

**West Mifflin Sanitary Sewer
Municipal Authority**

Financial Statements and
Required Supplementary Information and
Supplementary Information

Years Ended December 31, 2023 and 2022
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

Independent Auditor's Report

Required Supplementary Information:

Management's Discussion and Analysis	i
--------------------------------------	---

Financial Statements:

Statements of Net Position	1
Statements of Revenues, Expenses, and Changes in Net Position	2
Statements of Cash Flows	3
Statements of Fiduciary Net Position – Pension Trust Fund	4
Statements of Changes in Fiduciary Net Position – Pension Trust Fund	5
Notes to Financial Statements	6

Required Supplementary Information:

Pension:	
Schedule of Changes in the Authority's Net Pension Liability (Assets) and Related Ratios	36
Schedule of Authority's Contributions	37
Schedule of Authority's Investment Returns	38

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

(Continued)

Other Post-Employment Benefits (OPEB):

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios	39
Notes to Required Supplementary Information	40

Supplementary Information:

Analysis of Operating Revenues and Expenses	43
---	----

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, 2023 and 2022, 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, 2023 and 2022, 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. 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

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 audits 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 28, 2024

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 2023:

- In 2023, the flow billed decreased by 1,750,318 gallons. This decrease can be attributed to residents using less water and more efficient water conserving items throughout their homes. When flow billed decreases rain events also play into this as residents use less water for things like car washes and watering the lawn or garden.
- In 2023, the Authority treated 621,353,000 gallons for 8,252 customers at its two wastewater treatment plants. Of the gallons treated, only 485,518,542 gallons were billed. In 2022, the Authority treated 850,105,000 gallons for 8,246 customers at its two wastewater treatment plants. Of the gallons treated, only 487,268,860 gallons were billed. The difference between what is treated versus that which is billed is still 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. The number of gallons treated is also decreasing and this can be attributed to repairs within the sewer system allowing less infiltration from storm and groundwater.
- During 2023, the Authority paid \$1,635,000 in principal on its outstanding Sewer Revenue Bonds, compared with principal payments made in 2022 of \$1,620,000.
- The Authority had an increase in the cost of operations (less depreciation and amortization expense) in 2023 by \$662,801 or 12.44% when compared to 2022.
- Operating revenues increased by \$544,419 or 7.61% in 2023 when compared to 2022.
- 2023 marks the ninth 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 liability of \$37,582 at December 31, 2023, as compared to a non-current liability of \$386,985 at December 31, 2022.

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 2023, 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			
	2023	2022	\$ Change	% Change
Assets and Deferred Outflows of Resources				
Assets:				
Current assets	\$ 3,631,500	\$ 4,527,130	\$ (895,630)	-20%
Restricted assets	5,762,393	7,912,488	(2,150,095)	-27%
Capital assets, net	22,123,340	20,422,057	1,701,283	8%
Other assets	132,214	152,166	(19,952)	-13%
Total Assets	31,649,447	33,013,841	(1,364,394)	
Deferred Outflows of Resources	2,914,341	3,340,445	(426,104)	-13%
Total Assets and Deferred Outflows of Resources	\$ 34,563,788	\$ 36,354,286	\$ (1,790,498)	
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities:				
Current liabilities	\$ 2,772,663	\$ 2,440,205	\$ 332,458	14%
Long-term liabilities	30,551,167	32,511,898	(1,960,731)	-6%
Total Liabilities	33,323,830	34,952,103	(1,628,273)	
Deferred Inflows of Resources	108,964	85,069	23,895	28%
Net Position:				
Net investment in capital assets	(1,344,011)	(2,242,816)	898,805	40%
Restricted net position	337,134	300,321	36,813	12%
Unrestricted net position	2,137,871	3,259,609	(1,121,738)	-34%
Total Net Position	1,130,994	1,317,114	(186,120)	
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 34,563,788	\$ 36,354,286	\$ (1,790,498)	

(Continued)

Condensed Statements of Net Position

	2022	2021	\$ Change	% Change
Assets and Deferred Outflows of Resources				
Assets:				
Current assets	\$ 4,527,130	\$ 5,208,667	\$ (681,537)	-13%
Restricted assets	7,912,488	8,920,170	(1,007,682)	-11%
Capital assets, net	20,422,057	20,531,122	(109,065)	-1%
Other assets	152,166	473,741	(321,575)	-68%
Total Assets	33,013,841	35,133,700	(2,119,859)	
Deferred Outflows of Resources	3,340,445	3,291,838	48,607	1%
Total Assets and Deferred Outflows of Resources	\$ 36,354,286	\$ 38,425,538	\$ (2,071,252)	
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities:				
Current liabilities	\$ 2,440,205	\$ 2,475,768	\$ (35,563)	-1%
Long-term liabilities	32,511,898	33,804,863	(1,292,965)	-4%
Total Liabilities	34,952,103	36,280,631	(1,328,528)	
Deferred Inflows of Resources	85,069	530,565	(445,496)	-84%
Net Position:				
Net investment in capital assets	(2,242,816)	(2,624,291)	381,475	15%
Restricted net position	300,321	589,641	(289,320)	-49%
Unrestricted net position	3,259,609	3,648,992	(389,383)	-11%
Total Net Position	1,317,114	1,614,342	(297,228)	
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 36,354,286	\$ 38,425,538	\$ (2,071,252)	

(Concluded)

