	\$ 4,225,000	\$ 230,000
	<u>\$ 4,450,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 4,225,000</u>	<u>\$ 230,000</u>
			Total long-term debt	\$ 4,225,000	
			Less: current portion	<u>230,000</u>	
				<u>\$ 3,995,000</u>	

Principal and interest requirements to retire the loans at December 31, 2020 are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 134,569	\$ 230,000	\$ 364,569
2022	129,969	235,000	364,969
2023	124,681	240,000	364,681
2024	118,681	245,000	363,681
2025	112,250	255,000	367,250
2026-2030	441,827	1,385,000	1,826,827
2031-2035	<u>185,914</u>	<u>1,635,000</u>	<u>1,820,914</u>
	<u>\$ 1,247,891</u>	<u>\$ 4,225,000</u>	<u>\$ 5,472,891</u>

The Series of 2017 Revenue Bonds on the Statement of Net Position includes bond discounts applied of \$24,657 as of December 31, 2020. These discounts are being amortized over the life of the bonds.

## NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 12,749	\$ -	\$ -	\$ 12,749
<b>Capital Assets being Depreciated:</b>				
Sewer/Water System	\$ 21,420,809	\$ 71,644	\$ -	\$ 21,492,453
Equipment and Vehicles	786,236	-	162,791	623,445
Buildings	402,257	-	-	402,257
<b>Total Capital Assets being depreciated</b>	<b>\$ 22,609,302</b>	<b>\$ 71,644</b>	<b>\$ 162,791</b>	<b>\$ 22,518,155</b>
<b>Less: Accumulated Depreciation:</b>				
Sewer/Water System	\$ (8,665,185)	\$ -	\$ 396,133	\$ (9,061,318)
Equipment and Vehicles	(671,641)	132,161	-	(539,480)
Buildings	(200,408)	-	10,057	(210,465)
<b>Total Accumulated Depreciation</b>	<b>\$ (9,537,234)</b>	<b>\$ 132,161</b>	<b>\$ 406,190</b>	<b>\$ (9,811,263)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>\$ 13,072,068</b>	<b>\$ 203,805</b>	<b>\$ 568,981</b>	<b>\$ 12,706,892</b>
<b>Total Capital Assets</b>	<b>\$ 13,084,817</b>	<b>\$ 203,805</b>	<b>\$ 568,981</b>	<b>\$ 12,719,641</b>

Depreciation expense for the year ended December 31, 2020 was \$384,956.

## NOTE 8 – BOARD DESIGNATED NET POSITION

The Authority has designated equity for capacity and collection fees of \$3,900 for each new tap-in fee to the sewer system. As of December 31, 2020 this designation equaled \$298,508.

## NOTE 9 – PENSION PLAN

The Authority participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple employer defined benefit public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR) The CAFR is available on the PMRS website. A copy of the CAFR can be obtained by visiting the PMRS website at [www.pmr.state.pa.us](http://www.pmr.state.pa.us). The pension information in these financial statements was provided by PMRS for the 2018 reporting year, which was the most current data available. The breakdown of investments by level of fair value inputs was not available.

The Authority contributes to the plan based on actuarial assumptions and does not require employees to contribute. For the year ended December 31, 2020 the Authority contributed \$16,023 to the plan.



As of December 31, 2019, the most recent actuarial valuation date, the plan was fully funded on an actuarial value basis. The actuarial accrued liability for benefits was \$1,081,375 and the actuarial value of assets was \$1,098,028, resulting in an over funded actuarial accrued liability of \$16,653. The liability reflects a net investment loss of \$110,535 that was incurred during the year ended December 31, 2019.

#### **NOTE 10 – SUBSEQUENT EVENTS**

In preparing these financial statements the Authority has evaluated events and transactions for potential recognition or disclosure through the date of the report which is the date the financial statements were available to be issued.

The Authority expects the economic uncertainties resulting from the COVID-19 pandemic to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.