

**West Mifflin Sanitary Sewer
Municipal Authority**

Financial Statements and
Required Supplementary Information and
Supplementary Information

Years Ended December 31, 2021 and 2020
with Independent Auditor's Report

MaherDuessel

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WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Board of Directors

West Mifflin Sanitary Sewer Municipal Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the West Mifflin Sanitary Sewer Municipal Authority (Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS, we:

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

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

Required Supplementary Information

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

of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
June 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUDIT ASSURANCE

The unmodified opinion of our independent auditors, Maher Duessel, Certified Public Accountants, is included in this report. The following section, Management's Discussion and Analysis, has been prepared so that the West Mifflin Sanitary Sewer Municipal Authority (Authority) is in compliance with Statement No. 34 of the Governmental Accounting Standards Board (GASB).

FINANCIAL HIGHLIGHTS

The following are key financial highlights during 2021:

- In 2021, the flow billed increased by 15,102,930 gallons. This increase can be attributed to an increase in customers' usage from the residential and commercial users in our service area. The increased usage can also be associated with return to normal operations during the COVID-19 pandemic.
- In 2021, the Authority treated 582,641,000 gallons for 8,643 customers at its two wastewater treatment plants. Of the gallons treated, only 477,404,250 gallons were billed. In 2020, the Authority treated 595,495,000 gallons for 8,669 customers at its two wastewater treatment plants. Of the gallons treated, only 462,301,320 gallons were billed. The difference between what is treated versus that which is billed is attributed to direct inflow of storm water from groundwater infiltration into the system from old and deteriorating sewer lines and private laterals throughout the service area.
- During 2021, the Authority paid \$1,795,000 in principal on its outstanding Sewer Revenue Bonds, compared with principal payments made in 2020 of \$1,270,000.
- The Authority had an increase in the cost of operations (less depreciation and amortization expense) in 2021 by \$193,216 or 4.55% when compared to 2020.
- Operating revenues increased by \$24,594 or 0.34% in 2021 when compared to 2020.

- 2021 marks the seventh year that the Authority has had to comply with the Governmental Accounting Standards Board (GASB) Statement No. 68. The standard pertains to the treatment of the net pension liability. The net pension liability is the difference between the total pension liability and the plan assets at fair value. The Authority's Statement of Net Position now contains a non-current asset of \$301,624 at December 31, 2021, as compared to a non-current liability of \$109,564 at December 31, 2020.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information about 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 non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases to net position are one indicator of whether the financial position of the Authority is improving or deteriorating. 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 non-fiduciary revenue 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 most recent rate evaluation was performed in late-2019. The Authority's Board of Directors (Board) increased sewer rates in December 2019 that went into effect beginning with January 2020 usage.

The final required non-fiduciary 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.

As a result of the implementation of GASB 84, "Fiduciary Activities," the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position are presented to report on the Authority's pension trust fund.

The Notes to the 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.

SUMMARY OF ORGANIZATION AND BUSINESS

The Authority was incorporated on May 9, 1996 under the Pennsylvania Municipality Authorities Act of 1945. Plant operations began on September 1, 1996. The Authority serves as the exclusive agency for the collection, transportation, and treatment of wastewater for the Borough of West Mifflin. The Authority charges users for processing of wastewater at a base rate of \$19.00 per residential and \$27.00 per commercial plus a graduated rate for usage by the hundred gallons. Additional charges are levied for excess Biochemical Oxygen Demand (BOD) and suspended solids (SS) from industrial waste discharges into the system in the portion of the sewer system using ALCOSAN for treatment.

The Thompson Run Treatment Plant and Authority Offices are located at 1302 Lower Bull Run Road, West Mifflin, PA. The Authority also operates an additional treatment facility at 2439 New England Hollow Road. The Authority operates and maintains over 100 miles of interceptor and collector sewers, and 14 pumping or lift stations throughout the service area.

A small portion of the sewer system is connected to the Jefferson Hills sewage system that is treated at the Clairton Municipal Authority Treatment Plant. In 2021, the number of customers in this service area is 37. The Authority is billed by Jefferson Hills Borough for these customers on a quarterly payment schedule for the wastewater treatment.

The Authority's service area covers over 14 square miles in Allegheny County.

The Authority's Articles of Incorporation (Articles), provide that the Authority's Board shall consist of five (5) members serving staggered five-year terms. Pursuant to the Articles, all members of the Board are appointed by West Mifflin Borough Council. The day-to-day operation of the Authority is the responsibility of the General Manager and Assistant General Manager, who are employed by the Board to carry out its policies.

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

	Condensed Statements of Net Position			
	2021	2020	\$ Change	% Change
Assets and Deferred Outflows of Resources				
Assets:				
Current assets	\$ 5,208,667	\$ 4,185,938	\$ 1,022,729	24%
Restricted assets	8,920,170	9,680,415	(760,245)	-8%
Capital assets, net	20,220,421	21,183,527	(963,106)	-5%
Other assets	473,741	192,068	281,673	147%
Total Assets	34,822,999	35,241,948	(418,949)	
Deferred Outflows of Resources	3,291,838	3,584,995	(293,157)	-8%
Total Assets and Deferred Outflows of Resources	\$ 38,114,837	\$ 38,826,943	\$ (712,106)	
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities:				
Current liabilities	\$ 2,417,234	\$ 2,289,693	\$ 127,541	6%
Long-term liabilities	33,552,696	35,248,013	(1,695,317)	-5%
Total Liabilities	35,969,930	37,537,706	(1,567,776)	
Deferred Inflows of Resources	530,565	456,868	73,697	16%
Net Position:				
Net investment in capital assets	(2,624,291)	(2,547,498)	(76,793)	-3%
Restricted net position	589,641	584,808	4,833	1%
Unrestricted net position	3,648,992	2,795,059	853,933	31%
Total Net Position	1,614,342	832,369	781,973	
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 38,114,837	\$ 38,826,943	\$ (712,106)	

(Continued)

Condensed Statements of Net Position

	2020	2019	\$ Change	% Change
Assets and Deferred Outflows of Resources				
Assets:				
Current assets	\$ 4,185,938	\$ 4,035,334	\$ 150,604	4%
Restricted assets	9,680,415	2,634,003	7,046,412	268%
Capital assets, net	21,183,527	21,837,812	(654,285)	-3%
Other assets	192,068	212,019	(19,951)	-9%
Total Assets	<u>35,241,948</u>	<u>28,719,168</u>	<u>6,522,780</u>	
Deferred Outflows of Resources	<u>3,584,995</u>	<u>1,982,058</u>	<u>1,602,937</u>	81%
Total Assets and Deferred Outflows of Resources	<u><u>\$ 38,826,943</u></u>	<u><u>\$ 30,701,226</u></u>	<u><u>\$ 8,125,717</u></u>	
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities:				
Current liabilities	\$ 2,289,693	\$ 2,199,997	\$ 89,696	4%
Long-term liabilities	35,248,013	27,386,901	7,861,112	29%
Total Liabilities	<u>37,537,706</u>	<u>29,586,898</u>	<u>7,950,808</u>	
Deferred Inflows of Resources	<u>456,868</u>	<u>359,600</u>	<u>97,268</u>	27%
Net Position:				
Net investment in capital assets	(2,547,498)	(3,887,140)	1,339,642	34%
Restricted net position	584,808	2,139,631	(1,554,823)	-73%
Unrestricted net position	<u>2,795,059</u>	<u>2,502,237</u>	<u>292,822</u>	12%
Total Net Position	<u>832,369</u>	<u>754,728</u>	<u>77,641</u>	
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 38,826,943</u></u>	<u><u>\$ 30,701,226</u></u>	<u><u>\$ 8,125,717</u></u>	

(Concluded)

