

Western Westmoreland Municipal Authority

Audited Financial Statements

Years ended December 31, 2021 and 2020

Western Westmoreland Municipal Authority

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Independent Auditors' Report

Board of Directors
Western Westmoreland Municipal Authority
12441 Route 993
North Huntingdon, Pennsylvania 15642

Opinion

We have audited the accompanying statements of the business-type activities of the Western Westmoreland Municipal Authority as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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 Western Westmoreland Municipal Authority and to meet our other ethical responsibilities, in accordance with 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 Western Westmoreland Municipal Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 opinion. 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 Western Westmoreland Municipal 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 Western Westmoreland Municipal Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 15 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 audit of the basic financial statements.

Required Supplementary Information (Continued)

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 an opinion on the financial statements of Western Westmoreland Municipal Authority. The supplemental Schedules of Operating and Administrative Expenses and Investments Held by Trustee are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental Schedules of Operating and Administrative Expenses and Investments Held by Trustee are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2022 on our consideration of the Western Westmoreland Municipal Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Western Westmoreland Municipal Authority's internal control over financial reporting and compliance.

Opst and Associates, LLC

August 18, 2022



Western Westmoreland Municipal Authority

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North Huntingdon, PA 15642
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June 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Board Members of the WESTERN WESTMORELAND MUNICIPAL AUTHORITY

As management of Western Westmoreland Municipal Authority (WWMA), we offer the readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2021.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to WWMA's basic financial statements. Since WWMA is engaged in only business type activities, its basic financial statements are comprised of only two components: (1) enterprise fund financial statements and (2), notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

ENTERPRISE FUND FINANCIAL STATEMENTS, in general, are designed to provide readers with a broad view of WWMA's finances in a manner similar to a private-sector business and contain the following components:

The **STATEMENT OF NET POSITION** presents information on WWMA's assets and liabilities, with the difference being reported as Total Net Position. Over time, increases and/or decreases in Total Net Position may serve as a useful indicator as to whether the financial position of WWMA is remaining the same, improving or deteriorating.

The **STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION** presents information showing how WWMA's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the resultant cash flow. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The **STATEMENT OF CASH FLOWS** provides information in regard to WWMA's net increase (decrease) in cash and cash equivalents and reconciles operating income (loss) to net cash yielding net cash provided (used) by operating activities.

NOTES TO THE FINANCIAL STATEMENTS provides additional descriptive information essential to fully understanding the data provided in the financial statements. Items discussed include: (1) Reporting Entity, (2) Summary of Significant Accounting Policies, (3) Cash and Investments, (4) Sewer Charges Receivable, (5) Property, Plant and Equipment, (6) Rights of Way, (7) Unamortized Bond Issue Cost, (8) Sewer Revenue Bonds, (9) PENNVEST Loans, (10) EDU Studies, (11) Escrow – National Waste and Energy Corporation (Mid America Waste Systems), (12) Pension Plan, (13) Compensated Absences, (14) Related Parties, (15) Other Post-Employment Benefits, and (16) Contingent Liabilities.

In addition to the above, this Audit also contains the Auditor's Report on WWMA's Internal Control over Financial Reporting and Compliance with Other Matters as well as their performance of said audit in accordance with generally accepted auditing standards.

Discussion on Major Activities Affecting Long Term Debt:

Cavittsville-Ardara Service Area:

On April 15, 2004, WWMA entered into a Consent Order & Agreement (CO&A) with the Pennsylvania Department of Environmental Protection (PaDEP) for the Cavittsville-Ardara (C-A) portion of its service area that is tributary to the Allegheny County Sanitary Authority (ALCOSAN) System. As of December 31, 2016, WWMA had completed all its requirements under this CO&A.

As a continuing requirement of ALCOSAN's Consent Decree with the US EPA and the communities it serves, WWMA was notified by the PaDEP on July 20, 2015 that it is being required to enter into a Phase I CO&A to perform certain sewage flow studies, sewer line assessments and completion of a demonstration project that will reduce overall inflow/infiltration into the system tributary to ALCOSAN. Due to pending litigation and sale of the C-A System, the Department was notified that WWMA would not be entering into this Phase I CO&A

Additionally, due to various differences that have arisen between WWMA and the North Huntingdon Township Municipal Authority (NHTMA) as to the transportation and treatment of sewage in the C-A Service Area, and to settle ongoing litigation between the two parties in that regard, NHTMA, agreed to acquire from WWMA all its physical facilities located within the C-A Service Area and to generally provide sewage collection services within the C-A Service Area. It should be noted that the PaDEP Water Quality Management Permit for the C-A System was transferred to NHTMA effective March 3, 2017.

To finally settle and discontinue the lawsuit, the sale and transaction were completed on November 9, 2020. As a result, WWMA will no longer be involved with ALCOSAN regarding payments for sewer service, its Consent Decree, or the PaDEP for the C-A Service Area.

Brush Creek Service Area:

On June 29, 2010, the Pa Department of Environmental Protection issue a Corrective Action Plan (CAP) and a Tap Allocation Plan (TAP) request to WWMA. As a result of this CAP, WWMA entered into a CO&A with the PaDEP on September 11, 2011 to plan, design, construct and operate certain system improvements to eliminate all sanitary sewer overflows (SSO's) and combined sewer overflows (CSO's) from its interceptor sewer system and the Brush Creek Treatment Plant by

December 2017. Due to the extent and magnitude of the overall project, the Department agreed to the First Amendment to the CO&A implementation schedule, dated April 24, 2014, which extend the completion date to May 29, 2020.

The implementation of the CO&A consists of three (3) construction phases:

- Phase I – Pump Station and Equalization Project consists of the construction of a 45 Million Gallon per Day (MGD) raw sewage headworks pump station and screening facility to service the treatment plant and a new 7.0 MG equalization storage tank, new dual electrical services, a new odor control unit for the pump station and EQ tank and other miscellaneous plant improvements including replacement of existing odor control units and process piping at the existing treatment plant.

TOTAL PHASE I PROJECT COSTS AS OF 12/31/2021 \$32,106,847.23

It should be noted that the Authority has self-funded all other project related costs including Land & Rights-of Way acquisition costs, permitting fees, Construction Management & Construction Observation costs and Owner Controlled Insurance Program (OCIP) costs associated with Phase I. On January 29, 2019, the Authority extended the term of the OCIP coverage through May 31, 2019, at an additional cost of \$6,034.00.

PHASE I FINAL CONTRACT CLOSEOUT AND PROJECT COMPLETION DATES:

- Contract 1 – General Construction – Chivers Construction, Inc: Final payment and WWMA acceptance of contractor work approved June 20, 2019
 - Contract 2 – Electrical – Lanco Electric, Inc: Final payment and WWMA acceptance of contractor work approved December 19, 2019
 - Contract 3 – Mechanical/HVA – Wayne Crouse, Inc: Final payment and WWMA acceptance of contractor work approved April 18, 2019
- Phase II – Brush Creek Interceptor Improvements Project consists of the total replacement of approximately 21,000 lineal feet of 21” to 33” diameter interceptor sewer with 36”, 42” and 48” diameter pipe, numerous creek crossings and several railroad crossings.

TOTAL PHASE II PROJECT COSTS AS OF 12/31/2021 \$13,841,441.29

As with the Phase I Project, the Authority has self-funded all related project costs including the Construction Management & Construction Observation costs and OCIP costs associated with Phase II.

PHASE II FINAL CONTRACT CLOSEOUT AND PROJECT COMPLETION DATES:

- Contract – Greenland Construction, Inc.: Final payment and WWMA acceptance of contractor work approved December 19, 2019
 - Prior to the expiration of the contractor’s two (2) year maintenance bond, WWMA awarded a contract to Insight Pipe Contracting, LLC in the amount \$41,931.14 to perform CCTV inspection of the the Phase II Interceptor. This contract amount is included in the above-mentioned Total Project Costs as of 12/31/2021.
- Phase III – Paintertown, Bushy Run and Manor Interceptor Improvements Project. In

general, this project consists of the total replacement of the above-mentioned interceptors with approximately 9,000 lineal feet of 8” to 12” interceptor sewers with 15” and 18” sewer line, 8,000 lineal feet of 18” interceptor sewer with 30” sewer line, and 820 lineal feet of 12” interceptor sewer with 18” sewer line respectively.