Condensed Statements of Revenues and Expenses and
Changes in Net Position

	2023	2022	\$ Change	% Change
Operating Revenues:				
Sewer rentals	\$ 6,869,237	\$ 7,150,824	\$ (281,587)	-4%
Storm water	826,006	-	826,006	100%
Total Revenues	<u>7,695,243</u>	<u>7,150,824</u>	<u>544,419</u>	
Operating Expenses:				
Sewer system operation	4,748,546	4,322,514	426,032	10%
Stormwater system operation	186,322	-	186,322	100%
Purchased sewer treatment	1,055,509	1,005,062	50,447	5%
Depreciation and amortization	1,405,678	1,398,625	7,053	1%
Total Expenses	<u>7,396,055</u>	<u>6,726,201</u>	<u>669,854</u>	
Nonoperating Activity:				
Revenues	412,050	246,525	165,525	67%
Expenses	(905,158)	(1,061,976)	156,818	-15%
Total Nonoperating Activity	<u>(493,108)</u>	<u>(815,451)</u>	<u>322,343</u>	
Capital Contributions:				
Tap-in fees	7,800	93,600	(85,800)	-92%
Total Capital Contributions	<u>7,800</u>	<u>93,600</u>	<u>(85,800)</u>	
Change in Net Position	<u>(186,120)</u>	<u>(297,228)</u>	<u>111,108</u>	
Net Position:				
Beginning of year	1,317,114	1,614,342	(297,228)	
End of year	<u>\$ 1,130,994</u>	<u>\$ 1,317,114</u>	<u>\$ (186,120)</u>	

Condensed Statements of Revenues and Expenses and
Changes in Net Position

	2022	2021	\$ Change	% Change
Operating Revenues:				
Sewer rentals	\$ 7,150,824	\$ 7,235,977	\$ (85,153)	-1%
Total Revenues	7,150,824	7,235,977	(85,153)	
Operating Expenses:				
Sewer system operation	4,322,514	3,744,606	577,908	15%
Purchased sewer treatment	1,005,062	690,957	314,105	45%
Depreciation and amortization	1,398,625	1,337,324	61,301	5%
Total Expenses	6,726,201	5,772,887	953,314	
Nonoperating Activity:				
Revenues	246,525	374,786	(128,261)	-34%
Expenses	(1,061,976)	(1,063,703)	1,727	0%
Total Nonoperating Activity	(815,451)	(688,917)	(126,534)	
Capital Contributions:				
Tap-in fees	93,600	7,800	85,800	1100%
Total Capital Contributions	93,600	7,800	85,800	
Change in Net Position	(297,228)	781,973	(1,079,201)	
Net Position:				
Beginning of year	1,614,342	832,369	781,973	
End of year	\$ 1,317,114	\$ 1,614,342	\$ (297,228)	

OTHER SELECTED INFORMATION

	<u>2023</u>	<u>2022</u>	<u>Difference</u>
Selected Data:			
Authorized Employees	23	23	0
Actual Employees at year-end	29	28	1
Wastewater Treated (billions of gallons)	0.621353	0.850105	-0.228752
Wastewater Billed (billions of gallons)	0.485513	0.487268	-0.001755
Percentage of Billed/Treated Wastewater	78.14%	57.32%	20.82%
Rates:			
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
Residential Stormwater Fee			
Flat rate \$7.00/ERU	\$7.00	\$0.00	\$7.00
Average Residential Customer Bill:			
Per year	\$929.76	\$845.76	\$84.00
Per Month	\$77.48	\$70.48	\$7.00
* Based on 6,000 Gallons per month			

	2022	2021	Difference
<u>Selected Data:</u>			
Authorized Employees	23	21	2
Actual Employees at year-end	28	23	5
Wastewater Treated (billions of gallons)	0.850105	0.582641	0.267464
Wastewater Billed (billions of gallons)	0.487268	0.477404	0.009864
Percentage of Billed/Treated Wastewater	57.32%	81.94%	-24.62%
<u>Rates:</u>			
Residential Fee	\$19.00	\$19.00	\$0.00
0-10,000 gallons/thousand	\$8.58	\$8.58	\$0.00
15001,100,000 gallons/thousand	\$12.74	\$12.74	\$0.00
over 100,000 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

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 2023 and 2022, 100% of operating revenue was derived from customer billing for sewage and stormwater treatment service. This includes residential, commercial, and industrial customers.

Operating Expenses

Total operating expense, before depreciation and bad debt expense was \$5,990,377 in 2023 vs. \$5,327,576 in 2022. In 2023, operating expenses increased majorly in sewage treatment plant expenses, wages and utilities. Increases in wages occurred due to additional employees being hired. Sewer charges are on the rise due to rate increases issued by ALCOSAN.

Total operating expense, before depreciation and bad debt expense was \$5,327,576 in 2022 vs. \$4,435,563 in 2021. In 2022, operating expenses increased majorly in wages, benefits, utilities, engineering fees and sewer charges. Increases in wages and benefits occurred due to additional employees being hired.

Non-Operating Revenues and Non-Operating Expenses

The Authority experienced a decrease of \$322,343 in Non-operating Revenue (Expense) between 2023 and 2022 primarily caused by a gain on investments in 2023.

Non-operating Revenue (Expense) between 2022 and 2021 experienced a decrease of \$126,534 primarily caused by Turn Pike Purchase Agreement for Plot of Land Near Thompson Run STP in 2021.

Depreciation

The Authority had depreciation expense of \$1,405,678 and \$1,398,625 on plants and equipment in 2023 and 2022, respectively. In 2023 and 2022, respectively, the Authority completed approximately \$229,000 and \$599,000 in various capital projects throughout the sewer system and treatment plants.

CAPITAL ASSETS

Capital asset additions were \$3,117,387 and deletions were \$30,379 during 2022, with the majority of the expenditures relating to sewer system and treatment plant improvements.

