



LEHIGH COUNTY AUTHORITY

LCA Main Office:
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Agendas & Minutes Posted:
www.lehighcountyauthority.org

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BOARD MEETING AGENDA – May 20, 2019

1. Call to Order

- NOTICE OF MEETING RECORDINGS

Meetings of Lehigh County Authority's Board of Directors that are held at LCA's Main Office at 1053 Spruce Road, Wescosville, PA, may be recorded for viewing online at lehighcountauthority.org. Recordings of LCA meetings are for public convenience and internal use only and are not considered as minutes for the meeting being recorded, nor are they part of public record. Recordings may be retained or destroyed at LCA's discretion.

- *Public Participation Sign-In Request*

2. Review of Agenda / Executive Sessions

3. Approval of Minutes

- *May 13, 2019 Board meeting minutes*

4. Public Comments

5. Action / Discussion Items:

FINANCE AND ADMINISTRATION

- *2018 Audited Financial Statements (Approval) (Distributed with May 13, 2019 packet)*

WATER

- *Suburban Division – Water Main Replacement Program Cycle 5 (Approval) (yellow)*
- *Well NL6 – North Whitehall Division Water Supply (Discussion)*

WASTEWATER

6. Monthly Project Updates / Information Items (1st Board meeting per month)

7. Monthly Financial Review (2nd Board meeting per month) – **April 2019 report to be distributed separately**

8. Monthly System Operations Overview (2nd Board meeting per month) – **April 2019 report attached**

9. Staff Comments

10. Solicitor's Comments

11. Public Comments / Other Comments

12. Executive Sessions

13. Adjournment

UPCOMING BOARD MEETINGS

Meetings begin at Noon at LCA's Main Office, unless noted otherwise below.

June 10, 2019

June 24, 2019

July 8, 2019

PUBLIC PARTICIPATION POLICY

In accordance with Authority policy, members of the public shall record their name, address, and discussion item on the sign-in sheet at the start of each meeting; this information shall also be stated when addressing the meeting. During the Public Comment portions of the meeting, members of the public will be allowed 5 minutes to make comments/ask questions regarding non-agenda items, but time may be extended at the discretion of the Chair; comments/questions regarding agenda items may be addressed after the presentation of the agenda item. Members of the public may not request that specific items or language be included in the meeting minutes.

REGULAR MEETING MINUTES

May 13, 2019

The Regular Meeting of the Lehigh County Authority was called to order at 12:00 p.m. on Monday, May 13, 2019, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick and Scott Bieber. Authority Staff present were Liesel Gross, Brad Landon, Ed Klein, Pat Mandes, John Parsons, Chris Moughan, Todd Marion, Ed Hoyle, Phil DePoe and Lisa Miller.

REVIEW OF AGENDA

Chairman Nagle announced that today's Board meeting is being videotaped and streaming live and recordings will be posted to the Authority's website.

Liesel Gross noted there are no additional items for the Agenda and reminded the Board that the next Board meeting is the following Monday, May 20th. There will also be an Executive Session after the regular meeting to discuss two matters of litigation/potential litigation.

APPROVAL OF MINUTES

April 22, 2019 Regular Meeting Minutes

On a motion by Richard Bohner, seconded by Linda Rosenfeld, the Board approved the minutes of April 22, 2019 meeting (6-0).

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

Chairman Nagle announced that the Board received their packet in the mail prior to the meeting and also the corrected Board memo for the Suburban Division – Water Meter Reading Equipment Upgrade.

Resolution 5-2019-1 – Articles of Incorporation Amendment

Liesel Gross gave an overview and background regarding the Resolution. The Resolution proposes an amendment to the Authority's articles of incorporation to extend the Authority's term of existence to forty-three (43) years so that it may continue to provide capital improvements for the public with the most reasonable and favorable financing rates. The amendment would also specify that the Authority would offer semi-annual reports or presentations to the Lehigh County Board of Commissioners to review financial, organizational and environmental information.

Ted Lyons arrived at 12:05 p.m.

Brad Landon reviewed the process explaining that under the Pennsylvania Municipality Authorities Act, the Authority must pass the first Resolution and then present it to the County Commissioners for their approval of the LCA resolution via County ordinance. Once passed, both actions along with the Articles of Amendment will be sent to the Pennsylvania Department of State for approval.

Kevin Baker arrived at 12:07 p.m.

On a motion by Norma Cusick, seconded by Linda Rosenfeld, the Board approved and adopted Resolution 5-2019-1 (8-0). Linda Rosenfeld thanked those persons from both parties that worked with the Lehigh County Commissioners to get this matter resolved.

Suburban Division – Upper Milford-CLD-Interconnection Project (Kohler Tract) (Approval)

Ed Hoyle gave an overview of the project which consists of a pumping station that will include a 12" diameter water main approximately 4,170' in length to interconnect the LCA Central Lehigh Division (CLD) with the Upper Milford Division (UMD) to provide public water service to the 123-lot Kohler Tract.

Mr. Hoyle is asking for approval of the Capital Project Authorization – Construction Phase in the amount of \$1,795,642.00 which includes the Professional Services Authorizations – Construction Phase for Construction Engineering Services, Amendment No. 2 to JMT in the amount of \$34,760.00, Construction Inspection Services to Cowan Associates in the amount of \$20,650.00, SCADA to Aptus Control Systems in the amount of \$58,092.00 and Contract Awards – Construction Phase for General Construction to Blooming Glen Contractors WW in the amount of \$1,060,420.00 and Electrical Construction to Brendan Stanton, Inc., dba BSI Electrical Contractors in the amount of \$383,480.00.

In addition to the General and Electrical Construction contracts, Monks Security Systems, the Authority's security consultant, will provide a new control panel and sensors in the pumping station for an estimated cost of \$5,000.00.