Condensed Statements of Revenues and Expenses and
Changes in Net Position

	2021	2020	\$ Change	% Change
Operating Revenues:				
Sewer rentals	\$ 7,235,977	\$ 7,211,383	\$ 24,594	0%
Total Revenues	7,235,977	7,211,383	24,594	
Operating Expenses:				
Sewer system operation	3,744,606	3,615,960	128,646	4%
Purchased sewer treatment	690,957	626,387	64,570	10%
Depreciation and amortization	1,337,324	1,325,054	12,270	1%
Total Expenses	5,772,887	5,567,401	205,486	
Nonoperating Activity:				
Revenues	374,786	202,203	172,583	85%
Expenses	(1,063,703)	(1,772,444)	708,741	-40%
Total Nonoperating Activity	(688,917)	(1,570,241)	881,324	
Capital Contributions:				
Tap-in fees	7,800	3,900	3,900	100%
Total Capital Contributions	7,800	3,900	3,900	
Change in Net Position	781,973	77,641	704,332	
Net Position:				
Beginning of year	832,369	754,728	77,641	
End of year	\$ 1,614,342	\$ 832,369	\$ 781,973	

Condensed Statements of Revenues and Expenses and
Changes in Net Position

	2020	2019	\$ Change	% Change
Operating Revenues:				
Sewer rentals	\$ 7,211,383	\$ 6,930,359	\$ 281,024	4%
Total Revenues	7,211,383	6,930,359	281,024	
Operating Expenses:				
Sewer system operation	3,615,960	3,955,144	(339,184)	-9%
Purchased sewer treatment	626,387	696,100	(69,713)	-10%
Depreciation and amortization	1,325,054	1,282,326	42,728	3%
Total Expenses	5,567,401	5,933,570	(366,169)	
Nonoperating Activity:				
Revenues	202,203	204,485	(2,282)	-1%
Expenses	(1,772,444)	(1,125,471)	(646,973)	57%
Total Nonoperating Activity	(1,570,241)	(920,986)	(649,255)	
Capital Contributions:				
Tap-in fees	3,900	43,650	(39,750)	-91%
Total Capital Contributions	3,900	43,650	(39,750)	
Change in Net Position	77,641	119,453	(41,812)	
Net Position:				
Beginning of year	754,728	635,275	119,453	
End of year	<u>\$ 832,369</u>	<u>\$ 754,728</u>	<u>\$ 77,641</u>	

OTHER SELECTED INFORMATION

	2021	2020	Difference
<u>Selected Data:</u>			
Authorized Employees	21	21	0
Actual Employees at year-end	23	22	1
Wastewater Treated (billions of gallons)	0.582641	0.595495	-0.012854
Wastewater Billed (billions of gallons)	0.477404	0.462301	0.015103
Percentage of Billed/Treated Wastewater	81.94%	77.63%	4.30%
<u>Rates:</u>			
Residential Fee	\$19.00	\$19.00	\$0.00
0-10,000 gallons/thousand	\$8.58	\$8.58	\$0.00
15,001-100,000 gallons/thousand	\$12.74	\$12.74	\$0.00
over100,000 gallons/thousand	\$15.00	\$15.00	\$0.00
Commercial Fee	\$27.00	\$27.00	\$0.00
First 2,000 gallons/thousand	\$9.58	\$9.58	\$0.00
next 13,000 gallons/thousand	\$9.58	\$9.58	\$0.00
15,001-100,000 gallons/thousand	\$13.74	\$13.74	\$0.00
over 100,000 gallons/thousand	\$16.00	\$16.00	\$0.00
<u>Average Residential Customer Bill:</u>			
Per year	\$845.76	\$845.76	\$0.00
Per Month	\$70.48	\$70.48	\$0.00
* Based on 6,000 Gallons per month			

	2020	2019	Difference
Selected Data:			
Authorized Employees	21	23	-2
Actual Employees at year-end	22	24	-2
Wastewater Treated (billions of gallons)	0.595495	0.840478	-0.244983
Wastewater Billed (billions of gallons)	0.462301	0.496373	-0.034072
Percentage of Billed/Treated Wastewater	77.63%	59.06%	18.57%
Rates:			
Residential Fee	\$19.00	\$17.00	\$2.00
0-10,000 gallons/thousand	\$8.58	\$8.58	
15001,100,000 gallons/thousand	\$12.74	\$12.74	
over 100,000 gallons/thousand	\$15.00	\$15.00	
Commercial Fee	\$27.00	\$25.00	\$2.00
First 2,000 gallons/thousand	\$9.58	\$8.58	\$1.00
next 13,000 gallons/thousand	\$9.58	\$8.58	\$1.00
15,001-100,000 gallons/thousand	\$13.74	\$12.74	\$1.00
over 100,000 gallons/thousand	\$16.00	\$15.00	\$1.00
Average Residential Customer Bill:			
Per year	\$845.76	\$821.76	\$24.00
Per Month	\$70.48	\$68.48	\$2.00

* Based on 6,000 Gallons per month

GENERAL TRENDS AND SIGNIFICANT EVENTS

Proceeds from the Authority's bond issue in 2020, Sewer Revenue Bonds, Refunding Series of 2020 A & B, were used to refund Sewer Revenue Bonds, Series 2016 and 2014 along with upgrades to the Authority's plants, pump stations, and operating systems. The Authority plans to use these proceeds to upgrade the Authority's treatment process to omit the use of chlorine at both the Thompson Run and New England sewage treatment plants. These upgrades will create savings to the Authority's rate payers and make the community safer. In order to omit chlorine from the treatment process, upgrades will be made to UV system at Thompson Run and a new UV system will be purchased for the New England sewage treatment plant. These upgrades will allow for both the Thompson Run and New England sewage treatment plants to comply with chlorine regulations required by the State and NPDES permitting.

Continued upgrades to pump stations will help eliminate some infiltration issues. Force main pipe will be replaced at some pumping stations and pump and shaft upgrades will be made to make the stations run more efficiently. These changes will allow for utility savings to the Authority, as well as a savings in the treatment.

RESULTS OF OPERATIONS

Operating Revenue

In 2021 and 2020, 100% of operating revenue was derived from customer billing for sewage treatment service. This includes residential, commercial, and industrial customers.

Operating Expenses

Total operating expense, before depreciation and bad debt expense was \$4,435,563 in 2021 vs. \$4,242,347 in 2020. In 2021, operating expenses increased in sewage treatment plants, utilities, fee collection costs, and engineering fees. There were decreases in benefits.

Total operating expense, before depreciation and bad debt expense was \$4,242,347 in 2020 vs. \$4,651,244 in 2019. In 2020, operating expenses decreased in payroll, benefits, sewer crew expenses, office supplies, fee collection costs, professional services, and purchased sewer treatments. There were increases in pretreatment expenses and insurance.

Non-Operating Revenues and Non-Operating Expenses

The Authority experienced an increase of \$881,324 in Non-operating Revenue (Expense) primarily caused by a temporary increase that occurred during 2020 due to the 2020 bond issuance.

Non-operating Revenue (Expense) between 2020 and 2019 experienced a decrease of \$649,255 primarily caused by an increase in expenses related to the 2020 bond issuance.

Depreciation

The Authority had depreciation expense of \$1,337,324 and \$1,325,054 on plants and equipment in 2021 and 2020, respectively. In 2021 and 2020, respectively, the Authority completed approximately \$261,000 and \$650,000 in various capital projects throughout the sewer system and treatment plants.

CAPITAL ASSETS

Capital asset additions were \$354,268 and deletions were \$183,500 during 2021, with the majority of the expenditures relating to sewer system and treatment plant improvements.

DEBT

At December 31, 2021, the Authority had \$34,565,000 in bond debt.

In 2021, the Authority was in compliance with the rate covenant, as its operating surplus was greater than 110% of the debt service requirements.

At December 31, 2020, the Authority had \$36,360,000 in bond debt.

In 2020, the Authority was in compliance with the rate covenant, as its operating surplus was greater than 110% of the debt service requirements.