- Bid opening was March 2, 2021 with contract award on March 18, 2021
- Closing for PENNVEST Loan May 12, 2021
- Contractor Notice to Proceed was issued May 19, 2021
- Startup and substantial project completion by March 20, 2023
- Final Project Completion May 19, 2023
- Contract – Kukurin Contracting, Inc. \$ 4,744,447.00
- Contract Change Orders as of 12/31/21: \$ 51,250.79
- Total Construction \$ 4,795,697.79

- Construction Management Service Wade Trim, Inc.:
- Construction Management Services (Office Work) \$ 69,188.32
- Site Observation Fees \$ 68,825.82
- Evaluation of A-2000 Pipe \$ 3,046.72
- Miscellaneous Support \$ 449,636.70
- Total as of 12/31/2021 \$ 590,697.56
- Legal \$ 28,578.50
- Land & Right-of-Way \$ 212,692.53
- Interest-During-Construction \$ 0.00
- Permit Fees \$ 11,185.00
- PennDOT Road Maintenance Bond \$ 30,000.00
- Miscellaneous \$ 21,468.67

TOTAL PHASE III PROJECT COSTS AS OF 12/31/2021 (*) \$ 5,690,320.05

*Includes Construction Costs paid thru 12-31-2021 of \$ 2,513,013.61

As with both Phase I and Phase II, the Authority has self-funded all other project related costs, including the Construction Management & Construction Observation costs associated with Phase III.

On May 3, 2018, the PaDEP granted to WWMA a 2nd Amendment of the CO&A Agreement that essentially extends the start of the Phase III Project by 18 months. This extension was due to numerous concerns that WWMA had, including, the difficulty in overseeing three (3) major construction projects at the same time, the need for additional time in order to obtain some fifty-six (56) required rights-of-way and easements, and a revision to the construction schedule that would place construction during summer and fall months, resulting in a more efficient construction period. As a result of the 2nd Amendment, the revised construction schedule for Phase III was as follows:

- Advertise and award construction contracts beginning July – December 2019
- Estimated construction duration 19 months beginning May 2020
- Completion and startup by December 2021

Due to extremely difficult construction conditions, excessive rain and severe weather conditions causing several flash floods during 2018 and 2019, the Authority Board of Directors authorized the General Manager to submit a request to the PaDEP for a 3rd Amendment to the CO&A Agreement. This Amendment request includes an additional 12-month extension that would provide for advertising for bids in August 2020 with a construction start in April 2021 with project completion by June 2023. A draft 3rd Amendment was received from the Department on November 8, 2019. On December 10, 2019, WWMA requested several minor revisions to the proposed third Amendment received from the Department on November 8, 2019.

Additionally, due to the COVID-19 pandemic being declared in early 2020, WWMA requested a delay in implementing the proposed 3rd Amendment schedule and subsequently submitted a proposed revised schedule on September 30, 2020. The Department accepted those proposed revisions and thereafter provided a draft Third Amendment. That Amendment was signed by WWMA in June 16, 2021 and fully executed by the Department on July 15, 2021 providing for the following schedule:

- Advertise and award construction contracts January – May 2021
- Construction period September 2021 – September 2023
- Startup and Operation of Facilities – December 1, 2023
- Post Construction Compliance Monitoring Plan - May 2023

Phase I, Phase II, and Phase III Project Financing:

In order to finance Phase I of the CO&A Improvements Project, the Authority applied for and was awarded a PENNVEST loan in the amount of \$19,939,100.00. This amount represented approximately 48% of the total projected project costs. The Owner-Controlled Insurance Program policy and the three actual construction bids were lower than anticipated, and, as a result, PENNVEST reduced its funding offer to \$16,231,029.00, while maintaining the 48% funding level. Closing for the PENNVEST loan occurred on March 31, 2016. To fund the remaining portion of Phase I, the Authority issued two series of sewer revenue bonds in 2015, and a third on January 6, 2016. The first issue (Series of 2015A, dated November 5, 2015, in the amount of \$8,215,000.00) refunded the two prior bond issues (Series of 2010A and Series of 2010B), in order to level debt service payments for existing debt and future debt related to the COA Project. The Authority also realized a present value savings of \$510,194.14 as a result of the refunding. The second bond issue (Series of 2015B, dated December 9, 2015, in the amount of \$9,570,000.00), and the third bond issue (Series of 2016, dated January 6, 2016, in the amount of \$7,585,000.00) provided the remaining necessary Phase I funding. The additional funding for the Phase I project was divided into two bond issues in order to secure bank-qualified status on the bond issues. It should also be noted that the PENNVEST Loan is subordinate to the above referenced bonds.

On October 15, 2021, the Authority refunded its three existing bond issues with the Series of 2021A Sewer Revenue Bonds, resulting in a present value savings of \$2,915,153.00, and enabling the Authority to maintain level debt service payments with the additional debt that was incurred for the COA-Phase III Project.

In order to finance the Phase II Brush Creek Interceptor Improvements Project, the Authority applied for a PENNVEST loan in the amount of \$17,323,250.00 on November 17, 2016. On January 25,

2017, PENNVEST presented WWMA with a full funding offer, which would cover construction costs for Phase II of the COA Project. Due to the construction bid coming in lower than what was anticipated, PENNVEST lowered their funding offer to \$14,177,020.00, while still maintaining 100% funding for the construction portion of the project. Closing for the PENNVEST loan, that is also subordinate the above referenced bonds, occurred on September 26, 2017.

Phase III CO&A Project Financing:

Similar to the Phase II Project, WWMA applied for a low interest loan thru PENNVEST for the full estimated project construction cost of \$10,500,000.00 (plus a 5% contingency allowance of \$525,000.00), while self-funding approximately \$1.54 Million in related project costs. PENNVEST issued a funding offer in the amount of \$11,025,000.00. Project bids were opened on March 3, 2021. The lowest responsible bid amount was \$4,744,447.00. At the March 18, 2021 regular Board meeting, the WWMA Board of Directors authorized the use \$2,000,000.00 of Capital Reserves from the Capacity Fee Account and/or the Penn Township Expansion Guarantee Account to reduce the amount of the PENNVEST loan. The low bid and WWMA's equity contribution reduced the PENNVEST loan amount to \$2,744,447.00, plus an estimated 7.5% contingency (\$355,833.00), on the total construction cost, for a total PENNVEST loan amount of \$3,100,280.00. The PENNVEST loan closing occurred on May 12, 2021.

Brush Creek Treatment Plant NPDES Discharge Permit:

On May 26, 2017, the PaDEP issued to WWMA its new National Pollution Discharge Elimination System (NPDES) discharge permit effective June 1, 2017 through May 31, 2022. In order to meet more stringent treatment requirements in its Permit related to monitoring and reporting of ammonia-nitrogen, total nitrogen, total phosphorus (report only) and reduced residual chlorine limits and Whole Effluent Toxicity (WET) testing, additional plant performance testing was performed by WWMA staff. Results of this additional testing, as well as these more stringent permit discharge requirements, have been submitted to the Authority's consulting engineer, who completed a plant modeling program to evaluate various process controls and the effects those controls would have on plant performance. Additionally, WWMA was required to complete a Toxic Reduction Evaluation (TRE) due to two failed WET tests to identify the source of pollutant (ammonia-nitrogen) that caused said test failures. These findings, in addition to a Basis of Design evaluation currently being performed could result in certain process improvements being required, including capital improvements to the plant's aeration, final clarification, final effluent disinfection systems, and solids processing anaerobic digester units, as well as the addition of a chemical feed system to improve nutrient removal and solids settling.

Additional information regarding WWMA's Long Term Debt can be found in Notes 3, 5, 7 and 8 of the Audit Report.

Sewer Charges and Sewer Rate History:

Note 4: Sewer Charges Receivable of the Notes to the Financial Statements describes how WWMA receives payment for services rendered to member municipalities:

The Authority covenants and agrees in its Trust Indenture for its current bonds (Series of 2015A), First Supplemental Trust Indenture (Series of 2015B), Second Supplemental Trust Indenture (Series of 2016), and Third Supplemental Trust Indenture (Series of 2021A) that

it will adopt, charge, maintain and collect rates, rents and other charges upon the owners of improved property connected to the sewer system for services rendered and that such sewer rates and other charges imposed will be established so that the amounts received therefrom in each fiscal year of the Authority, together with money otherwise estimated to be available under the provisions of the Indenture for other purposes, will be sufficient:

- a. To pay the reasonable operation, maintenance and administration costs of the Authority in that fiscal year;
- b. To provide an amount equal to 110% of each fiscal year's current annual debt service requirement on the bonds, and any other bonds issued under the Indenture on parity with the bonds;
- c. To pay all amounts due in that fiscal year on any other obligation of the Authority having a claim on the receipts and revenues of the Authority;

If at any time rates are inadequate to satisfy the rate covenant, the Authority will immediately revise its rates and charges to remedy the inadequacy.