DEBT

At December 31, 2023, the Authority had \$31,310,000 in bond debt.

In 2023, the Authority was not in compliance with the rate covenant, as its operating surplus was less than 110% of the debt service requirements. A rate increase was scheduled for 2024 to correct this as well as introducing a stormwater fee to cover costs of new stormwater take over. The stormwater fees did not begin until late 2023.

At December 31, 2022, the Authority had \$32,945,000 in bond debt.

In 2022, the Authority was not in compliance with the rate covenant, as its operating surplus was less than 110% of the debt service requirements. A rate increase was scheduled for 2023 to correct this as well as introducing a stormwater fee to cover costs of new stormwater take over.

FINAL COMMENTS

While fiscal year 2023 presented financial challenges, the Board and the Authority staff worked hard to position the Authority for the future. The Authority has taken on stormwater rehabilitation which will bring in additional revenue and provide a safer environment for the Authority and the residents it serves.

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, 2023 AND 2022

<u>Assets and Deferred Outflows of Resources</u>				<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>	
	2023	2022		2023	2022
<u>Assets:</u>			<u>Liabilities:</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 1,544,513	\$ 2,603,111	Accounts payable	\$ 619,059	\$ 315,433
Accounts receivable - user fees	1,890,126	1,745,647	Accrued payroll	88,724	88,096
Accounts receivable - nonuser fees	26,909	22,275	Current portion of notes payable	31,334	17,766
Prepaid expenses	169,452	156,097	Current portion of financed purchase/debt	62,086	60,284
Interest receivable	500	-	Unearned revenue	27,445	27,445
Total current assets	<u>3,631,500</u>	<u>4,527,130</u>	Total current liabilities	<u>828,648</u>	<u>509,024</u>
Restricted investments:			Current liabilities (payable from restricted assets):		
Construction fund	5,136,244	7,315,986	Current portion of bonds payable	1,655,000	1,635,000
Debt service accounts	626,149	596,502	Bond interest payable	289,015	296,181
Total restricted investments	<u>5,762,393</u>	<u>7,912,488</u>	Total current liabilities (payable from restricted assets)	<u>1,944,015</u>	<u>1,931,181</u>
Capital assets, not being depreciated	2,984,389	464,494	Long-term liabilities:		
Capital assets, net of accumulated depreciation	<u>19,138,951</u>	<u>19,957,563</u>	Accrued compensated absences	365,773	370,691
Total capital assets	<u>22,123,340</u>	<u>20,422,057</u>	Notes payable	114,746	1,550
Other assets:			Financed purchase/debt	129,797	191,883
Cost of sewer capacity improvements (net of amortization of \$390,308 and \$370,356 for 2023 and 2022, respectively)	<u>132,214</u>	<u>152,166</u>	Bonds payable	29,655,000	31,310,000
Total Assets	<u>31,649,447</u>	<u>33,013,841</u>	Unamortized bond premium (discount)	(121,219)	(128,350)
Deferred Outflows of Resources:			Total OPEB liability	369,488	379,139
Deferred charge on refunding	2,790,935	2,955,108	Net pension liability	37,582	386,985
Deferred outflows of resources for pension	83,477	341,246	Total long-term liabilities	<u>30,551,167</u>	<u>32,511,898</u>
Deferred outflows of resources for OPEB	39,929	44,091	Total Liabilities	<u>33,323,830</u>	<u>34,952,103</u>
Total Deferred Outflows of Resources	<u>2,914,341</u>	<u>3,340,445</u>	Deferred Inflows of Resources:		
Total Assets and Deferred Outflows of Resources	<u>\$ 34,563,788</u>	<u>\$ 36,354,286</u>	Deferred inflows of resources for pension	1,665	22,363
			Deferred inflows of resources for OPEB	107,299	62,706
			Total Deferred Inflows of Resources	<u>108,964</u>	<u>85,069</u>
			Net Position:		
			Net investment in capital assets	(1,344,011)	(2,242,816)
			Restricted net position	337,134	300,321
			Unrestricted net position	2,137,871	3,259,609
			Total Net Position	<u>1,130,994</u>	<u>1,317,114</u>
			Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 34,563,788</u>	<u>\$ 36,354,286</u>

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, 2023 AND 2022

	2023	2022
Operating Revenues:		
Sewer rentals	\$ 6,869,237	\$ 7,150,824
Storm water	826,006	-
Total operating revenues	7,695,243	7,150,824
Operating Expenses:		
Sewer system operation	4,748,546	4,322,514
Stormwater system operation	186,322	-
Purchased sewer treatment	1,055,509	1,005,062
Depreciation and amortization	1,405,678	1,398,625
Total operating expenses	7,396,055	6,726,201
Operating Income	299,188	424,623
Nonoperating Revenues (Expenses):		
Interest income	216,287	192,776
Other revenue	67,812	53,749
Interest on sewer revenue bonds and notes payable	(887,812)	(911,769)
Amortization of bond premium	(17,346)	(28,640)
Unrealized gain (loss) on investments	127,951	(121,567)
Total nonoperating revenues (expenses)	(493,108)	(815,451)
Income (Loss) Before Capital Contribution Revenues	(193,920)	(390,828)
Capital Contribution Revenues:		
Tap-in fees	7,800	93,600
Change in Net Position	(186,120)	(297,228)
Net Position:		
Beginning of year	1,317,114	1,614,342
End of year	\$ 1,130,994	\$ 1,317,114