FINAL COMMENTS

While fiscal year 2021 presented financial challenges, the Board and the Authority staff worked hard to position the Authority for the future. The Authority responded by taking advantage of increasing rates.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the West Mifflin Sanitary Sewer Municipal Authority's General Manager and Administration at 1302 Lower Bull Run Road, West Mifflin, PA 15122. (412-466-6070).

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

STATEMENTS OF NET POSITION

DECEMBER 31, 2021 AND 2020

Assets and Deferred Outflows of Resources			Liabilities, Deferred Inflows of Resources, and Net Position		
	2021	2020		2021	2020
Assets:			Liabilities:		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 3,174,018	\$ 2,118,250	Accounts payable	\$ 396,773	\$ 349,977
Accounts receivable - user fees	1,893,909	1,919,292	Accrued payroll	53,546	60,631
Accounts receivable - nonuser fees	15,288	19,706	Current portion of notes payable	17,247	16,743
Prepaid expenses	125,452	126,317	Current portion of accrued compensated absences	-	8,395
Interest receivable	-	2,373	Unearned revenue	27,445	27,445
Total current assets	5,208,667	4,185,938	Total current liabilities	495,011	463,191
Restricted investments:			Current liabilities (payable from restricted assets):		
Construction fund	8,329,930	9,064,105	Current portion of bonds payable	1,620,000	1,795,000
Debt service accounts	590,240	616,310	Bond interest payable	302,223	31,502
Total restricted investments	8,920,170	9,680,415	Total current liabilities (payable from restricted assets)	1,922,223	1,826,502
Capital assets, not being depreciated	82,638	-	Long-term liabilities:		
Capital assets, net of accumulated depreciation	20,137,783	21,183,527	Accrued compensated absences	350,448	336,124
Total capital assets	20,220,421	21,183,527	Notes payable	19,274	36,521
Other assets:			Bonds payable	32,945,000	34,565,000
Cost of sewer capacity improvements (net of amortization of \$350,405 and \$330,454 for 2021 and 2020, respectively)	172,117	192,068	Unamortized bond premium (discount)	(135,481)	(142,612)
Net pension asset	301,624	-	Total OPEB liability	373,455	343,416
Total other assets	473,741	192,068	Net pension liability	-	109,564
Total Assets	34,822,999	35,241,948	Total long-term liabilities	33,552,696	35,248,013
Deferred Outflows of Resources:			Total Liabilities	35,969,930	37,537,706
Deferred charge on refunding	3,119,281	3,283,454	Deferred Inflows of Resources:		
Deferred outflows of resources for pension	112,088	250,754	Deferred inflows of resources for pension	479,934	401,463
Deferred outflows of resources for OPEB	60,469	50,787	Deferred inflows of resources for OPEB	50,631	55,405
Total Deferred Outflows of Resources	3,291,838	3,584,995	Total Deferred Inflows of Resources	530,565	456,868
Total Assets and Deferred Outflows of Resources	\$ 38,114,837	\$ 38,826,943	Net Position:		
			Net investment in capital assets	(2,624,291)	(2,547,498)
			Restricted net position	589,641	584,808
			Unrestricted net position	3,648,992	2,795,059
			Total Net Position	1,614,342	832,369
			Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 38,114,837	\$ 38,826,943

See accompanying notes to financial statements.

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating Revenues:		
Sewer rentals	\$ 7,235,977	\$ 7,211,383
Operating Expenses:		
Sewer system operation	3,744,606	3,615,960
Purchased sewer treatment	690,957	626,387
Depreciation and amortization	1,337,324	1,325,054
Total operating expenses	5,772,887	5,567,401
Operating Income	1,463,090	1,643,982
Nonoperating Revenues (Expenses):		
Interest income	102,949	109,717
Other revenue	246,837	81,805
Gain on disposal of capital asset	25,000	-
Interest on sewer revenue bonds and notes payable	(907,687)	(1,045,568)
Amortization of bond premium	(19,340)	(12,975)
Bond issue costs	-	(672,687)
Realized gain (loss) on investments	-	(41,214)
Unrealized gain (loss) on investments	(136,676)	10,681
Total nonoperating revenues (expenses)	(688,917)	(1,570,241)
Income (Loss) Before Capital Contribution Revenues	774,173	73,741
Capital Contribution Revenues:		
Tap-in fees	7,800	3,900
Change in Net Position	781,973	77,641
Net Position:		
Beginning of year	832,369	754,728
End of year	\$ 1,614,342	\$ 832,369

See accompanying notes to financial statements.

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Cash received from customers	\$ 7,261,360	\$ 6,503,840
Cash payments to suppliers	(2,585,030)	(2,712,489)
Cash payments to employees	(1,676,454)	(1,675,714)
Net cash provided by (used in) operating activities	2,999,876	2,115,637
Cash Flows From Noncapital Financing Activities:		
Other	254,637	85,705
Cash Flows From Capital and Related Financing Activities:		
Interest paid on debt	(464,307)	(1,043,963)
Interest received on restricted bond funds	102,949	109,717
Capital assets and related purchases	(117,788)	(650,818)
Proceeds from issuance of bonds	-	36,217,388
Payment to refund bond and notes payable	-	(28,345,383)
Payment for bond issue costs	-	(672,687)
Payment of notes payable	(16,743)	(16,253)
Payment of bond principal	(1,795,000)	(1,270,000)
Net cash provided by (used in) capital and related financing activities	(2,290,889)	4,328,001
Cash Flows From Investing Activities:		
(Purchase) sale of investments	89,771	(7,193,183)
Interest earned	2,373	111,252
Net cash provided by (used in) investing activities	92,144	(7,081,931)
Increase (Decrease) in Cash and Cash Equivalents	1,055,768	(552,588)
Cash and Cash Equivalents:		
Beginning of year	2,118,250	2,670,838
End of year	\$ 3,174,018	\$ 2,118,250
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 1,463,090	\$ 1,643,982
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,337,324	1,325,054
Accounts receivable	29,801	(705,490)
Prepaid expenses	865	(5,691)
Net pension asset	(109,564)	-
Deferred outflows of resources related to pension	138,666	137,595
Deferred outflows of resources related to OPEB	(9,682)	(28,651)
Accounts payable	46,796	(26,080)
Accrued payroll	(7,085)	10,505
Accrued compensated absences	5,929	(25,717)
Unearned revenue	-	4,390
Total OPEB liability	30,039	(2,445)
Net pension liability	-	(309,083)
Deferred inflows of resources related to pension	78,471	57,031
Deferred inflows of resources related to OPEB	(4,774)	40,237
Net cash provided by (used in) operating activities	\$ 2,999,876	\$ 2,115,637

See accompanying notes to financial statements.

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Assets and Deferred Outflows of Resources		
<hr/>		
Dividends and interest receivable	\$ 1,332	\$ 1,321
Cash and cash equivalents	29,441	44,384
Employee contribution receivable	-	320
Investments at fair value:		
Mutual funds	1,939,277	1,873,245
Common stocks	1,786,782	1,455,083
	3,726,059	3,328,328
Total investments at fair value		
	\$ 3,756,832	\$ 3,374,353
<hr/>		
Liabilities and Net Position		
<hr/>		
Liabilities:		
<hr/>		
Benefits payable	\$ -	\$ 2,005
 Net Position:		
<hr/>		
Restricted for pension benefits	3,756,832	3,372,348
	\$ 3,756,832	\$ 3,374,353
<hr/>		
Total Liabilities and Net Position		
	\$ 3,756,832	\$ 3,374,353

See accompanying notes to financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Additions:		
<hr/>		
Contributions:		
Employer	\$ 146,000	\$ 148,369
Employee	5,060	6,380
	151,060	154,749
Investment income:		
Net appreciation (depreciation) in fair value of investments	431,247	348,097
Investment income	41,173	42,754
Investment expenses	(32,868)	(28,233)
	439,552	362,618
Total additions	590,612	517,367
Deductions:		
<hr/>		
Benefits	198,378	195,372
Administrative expense	7,750	-
	206,128	195,372
Change in Fiduciary Plan Net Position	384,484	321,995
Net Position:		
<hr/>		
Beginning of year	3,372,348	3,050,353
End of year	\$ 3,756,832	\$ 3,372,348

See accompanying notes to financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Reporting Entity

The West Mifflin Sanitary Sewer Municipal Authority (Authority) was formed in accordance with the Pennsylvania Municipality Authorities Act of 1945. It commenced operations on August 21, 1996 and purchased the existing sanitary sewer system of the Borough of West Mifflin for the sum of \$800,000. The Authority operates the sewer system that serves approximately 8,300 customers, which comprises the entire Borough of West Mifflin.