User rates (residential and non-residential customers) are uniform for those customers that are within the WWMA Brush Creek Service area and for those customers within the Cavettsville-Ardara Service area respectively. The Service Agreement between WWMA and its member municipalities allows for special rates to be applied to any one of the participating member municipalities if special circumstances warrant, such as a capital addition that only benefits one or more, but less than all of the service municipalities. Up until October 30, 2007, when the Authority Board approved Resolution No. 2007-05 establishing a separate rate district for the Cavettsville-Ardara Area, all customers of WWMA were charged the same sewer rate. This rate district was formed in anticipation of significant rate increases from the Allegheny County Sanitary Sewer Authority (ALCOSAN) to meet its obligations under its Consent Decree with the United States Environmental Protection Agency. By virtue of Resolution 2016-06 whereby the Authority adopted the Seventh Amendment to the Service Agreement, and the sale of the C-A System to NHTMA, together with the adoption of Resolution 2019-02 whereby certain terms and conditions of the original ALCOSAN Agreement was amended, Resolution 2007-05 is now mute.

Brush Creek Service Area:

Resolution No. 2015-13 adopted October 20, 2015 supplemented and amended the sewer rates in the Brush Creek System, in order to ensure that debt service costs associated with the CO&A Phase I Project were maintained. This rate increase was phased in over a two-year period in an effort to minimize the effect on the ratepayers. Effective with the service date of January 1, 2016, the sewer rates were increased by \$2.50 per month, per EDU. The second half of the rate increase became effective with the service date of October 1, 2016 and increased the rate by \$2.50 per month, per EDU. Resolution No. 2021-05 adopted on April 15, 2021 supplemented and amended the sewer rates in the Brush Creek System, in order to ensure that debt service costs associated with the COA-Phase III Project were maintained.

Since WWMA's incorporation on February 29, 1972, there have been only nine rate increases to the Brush Creek System rates, as listed below:

<u>Effective Date</u>	<u>Cost per Equivalent Dwelling Unit (EDU)</u>	
	<u>Monthly</u>	<u>Annually</u>
February 29, 1972	\$ 6.00/EDU	\$72.00/EDU (Original Rate)
April 1, 1981	\$ 8.00/EDU	\$96.00/ EDU
August 1, 1997	\$10.00/EDU	\$120.00/EDU
January 1, 2002	\$14.00/EDU	\$168.00/EDU
January 1, 2006	\$16.65/EDU	\$199.80/EDU
April 1, 2010	\$20.35/EDU	\$244.20/EDU
January 1, 2013	\$25.35/EDU	\$304.20/EDU
January 1, 2016	\$27.85/EDU	\$334.20/EDU
October 1, 2016	\$30.35/EDU	\$364.20/EDU
January 1, 2022	\$31.85/EDU	\$382.20/EDU

Of other importance to note was the rate increase of January 1, 2013. This increase was implemented in anticipation of the requirements of the CO&A approved by the PADEP on September 11, 2011. This increase allowed the Authority to self-fund approximately \$2,170,157.00 in design engineering for the CO&A projects, as well as all related permit fees, land costs and building fees. Afterwards, those funds were used to self-fund the construction management services and OCIP costs related to both Phase I and Phase II construction. Finally, those funds provided for the early pay-off of a previous PENNVEST loan that was related to a wet weather project constructed in 2007. The construction related services for the COA-Phase III Project will be funded likewise.

Brush Creek Service Area Sewer Rates:

It is projected that the current sewer rates for the Brush Creek Service Area will allow the Authority to operate with a positive budget through FY 2022. However, as WWMA is incurring higher than budgeted expenses due to current supply chain issues, together with significantly higher than anticipated inflation rates on treatment chemicals, electrical and natural gas commodities and other operation it is recommended that the current sewer rates be reevaluated and adjusted accordingly. It should also be noted that once the new NPDES Permit is issued later in 2022, additional operating expenses may be incurred as well as the need for significant capital improvements to the treatment facilities.

Credit must be given to the Members of the Board of Directors, management, plant staff and professional consultants of WWMA for their diligence in providing expanded services to customers while facing rising operational costs and new and challenging regulatory issues, all while maintaining stable sewer rates since the Brush Creek Plant began accepting sewage flows on December 28, 1977.

In addition to *Note 10: EDU Studies* of these Financial Statements, the following table presents the Equivalent Dwelling Unit (EDU) history of WWMA since 2016. The average EDUs for each year are listed, as reported in that year's respective Sewer System Annual Report and Budget. The definition of one EDU, as stated in the Service Agreement, is equivalent to either one (1) residential unit or 50,000 gallons of water consumption per year for a non-residential unit.

EQUIVALENT DWELLING UNITS SUMMARY 2016 TO 2021

Member Municipality	2016	2017	2018	2019	2020	2021
North Huntingdon- Brush Creek	6,481	6,440	6,437	6,383	6,275	6,249
North Huntingdon Township- Ardara	282	281	282	282	0*	0*
Irwin Borough	2,577	2,481	2,495	2,461	2,441	2,457
Penn Township	4,895	5,039	5,271	5,092	5,247	5,337
Manor Borough	1,347	1,369	1,369	1,412	1,417	1,406
North Irwin Borough	398	398	398	397	397	398
Hempfield Township	346	355	338	339	331	337
TOTALS	16,326	16,363	16,590	16,630	16,118	16,184

NOTES:

- * The Authority sold the Cavettsville-Ardara Service facilities to the North Huntingdon Township Municipal Authority on November 9, 2021. The EDUs associated with the sale have been excluded from this list of EDUs.
- Reductions in the number of EDUs from year to year are primarily due to fluctuations in commercial and/or industrial water usage.

Summary:

As evident from this Audit Report, Western Westmoreland Municipal Authority has taken actions necessary to respond to regulatory challenges, up-grade and replace its current facilities, and to promote growth and development in its service area by providing additional hydraulic capacity to its sanitary sewer conveyance system. Scheduled systems improvements will further improve facility operations to meet ever demanding regulatory requirements while controlling future operational and maintenance expenses.

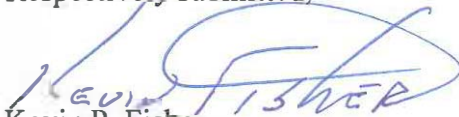
Contact Information:

Any questions regarding this Audit Report should be directed to the General Manager, Western Westmoreland Municipal Authority, 12441 Route 993, North Huntingdon, PA 15642, or by contacting the Finance Director via email at jwtkowski@wwmaweb.com.

Acknowledgments:

I would personally like to thank Mrs. Johanna Wtorkowski, Finance Director and Assistant Secretary-Treasurer for her assistance, dedication, and expertise in preparation for this audit. I would also like to thank Mr. Edward P. Opst, CPA and Ms. Kayla Knupp for their professionalism in completion of this audit.

Respectively submitted,


Kevin P. Fisher
General Manager

Western Westmoreland Municipal Authority

Statements of Net Position

December 31,	2021	2020
Current Assets		
Cash and equivalents held by Authority	\$ 3,236,927	\$ 5,065,385
Cash and equivalents held by Trustee:		
Capital improvement fund	7,280,591	6,845,420
Sewer charges receivable - Note 4	1,413,424	1,407,863
Interest receivable	2,023	899
Prepaid expenses	45,378	42,324
Miscellaneous receivables	12,521	4,535
	11,990,864	13,366,426
Total Current Assets		
Restricted Assets		
Cash and equivalents held by Authority:		
PennVest account	125,239	140,744
Expansion guarantee fund - Project area II	497,786	494,894
Escrow - Mid-America Waste - Note 10	362,337	361,651
Sick pay reserve	286,923	265,383
Cash and equivalents held by Trustee:		
Debt service fund	14,041	4,183
Debt service fund reserve	178,170	1,653
Investments held by Trustee:		
Debt service reserve fund	1,990,223	2,336,976
Assessments receivable	17,934	16,517
	3,472,653	3,622,001
Total Restricted Assets		
Property and Equipment - at cost - net - Note 5	60,955,943	59,307,046
Other Assets		
Net pension asset	1,381,925	401,880
Prepaid bond insurance	41,392	83,582
	1,423,317	485,462
Total Other Assets		
Total Assets	77,842,777	76,780,935
Deferred Outflow of Resources		
Deferred loss on bond refunding - Note 7	205,784	137,963
Deferred outflow of resources - pension - Note 11	424,927	477,274
	630,711	615,237
Total Deferred Outflow of Resources		
	\$ 78,473,488	\$ 77,396,172