See accompanying notes to financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Cash received from customers	\$ 7,550,764	\$ 7,299,086
Cash payments to suppliers	(3,584,924)	(3,770,352)
Cash payments to employees	(2,192,700)	(1,887,010)
Net cash provided by (used in) operating activities	1,773,140	1,641,724
Cash Flows From Noncapital Financing Activities:		
Other	70,978	147,349
Cash Flows From Capital and Related Financing Activities:		
Interest paid on debt	(741,020)	(745,613)
Interest received on restricted bond funds	215,787	192,776
Capital assets and related purchases	(3,087,009)	(1,003,781)
Proceeds from loan issuance	161,806	-
Payment of financed purchase/notes payable	(95,326)	(75,739)
Payment of bond principal	(1,635,000)	(1,620,000)
Net cash provided by (used in) capital and related financing activities	(5,180,762)	(3,252,357)
Cash Flows From Investing Activities:		
(Purchase) sale of investments	2,278,046	892,377
Net cash provided by (used in) investing activities	2,278,046	892,377
Increase (Decrease) in Cash and Cash Equivalents	(1,058,598)	(570,907)
Cash and Cash Equivalents:		
Beginning of year	2,603,111	3,174,018
End of year	\$ 1,544,513	\$ 2,603,111
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 299,188	\$ 424,623
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,405,678	1,398,625
Accounts receivable	(144,479)	141,275
Prepaid expenses	(13,355)	(30,645)
Deferred outflows of resources related to pension	257,769	(229,158)
Deferred outflows of resources related to OPEB	4,162	16,378
Accounts payable	303,626	(81,340)
Accrued payroll	628	34,550
Accrued compensated absences	(4,918)	20,243
Net pension liability	(349,403)	386,985
Total OPEB liability	(9,651)	5,684
Deferred inflows of resources related to pension	(20,698)	(457,571)
Deferred inflows of resources related to OPEB	44,593	12,075
Net cash provided by (used in) operating activities	\$ 1,773,140	\$ 1,641,724

See accompanying notes to financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF FIDUCIARY NET POSITION PENSION TRUST FUND

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>Assets and Deferred Outflows of Resources</u>		
Dividends and interest receivable	\$ 1,531	\$ 1,552
Cash and cash equivalents	48,673	47,777
Investments at fair value:		
Mutual funds	1,633,111	1,561,680
Common stocks	1,795,908	1,434,435
Municipal bonds	-	49,493
Total investments at fair value	3,429,019	3,045,608
Total Assets	\$ 3,479,223	\$ 3,094,937
<u>Liabilities and Net Position</u>		
Liabilities:	\$ -	\$ -
Net Position:		
Restricted for pension benefits	3,479,223	3,094,937
Total Liabilities and Net Position	\$ 3,479,223	\$ 3,094,937

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, 2023 AND 2022

	2023	2022
Additions:		
<hr/>		
Contributions:		
Employer	\$ 93,109	\$ 145,142
Employee	5,280	5,280
	98,389	150,422
Investment income:		
Net appreciation (depreciation) in fair value of investments	467,548	(630,089)
Investment income	44,580	45,902
Investment expenses	(30,245)	(31,594)
	481,883	(615,781)
Total investment income		
	580,272	(465,359)
Deductions:		
<hr/>		
Benefits	187,586	187,586
Administrative expense	8,400	8,950
	195,986	196,536
Change in Fiduciary Plan Net Position	384,286	(661,895)
Net Position:		
<hr/>		
Beginning of year	3,094,937	3,756,832
End of year	\$ 3,479,223	\$ 3,094,937

See accompanying notes to financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

In September of 2023, the Authority onboarded Stormwater Management from West Mifflin Borough. As a Joint Permittee, the Authority developed a pollution reduction plan in accordance with the requirements of the National Pollutant Discharge Elimination System (NPDES) Stormwater Discharges from Small Municipal Separate Storm Sewer Systems Permit MS4. This will result in a pollution reduction in the following watersheds: Streets Run, Homestead Run and the UNT to Monongahela River. These watersheds are located in the Borough of West Mifflin, and impacts the surrounding areas. The installation of best management practices, as indicated in the approved Pollution Reduction Plan for the Joint Permittee, will reduce the impact of sources of pollution, therefor benefiting the residents of West Mifflin, along with the surrounding communities.

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:

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

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 sewer user charges and stormwater fees. 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 \$0 during 2023 and 2022.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Unamortized Premiums (Discounts)

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

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.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 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

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 \$365,773 and \$370,691 for 2023 and 2022, 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, 2023 AND 2022

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 following GASB Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the Authority's financial statements for the year ended December 31, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures), and 103 (Financial Reporting Model Improvements). 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, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, respectively, \$1,211,493 and \$2,160,904 of the Authority’s bank balance of \$1,461,493 and \$2,410,904 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 \$1,329,716 and \$2,398,693 of December 31, 2023 and 2022, 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 \$213,664 and \$203,339 for 2023 and 2022, 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 \$141,203 and \$134,533 for 2023 and 2022, respectively, have no minimum initial investment requirement and have a minimum investment period of one day. The Authority’s investments in PLGIT-Prime of

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

\$72,461 and \$68,806 for 2023 and 2022, 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 \$1,133 and \$1,079 in 2023 and 2022, respectively. 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, 2023, 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	\$ 2,448,970	\$ 2,448,970	\$ -	\$ -	\$ -
U.S. agencies	3,313,423	2,711,417	400,121	104,566	97,319
Total	\$ 5,762,393	\$ 5,160,387	\$ 400,121	\$ 104,566	\$ 97,319

At December 31, 2022, 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	\$ 2,710,131	\$ 2,710,131	\$ -	\$ -	\$ -
U.S. agencies	5,202,357	4,931,013	-	141,134	130,210
Total	\$ 7,912,488	\$ 7,641,144	\$ -	\$ 141,134	\$ 130,210

Investments of \$5,762,393 at December 31, 2023 and \$7,912,488 at December 31, 2022 are included as restricted investments on the statements of net position.