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 for governmental enterprise funds and fiduciary 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, are financed or recovered primarily through user charges.

Fiduciary funds are used to account for assets that are controlled by the government but for which the government is not a beneficiary. The Authority reports the Pension Trust Funds as a fiduciary fund and the fund is used to account for employee retirement systems.

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

Basis of Accounting and Measurement Focus

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. Investments are recorded at fair value. The Authority prepares a budget on the accrual basis at the beginning of each year. The Authority capitalizes eligible net interest costs as part of the cost of constructing various sewer projects when material.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operation of the Authority. Operating revenues consist primarily of

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

user charges. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities.

Statements of Cash Flows

For purposes of the statements of cash flows, cash is defined as bank demand deposits and petty cash on hand. The Authority is authorized to invest in U.S. Treasury Bills and time deposits of insured institutions. The Authority considers all investments with a maturity date of three months or less to be cash equivalents.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

Receivables

In general, no provision is made for uncollectible accounts receivables as these charges are lienable charges to the property served and service can be shut off. Charges that become uncollectible are charged to expense in the year. The Authority charged bad debt expense of \$480 and \$0 during 2021 and 2020, respectively.

Due to COVID-19, the state issued a shut-off ban and the Authority was not able to utilize their ability to shut off delinquent accounts to collect the related revenue, resulting in an increase in the receivable balance. The state lifted the ban in 2021, and the Authority believes that the full receivable balance is collectible.

Unamortized Premiums (Discounts)

Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has three items that qualify for reporting in this category:

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statement of net position and amortized as a component of interest expense over the term of the refunding issue.

In conjunction with pension accounting requirements, certain elements are recorded as deferred outflows of resources related to pensions on the statement of net position. These amounts are determined based on the actuarial valuation performed for the plan. Note 6 presents additional information about the pension plan.

In conjunction with other post-employment benefit (OPEB) accounting requirements, certain elements are recorded as deferred outflows of resources related to OPEB on the statement of net position. These amounts are determined based on the actuarial valuation performed for the plan. Note 7 presents additional information about the OPEB plan.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category:

In conjunction with pension accounting requirements, certain elements are recorded as a deferred inflow of resources related to pensions on the statement of net position. This amount is determined based on the actuarial valuation performed for the pension plan. Note 6 presents additional information about the pension plan.

In conjunction with other post-employment benefit (OPEB) accounting requirements, certain elements are recorded as deferred inflows of resources related to OPEB on the

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

statement of net position. These amounts are determined based on the actuarial valuation performed for the plan. Note 7 presents additional information about the OPEB plan.

Restricted Investments

The Authority has established certain restricted asset accounts to satisfy the requirements of a bond trust indenture (indenture). In accordance with the terms of the indenture, the Authority is required to periodically set aside certain amounts to assure the availability of adequate monies for servicing the Authority's long-term debt and completing capital additions. These restricted accounts are held by a Trustee. Note 3 presents additional information about the restricted investments.

Capital Assets

Capital assets, which include property, plant, and equipment, are recorded at cost, including capitalized interest. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated acquisition value at the date of donation. Depreciation is provided on all capital assets on a straight-line basis over the estimated useful lives. The cost of maintenance and repairs is charged to operations as incurred. Construction in progress will begin to be depreciated when the project is completed.

Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Land improvement	10-20
Buildings and improvement	20-40
Vehicles	5-15
Software/computers	5
Office furniture and equipment	5-10
Machinery and equipment	10-20

Compensated Absences

Employees of the Authority earn and are entitled to accumulate sick days based on length of service. The Authority has established a liability of \$350,448 and \$344,519 for 2021 and

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

2020, respectively, for compensated absences that are eligible for payment upon termination.

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 or 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. These amounts are restricted for the debt covenants. For the fiduciary fund, these amounts are restricted for pension benefits.
- Unrestricted – This component of net position is the net amount of the 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.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, employer contributions are recognized as a reduction of the net pension liability (asset) upon payment into the pension trust. Investments are reported at fair value.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosures of contingent liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) statements were adopted for the Authority's 2021 financial statements: Statement Nos. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period,"* and 93, *"Replacement of Interbank Offered Rates."* The provisions of these statements did not have a significant impact to the financial statements.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 97 (Deferred Compensation Plans), and 99 (Omnibus). Management has not yet determined the impact of these statements on the financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Cash and Investments

The Authority is authorized to invest in: obligations of the U.S. Government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposits; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities; highly rated bank promissory notes or investment funds or trusts; and, as to trustee assets, as otherwise permitted by the trust indenture of 2009. Throughout the years ended December 31, 2021 and 2020, the Authority invested its funds in such authorized investments.

GASB 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 concentration 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 December 31, 2021 and 2020, respectively, \$2,742,464 and \$1,683,369 of the Authority’s bank balance of \$2,992,464 and \$1,933,369 was exposed to custodial credit risk. Any exposed amount 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 a carrying amount of \$2,972,697 and \$1,916,976 as of December 31, 2021 and 2020, respectively, all of which is reported as current assets in the statements of net position.

In addition to the deposits noted above, cash and cash equivalents on the statements of net position also include the following:

- Investments with the Pennsylvania Local Government Investment Trust (PLGIT) of \$200,255 and \$200,208 for 2021 and 2020, respectively. The fair value of the Authority’s investments with PLGIT (an external investment pool) is the same as the value of pool shares. All investments in the investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority’s investments in PLGIT-Class of \$132,619 and \$132,603 for 2021 and 2020, respectively, have no minimum initial investment requirement and have a minimum investment period of one day. The Authority’s investments in PLGIT-Prime

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

of \$67,636 and \$67,605 for 2021 and 2020, respectively, have no minimum initial investment requirement, a minimum investment period of one day, and penalty for more than two withdrawals in a calendar month.

- Short-term investments with the external investment pool (INVEST) of \$1,066 in 2021 and 2020. The fair value of the Authority's investments in INVEST is the same as the value of the pool shares. All investments in the investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority can withdraw funds from the external investment pool without limitations or fees upon adequate notice. Otherwise, breakage fees may be charged.

At December 31, 2021, the Authority held the following investment balances:

	Fair Market Value	Maturity in Years			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Money markets	\$ 3,223,492	\$ 3,223,492	\$ -	\$ -	\$ -
Municipal bonds	2,099,684	1,530,313	-	569,371	-
U.S. agencies	3,596,994	1,517,622	1,655,676	211,259	212,437
Total	\$ 8,920,170	\$ 6,271,427	\$ 1,655,676	\$ 780,630	\$ 212,437

At December 31, 2020, the Authority held the following investment balances:

	Fair Market Value	Maturity in Years			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Money markets	\$ 9,680,415	\$ 9,680,415	\$ -	\$ -	\$ -
Municipal bonds	-	-	-	-	-
U.S. agencies	-	-	-	-	-
Total	\$ 9,680,415	\$ 9,680,415	\$ -	\$ -	\$ -

Investments of \$8,920,170 at December 31, 2021 and \$9,680,415 at December 31, 2020 are included as restricted investments on the statements of net position.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing rates. Interest rate risk is the risk that changes in the interest rates will adversely affect the fair market value of the Authority’s investments.

