

**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2021**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinions**

We have audited the accompanying financial statements of the business-type activities of North & South Shenango Joint Municipal Authority, Jamestown, Pennsylvania as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the North & South Shenango Joint Municipal Authority, Pennsylvania's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the North & South Shenango Joint Municipal Authority, Pennsylvania, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Required Supplementary Information**

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**

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Maloney, Reed, Scarpitti, & Company, LLP*

Edinboro, Pennsylvania  
June 23, 2022

## **FINANCIAL STATEMENTS**

**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY**  
**STATEMENT OF NET POSITION - BUSINESS-TYPE ACTIVITIES**  
December 31, 2021

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	704,899
Accounts receivable, net of allowance account		212,819
Prepaid expenses		<u>29,507</u>

**TOTAL CURRENT ASSETS** \$ 947,225

**CAPITAL ASSETS**

Land	\$	39,683
Sewer system		21,657,280
Equipment		653,695
Building, office		<u>418,257</u>

**TOTAL CAPITAL ASSETS** \$ 22,768,915

Less: Accumulated depreciation (10,255,306)

**TOTAL CAPITAL ASSETS, NET** \$ 12,513,609

**OTHER ASSETS**

Cash and cash equivalents, restricted	\$	416,704
Net pension benefit		174,708
Bond insurance, net of amortization		<u>11,390</u>

**TOTAL OTHER ASSETS** \$ 602,802

**TOTAL ASSETS** \$ 14,063,636

**DEFERRED OUTFLOWS OF RESOURCES**

Pension	\$	19,999
Deferred amount on bond refunding		<u>124,488</u>

**TOTAL DEFERRED OUTFLOWS OF RESOURCES** \$ 144,487

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 14,208,123

**NORTH & SOUTH SHENANGO JOINT MUNICIPAL AUTHORITY**  
**STATEMENT OF NET POSITION - BUSINESS-TYPE ACTIVITIES**  
December 31, 2021

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$	4,903
Accrued payroll liabilities		1,560
Accrued interest		16,607
Current portion of bonds payable		<u>235,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$</b>	<b><u>258,070</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds payable - net of discounts	\$	3,737,006
Accrued compensated absences		<u>3,211</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$</b>	<b><u>3,740,217</u></b>
	<b>TOTAL LIABILITIES</b>	<b>\$ <u>3,998,287</u></b>
<b>DEFERRED INFLOWS OF RESOURCES - PENSIONS</b>	<b>\$</b>	<b><u>143,917</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$</b>	<b><u>4,142,204</u></b>
<b>NET POSITION</b>		
Net investment in capital assets	\$	8,666,091
Restricted		416,704
Unrestricted		642,008
Board designated		<u>341,116</u>
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>10,065,919</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$</b>	<b><u><u>14,208,123</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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Service fees	\$ 1,200,000	\$ 1,272,123	\$ 72,123
Inspection fees	7,000	5,900	(1,100)
Tap-in fees	14,380	42,608	28,228
Septage fees	7,000	9,073	2,073
Miscellaneous revenues	10,000	701	(9,299)
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 1,238,380</b>	<b>\$ 1,330,405</b>	<b>\$ 92,025</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	\$ 280,000	\$ 225,795	\$ 54,205
Payroll taxes	28,100	20,322	7,778
Fringe benefits	87,920	74,539	13,381
Electric	95,000	82,895	12,105
Telephone	8,000	9,899	(1,899)
Truck	3,000	8,113	(5,113)
Gas, oil, and fuel	18,000	9,838	8,162
Office supplies and postage	17,500	14,040	3,460
Chemicals	5,500	10,808	(5,308)
Advertising	1,000	1,236	(236)
Insurance	29,025	19,973	9,052
Supplies and materials	60,000	108,222	(48,222)
Repairs and maintenance	30,000	20,776	9,224
Safety equipment	2,000	1,242	758
Legal and professional	30,000	52,177	(22,177)
Contracted operator	44,380	58,258	(13,878)
Contracted professionals	-	22,758	(22,758)
Bio-solids	10,000	12,353	(2,353)
Consulting engineer	15,000	10,608	4,392
Board expense	500	136	364
Educational programs	4,000	2,330	1,670
Depreciation	470,000	444,043	25,957
Miscellaneous	455	10,217	(9,762)
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,239,380</b>	<b>\$ 1,220,578</b>	<b>\$ 18,802</b>
<b>NET OPERATING INCOME</b>	<b>\$ (1,000)</b>	<b>\$ 109,827</b>	<b>\$ 110,827</b>
<b>NON-OPERATING INCOME AND (EXPENSE)</b>			
Investment income	\$ 1,000	\$ 6,716	\$ 5,716
Contributions from other governments	-	75,000	75,000
Gain on sale of assets	-	23,520	23,520
Bond interest expense	-	(150,440)	(150,440)
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<b>\$ 1,000</b>	<b>\$ (45,204)</b>	<b>\$ (46,204)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ 64,623</b>	<b>\$ 64,623</b>
<b>NET POSITION-BEGINNING OF YEAR - RESTATED</b>		<b>\$ 10,001,296</b>	
<b>NET POSITION-END OF YEAR</b>		<b>\$ 10,065,919</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, 2021

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 1,244,659
Cash received from miscellaneous revenues	58,282
Cash payments for personnel costs	(320,656)
Cash payments for other operating expenses	<u>(447,071)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 535,214

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Interest paid on bonds payable	\$ (150,440)
Principal paid on bonds payable	(225,000)
Contributions from other governments	75,000
Purchase of capital assets	<u>(238,012)</u>