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

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 \$2,448,970 were rated AAAM. The Authority's US Agency investments of \$3,313,423 were rated Aaa at December 31, 2023.

As of December 31, 2022, the Authority's First American Government Obligation Fund money market funds of \$2,710,131 were rated AAAM. The Authority's US Agency investments of \$5,202,357 were rated Aaa at December 31, 2022.

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, 2023:

	Level 1	Level 2	Level 3	Total
Money markets	\$ 2,448,970	\$ -	\$ -	\$ 2,448,970
U.S. agencies	-	3,313,423	-	3,313,423
	\$ 2,448,970	\$ 3,313,423	\$ -	\$ 5,762,393

The Authority has the following fair value measurements as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money markets	\$ 2,710,131	\$ -	\$ -	\$ 2,710,131
U.S. agencies	-	5,202,357	-	5,202,357
	\$ 2,710,131	\$ 5,202,357	\$ -	\$ 7,912,488

Money markets classified in Level 1 of the fair value hierarchy at December 31, 2023 and 2022 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, 2023 and

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

2022 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Pension Trust Fund

At December 31, 2023 and 2022, 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, 2023, the Authority's money market funds of \$48,673 were rated Aaa-mf. As of December 31, 2022, the Authority's money market funds of \$47,777 were rated Aaa-mf.

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, 2023 and 2022, all assets are allocated within the accepted ranges.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The Authority has the following recurring fair value measurements as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 48,673	\$ -	\$ -	\$ 48,673
Mutual funds	1,633,111	-	-	1,633,111
Common stocks	1,795,908	-	-	1,795,908
	\$ 3,477,692	\$ -	\$ -	\$ 3,477,692

The Authority has the following fair value measurements as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 47,777	\$ -	\$ -	\$ 47,777
Mutual funds	1,561,680	-	-	1,561,680
Common stocks	1,434,435	-	-	1,434,435
Municipal bonds	-	49,493	-	49,493
	\$ 3,043,892	\$ 49,493	\$ -	\$ 3,093,385

Cash and cash equivalents, mutual funds, and common stocks classified in Level 1 of the fair value hierarchy at December 31, 2023 and 2022 are valued using prices quoted in active markets for those securities. Municipal Bonds in Level 2 of the fair value hierarchy December 31, 2022 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

4. Capital Assets

A summary of changes in capital assets is as follows:

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at December 31, 2023</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 464,494	\$ 2,749,080	\$ (229,185)	\$ 2,984,389
Capital assets, being depreciated:				
Plant and system	38,281,978	146,628	198,806	38,627,412
Vehicles and equipment	1,732,814	221,679	-	1,954,493
Other capital improvements	1,838,617	-	-	1,838,617
Total capital assets, being depreciated	41,853,409	368,307	198,806	42,420,522
Less accumulated depreciation	(21,895,846)	(1,385,725)	-	(23,281,571)
Total capital assets, being depreciated, net	19,957,563	(1,017,418)	198,806	19,138,951
Total capital assets, net	<u>\$ 20,422,057</u>	<u>\$ 1,731,662</u>	<u>\$ (30,379)</u>	<u>\$ 22,123,340</u>
	<u>Balance at December 31, 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at December 31, 2022</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 82,638	\$ 1,052,967	\$ (671,111)	\$ 464,494
Capital assets, being depreciated:				
Plant and system	37,522,949	89,995	669,034	38,281,978
Vehicles and equipment	1,605,590	127,224	-	1,732,814
Other capital improvements	1,838,617	-	-	1,838,617
Total capital assets, being depreciated	40,967,156	217,219	669,034	41,853,409
Less accumulated depreciation	(20,518,672)	(1,377,174)	-	(21,895,846)
Total capital assets, being depreciated, net	20,448,484	(1,159,955)	669,034	19,957,563
Total capital assets, net	<u>\$ 20,531,122</u>	<u>\$ (106,988)</u>	<u>\$ (2,077)</u>	<u>\$ 20,422,057</u>

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

5. Long-Term Debt

Current interest bonds payable at December 31, 2023 and 2022 are composed of the following individual issues:

	Balance December 31, 2022	New Issues	Payments	Refunded	Balance December 31, 2023	Due Within One Year
Bonds Payable	\$ 32,945,000	\$ -	\$ 1,635,000	\$ -	\$ 31,310,000	\$ 1,655,000

	Balance December 31, 2021	New Issues	Payments	Refunded	Balance December 31, 2022	Due Within One Year
Bonds Payable	\$ 34,565,000	\$ -	\$ 1,620,000	\$ -	\$ 32,945,000	\$ 1,635,000

	At December 31st	
	2023	2022
Sewer Revenue Bonds, Refunding Series of 2020A, due in annual principal installments or mandatory sinking fund payments through August 1, 2035.	\$ 21,310,000	\$ 22,945,000
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
	31,310,000	32,945,000
Less: current portion	(1,655,000)	(1,635,000)
Total bonds payable - long-term	\$ 29,655,000	\$ 31,310,000

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 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.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 2023 and 2022, the Authority was not in compliance with the rate covenant, as its operating surplus was less than 110% of the debt service requirements.