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. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority’s First American Government Obligation Fund money market funds of \$3,223,492 were rated AAAM. The Authority’s Municipal Bonds of \$2,099,684 were rated Baa1 to Aa2. The Authority’s US Agency investments of \$3,596,994 were rated Aaa at December 31, 2021.

As of December 31, 2020, the Authority’s Treasury Instruments Fund #506 money market funds of \$10 were rated Aaam, Institutional Class #1751 money market funds of \$26,100 were rated Aaam, and the First American Government Obligation Fund money market funds of \$9,654,305 were rated AAAM. The Authority did not have any other investments as of December 31, 2020.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. The Authority places no limit on the amount it may invest in any one issuer.

The Authority has the following recurring fair value measurements as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money markets	\$ 3,223,492	\$ -	\$ -	\$ 3,223,492
Municipal bonds	-	2,099,684	-	2,099,684
U.S. agencies	-	3,596,994	-	3,596,994
	\$ 3,223,492	\$ 5,696,678	\$ -	\$ 8,920,170

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

The Authority has the following fair value measurements as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Money markets	\$ 9,680,415	\$ -	\$ -	\$ 9,680,415
Municipal bonds	-	-	-	-
U.S. agencies	-	-	-	-
	\$ 9,680,415	\$ -	\$ -	\$ 9,680,415

Money markets classified in Level 1 of the fair value hierarchy at December 31, 2021 and 2020 are valued using prices quoted in active markets for those securities. Municipal bonds and U.S. agencies classified in Level 2 of the fair value hierarchy December 31, 2021 and 2020 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Private debt obligations classified in Level 3 at December 31, 2021 and 2020 are valued based on the underlying assets of the collateralized trust held by the guarantor of the private debt obligation.

Pension Trust Fund

At December 31, 2021 and 2020, the Authority did not hold any investments in the pension trust fund with a designated maturity date.

Interest Rate Risk – The Authority's investment policy does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing rates. Interest rate risk is the risk that changes in the interest rates will adversely affect the fair market value of the Authority's investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's investment policy requires the average fixed income quality to be maintained at an "A" or better and no more than 15% of the fixed income portion to be invested in "BBB" rated bonds. As of December 31, 2021, the Authority's money market funds of \$29,441 were rated Aaa-mf. As of December 31, 2020, the Authority's money market funds of \$44,384 were rated Aaa-mf and Aaa.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Concentration of Credit Risk – The investment policies of the Pension Trust Funds limits the range of allocation of the investment portfolio as follows:

Investment Type	% Range of Allocation	
	Minimum	Maximum
Equities	40%	70%
Fixed income	40%	70%
Cash equivalents	0%	20%
Alternative investments	0%	10%

At December 31, 2021 and 2020, all assets are allocated within the accepted ranges.

The Authority has the following recurring fair value measurements as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 29,441	\$ -	\$ -	\$ 29,441
Mutual funds	1,939,277	-	-	1,939,277
Common stocks	1,786,782	-	-	1,786,782
	\$ 3,755,500	\$ -	\$ -	\$ 3,755,500

The Authority has the following fair value measurements as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 44,384	\$ -	\$ -	\$ 44,384
Mutual funds	1,873,245	-	-	1,873,245
Common stocks	1,455,083	-	-	1,455,083
	\$ 3,372,712	\$ -	\$ -	\$ 3,372,712

Cash and cash equivalents, mutual funds, and common stocks classified in Level 1 of the fair value hierarchy at December 31, 2021 and 2020 are valued using prices quoted in active markets for those securities.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Capital Assets

A summary of changes in capital assets is as follows:

	Balance at December 31, 2020	Additions	Transfers/ Deletions	Balance at December 31, 2021
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 175,426	\$ (92,788)	\$ 82,638
Capital assets, being depreciated:				
Plant and system	37,319,143	111,018	92,788	37,522,949
Vehicles and equipment	1,410,565	67,824	(183,500)	1,294,889
Other capital improvements	1,838,617	-	-	1,838,617
Total capital assets, being depreciated	40,568,325	178,842	(90,712)	40,656,455
Less accumulated depreciation	(19,384,798)	(1,317,374)	183,500	(20,518,672)
Total capital assets, being depreciated, net	21,183,527	(1,138,532)	92,788	20,137,783
Total capital assets, net	\$ 21,183,527	\$ (963,106)	\$ -	\$ 20,220,421
	Balance at December 31, 2019	Additions	Transfers/ Deletions	Balance at December 31, 2020
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated:				
Plant and system	36,753,744	565,399	-	37,319,143
Vehicles and equipment	1,325,146	85,419	-	1,410,565
Other capital improvements	1,838,617	-	-	1,838,617
Total capital assets, being depreciated	39,917,507	650,818	-	40,568,325
Less accumulated depreciation	(18,079,695)	(1,305,103)	-	(19,384,798)
Total capital assets, being depreciated, net	21,837,812	(654,285)	-	21,183,527
Total capital assets, net	\$ 21,837,812	\$ (654,285)	\$ -	\$ 21,183,527

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

5. Long-Term Debt

Current interest bonds payable at December 31, 2021 are composed of the following individual issues:

	Balance December 31, 2020	New Issues	Payments	Refunded	Balance December 31, 2021	Due Within One Year
Bonds Payable	\$ 36,360,000	\$ -	\$ 1,795,000	\$ -	\$ 34,565,000	\$ 1,620,000

Current interest bonds payable at December 31, 2020 are composed of the following individual issues:

	Balance December 31, 2019	New Issues	Payments	Refunded	Balance December 31, 2020	Due Within One Year
Bonds Payable	\$ 26,565,000	\$ 36,360,000	\$ 1,270,000	\$ 25,295,000	\$ 36,360,000	\$ 1,795,000

	At December 31st	
	2021	2020
Sewer Revenue Bonds, Refunding Series of 2020A, due in annual principal installments or mandatory sinking fund payments through August 1, 2035.	\$ 24,565,000	\$ 26,360,000
Sewer Revenue Bonds, Refunding Series of 2020B, due in annual principal installments or mandatory sinking fund payments through August 1, 2040.	10,000,000	10,000,000
	34,565,000	36,360,000
Less: current portion	(1,620,000)	(1,795,000)
Total bonds payable - long-term	\$ 32,945,000	\$ 34,565,000

Sewer Revenue Bonds, Refunding Series of 2020

On December 15, 2020, the Authority issued Sewer Revenue Bonds, Series A and B of 2020 (2020 Bonds), in the amount of \$36,360,000 to currently refund \$25,295,000 of the outstanding Sewer Revenue Bonds, Series of 2014 (2014 Bonds) and Series of 2016 (2016 Bonds), to pay the costs of certain capital projects of the Authority, and to pay all the costs and expenses incident to the issuance of the 2020 Bonds. The 2020 Bonds bear interest

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

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semi-annually at rates ranging from 0.795% to 2.851%. A second supplemental indenture amending the original indenture dated November 12, 2020 was made and entered into as of December 15, 2020, between the Authority and the Trustee, U.S Bank, N.A.

2020 Bond Indenture

A supplemental indenture (2020 Bond Indenture) was made and entered into as of December 15, 2020, between the Authority and the Trustee, U.S. Bank, N.A. The 2020 Bond Indenture includes rate covenants that the Authority must meet on an annual basis. The Authority must generate operating surplus annually equal to 110% of the debt service requirements with respect to all outstanding bonds during the current fiscal year of the Authority. This calculation can only include operating revenues of the Authority and is not permitted to include the surplus of the revenue fund. If this condition is not met, the Authority has 60 days following written notice of such failure to commence actions necessary to correct such failure before it is considered in default. In 2021 and 2020, the Authority was in compliance with the rate covenant, as its operating surplus was greater than 110% of the debt service requirements.