December 31,	2021	2020
Current Liabilities		
Accounts payable	\$ 114,338	\$ 92,765
Construction payable	1,114,563	29,643
Current portion of bonds payable - Note 7	825,000	735,000
Current portion of PennVest loans payable - Note 8	1,258,490	1,318,601
Accrued bond interest	113,845	134,411
Accrued PennVest interest	20,360	21,434
Accrued payroll and related liabilities	36,903	34,341
	<u>3,483,499</u>	<u>2,366,195</u>
Total Current Liabilities		
Long-term Liabilities		
Bonds payable - Note 7	17,535,000	19,615,000
Loan payable - PennVest - Note 8	22,452,747	23,642,834
Escrow payable - National Waste and Energy Corporation (Mid America Waste) - Note 10	362,337	361,651
Net OPEB liability - Note 13	391,018	365,751
Long-term sick pay liability - Note 12	300,032	285,449
	<u>41,041,134</u>	<u>44,270,685</u>
Total Long-term Liabilities		
Total Liabilities		
	<u>44,524,633</u>	<u>46,636,880</u>
Deferred Inflow of Resources		
Deferred inflow of resources - pension - Note 11	1,262,601	697,237
	<u>45,787,234</u>	<u>47,334,117</u>
Net Position		
Invested in capital assets - net of related debt	19,620,702	14,696,949
Restricted for debt service	2,182,434	2,342,812
Unrestricted	10,883,118	13,022,294
	<u>32,686,254</u>	<u>30,062,055</u>
Total Net Position		
Total Liabilities and Net Position		
	<u>\$ 78,473,488</u>	<u>\$ 77,396,172</u>

The accompanying notes are an integral part of these financial statements.

Western Westmoreland Municipal Authority

Statements of Revenues, Expenses, and Changes in Fund Net Position

For the Years Ended December 31,	2021	2020
Operating Revenues		
Sewer rentals	\$ 5,902,170	\$ 5,830,549
Sewer rentals - Ardara system	-	114,752
Trafford Borough revenues	-	6,262
Developer review fee income	750	450
Miscellaneous income	2,129	244
Total Operating Revenues	5,905,049	5,952,257
Operating Expenses	3,762,436	3,947,124
Operating Income	2,142,613	2,005,133
Non-Operating Revenues (Expenses)		
Interest and investment income	4,299	52,869
Gain (loss) on sale/abandonment of equipment	13,288	(150,423)
Bond interest	(624,607)	(658,275)
Bond original issue premium	1,306,246	-
PennVest loan interest	(250,247)	(263,902)
Deferred loss	(13,998)	(17,396)
Bond insurance	(1,762)	(2,187)
Total Non-Operating Revenues (Expenses)	433,219	(1,039,314)
Contributions and Transfers		
Tap-ins and assessments	3,367	2,012
Capacity charges	45,000	52,500
Total Contributions and Transfers	48,367	54,512
Change in Net Position	2,624,199	1,020,331
Net Position - Beginning of Year	30,062,055	29,041,724
Net Position - End of Year	\$ 32,686,254	\$ 30,062,055

The accompanying notes are an integral part of these financial statements.

Western Westmoreland Municipal Authority

Statements of Cash Flows

For the Years Ended December 31,	2021	2020
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 5,896,610	\$ 6,005,030
Payments to suppliers and vendors	(1,099,295)	(1,014,595)
Payments to employees	(1,390,480)	(1,475,196)
Other operating revenues	<u>2,877</u>	<u>553</u>
Cash Provided by (Used for) Operating Activities	<u>3,409,712</u>	<u>3,515,792</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from PennVest loans	43,158	4,500
Proceeds from bond issuance - Series 2021A	9,853	-
Purchase of property and equipment	(2,146,024)	(404,699)
Principal payments on bonds	(735,000)	(720,000)
Interest payments on bonds	(645,172)	(661,722)
Principal payments on PennVest loan	(1,293,355)	(1,417,815)
Interest payments on PennVest loan	(251,320)	(265,111)
Customer contributions	46,950	47,170
Proceeds from sale of assets	<u>13,287</u>	<u>253,880</u>
Cash Provided by (Used for) Capital and Related Financing Activities	<u>(4,957,623)</u>	<u>(3,163,797)</u>
Cash Flows from Investing Activities		
Interest and investment income	3,859	78,300
Proceeds from sale of investments	9,243,366	4,595,745
Purchase of investments	<u>(8,896,613)</u>	<u>(4,637,961)</u>
Cash Provided by (Used for) Investing Activities	<u>350,612</u>	<u>36,084</u>
Increase (Decrease) in Cash	(1,197,299)	388,079
Cash and Equivalents - Beginning of Year	<u>13,179,313</u>	<u>12,791,234</u>
Cash and Equivalents - End of Year	<u>\$ 11,982,014</u>	<u>\$ 13,179,313</u>
Cash - Unrestricted	\$ 10,517,518	\$ 11,910,805
Cash - Restricted	<u>1,464,496</u>	<u>1,268,508</u>
Cash and Equivalents - End of Year	<u>\$ 11,982,014</u>	<u>\$ 13,179,313</u>

The accompanying notes are an integral part of these financial statements.

Western Westmoreland Municipal Authority

Statements of Cash Flows (Continued)

For the Years Ended December 31,	2021	2020
Reconciliation of Operating Income to Net Cash		
Provided by (Used for) Operating Activities		
Operating income	\$ 2,142,613	\$ 2,005,133
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation expense	1,631,604	1,636,069
Pension expense	(362,337)	(252,580)
OPEB expense	25,267	34,317
Changes in:		
Accounts receivable	(5,561)	53,468
Miscellaneous receivables	(7,979)	(1,791)
Prepaid expenses	(3,054)	927
Accounts payable	(27,986)	5,164
Accrued payroll and related taxes	<u>17,145</u>	<u>35,085</u>
Cash Provided by (Used for) Operating Activities	<u>\$ 3,409,712</u>	<u>\$ 3,515,792</u>

The accompanying notes are an integral part of these financial statements.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 1 - Reporting Entity

The ("WWMA" or the "Authority") was incorporated as a public corporation of the Commonwealth of Pennsylvania, organized and existing under the Municipal Authority's Act. The Authority has no stockholders and the revenues or other cash received must be disbursed for specific purposes in accordance with the provisions of the trust indenture agreement with the holders of its bonds. The Authority has entered into service agreements with the North Huntingdon Township Municipal Authority, the Borough of Irwin, the Penn Township Sewage Authority, the Borough of Manor, the Hempfield Township Municipal Authority (now Municipal Authority of Westmoreland County), and the North Irwin Borough Municipal Authority. Under such agreements, the Authority will construct a sewage treatment plant and necessary trunk lines appurtenant thereto, for the parties to the service agreements.

The members of the Authority's Board (the "Board"), a ten-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities within the jurisdiction of the Authority. Members are appointed to the Authority's Board by the various authorities that are parties to the service agreement. As such, the members of the WWMA Board may also serve as board members or employees for their appointing authority or municipality.

The Authority is not included in any other governmental "reporting entity", as defined in Section 2100, "Codification of Governmental Accounting and Financial Reporting Standards", since the Board members are appointed by the municipalities which they represent and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The Board has evaluated its relationship with the various municipalities for which service agreements have been entered, to determine if the financial information of those municipalities should be included in the financial statements of the Authority. Based on this evaluation, none of the municipalities have been included as a component unit of the Authority's reporting entity.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units. The most significant accounting policies are summarized below:

Basis of Presentation

The statements of net position and statements of revenues, expenses, and changes in fund net position display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Authority, as a whole, is comprised of only one business type activity (proprietary fund).

Proprietary funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and the measurement of financial activity focuses on net income.

These financial statements include the implementation of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for financial statements for periods beginning after December 15, 2011. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State & Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Deferred outflows of resources are defined as a consumption of net assets by a governmental entity that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred inflows of resources are defined as an acquisition of net assets by a governmental entity that is applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

With the implementation of this Statement, the Authority is required to present a Statement of Net Position which is comprised of three components: net investment in capital assets, a restricted component, and an unrestricted component.

In 2013, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for financial statements for periods beginning after December 15, 2012. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the implementation of GASB 65, a restatement of beginning net position as of December 31, 2013 was made.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

In 2015, the Authority has implemented GASB issued Statement 68, Accounting and Financial Reporting for Pensions - an amendment of GASB 27. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

Measurement Focus

The Authority, as a proprietary fund, is accounted for on a cost of services measurement focus. All assets and liabilities (current and noncurrent) associated with the activity of the Authority are included on its statements of net position.

Basis of Accounting

The accrual basis of accounting was used to prepare the accompanying comparative financial statements, which require, among other things, the recognition of depreciation and interest expense.

Sewer charges are recorded as receivable in the period when earned regardless of the period of collection subsequent to year end. Expenditures are recognized when incurred.