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

December 31,	Principal	Interest	Total
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	1,735,000	619,302	2,354,302
2028	1,765,000	586,822	2,351,822
2029-2033	9,445,000	2,316,087	11,761,087
2034-2038	10,700,000	1,061,508	11,761,508
2039-2040	2,625,000	70,300	2,695,300
	\$ 31,310,000	\$ 6,668,800	\$ 37,978,800

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Vactor – Financed Purchase

Current financed purchases at December 31, 2023 and 2022 are composed of the following:

	Balance December 31, 2022	New Loans	Payments	Balance December 31, 2023	Due Within One Year
Vactor	\$ 252,167	\$ -	\$ 60,284	\$ 191,883	\$ 62,086

	Balance December 31, 2021	New Loans	Payments	Balance December 31, 2022	Due Within One Year
Vactor	\$ 310,701	\$ -	\$ 58,534	\$ 252,167	\$ 60,284

In August 2020, The Authority entered into a financing agreement with KS StateBank to finance the purchase of a Vactor truck, bearing interest at 2.9%. Payments are to be made to KS StateBank annually through fiscal year 2026. The outstanding balance of the loan is \$191,883 and \$252,167 at December 31, 2023 and 2022, respectively.

The following summarizes the required payments for the Vactor Financed Purchase:

December 31,	Principal	Interest	Total
2024	\$ 62,086	\$ 5,737	\$ 67,823
2025	63,943	3,881	67,824
2024	65,854	1,969	67,823
	191,883	\$ 11,587	\$ 203,470
Current portion	62,086		
Financed purchased/debt	\$ 129,797		

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Direct Borrowings

Current direct borrowings at December 31, 2023 and 2022 are composed of the following:

	Balance December 31, 2022	New Loans	Payments	Balance December 31, 2023	Due Within One Year
Direct borrowings	\$ 19,316	\$ 161,806	\$ 35,042	\$ 146,080	\$ 31,334
	Balance December 31, 2021	New Loans	Payments	Balance December 31, 2022	Due Within One Year
Direct borrowings	\$ 36,521	\$ -	\$ 17,205	\$ 19,316	\$ 17,766

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 \$1,550 and \$19,316 at December 31, 2023 and 2022, respectively.

In January 2023, FNB approved a \$83,225 loan at an interest rate of 5.75%. Principal and interest payments of \$1,602 are due monthly until the maturity date of January 4, 2028. The outstanding balance of the loan is \$69,423 at December 31, 2023.

In May 2023, FNB approved a \$30,818 loan at a interest rate of 5.25%. Principal and interest payments of \$586 are due monthly until the maturity date of May 5, 2028. The outstanding balance of the loan is \$27,482 at December 31, 2023.

In December 2023, FNB approved a \$47,763 loan at an interest rate of 5.58%. Principal and interest payments of \$916 are due monthly until the maturity date of December 27, 2028. The outstanding balance of the loan is \$47,625 at December 31, 2023.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The following summarizes the required future payments for above PWSA and FNB loans:

December 31,	Principal	Interest	Total
2024	\$ 31,334	\$ 7,429	\$ 38,763
2025	31,615	5,686	37,301
2026	33,397	3,858	37,255
2027	35,331	1,924	37,255
2028	14,403	375.00	14,778
	146,080	\$ 19,272	\$ 165,352
Current portion	31,334		
Notes Payable	\$ 114,746		

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.

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

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

As of December 31, 2023, 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	5
Total	<u>31</u>

As of December 31, 2022, 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	5
Total	<u>31</u>

Benefits Provided

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.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 2023, the Authority paid the calculated MMO of \$93,109 into the plan. During 2022, the Authority paid the calculated MMO of \$145,142 into the plan.

Net Pension Liability (Asset)

Measurement Date – The Authority’s net pension liability (asset) was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2023. The Authority’s net pension liability (asset) was measured as of December 31, 2022, 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	2.00%

Pub-2010 (General, MP-2021) Mortality Table

Changes in Actuarial Assumptions – For the January 1, 2023 actuarial valuation, there were no changes in the actuarial assumptions.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

There were no changes of benefit terms.

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 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, 2023 and 2022:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equities	45%	8.49%
International Equities	5%	3.21%
Fixed Income	45%	2.41%
Cash & Cash Equivalents	5%	0.37%
	100%	

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, 2023 and 2022, the annual money-weighted rate of return on the plan investments, net of investment expense, was 15.87% and -16.52% respectively.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Concentrations – The plan had no investment concentrations at December 31, 2023 and 2022.

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.

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 Liability (Asset)
Balances at 12/31/22	\$ 3,481,922	\$ 3,094,937	\$ 386,985
Changes for the year:			
Service cost	42,558	-	42,558
Interest	179,695	-	179,695
Employer contributions	-	93,109	(93,109)
Member contributions	-	5,280	(5,280)
Net investment income (loss)	-	481,883	(481,883)
Change of assumptions	-	-	-
Benefits payments, including refunds of employee contributions	(187,586)	(187,586)	-
Differences between expected and actual experience	216	-	216
Other changes	-	-	-
Administrative expenses	-	(8,400)	8,400
Balances 12/31/23	\$ 3,516,805	\$ 3,479,223	\$ 37,582

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balances at 12/31/21	\$ 3,455,208	\$ 3,756,832	\$ (301,624)
Changes for the year:			
Service cost	39,410	-	39,410
Interest	178,123	-	178,123
Employer contributions	-	145,142	(145,142)
Member contributions	-	5,280	(5,280)
Net investment income (loss)	-	(615,781)	615,781
Change of assumptions	6,756	-	6,756
Benefits payments, including refunds of employee contributions	(187,586)	(187,586)	-
Differences between expected and actual experience	(9,989)	-	(9,989)
Other changes	-	-	-
Administrative expenses	-	(8,950)	8,950
Balances 12/31/22	\$ 3,481,922	\$ 3,094,937	\$ 386,985

The plan fiduciary net position as a percentage of total pension liability for the years ended December 31, 2023 and 2022 were 98.93% and 88.89% 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, 2023 and 2022:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability - 2023	\$ 435,524	\$ 37,582	\$ (299,536)
	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability (Asset) - 2022	\$ 788,764	\$ 386,985	\$ 47,481

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – For the years ended December 31, 2023 and 2022, the Authority recognized pension expense of (\$19,223) and \$147,022 respectively.