The following schedule summarizes the debt service requirements for bonds outstanding:

December 31,	Principal	Interest	Total
2022	\$ 1,620,000	\$ 725,334	\$ 2,345,334
2023	1,635,000	710,835	2,345,835
2024	1,655,000	693,635	2,348,635
2025	1,680,000	672,484	2,352,484
2026	1,705,000	648,662	2,353,662
2027-2031	9,035,000	2,731,283	11,766,283
2032-2036	10,180,000	1,577,673	11,757,673
2037-2040	7,055,000	345,063	7,400,063
	\$ 34,565,000	\$ 8,104,969	\$ 42,669,969

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Current interest notes payable at December 31, 2021 and 2020 are composed of the following:

	Balance December 31, 2020	New Loans	Payments	Balance December 31, 2021	Due Within One Year
Direct borrowings - PWSA loan	\$ 53,264	\$ -	\$ 16,743	\$ 36,521	\$ 17,247
	Balance December 31, 2019	New Loans	Payments	Balance December 31, 2020	Due Within One Year
Direct borrowings - PWSA loan	\$ 69,517	\$ -	\$ 16,253	\$ 53,264	\$ 16,743

In July 2001, PennVest approved a loan for the Pittsburgh Water and Sewer Authority (PWSA) to fund a rehabilitation project in the Streets Run Interceptor Sewer, bearing interest at 1%. As described in Note 9 below, the Authority has agreed to share in the costs related to this project. Accordingly, the Authority is also responsible for a share of the PennVest loan. Payments are to be paid to PWSA through fiscal year 2024. The outstanding balance of the loan is \$36,521 and \$53,264 at December 31, 2021 and 2020, respectively.

The following summarizes the required payments for the PWSA loan:

December 31,	Principal	Interest	Total
2022	\$ 17,247	\$ 851	\$ 18,098
2023	17,766	332	18,098
2024	1,508	4	1,512
	36,521	\$ 1,187	\$ 37,708
Current portion	17,247		
Notes Payable	\$ 19,274		

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6. Pension Plan

Plan Description

The Authority's Pension Plan (plan) is a single employer defined benefit pension plan established under the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act). The plan was established on August 21, 1996 and is governed by the Board of Directors (Board) of the Authority, which may amend plan provisions, and which is responsible for the management of plan assets. The Board has delegated the authority to manage certain plan assets to US Asset Management. The plan does not issue separate stand-alone financial statements.

The plan is available to any person employed on a full-time, permanent basis by the Authority, hired prior to December 31, 2006. Participation in the plan was frozen to new entrants effective December 31, 2006. Pension benefits become 100 percent vested after the completion of five years of credited service. Eligibility for the normal retirement benefit is after the attainment of age 65 and completion of 15 years of credited service or attainment of age 62 and completion of 25 years of credited service. The accrued benefit is equal to \$40 times years of credited service at determination. The normal form of payment is a monthly pension benefit payable for life with 120 payments guaranteed.

At December 31, 2021, plan membership consisted of the following:

Active	11
Retirees and beneficiaries currently receiving benefits	15
Terminated plan members entitled to, but not yet receiving benefits	<u>5</u>
Total	<u><u>31</u></u>

At December 31, 2020, plan membership consisted of the following:

Active	12
Retirees and beneficiaries currently receiving benefits	15
Terminated plan members entitled to, but not yet receiving benefits	<u>5</u>
Total	<u><u>32</u></u>

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The plan also has specific provisions for early and late retirement, disability, and death benefits.

Benefits Provided – Employees

Retirement Benefit – For normal retirement, a participant is entitled to begin receiving benefits at the age of 65 and completion of 15 years of credited service. The scheduled monthly retirement benefit is payable monthly during the participant's lifetime, with 120 payments guaranteed. The amount of monthly pension is equal to \$40 times years of continuous service. For special retirement, a participant is eligible after attainment of age 62 and 25 years of service, at which time the participant may commence receiving the unreduced accrued benefit.

Disability Benefit – A participant is eligible for disability benefits if there is total and permanent disablement that qualifies the participant for Social Security disability benefits. The participant is then eligible for immediate monthly payment of the accrued benefit.

Death Benefit – If a participant's death occurs after vesting but before retirement, and is vested, 100% of the contributions plus interest will be refunded to the designated beneficiary.

Cost-of-Living Adjustments – Benefit terms do not provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date.

Contributions

The Authority is required to contribute an actuarially determined amount necessary to fund the plan using the actuarial basis specified by statute. 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.

Under the terms of the plan, all participating employees are required to contribute \$40 per month of their compensation under the plan.

During 2021, the Authority paid the calculated MMO of \$146,000 into the plan. During 2020, the Authority paid the calculated MMO of \$148,369 into the plan.

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Net Pension Liability (Asset)

Measurement Date and Actuarial Assumptions – The Authority’s net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2021.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation 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	3.50%
Underlying inflation rate	2.75%

Pub-2010 (General, MP-2020) Mortality Table

Changes in Actuarial Assumptions – There were no changes to the actuarial assumptions since the January 1, 2019 actuarial valuation. The expected remaining service lives decreased from 3.1 to 2.9 years.

Investment Policy – The plan’s policies in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that balances asset growth with risk tolerance achieving an average annual return of 6.25% over a 10-year period, maintain the liquidity to have the ability to pay all benefits and expense obligations when due in accordance with the plan provision, diversify the assets to experience a positive total investment return preserving capital and purchase power against economic inflation, and continue to grow assets at a rate above and beyond that of the actuarial assumption of 5.25% per year.

Long-Term Expected Rate of Return – The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce

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the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following were the asset allocation policy and best estimates of geometric real rates of return for each major asset class included in the plan's target asset allocations as of December 31, 2021 and 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equities	45%	7.90%
International Equities	5%	2.96%
Fixed Income	45%	2.54%
Cash & Cash Equivalents	5%	0.00%
	<u>100%</u>	

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the years ended December 31, 2021 and 2020, the annual money-weighted rate of return on the plan investments, net of investment expense, was 13.20% and 11.99% respectively.

Concentrations – The plan had no investment concentrations at December 31, 2021 and 2020.

Discount Rate – The discount rate used to measure the total pension liability for the plan was 5.25%. The projection of cash flows used to determine the discount rate assumed the 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liability (Asset) – Changes in the Authority’s net pension liability (asset) are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Asset
Balances at 12/31/20	\$ 3,481,912	\$ 3,372,348	\$ 109,564
Changes for the year:			
Service cost	43,048	-	43,048
Interest	179,474	-	179,474
Employer contributions	-	146,000	(146,000)
Member contributions	-	5,060	(5,060)
Net investment income (loss)	-	439,552	(439,552)
Change of assumptions	-	-	-
Benefits payments, including refunds of employee contributions	(198,378)	(198,378)	-
Differences between expected and actual experience	(50,848)	-	(50,848)
Other changes	-	-	-
Administrative expenses	-	(7,750)	7,750
Balances 12/31/21	<u>\$ 3,455,208</u>	<u>\$ 3,756,832</u>	<u>\$ (301,624)</u>

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at 12/31/19	\$ 3,469,000	\$ 3,050,353	\$ 418,647
Changes for the year:			
Service cost	48,725	-	48,725
Interest	179,206	-	179,206
Employer contributions	-	148,369	(148,369)
Member contributions	-	6,380	(6,380)
Net investment income (loss)	-	362,618	(362,618)
Change of assumptions	(20,718)	-	(20,718)
Benefits payments, including refunds of employee contributions	(195,372)	(195,372)	-
Differences between expected and actual experience	1,071	-	1,071
Other changes	-	-	-
Administrative expenses	-	-	-
Balances 12/31/20	<u>\$ 3,481,912</u>	<u>\$ 3,372,348</u>	<u>\$ 109,564</u>

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The plan fiduciary net position as a percentage of total pension liability for the years ended December 31, 2021 and 2020 were 108.73% and 96.85%, respectively.