**NET CASH USED IN CAPITAL AND  
RELATED FINANCING ACTIVITIES** \$ (538,452)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income	\$ <u>6,716</u>
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**NET CASH PROVIDED BY INVESTING ACTIVITIES** 6,716

**NET INCREASE IN CASH AND CASH EQUIVALENTS** \$ 3,478

**CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR** 1,118,125

**CASH AND CASH EQUIVALENTS- END OF YEAR** \$ 1,121,603

**RECONCILIATION OF NET OPERATING INCOME OR (LOSS) TO  
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:**

Net operating income or (loss) \$ 109,827

**Adjustments to reconcile net operating income or (loss)  
to net cash provided by (used in) operating activities:**

Depreciation and amortization	\$ 444,043
Net pension expense	(11,245)
Gain on sale of assets	23,520
(Increase) decrease in receivables	(27,464)
(Increase) decrease in prepaid expenses	(259)
(Increase) decrease in bond refunding	13,832
Increase (decrease) in accounts payable	(17,576)
Increase (decrease) in accrued payroll taxes	212
Increase (decrease) in accrued interest	(588)
Increase (decrease) in accrued compensated absences	<u>912</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 535,214



**NORTH AND SOUTH SHENANGO  
JOINT MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**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, 2021, the allowance for doubtful accounts was \$335,000. No collateral is required on outstanding balances but the Authority does have the ability to apply property liens on delinquent balances. These liens are applied on a case-by-case basis.

## **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, 2021 the carrying value of the Authority's unrestricted cash deposits was \$704,899 and the related bank balance was \$717,553. 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, 2021 was \$467,553. 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 on December 31<sup>st</sup> of each year. Sick days may be accumulated in accordance with written policies. As of December 31, 2021 the accumulated compensated absences balance was \$3,211.

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**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>
Wex Bank - Sunoco	\$ 700	6.99%
John Deere Financial	1,500	12.99%
FNB Visa	<u>13,000</u>	14.99%
	<u>\$ 15,200</u>	

**NOTE 5 – RELATED PARTIES**

During the year ended December 31, 2021, a company owned by a member of the Board provided services to the Authority at arms-length. The total disbursements to this company were \$8,795.

**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 refunding were 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, 2021 is \$60,834 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, 2021 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, 2021 was \$355,871 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, 2021.

A schedule of changes in long-term debt of the Authority for the year ended December 31, 2021 is as follows:

	<u>Principal Outstanding 12/31/20</u>	<u>Additional Borrowings</u>	<u>Principal Payments</u>	<u>Principal Outstanding 12/31/21</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.	\$ 4,225,000	\$ -	\$ 230,000	\$ 3,995,000	\$ 235,000
	<u>\$ 4,225,000</u>	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$ 3,995,000</u>	<u>\$ 235,000</u>
			Total long-term debt	\$ 3,995,000	
			Less: current portion	<u>235,000</u>	
				<u>\$ 3,760,000</u>	

Principal and interest requirements to retire the loans at December 31, 2021 are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
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	105,238	260,000	365,238
2027-2031	396,352	1,430,000	1,826,352
2032-2035	126,151	1,330,000	1,456,151
	<u>\$ 1,113,322</u>	<u>\$ 3,995,000</u>	<u>\$ 5,108,322</u>

The Series of 2017 Revenue Bonds on the Statement of Net Position includes bond discounts applied of \$22,994 as of December 31, 2021. These discounts are being amortized over the life of the bonds.

## NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 12,749	\$ 26,934	\$ -	\$ 39,683
<b>Capital Assets being Depreciated:</b>				
Sewer/Water System	\$ 21,492,453	\$ 164,827	\$ -	\$ 21,657,280
Equipment and Vehicles	623,445	30,250	-	653,695
Buildings	402,257	16,000	-	418,257
<b>Total Capital Assets being depreciated</b>	<b>\$ 22,518,155</b>	<b>\$ 211,077</b>	<b>\$ -</b>	<b>\$ 22,729,232</b>
<b>Less: Accumulated Depreciation:</b>				
Sewer/Water System	\$ (9,061,318)	\$ -	\$ 403,808	\$ (9,465,126)
Equipment and Vehicles	(539,480)	-	28,579	(568,059)
Buildings	(210,465)	-	11,656	(222,121)
<b>Total Accumulated Depreciation</b>	<b>\$ (9,811,263)</b>	<b>\$ -</b>	<b>\$ 444,043</b>	<b>\$ (10,255,306)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>\$ 12,706,892</b>	<b>\$ 211,077</b>	<b>\$ 444,043</b>	<b>\$ 12,473,926</b>
<b>Total Capital Assets</b>	<b>\$ 12,719,641</b>	<b>\$ 238,011</b>	<b>\$ 444,043</b>	<b>\$ 12,513,609</b>

Depreciation expense for the year ended December 31, 2021 was \$444,043.

## 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, 2021 this designation equaled \$341,116.

## 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 2019 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, 2021 the Authority had no required contributions 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 \$1,131,073 and the actuarial value of assets was \$1,305,781, resulting in an over funded actuarial accrued liability of \$174,708.

**NOTE 10 – PRIOR YEAR RESTATEMENT**

The prior year equity funds have been restated to reflect an update in the Pennsylvania Municipal Retirement System (PMRS) calculations related to the deferred inflows of the Authority's pension funds invested with the PMRS. The result of this restatement increased the actuarial calculations of this obligation by \$59,182.

**NOTE 11 – 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 does not expect 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.