At December 31, 2023, 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	\$ 118	\$ 1,665
Change of assumptions	1,126	-
Net difference between projected and actual earnings on pension plan investments	82,233	-
	\$ 83,477	\$ 1,665

At December 31, 2022, 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	\$ 36	\$ 21,694
Change of assumptions	3,941	669
Net difference between projected and actual earnings on pension plan investments	337,269	-
	\$ 341,246	\$ 22,363

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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:

2024	\$ 3,643
2025	44,876
2026	97,794
2027	<u>(64,501)</u>
	<u>\$ 81,812</u>

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. 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.

As of December 31, 2023, the following employees were covered by the benefit terms:

Current retired participants receiving OPEB benefits	0
Active participants	<u>27</u>
	<u><u>27</u></u>

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

As of December 31, 2022, the following employees were covered by the benefit terms:

Current retired participants receiving OPEB benefits	0
Active participants	27
	<hr/>
	27
	<hr/> <hr/>

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.

Total OPEB Liability

Measurement Date – The Authority’s total OPEB liability of \$369,488 was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2023.

The Authority’s total OPEB liability of \$379,139 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods in the measurement:

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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	3.75%
Discount rate	3.72% per year
Healthcare cost trend rates	5.00% for 2024; Based on actual experience Projections for years after 2024 based on Getzen Model (v 2022_1f)
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-2021

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study as of January 1, 2022.

Changes in Actuarial Assumptions – For the January 1, 2022 actuarial valuation, the discount rate was updated to 3.72% from 2.06% and results from the last valuation date of 1/1/22 were rolled forward to 12/31/22 with liabilities adjusted for the updated discount rate.

There were no changes of benefit terms.

Discount Rate – The discount rate used to measure the total OPEB liability was based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the Total OPEB Liability – Changes in the Authority's total OPEB liability are as follows:

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Total OPEB Liability	
	2023	2022
Balance at January 1,	\$ 379,139	\$ 373,455
Changes for the year:		
Service cost	37,311	28,377
Interest	7,810	7,721
Actual and expected differences	(6,481)	6,335
Changes of assumptions	(48,291)	(18,199)
Benefit payments	-	(18,550)
Net changes	<u>(9,651)</u>	<u>5,684</u>
Balance at December 31,	<u>\$ 369,488</u>	<u>\$ 379,139</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Authority, calculated using the discount rates described above, 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, 2023 and 2022:

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB liability - 2023	\$ 397,674	\$ 369,488	\$ 343,802
	1% Decrease (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB liability - 2022	\$ 409,957	\$ 379,139	\$ 351,158

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, 2023 and 2022:

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	1% Decrease (0.30%)	Trend Rate (1.30%)	1% Increase (2.30%)
Total OPEB liability - 2023	\$ 333,380	\$ 369,488	\$ 421,468
	1% Decrease (0.30%)	Trend Rate (1.30%)	1% Increase (2.30%)
Total OPEB liability - 2022	\$ 343,189	\$ 379,139	\$ 421,875

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the years ended December 31, 2023 and 2022, the Authority recognized OPEB expense of \$39,104 and \$34,137, respectively.

At December 31, 2023 and 2022, the Authority reported deferred outflows and inflows of resources related to OPEB as follows:

	December 31, 2023		December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,154	\$ 37,613	\$ 6,701	\$ 35,075
Change of assumptions	33,775	69,686	37,390	27,631
Employer payments for OPEB subsequent to measurement date and before fiscal year end	-	-	-	-
Total	\$ 39,929	\$ 107,299	\$ 44,091	\$ 62,706

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

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Year Ending December 31:

2024	\$	(6,017)
2025		(6,017)
2026		(6,017)
2027		(6,017)
2028		(6,017)
2029 and after		<u>(37,285)</u>
	\$	<u>(67,370)</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, 2023, 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 \$126,041 and \$105,524 at December 31, 2023 and 2022, respectively. 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 Streets Run Trunk Sewer Rehabilitation Project. As part of this agreement, the Authority

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 debt is recorded in Notes Payable in the statement of net position.

10. Commitments and 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.

The Authority had approximately \$2,300,000 of construction commitments related to Pump station improvements at December 31, 2023.