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 rate at December 31, 2021 and 2020:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Asset - 2021	\$ 100,722	\$ (301,624)	\$ (640,616)
	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability - 2020	\$ 517,378	\$ 109,564	\$ 233,395

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – For the years ended December 31, 2021 and 2020, the Authority recognized pension expense of (\$48,052) and \$33,913, respectively. At December 31, 2021, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,687	\$ 42,713
Change of assumptions	108,401	7,352
Net difference between projected and actual earnings on pension plan investments	-	429,869
	\$ 112,088	\$ 479,934

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At December 31, 2020, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,705	\$ 73,968
Change of assumptions	243,049	14,035
Net difference between projected and actual earnings on pension plan investments	-	313,460
	\$ 250,754	\$ 401,463

The net amount of deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:

2022	\$ (39,438)
2023	(181,762)
2024	(93,709)
2025	(52,937)
	\$ (367,846)

7. Postemployment Benefits Other Than Pension Benefits (OPEBs)

Plan Description

In addition to the benefits described in Note 6, the Authority provides postemployment healthcare benefits and post-retirement life insurance to all of its retiring employees (Union and Non-Union). The OPEB plan is a single employer defined benefit OPEB plan administered by the Authority. The Authority has not accumulated assets for the retiree plan in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75; benefits are paid on a pay-as-you-go basis. This plan does not issue stand-alone financial statements.

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All employees, union and non-union, are eligible to receive the postemployment benefits. The Authority does not have a specific age at which employees are eligible to receive postemployment benefits; rather, the only requirement is that the employee must retire and not be terminated.

Benefits Provided

At retirement, the retiree receives a fully paid premium life insurance policy, with \$8,000 death benefit. The Authority purchases the policy while the employee is in service; at retirement, the Authority assigns the policy to the retiree. Policies held for employees who terminate for reasons other than retirement are cashed in, with the proceeds returning to the Authority.

The Authority also provides postemployment medical benefits, applicable to retirees who retire at less than age 65. The Authority pays 100% of COBRA composite rate of Western Pennsylvania Teamsters Plan 9a for earlier of 18 months or the date the retiree reaches age 65. If the retiree wishes to continue coverage, the Authority will pay 100% of the premium for a retiree selected plan that provides health benefits comparable to Plan 9a, until the retiree reaches age 65.

There are no postemployment benefits provided to spouses.

Employees Covered by Benefit Terms

As of January 1, 2020, the following employees were covered by the benefit terms:

Current retired participants receiving	
OPEB benefits	1
Active participants	22
	<hr/>
	23
	<hr/> <hr/>

Total OPEB Liability

The Authority's total OPEB liability of \$373,455 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2021. The Authority's total OPEB liability of \$343,416 was measured as of December 31,

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2020 and was determined by an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2020.

Actuarial Assumptions

The following actuarial assumptions were applied to all periods including the measurement:

Actuarial funding method	Entry Age Normal, level % of pay
Amortization of unfunded accrued liability	30 year open from valuation date level dollar using valuation discount rate
Salary increases	3.50%
Discount rate	2.12% per year
Healthcare cost trend rates	1.30% for 2021; Based on actual experience Projections for years after 2021 based on Getzen Model (v 2021_b)
Mortality Table	Pub-2010 Public Retirement Plans General Employee Male and Female Tables at valuation year 2020 with generational improvement using full 2D Mortality Improvement Rates MP-2020

The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study as of January 1, 2019.

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Changes in the Total OPEB Liability

	Total OPEB Liability	
	2021	2020
Balance at January 1,	\$ 343,416	\$ 345,861
Changes for the year:		
Service cost	25,405	21,986
Interest	9,097	13,693
Actual and expected differences	992	(45,461)
Changes of assumptions	17,392	29,473
Benefit payments	(22,847)	(22,136)
Net changes	30,039	(2,445)
Balance at December 31,	\$ 373,455	\$ 343,416

There were no changes of benefit terms.

The discount rate was updated from 2.74% to 2.12%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate as of December 31, 2021 and 2020:

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB liability - 2021	\$ 403,878	\$ 373,455	\$ 345,907
	1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB liability - 2020	\$ 370,891	\$ 343,416	\$ 318,465

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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates as of December 31, 2021 and 2020:

	1% Decrease (0.30%)	Trend Rate (1.30%)	1% Increase (2.30%)
Total OPEB liability - 2021	\$ 336,182	\$ 373,455	\$ 417,806
	1% Decrease (0.30%)	Trend Rate (1.30%)	1% Increase (2.30%)
Total OPEB liability - 2020	\$ 312,552	\$ 343,416	\$ 379,767

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2021 and 2020, the Authority recognized OPEB expense of \$33,419 and \$32,700, respectively, and reported deferred outflows and inflows of resources related to OPEB as follows:

	December 31, 2021		December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 914	\$ 38,537	\$ -	\$ 41,999
Change of assumptions	41,005	12,094	27,228	13,406
Employer payments for OPEB subsequent to measurement date and before fiscal year end	18,550	-	23,559	-
Total	\$ 60,469	\$ 50,631	\$ 50,787	\$ 55,405

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The net amount of deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:

2022	\$ (1,082)
2023	(1,082)
2024	(1,082)
2025	(1,082)
2026	(1,082)
2027 and after	<u>(3,302)</u>
	<u>\$ (8,712)</u>

8. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (plan) created in accordance with the Internal Revenue Service Code Section 457. The plan, available to all eligible, full-time Authority employees, permits them to defer a portion of their salaries until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

At December 31, 2021, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, were held in trust solely for the benefit of the participants. Investments are managed by the plan's trustee under several investment options selected by the participant. Deferred compensation plan contributions totaled \$79,384 at December 31, 2021. Under the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the deferred compensation plan is not required to be included in the Authority's financial statements.

9. Intermunicipal Agreement

On July 18, 2000, Baldwin Borough, Whitehall Borough, Brentwood Borough, and the Authority entered into an intermunicipal agreement to participate in the construction of the

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Streets Run Trunk Sewer Rehabilitation Project. As part of this agreement, the Authority will be responsible for maintaining an allocated portion of the Interceptor sewer lines based on an Allegheny County Board of Viewers allocation dated September 18, 1950. The costs incurred to rehabilitate the lines are being amortized over their useful life. The net unamortized balance is reported as cost of sewer capacity improvements on the statements of net position.

Pursuant to various inter-municipal agreements and resolutions adopted by Baldwin Borough, Whitehall Borough, Brentwood Borough, and the Authority, the PWSA performed a rehabilitation project in the Streets Run Interceptor Sewer, provided that the City of Pittsburgh and the other municipalities named above would share in the cost of maintaining and repairing the Streets Run Interceptor Sewer. PWSA and the Authority have agreed that the Authority will be responsible for 18% of the costs of such maintenance repairs for purposes of this specific project. The costs incurred to rehabilitate the lines are being amortized over their useful life. The net unamortized balance is reported as cost of sewer capacity improvements on the statements of net position. The related liability is also included on the statements of net position.

10. Commitments and Contingencies

Contingencies

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.

Commitments

The Authority had approximately \$139,000 of construction commitments related to construction of the sewer system at December 31, 2021.

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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 in the past. There were no significant changes in insurance coverage during the year.