Federal and state grants and aids are recognized as revenues in the period in which expenditures are incurred, if applicable, or when the Authority is entitled to the grants and aids. However, intergovernmental grants are subject to audit and adjustment by the grantor agency. Grant revenues received for expenses which are disallowed are repayable to the grantor.

Investment income is recognized as revenue when earned. Interest payable on the long-term debt and bond issues are recorded when incurred.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Authority is authorized to invest in U.S. Treasury Bills (short term obligations of the Federal Government) and time deposits of insured institutions.

Sewer Charges Receivable

The receivable balances presented in the accompanying statements of financial position are recorded at net realizable value. The Authority records uncollectible accounts through direct write off.

Budgets

The Authority prepares a budget at the beginning of each year on the cash basis. The budget is used for internal reporting purposes and for establishment of sewer charge rates.

Restricted Component of Net Position

Restricted components of net position are composed of restricted assets reduced by reported claims against those assets and are classified according to the related components.

Cash and Temporary Investments held by Trustee

In accordance with the terms of the Trust Indentures securing the Revenue Bonds, monies of the Authority are accounted for by trustee-held cash accounts segregated for specific use and for the security of the bondholder, which are maintained by independent trustees on the cash basis of accounting, which does not differ materially from the accrual basis as recognized for local government accounting for debt service funds.

Plant, Property, and Equipment

Fixed assets of the Authority are recorded at cost and depreciated over their estimated useful lives on the straight-line basis. The cost of maintenance and repairs is charged to operations as incurred. Significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. At time of disposal, if the assets retired are not fully depreciated, the Authority recognizes the gain or loss on disposal in income for the period.

Use of Estimates

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

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through August 18, 2022, which is the date the financial statements were available to be issued. The Authority is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Note 3 - Cash and Investments

The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage on deposits. The total of all time and savings accounts, including NOW, MMDA, Savings and Certificates of Deposit are covered under FDIC insurance up to \$250,000. Separately, the total of all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the state in which the public unit is located are also insured up to \$250,000.

Deposits in excess of the totals protected under FDIC insurance coverage are not left unprotected in the State of Pennsylvania. The Authority's deposits are protected under State Law, the Deposit of Public Monies Act 72 of the Commonwealth of Pennsylvania. Under this law, each bank is required to set aside a portion of the securities that the bank owns in a Pooled Public Funds account in order to protect these public monies. Accordingly, the Authority's deposits at First National Bank are properly collateralized.

At December 31, 2021, deposits in checking and savings (money market) accounts with First National Bank totaling \$4,509,111 were FDIC insured up to \$250,000.

At December 31, 2021 deposits totaling \$217,874 were invested at US Bank in shares of the First American Government Obligation Fund CL Y. Shares of the First American Government Obligation Fund CL Y have characteristics of a mutual fund and are not bank deposits or obligations of, or guaranteed or endorsed or otherwise supported by US Bank. Shares of the First American Government Obligation Fund CL Y are not insured or guaranteed by the U.S. Government, FDIC or any governmental agency or state. An investment in First American Government Obligation Fund CL Y involves investment risk including the possible loss of principal amounts invested. The Authority's deposits in the First American Government Obligation Fund CL Y are rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a policy regarding custodial credit risk; however, deposits are in compliance with the Pennsylvania Deposit of Public Monies Act 72.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 3 - Cash and Investments (Continued)

As of December 31, 2021, \$4,259,112 of the Authority's bank balance of \$4,509,112 at First National Bank was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging financial institution's agent, but not in the Authority's name.	<u>\$ 4,259,112</u>
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Investments - The Authority is authorized to invest in U.S. Treasury Bills and Notes, short-term obligations of the Federal government, and time deposits of insured institutions.

Investments are carried at fair value. The investments that are represented by specific identifiable investment securities are classified as to risk by the three categories described below:

Interest Rate Risk - Interest rate risk arises from investments in debt investments and is defined as "The risk that changes in interest rates will adversely affect the fair value of the investment." The Authority does not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2021, all investments will mature within 1 year.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority.

Custodial Credit Risk - Custodial credit risk for investments is the risk that in the event of the failure of a custodial agent, the Authority may not be able to recover the value of investments or collateral securities that are in the possession of that outside party. All investments of the Authority are held in safekeeping or custodial accounts at approved safekeeping agents of the Authority in the Authority's name.

As of December 31, 2021, the Authority's investments of \$217,874 in First American Government Obligation Fund CL Y were exposed to Custodial Credit Risk as follows:

Uninsured and uncollateralized	<u>\$ 217,874</u>
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Note 4 - Sewer Charges Receivable

The service agreement provides that the Authority is entitled to sewer service charges from each member municipality and/or their municipal authority. The member municipalities receive billing information after the service is rendered. This results in a delay in the transmittal of sewer charge revenues to the Authority. The receivables at December 31, 2021 and 2020, were computed from actual receivables determined subsequent to the balance sheet date and, secondly, by calculating the amount due for which billing information is not yet available.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 5 - Property, Plant, and Equipment

Property, plant, and equipment are as follows as of December 31, 2021:

<u>Asset</u>	<u>Life In Years</u>	<u>Balance 1/1/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/21</u>
Plant and system	40	\$ 74,183,508	\$ 3,028,112	\$ (202,310)	\$ 77,009,310
Plant improvements	20	408,978	244,860	-	653,838
Office building improvements	20	42,079	-	-	42,079
Equipment	5 to 15	344,506	4,000	(3,961)	344,545
Office equipment	5 to 10	40,022	-	-	40,022
Land and rights of way	N/A	664,860	209	-	665,069
Vehicles	5	351,877	3,320	(27,366)	327,831
Total property, plant and equipment		76,035,830	3,280,501	(233,637)	79,082,694
Accumulated Depreciation		(16,728,784)	(1,631,604)	233,637	(18,126,751)
Property, Plant and Equipment, Net		\$ 59,307,046	\$ 1,648,897	\$ -	\$ 60,955,943

Construction in progress and deferred construction contracts are capitalized and depreciated when the project is completed. Interest paid on bonds and notes payable obtained for construction purposes is capitalized as part of the cost of acquisition.

Note 6 - Rights of Way

In the course of construction of the sewage interceptors, it was necessary for the Authority to condemn certain rights of way or easements through private property. The costs associated with these acquisitions are not presently ascertainable and, in the opinion of counsel, will not be ascertainable in the future.

Note 7 - Sewer Revenue Bonds

Series of 2015A

On November 5, 2015, the Authority issued \$8,215,000 of Sewer Revenue Bonds, Series A of 2015. The Series of 2015A bonds bear interest at .50 percent to 4.0 percent payable on April 15 and October 15 and mature in varying amounts from October 15, 2016 through 2028. The Series of 2015A Sewer Revenue Bonds were issued to defease the Series of 2010A and 2010B Sewer Revenue Bonds. The balance of the 2015A bonds at the time of refunding was \$8,075,000, which was used to provide funds to pay the cost of issuance of such bonds.

In 2021, the Series of 2015A Sewer Revenue Bonds were defeased with proceeds from the Series of 2021A Sewer Revenue Bonds.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 7 - Sewer Revenue Bonds (Continued)

Series of 2015B

On December 9, 2015, the Authority issued \$9,570,000 of Sewer Revenue Bonds, Series B of 2015. The Series of 2015B bonds bear interest at 3.0 percent to 3.7 percent payable on April 15 and October 15 and mature in varying amounts from October 15, 2028 through 2040. The Series of 2015B Sewer Revenue Bonds were issued to provide funds for the Consent Order and Agreement (COA) Phase I Project which consists of the construction of a pumping station and an equalization tank.

In 2021, the Series of 2015B Sewer Revenue Bonds were defeased with proceeds from the Series of 2021A Sewer Revenue Bonds.

Series of 2016

On January 5, 2016, the Authority issued \$7,585,000 of Sewer Revenue Bonds, Series of 2016. The Series of 2016 bonds bear interest at 1.1 percent to 3.85 percent payable on April 15 and October 15 and mature in varying amounts from October 15, 2017 through 2040. The Series of 2016 Sewer Revenue Bonds were issued to provide funds for the Consent Order and Agreement (COA) Phase I Project which consists of the construction of a pumping station and an equalization tank.

In 2021, the Series of 2016 Sewer Revenue Bonds were defeased with proceeds from the Series of 2021A Sewer Revenue Bonds.

Series of 2021A

On October 15, 2021, the Authority issued \$18,360,000 of Sewer Revenue Bonds, Series A of 2021. The Series A of 2021 bonds bear interest at 2 percent to 4 percent payable on April 15 and October 15 and mature in varying amounts from April 15, 2022 through 2040.