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (Asset):									
Service cost	\$ 42,558	\$ 39,410	\$ 43,048	\$ 48,725	\$ 38,115	\$ 38,869	\$ 27,752	\$ 27,787	\$ 27,835
Interest	179,695	178,123	179,474	179,206	180,269	184,353	191,399	188,551	189,475
Differences between expected and actual experience	216	(9,989)	(50,848)	1,071	14,325	(119,411)	(126,698)	(5,953)	(70,439)
Changes of assumptions	-	6,756	-	(20,718)	469,739	-	71,010	-	-
Benefit payments, including refunds of member contributions	(187,586)	(187,586)	(198,378)	(195,372)	(171,225)	(167,702)	(172,829)	(158,756)	(168,826)
Net Changes in Total Pension Liability (Asset)	34,883	26,714	(26,704)	12,912	531,223	(63,891)	(9,366)	51,629	(21,955)
Total Pension Liability (Asset) - Beginning	3,481,922	3,455,208	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>\$ 3,516,805</u>	<u>\$ 3,481,922</u>	<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	\$ 93,109	\$ 145,142	\$ 146,000	\$ 148,369	\$ 138,334	\$ 168,085	\$ 168,634	\$ 194,661	\$ 188,271
Contributions - member	5,280	5,280	5,060	6,380	7,200	7,340	6,720	9,120	9,120
Net investment income (loss)	481,883	(615,781)	439,552	362,618	516,001	(73,492)	301,267	136,462	(15,918)
Benefit payments, including refunds of member contributions	(187,586)	(187,586)	(198,378)	(195,372)	(171,225)	(167,702)	(172,829)	(158,756)	(168,826)
Administrative expense	(8,400)	(8,950)	(7,750)	-	-	(8,900)	(3,575)	(12,462)	-
Other	-	-	-	-	-	-	772	-	-
Net Change in Plan Fiduciary Net Position	384,286	(661,895)	384,484	321,995	490,310	(74,669)	300,989	169,025	12,647
Plan Fiduciary Net Position - Beginning	3,094,937	3,756,832	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>\$ 3,479,223</u>	<u>\$ 3,094,937</u>	<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>\$ 37,582</u>	<u>\$ 386,985</u>	<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)	<u>98.9%</u>	<u>88.9%</u>	<u>108.7%</u>	<u>96.9%</u>	<u>87.9%</u>	<u>87.1%</u>	<u>87.8%</u>	<u>77.5%</u>	<u>73.1%</u>
Covered Payroll	<u>\$ 925,115</u>	<u>\$ 917,417</u>	<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	4.06%	42.18%	-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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 93,109	\$ 145,142	\$ 146,000	\$ 148,369	\$ 138,334
Contributions in relation to the actuarially determined contribution	93,109	145,142	146,000	148,369	138,334
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 921,962</u>	<u>\$ 895,245</u>	<u>\$ 948,148</u>	<u>\$ 972,676</u>	<u>\$ 1,119,900</u>
Contributions as a percentage of covered payroll	10.10%	16.21%	15.40%	15.25%	12.35%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 168,085	\$ 168,634	\$ 194,661	\$ 188,271	\$ 157,102
Contributions in relation to the actuarially determined contribution	168,085	168,634	194,661	188,271	157,102
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,155,407</u>	<u>\$ 1,347,313</u>	<u>\$ 1,666,172</u>	<u>\$ 1,496,897</u>	<u>\$ 1,385,242</u>
Contributions as a percentage of covered payroll	14.55%	12.52%	11.68%	12.58%	11.34%

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>2023</u>	<u>2022</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	15.87%	-16.52%	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*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service cost	\$ 37,311	\$ 28,377	\$ 25,405	\$ 21,986	\$ 23,080	\$ 22,312
Interest	7,810	7,721	9,097	13,693	11,552	10,711
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experiences	(6,481)	6,335	992	(45,461)	-	-
Changes of assumptions	(48,291)	(18,199)	17,392	29,473	(16,031)	-
Benefit payments	-	(18,550)	(22,847)	(22,136)	(17,110)	-
Net Change in Total OPEB Liability	(9,651)	5,684	30,039	(2,445)	1,491	33,023
Total OPEB Liability - Beginning	379,139	373,455	343,416	345,861	344,370	311,347
Total OPEB Liability - Ending	<u>\$ 369,488</u>	<u>\$ 379,139</u>	<u>\$ 373,455</u>	<u>\$ 343,416</u>	<u>\$ 345,861</u>	<u>\$ 344,370</u>

* 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, 2023

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	1/1/2023
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	2.00%
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.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

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	1/1/2022
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	3.75%
Discount rate	3.72% per year
Healthcare cost trend rates	5.10% for 2023; Based on actual experience Projections for years after 2023 based on Getzen Model (v 2022_1f)
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-2021

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, 2023 measurement rolled forward from the previous measurement date of December 31, 2022. These changes include a increase in discount rate from 2.06% to 3.72%.

Changes were made to the actuarial assumptions used in the December 31, 2022 measurement rolled forward from the previous measurement date of December 31, 2021. These changes include a decrease in discount rate from 2.12% to 2.06%.

SUPPLEMENTARY INFORMATION

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

ANALYSIS OF OPERATING REVENUES AND EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating Revenues:		
Sewage rentals	\$ 6,869,237	\$ 7,150,824
Storm water	826,006	-
Total operating revenues	\$ 7,695,243	\$ 7,150,824
Operating Expenses:		
Sewer system operation:		
Sewage treatment plants	\$ 496,296	\$ 387,710
Utilities	573,233	453,323
Sewer crew expenses	90,051	21,692
Pretreatment expenses	15,717	9,351
Payroll	2,192,700	1,887,010
Payroll taxes	176,343	143,827
Benefits	593,615	724,890
Office supplies	24,145	34,945
Communications	15,422	28,943
Postage	2,133	1,141
Advertisements	2,524	2,597
Fee collection costs	220,244	220,830
Engineering fees	26,430	121,180
Insurance	209,212	188,919
Seminars	1,574	-
Professional services	53,683	56,167
Miscellaneous expenses	55,224	39,989
Stormwater system operation:		
Stormwater treatment plants	24,318	-
Stormwater crew expense	306	-
Office supplies	120	-
Advertisements	323	-
Fee Collection costs	15,723	-
Engineering fees	119,495	-
Professional services	26,037	-
Purchased sewer treatment	1,055,509	1,005,062
Depreciation and amortization	1,405,678	1,398,625
Total operating expenses	\$ 7,396,055	\$ 6,726,201