REQUIRED SUPPLEMENTARY INFORMATION

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

SCHEDULE OF CHANGES IN THE AUTHORITY'S NET
PENSION LIABILITY (ASSET) AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (Asset):							
Service cost	\$ 43,048	\$ 48,725	\$ 38,115	\$ 38,869	\$ 27,752	\$ 27,787	\$ 27,835
Interest	179,474	179,206	180,269	184,353	191,399	188,551	189,475
Differences between expected and actual experience	(50,848)	1,071	14,325	(119,411)	(126,698)	(5,953)	(70,439)
Changes of assumptions	-	(20,718)	469,739	-	71,010	-	-
Benefit payments, including refunds of member contributions	(198,378)	(195,372)	(171,225)	(167,702)	(172,829)	(158,756)	(168,826)
Net Changes in Total Pension Liability (Asset)	(26,704)	12,912	531,223	(63,891)	(9,366)	51,629	(21,955)
Total Pension Liability (Asset) - Beginning	3,481,912	3,469,000	2,937,777	3,001,668	3,011,034	2,959,405	2,981,360
Total Pension Liability (Asset) - Ending (a)	<u>\$ 3,455,208</u>	<u>\$ 3,481,912</u>	<u>\$ 3,469,000</u>	<u>\$ 2,937,777</u>	<u>\$ 3,001,668</u>	<u>\$ 3,011,034</u>	<u>\$ 2,959,405</u>
Plan Fiduciary Net Position:							
Contributions - employer	\$ 146,000	\$ 148,369	\$ 138,334	\$ 168,085	\$ 168,634	\$ 194,661	\$ 188,271
Contributions - member	5,060	6,380	7,200	7,340	6,720	9,120	9,120
Net investment income (loss)	439,552	362,618	516,001	(73,492)	301,267	136,462	(15,918)
Benefit payments, including refunds of member contributions	(198,378)	(195,372)	(171,225)	(167,702)	(172,829)	(158,756)	(168,826)
Administrative expense	(7,750)	-	-	(8,900)	(3,575)	(12,462)	-
Other	-	-	-	-	772	-	-
Net Change in Plan Fiduciary Net Position	384,484	321,995	490,310	(74,669)	300,989	169,025	12,647
Plan Fiduciary Net Position - Beginning	3,372,348	3,050,353	2,560,043	2,634,712	2,333,723	2,164,698	2,152,051
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,756,832</u>	<u>\$ 3,372,348</u>	<u>\$ 3,050,353</u>	<u>\$ 2,560,043</u>	<u>\$ 2,634,712</u>	<u>\$ 2,333,723</u>	<u>\$ 2,164,698</u>
Net Pension Liability (Asset) - Ending (a-b)	<u>\$ (301,624)</u>	<u>\$ 109,564</u>	<u>\$ 418,647</u>	<u>\$ 377,734</u>	<u>\$ 366,956</u>	<u>\$ 677,311</u>	<u>\$ 794,707</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	108.7%	96.9%	87.9%	87.1%	87.8%	77.5%	73.1%
Covered Payroll	<u>\$ 882,776</u>	<u>\$ 954,028</u>	<u>\$ 1,043,355</u>	<u>\$ 1,096,668</u>	<u>\$ 1,159,896</u>	<u>\$ 1,253,376</u>	<u>\$ 1,211,986</u>
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-34.17%	11.48%	40.13%	34.44%	31.64%	54.04%	65.57%

* The amounts presented for each fiscal year were determined as of the measurement date, which is December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS

LAST 10 FISCAL YEARS

Schedule of Authority's Contributions	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 146,000	\$ 148,369	\$ 138,334	\$ 168,085	\$ 168,634
Contributions in relation to the actuarially determined contribution	<u>146,000</u>	<u>148,369</u>	<u>138,334</u>	<u>168,085</u>	<u>168,634</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 948,148</u>	<u>\$ 972,676</u>	<u>\$ 1,119,900</u>	<u>\$ 1,155,407</u>	<u>\$ 1,347,313</u>
Contributions as a percentage of covered payroll	15.40%	15.25%	12.35%	14.55%	12.52%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 194,661	\$ 188,271	\$ 157,102	\$ 159,449	\$ 110,505
Contributions in relation to the actuarially determined contribution	<u>194,661</u>	<u>188,271</u>	<u>157,102</u>	<u>159,449</u>	<u>110,505</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,666,172</u>	<u>\$ 1,496,897</u>	<u>\$ 1,385,242</u>	<u>\$ 1,526,418</u>	<u>\$ 1,544,179</u>
Contributions as a percentage of covered payroll	11.68%	12.58%	11.34%	10.45%	7.16%

See accompanying notes to required supplementary information.

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

SCHEDULE OF AUTHORITY'S INVESTMENT RETURNS

LAST 10 FISCAL YEARS*

<u>Investment Returns</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	13.20%	11.99%	20.38%	-2.82%	13.05%	6.72%	-0.75%

* The amounts presented for each fiscal year were determined as of the measurement date, which is December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

SCHEDULE OF CHANGES IN THE AUTHORITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 25,405	\$ 21,986	\$ 23,080	\$ 22,312
Interest	9,097	13,693	11,552	10,711
Changes of benefit terms	-	-	-	-
Differences between expected and actual experiences	992	(45,461)	-	-
Changes of assumptions	17,392	29,473	(16,031)	-
Benefit payments	(22,847)	(22,136)	(17,110)	-
Net Change in Total OPEB Liability	30,039	(2,445)	1,491	33,023
Total OPEB Liability - Beginning	343,416	345,861	344,370	311,347
Total OPEB Liability - Ending	\$ 373,455	\$ 343,416	\$ 345,861	\$ 344,370

* Until a full 10-year trend is compiled, the required information for the plan is presented only for those years for which information is available.

See accompanying notes to required supplementary information.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2021

Actuarial Methods and Assumptions - Pension

The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	7 years
Asset valuation method	3-Year Smoothing
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	3.50%
Underlying inflation rate	2.75%
Pre- and Post-Mortality Assumptions:	Pub-10, General
Retirement age	Normal Retirement Age

Benefit Changes - Pension

No benefit terms were modified.

Changes in Actuarial Assumptions - Pension

No actuarial assumptions were modified. The expected remaining service lives decreased from 3.1 to 2.9 years.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2021

Actuarial Methods and Assumptions - OPEB

The information presented in the required supplementary OPEB schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2020
Actuarial funding method	Entry Age Normal, level % of pay
Amortization of unfunded accrued liability	30 year open from valuation date level dollar using valuation discount rate
Salary increases	3.50%
Discount rate	2.12% per year
Healthcare cost trend rates	1.30% for 2021; Based on actual experience Projections for years after 2022 based on Getzen Model (v 2021_b)
Mortality Table	Pub-2010 Public Retirement Plans General Employee Male and Female Tables at valuation year 2020 with generational improvement using full 2D Mortality improvement Rates MP-2020

The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Benefit Changes - OPEB

No benefit terms were modified.

Changes in Actuarial Assumptions - OPEB

Changes were made to the actuarial assumptions used in the December 31, 2021 measurement rolled forward from the previous measurement date of December 31, 2020. These changes include an decrease in discount rate from 2.74% to 2.12%.

SUPPLEMENTARY INFORMATION

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

ANALYSIS OF OPERATING REVENUES AND EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating Revenues:		
Sewage rentals	\$ 7,235,977	\$ 7,211,383
Operating Expenses:		
Sewer system operation:		
Sewage treatment plants	\$ 442,319	\$ 335,042
Utilities	399,346	376,108
Sewer crew expenses	51,776	41,820
Pretreatment expenses	12,083	15,565
Payroll	1,676,454	1,675,714
Payroll taxes	133,683	141,666
Benefits	444,628	536,324
Office supplies	26,605	19,840
Communications	22,683	24,160
Postage	1,544	847
Advertisements	2,717	-
Fee collection costs	219,756	193,886
Engineering fees	30,179	-
Insurance	182,451	163,928
Professional services	67,357	64,056
Miscellaneous expenses	31,025	27,004
Purchased sewer treatment	690,957	626,387
Depreciation and amortization	1,337,324	1,325,054
Total operating expenses	\$ 5,772,887	\$ 5,567,401