Proceeds of \$19,615,000 from the Series of 2021A Sewer Revenue Bonds were used to defease the Series of 2015A Bonds, Series of 2015B Bonds, and the Series of 2016 Bonds. The remaining \$41,392 (total bond issuance costs were approximately \$177,092, and a balance of approximately \$9,854 was deposited into the 2021A Clearing Fund) in proceeds from the Series of 2021A Sewer Revenue Bonds was used to provide funds to pay the cost of issuance of such bonds. The Authority realized a deferred loss of \$205,784, and a present value savings of \$510,194 as a result of the refunding.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 7 - Sewer Revenue Bonds (Continued)

The following schedule presents the transactions affecting the Authority's Sewer Revenue Bonds during the year ended December 31, 2021:

<u>Bond Series</u>	<u>Balance at 1/1/21</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/21</u>
2015A	\$ 4,005,000	\$ -	\$ (4,005,000)	\$ -
2015B	9,570,000	-	(9,570,000)	-
2016	6,775,000	-	(6,775,000)	-
2021A	-	18,360,000	-	18,360,000
	<u>\$ 20,350,000</u>	<u>\$ 18,360,000</u>	<u>\$ (20,350,000)</u>	<u>\$ 18,360,000</u>

The following presents future debt service requirements of the Sewer Revenue Bonds Series of 2021A:

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	3.000%	\$ 825,000	\$ 546,000	\$ 1,371,000
2023	3.000%	820,000	522,000	1,342,000
2024	4.000%	730,000	497,000	1,227,000
2025	4.000%	675,000	468,000	1,143,000
2026	4.000%	700,000	441,000	1,141,000
2027-2031	4.000%	3,930,000	1,761,000	5,691,000
2032-2036	2.000- 4.000%	4,705,000	971,000	5,676,000
2037-2040	2.000- 2.125%	5,975,000	360,000	6,335,000
		<u>\$ 18,360,000</u>	<u>\$ 5,566,000</u>	<u>\$ 23,926,000</u>

Note 8 - PennVest Loans

PennVest 75299

In August 2015, the Authority accepted a PennVest funding offer related to the COA Phase I construction project in the amount of \$19,939,100. Actual construction bids and insurance costs were lower than expected. As a result, PennVest reduced the funding offer to \$16,231,029. The loan closed on March 31, 2016. The loan bears interest at 1.055 percent for years 1 through 5 and 1.835 percent for years 6 through maturity (October 2038). The Authority is obligated to pay interest only on first day of each month based on the debt proceeds. Payments of principal and interest will begin on the earlier of the scheduled amortization date (November 1, 2018) or the first day of the first calendar month following the completion of the project. There was one final drawdown on this loan of approximately \$43,158 in February 2021. The balance payable on this loan was \$13,106,922 at December 31, 2021 and \$13,796,778 at December 31, 2020.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 8 - PennVest Loans (Continued)

PennVest 71425

In September 2017, the Authority accepted a PennVest funding offer related to the COA Phase II construction project in the amount of \$14,177,020. The loan closed on July 26, 2017. The loan bears interest at 1.000 percent for years 1 through 5 and 1.743 percent for years 6 through maturity (November 2039). Payments of principal and interest will begin on the earlier of the scheduled amortization date (December 1, 2019) or the first day of the first calendar month following the completion of the project. The COA Phase II construction project was completed in 2019. There was one final drawdown on this loan of \$4,500 in January 2020. The balance payable on this loan was \$10,604,315 at December 31, 2021 and \$11,164,657 at December 31, 2020.

PennVest 75375

On July 22, 2020, PennVest provided a funding offer related to the COA-Phase III construction project in the amount of \$11,025,000. Actual construction bids were lower than expected. As a result, PennVest reduced the funding offer to \$3,100,280. The loan closed on May 25, 2021. The loan bears interest at 1.00 percent for years 1 through 5 and 1.743 percent for years 6 through maturity (August 2042). The Authority is obligated to pay interest only on first day of each month based on the debt proceeds. Payments of principal and interest will begin on the earlier of the scheduled amortization date (June 1, 2024) or the first day of the first calendar month following the completion of the project. The balance payable on this loan at December 31, 2021 was \$-0-.

The following schedule presents the transactions affecting the Authority's PennVest loans during the year ended December 31, 2021:

	Balance at 1/1/21	Issued	Retired	Balance at 12/31/21
PennVest 75299	\$ 13,796,778	\$ 43,157	\$ (733,013)	\$ 13,106,922
PennVest 71425	<u>11,164,657</u>	<u>-</u>	<u>(560,342)</u>	<u>10,604,315</u>
	<u>\$ 24,961,435</u>	<u>\$ 43,157</u>	<u>\$ (1,293,355)</u>	<u>\$ 23,711,237</u>

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 8 - PennVest Loans (Continued)

The following presents future debt service requirements of the PennVest loans 75299 and 71425:

Year ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,258,000	\$ 238,000	\$ 1,496,000
2023	1,264,000	241,000	1,505,000
2024	1,243,000	307,000	1,550,000
2025	1,235,000	348,000	1,583,000
2026	1,257,000	326,000	1,583,000
2027-2031	6,635,000	1,277,000	7,912,000
2032-2036	7,258,000	654,000	7,912,000
2037-2040	<u>3,561,000</u>	<u>80,000</u>	<u>3,641,000</u>
	<u>\$ 23,711,000</u>	<u>\$ 3,471,000</u>	<u>\$ 27,182,000</u>

Note 9 - EDU Studies

The Authority may from time to time, undertake an examination of billable EDU's reported by member municipalities. As a result of this examination, if it is determined that the Authority is entitled to additional sewer rentals, additional EDU's will be incorporated in the financial statements at that time.

Note 10 - Escrow - National Waste and Energy Corporation (Mid-America Waste Systems)

On November 30, 1988, the Authority entered into an agreement with National Waste and Energy Corporation, where National Waste and Energy Corporation agreed to provide and maintain in force bonding with the Authority during the period of time that effluent or discharge emanates from its landfill and enters the facilities of Penn Township and the Authority and for a period of ten (10) years after the final closure of the site unless released in whole or in part by the Authority.

The full amount of the bond of \$172,320 has been paid to the Authority. The Authority has escrowed these funds in a restricted cash account which accumulates interest. Escrowed deposits and interest are payable to National Waste and Energy Corporation at the termination of the agreement.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans

The Authority has two types of pension plans for its employees, a defined benefit pension plan and a defined contribution plan.

Plan Description

The Authority's single-employer defined benefit pension plan is controlled by the provisions of Resolution No. 2002-1, adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

Employees hired prior to July 1, 2016 are participants of the Authority's defined benefit pension plan. Effective July 1, 2016, new employees are eligible to participate in the Authority's defined contribution plan (PMRS cash basis plan). Employees may not participate in both the defined benefit pension plan and the defined contribution (PMRS cash basis pension plan).

Plan Benefits

The Authority's defined benefit pension plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

Plan membership consisted of the following at December 31, 2020:

Inactive employees or beneficiaries	
currently receiving benefits	4
Inactive employees entitled to but not	
yet receiving benefits	0
Active employees	<u>10</u>
Total	<u>14</u>

Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

On October 15, 1998, the Authority adopted Resolution 98-3 which amended provisions in the Authority's defined benefit pension plan effective October 1, 1998. In accordance with the amendment, plan members began contributing 2 percent of their compensation effective October 1, 1998.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Contributions (Continued)

The plan members' contribution requirement increased to 3.7 percent of their compensation effective October 1, 1999 and increased to 5.45 percent effective October 1, 2000.

Contributions

On November 15, 2011, the Authority adopted Resolution 2011-08 which amended provisions in the Authority's defined benefit pension plan related to the benefit calculation effective October 1, 2011. In accordance with the defined benefit pension plan's governing resolutions, members are required to contribute to the plan. For the year ended December 31, 2021, employees contributed to the defined benefit plan total employee contributions of \$44,376.

Net Pension Liability

The Authority's Net Pension Liability was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The actuarial assumptions used in this report are based on the PMRS Experience Study for the period covering January 1, 2014 through December 31, 2018 issued by the actuary in September 2020 as well as subsequent Board approved assumption changes. These assumptions were first used for the December 31, 2020 measurement date. Effective with the December 31, 2016 measurement date, the Investment Return Assumption for municipal assets decreased from 5.50% to 5.25%.

A summary of the key assumptions and methods used to determine the TPL and contribution rates are as follows:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization period in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.25%
- Inflation: 2.8%
- Salary increases: Age-related scale with merit and inflation component
- COLA Increases: 2.8% for those eligible for a COLA
- Pre-Retirement Mortality: Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA / Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
- Post-Retirement Mortality: Males: RP2000 Annuitant Male table projected 5 years with Scale AA / Females: RP 2000 Annuitant Female table projected 10 years with Scale AA

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Change in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 5,979,273	\$ 6,381,153	\$ (401,880)
Changes for the year:			
Service cost	166,047	-	166,047
Interest	319,078	-	319,078
Changes of benefits	-	-	-
Changes of assumptions	102,628	-	102,628
Differences between expected and actual experience	(349,903)	-	(349,903)
Contributions – employer	-	256,180	(256,180)
Contributions – PMRS assessment	-	300	(300)
Contributions – employee	-	42,202	(42,202)
PMRS investment income	-	321,764	(321,764)
Market value investment income	-	607,876	(607,876)
Transfers	-	-	-
Benefit payments	(137,044)	(137,044)	-
PMRS administrative expense	-	(300)	300
Additional administrative expense	-	(14,019)	14,019
Net changes	<u>100,806</u>	<u>1,076,959</u>	<u>(976,153)</u>
Balances at 12/31/20	<u>\$ 6,080,079</u>	<u>\$ 7,458,112</u>	<u>\$ (1,378,033)</u>

Changes in discount rate affect measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate.

The following table shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total pension liability	\$ 6,716,936	\$ 6,080,079	\$ 5,537,290
Plan fiduciary net pension	7,458,112	7,458,112	7,458,112
Net pension liability	<u>\$ (741,176)</u>	<u>\$ (1,378,033)</u>	<u>\$ (1,920,822)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>111.03%</u>	 <u>122.66%</u>	 <u>134.69%</u>

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued PMRS financial report.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended December 31, 2021, the Authority recognized pension expense of \$(206,683). At December 31, 2021, The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Collective Deferred Inflows and Outflows

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 369,224	\$ 124,798
Changes in actuarial assumptions	-	144,518
Net differences between projected and actual earnings on pension plan investments	890,437	-
Total	<u>\$ 1,259,661</u>	<u>\$ 269,316</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ending <u>December 31,</u>	
2021	\$ (320,823)
2022	\$ (208,366)
2023	\$ (287,073)
2024	\$ (128,391)
2025	\$ (10,367)
Thereafter	\$ (35,325)

The recognition period for experience and assumptions change gains/losses is 7 years.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Required Supplementary Information

Schedule of Changes in Net Position Liability

	Measurement Year Ended 12/31/20	Measurement Year Ended 12/31/19
<u>Total Pension Liability</u>		
Service cost (beginning of year)	\$ 166,047	\$ 162,070
Interest (includes interest on service cost)	319,078	303,491
Changes of benefits	-	-
Differences expected vs. actual experience	(349,903)	-
Changes of assumptions	102,628	-
Transfers	-	-
Benefit payments	(137,044)	(207,331)
Net change in total pension liability	100,806	258,230
Total pension liability – beginning	5,979,273	5,721,043
Total pension liability – ending	\$ 6,080,079	\$ 5,979,273
<u>Plan fiduciary net position</u>		
Contributions – employer	\$ 256,180	\$ 201,304
Contributions – PMRS assessment	300	300
Contributions – employee	42,202	41,191
PMRS investment income	321,764	302,114
Market value investment income	607,876	800,414
Transfers	-	-
Benefit payments	(137,044)	(207,331)
PMRS administrative expense	(300)	(300)
Additional administrative expense	(14,019)	(10,443)
Net change in plan fiduciary net position	1,076,959	1,127,249
Plan fiduciary net position – beginning	6,381,153	5,253,904
Plan fiduciary net position – ending	7,458,112	6,381,153
Net pension liability - ending	\$ (1,378,033)	\$ (401,880)
Plan fiduciary net position as a percentage of the total pension liability	122.66%	106.72%
Covered employee payroll	\$ 774,348	\$ 755,804
Net pension liability as a percentage of covered employee payroll	-177.96%	-53.17%

An actuarially determined contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provide is based upon the Minimum Municipal Obligation (MMO) as defined in ACT 205 which conforms to these standards.

Notes to schedule

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2020 is based upon the January 1, 2017 actuarial valuation.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Following is a 10-year history of contributions made by the Authority based on the MMO:

<u>Year Ending December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 98,502	100%
2013	\$116,089	100%
2014	\$117,071	100%
2015	\$144,696	135% *
2016	\$147,318	134% *
2017	\$139,767	136% *
2018	\$112,894	189% **
2019	\$151,604	133% *
2020	\$156,480	164% **
2021	\$147,273	100%

* Percent includes additional \$50,000 contribution

** Percent includes 2 additional \$50,000 contributions

Plan Description

The cash balance plan is a participant in the Pennsylvania Municipal Retirement System (PMRS) program, which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

Effective July 1, 2016, new employees are eligible to participate in the Authority's defined contribution plan (PMRS cash basis plan). Employees may not participate in both the defined benefit pension plan and the defined contribution (PMRS cash basis pension plan).

Plan Benefits

The Authority's cash balance plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

Plan membership consisted of the following at December 31, 2020:

Inactive employees or beneficiaries	
currently receiving benefits	0
Inactive employees entitled to but not	
yet receiving benefits	0
Active employees	<u>2</u>
Total	<u>2</u>

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

For the year ended December 31, 2021, employees contributed to the cash balance plan total employee contributions of \$5,316.

Net Pension Liability

The Authority's Net Pension Asset was measured as of December 31, 2020 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The actuarial assumptions used in this report are based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010 as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.5% for the January 1, 2013 actuarial valuation.

A summary of the key assumptions and methods used to determine the TPL and contribution rates are as follows:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization period in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.25%
- Inflation: 2.2%
- Salary increases: Age-related scale with merit and inflation component
- Pre-Retirement Mortality: Males: PUB-2010 General Employees male table/
Females: PUB-2010 General Employees female table
- Post-Retirement Mortality: Males: RP2006 Annuitant Male table/ Females: RP
2006 Annuitant Female table

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

	Change in Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 8,156	\$ 8,726	\$ (570)
Changes for the year:			
Service cost	16,108	-	16,108
Interest	733	-	733
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences expected vs. actual experience	-	-	-
Contributions – employer	-	8,273	(8,273)
Contributions – PMRS assessment	-	40	(40)
Contributions – employee	-	7,835	(7,835)
PMRS investment income	-	821	(821)
Market value investment income	-	3,270	(3,270)
Transfers	-	-	-
Benefit payments	-	-	-
PMRS administrative expense	-	(40)	40
Additional administrative expense	-	(36)	36
Net changes	<u>16,841</u>	<u>20,163</u>	<u>(3,322)</u>
Balances at 12/31/20	<u>\$ 24,997</u>	<u>\$ 28,889</u>	<u>\$ (3,892)</u>

Changes in discount rate affect measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total pension liability	\$ 29,996	\$ 24,997	\$ 19,998
Plan fiduciary net pension	28,889	28,889	28,889
Net pension liability	<u>\$ 1,107</u>	<u>\$ (3,892)</u>	<u>\$ (8,891)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>96.31%</u>	<u>115.57%</u>	<u>144.46%</u>

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued PMRS financial report.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Required Supplementary Information

Schedule of Changes in Net Position Liability

	Measurement Year Ended 12/31/20	Measurement Year Ended 12/31/19
<u>Total Pension Liability</u>		
Service cost (beginning of year)	\$ 16,108	\$ 8,054
Interest (includes interest on service cost)	733	102
Changes of benefits	-	-
Differences expected vs. actual experience	-	-
Changes of assumptions	-	-
Transfers	-	-
Benefit payments	-	-
Net change in total pension liability	16,841	8,156
Total pension liability – beginning	8,156	-
Total pension liability – ending	\$ 24,997	\$ 8,156
<u>Plan fiduciary net position</u>		
Contributions – employer	\$ 8,273	\$ 4,469
Contributions – PMRS assessment	40	40
Contributions – employee	7,835	3,586
PMRS investment income	821	136
Market value investment income	3,270	540
Transfers	-	-
Benefit payments	-	-
PMRS administrative expense	(40)	(40)
Additional administrative expense	(36)	(5)
Net change in plan fiduciary net position	20,163	8,726
Plan fiduciary net position – beginning	8,726	-
Plan fiduciary net position – ending	28,889	8,726
Net pension liability - ending	\$ (3,892)	\$ (570)
Plan fiduciary net position as a percentage of the total pension liability	115.57%	106.99%
Covered employee payroll	\$ 103,413	\$ 55,861
Net pension liability as a percentage of covered employee payroll	-3.76%	-1.02%

Notes to schedule:

Plan changes: Please refer to the Plan's Act 205 filing

Assumption changes: None

There are no Actuarially Determined Contributions for this Plan because it is a cash balance pension plan. The statutorily Required Contribution is a contribution amount based upon the payroll and the contribution rate as outlined under the terms of the cash balance pension plan. As provided by the Pennsylvania Municipal Retirement System, the employer portion of the Statutorily Required Contribution was the amount recognized by the pension plan during the year.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 11 - Pension Plans (Continued)

Schedule of Employer Contributions

Statorily Required Contribution (SRC)	\$ 8,313
Contributions in Relation to the SRC*	<u>8,313</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - Employee Payroll	<u>\$ 103,413</u>
Contributions as a percentage of covered - employee payroll	<u>8.04%</u>

Notes to schedule:

*The Statorily Required Contribution and the actual Contribution were provided by PMRS. Deviations between these amounts may be due to contributions to or transfers from the Municipal account.

Following is a 3 year history of contributions made by the Authority based on the MMO:

Schedule of contributions from the employer and other contributing entities:

<u>Year Ended</u> <u>December 31</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2019	\$ 4,469	100%
2020	\$ 8,273	100%
2021	\$ 8,298	100%

Note 12 - Compensated Absences

Employees can earn one day of sick pay for each month up to twelve days per year. The number of days an employee can carry over from year to year is unlimited. Any unused days are paid out at the employee's current rate of pay upon termination.

Collective bargaining unit employees hired after October 1, 2018 may accumulate a maximum of ninety (90) days. Any days over ninety (90) in any year are reimbursed at the rate of 50%. Additionally, collective bargaining unit employees hired after October 1, 2018 can earn only .50 day/month, or six (6) days per year, beginning ninety (90) days after hire and until they have completed five (5) years of employment. After five (5) years of employment, they would earn one (1) sick day per month, or twelve (12) days per year.

The Authority recognized accrued compensated absences of \$300,032 at December 31, 2021 and \$285,449 at December 31, 2020. The Authority began funding this liability in 2015. The sick pay reserve account balance was \$286,923 as of December 31, 2021 and \$265,383 as of December 31, 2020.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 13 - Other Post-Employment Benefits

In addition to their pension benefits, employees who qualify for retirement benefits are eligible for medical benefits beginning at age 62 until age 65.

Under the terms of the Plan, the Authority shall pay 100 percent of the cost of family coverage for hospitalization, surgical, and major medical insurance premiums for the retiree from the day the retiree reaches age 62 until the earlier of the retiree's death or until the retiree reaches age 65.

Pursuant to the terms of the new Collective Bargaining Agreement ("CBA"), effective October 1, 2018 to September 30, 2023, retirees who qualify for health coverage between the ages of 62 and 65 are required to contribute toward the premiums.

Upon reaching age 65, the Authority will pay the retiree \$1,500 annually (\$125 per month) until death. Medical Plans Available: PPO Blue Option II with Rx administered by the Municipal Employers Insurance Trust.

Retired collective bargaining unit employees who were hired after October 1, 2018 will not be eligible for medical benefits beginning at age 62 until age 65, nor would they qualify for the retiree benefit of \$1,500/year (\$125/month), beginning at age 65.

2021 Annual Premium Schedules:

Single	\$ 8,199
Parent/Child(ren)	\$16,811
Two Person	\$22,595
Family	\$24,524

Funding Policy

The Authority does not advance fund the Plan. Payments toward the liabilities are made on a pay-as-you-go annual basis.

Annual OPEB cost and Net OPEB Obligation

The Authority's annual other post-employment benefit (OPEB) cost is calculated based upon participant data as of January 1, 2020, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75.

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 13 - Other Post-Employment Benefits (Continued)

	Measurement Year Ended 1/1/2021	Measurement Year Ended 1/1/2020
<u>Total OPEB Liability</u>		
Service cost	\$ 20,289	\$ 19,746
Benefit payments	(6,506)	(11,317)
Interest	11,484	10,819
Changes of benefit terms	-	398
Changes in assumptions or other inputs	-	7,512
Differences between expected and actual experience	-	7,159
Net change in total OPEB liability	<u>25,267</u>	<u>34,317</u>
Total OPEB liability – beginning	<u>365,751</u>	<u>331,434</u>
Total OPEB liability – ending	<u>391,018</u>	<u>365,751</u>
Plan Fiduciary Net Position	-	-
Net OPEB Liability	<u>\$ 391,018</u>	<u>\$ 365,751</u>

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

The following presents the Net OPEB liability for the fiscal years ending 12/31/2021 and 12/31/2020, as well as what the Authority's Net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate.

Fiscal Year Ending	<u>12/31/2021</u>	<u>12/31/2020</u>
Current Discount Rate	\$ 391,018	\$ 365,751
1% Decrease	\$ 424,924	\$ 398,999
1% Increase	\$ 361,023	\$ 336,354

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

The following presents the Net OPEB liability for the fiscal years ending 12/31/2021 and 12/31/2020, as well as what the Authority's Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rate.

Fiscal Year Ending	<u>12/31/2021</u>	<u>12/31/2020</u>
Current Discount Rate	\$ 391,018	\$ 365,751
1% Decrease	\$ 370,263	\$ 347,043
1% Increase	\$ 415,444	\$ 387,712

Western Westmoreland Municipal Authority

Notes to the Financial Statements

Note 13 - Other Post-Employment Benefits (Continued)

There were no reported deferred inflows or outflows related to the OPEB liability.

The following simplifying assumptions were made:

Annual Trend Rates – 5.0% per year (for medical), 3.0% per year (for dental and vision).

Inflation – 2.75%

Discount Rate – 3.00% per year

Mortality – RP-2014 Mortality Table with 50% of Blue Collar Adjustment and rates set forward 5 years for disabled lives.

Mortality Improvement – Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.

Withdrawal – Table T-1, Actuary's Pension Handbook

Disablement – 40% of the rates of disablement from Advanced Pension Tables.

Valuation Retirement Age – 20% of future retirees are assumed to retire at ages 62, 63, and 64, 40% at age 65, 60% at age 66, and 100% are assumed to retire upon reaching age 67, or attained age, if later.

Participation – 100% of those hired with eligibility for employer-paid post-retirement medical coverage.

Percentage Electing Coverage – 75% of future OPEB recipients elect husband/wife coverage, 25% elect single coverage.

Spouse Age – Female spouse assumed to be 3 years younger than male spouse.



Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Board of Directors
Western Westmoreland Municipal Authority
12441 Route 993
North Huntingdon, Pennsylvania 15642

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Western Westmoreland Municipal Authority (the Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Internal Control over Financial Reporting (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Opst and Associates, LLC

August 18, 2022

SUPPLEMENTAL INFORMATION

Western Westmoreland Municipal Authority

Schedules of Operating Expenses

For the Years Ended December 31,	2021	2020
Operating Expenses		
Depreciation	\$ 1,631,604	\$ 1,636,069
Salaries	933,004	889,546
Utilities	308,419	296,588
Employee benefits	264,438	279,124
Sludge expenses	257,304	6,312
Professional services	137,684	178,583
System maintenance	136,252	182,598
Payroll taxes	70,757	67,447
Chemicals	46,409	104,144
Insurance	39,848	41,309
Analytical and lab expense	31,775	24,946
Office expense	25,996	24,505
Workers compensation	22,341	17,398
Computer expense	15,385	23,900
Accrued sick pay	14,583	27,950
Vehicle and travel expense	12,776	10,759
System supplies	11,155	17,976
Miscellaneous	4,328	3,519
Permit fees	3,050	1,900
Penalties and fines	2,250	2,000
ALCOSAN treatment	(239)	98,338
Pension expense	(206,683)	12,213
	\$ 3,762,436	\$ 3,947,124
Total Operating Expenses	\$ 3,762,436	\$ 3,947,124

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Western Westmoreland Municipal Authority

Investments Held by Trustee

December 31,		2021	
	<u>Fair Value</u>	<u>Carrying Value</u>	
Restricted Investments			
<u>2015/2016 DSR</u>			
U.S. Treasury Note, Due 10/31/2022	\$ 996,323	\$ 998,558	
U.S. Treasury Note, Due 10/15/2024	496,932	499,309	
U.S. Treasury Note, Due 10/15/2025	<u>496,968</u>	<u>498,866</u>	
Total Restricted Investments	<u>\$ 1,990,223</u>	<u>\$ 1,996,733</u>	
December 31,		2020	
	<u>Fair Value</u>	<u>Carrying Value</u>	
Restricted Investments			
<u>2015/2016 DSR</u>			
U.S. Treasury Bill, Due 01/14/21	<u>\$ 2,336,976</u>	<u>\$ 2,336,078</u>	

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