Construction is anticipated to begin in October 2019 with 300 days to reach Substantial Completion. Chairman Nagle questioned if the schedule will meet the developer's needs. Mr. Hoyle explained that in the interim, the water will come from the Borough of Emmaus. The developer has already installed a temporary fire protection system because the 1,000 gpm of fire protection pressure required by the Upper Milford Township ordinance is not deliverable from the Emmaus water system. Chairman Nagle also asked if there is an agreement with the developer as to when the system would be installed. Liesel Gross explained that the agreement does not indicate a specific time line or construction schedule and that this project will significantly benefit the Authority's water systems in the Mink Estates and Far View Farms developments, which have had operational issues.

On a motion by Norma Cusick, seconded by Linda Rosenfeld, the Board approved the Capital Project Authorization – Construction Phase in the amount of \$1,795,642.00 which includes the Professional Services Authorizations – Construction Phase for Construction Engineering Services, Amendment No. 2 to JMT in the amount of \$34,760.00, Construction Inspection Services to Cowan Associates in the amount of \$20,650.00, SCADA to Aptus Control Systems in the amount of \$58,092.00 and Contract Awards – Construction Phase for General Construction to Blooming Glen Contractors WW in the amount of \$1,060,420.00 and Electrical Construction to Brendan Stanton, Inc., dba BSI Electrical Contractors in the amount of \$383,480.00 (8-0).

Suburban Division – Water Meter Reading Equipment Upgrade (Approval)

Phil DePoe gave an overview of the project which consists of the replacement of approximately 10,000 existing water meter radio read units (MXUs) with new SmartPoint radio units. This is the first phase of a two-year project to replace 100% of the MXUs in the Suburban Division. Mr. DePoe is asking for approval of the Capital Project Authorization – Construction Phase in the amount of \$1,963,292.91 which includes the General Construction Contract to Core and Main, LP in the amount of \$1,808,292.91. Core and Main, LP has extensive meter replacement experience and is a

supplier of Sensus products which is the basis of design radio equipment used in the Suburban Division. Ted Lyons voiced his concern regarding only one bidder and questioned if our system is only allowing one bidder by specifying the Sensus meters. Liesel Gross explained that while Core and Main, LP is the primary supplier of Sensus equipment in the region, installation can be completed by many other contractors. Prior meter replacement projects have been completed by contractors other than Core and Main. Richard Bohner questioned if anyone is developing a meter that can be read electronically rather than relying on batteries. Mr. DePoe said that technology is moving in that direction but current metering technology still requires batteries.

On a motion by Norma Cusick, seconded by Linda Rosenfeld, the Board approved the Capital Project Authorization – Construction Phase in the amount of \$1,963,292.91 which includes the General Construction Contract to Core and Main, LP in the amount of \$1,808,292.91 (8-0).

Allentown Division – I&I Source Reduction Program Plan (Approval)

Phil DePoe gave an overview of the Inflow and Infiltration (I&I) source reduction improvements as described in the City of Allentown I&I Source Reduction Plan. The five-year plan includes specific improvements to be implemented each year as outlined in the Capital Plan. The City has requested that the improvements for each of the five years be authorized for design now. The project is an Administrative Order (AO) project and will be funded by the City.

Mr. DePoe is asking for approval of the Capital Project Authorization – Design Phase in the amount of \$203,300.00 which includes the Professional Services Authorization to Kleinfelder, Inc. in the amount of \$173,300.00.

On a motion by Norma Cusick, seconded by Linda Rosenfeld, the Board approved the Capital Project Authorization – Design Phase in the amount of \$203,300.00 which includes the Professional Services Authorization to Kleinfelder, Inc. in the amount of \$173,300.00 (8-0).

MONTHLY PROJECT UPDATES / INFORMATION ITEMS

Liesel Gross highlighted some items noting that the auditors will be in attendance at the Board meeting on May 20th to review the 2018 Audited Financial Statements which have been distributed to the Board at today's meeting. A new requirement, which is an amendment to the Pennsylvania Municipality Authorities Act, requires the Board to accept the Audited Financial Statements, rather than the Board's prior action of acknowledging receipt of the Audited Financial Statements. Also, the North Whitehall Division water supply will be a point of discussion at the May 20th Board meeting.

Chairman Nagle questioned the Suburban Division – Watershed Monitoring Program flow monitoring for 2019. John Parsons noted that monitoring equipment installed at Wild Cherry Lane is working fine, but LCA is still waiting on approval from PPL for use of their poles so most of the monitors have yet to be installed.

STAFF COMMENTS

None.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

Chairman Nagle called a recess at 12:32 p.m. The meeting reconvened at 12:40 p.m.

EXECUTIVE SESSION

An Executive Session was held at 12:40 p.m. to discuss potential litigation and personnel.

The Executive Session ended at 2:15 p.m.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 2:15 p.m.

Richard H. Bohner
Secretary

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

YEARS ENDED DECEMBER 31, 2018 AND 2017

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

For the Years Ended December 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lehigh County Authority
Allentown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Lehigh County Authority, Pennsylvania, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Lehigh County Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Lehigh County Authority's 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Lehigh County Authority, Pennsylvania, as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Pronouncements

As discussed in Note 1 to the financial statements, in 2018 Lehigh County Authority adopted the provisions of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", GASB Statement No. 85 "*Omnibus 2017*", and GASB Statement No. 86 "*Certain Debt Extinguishment Issues*". Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the schedule of changes in the net pension liability and related ratios, schedule of contributions for the pension plan, schedule of changes in net OPEB liability and related ratios – Suburban Employees, schedule of contributions – Suburban Employees OPEB Plan, schedule of investment returns – Suburban Employees OPEB Plan, schedule of changes in total OPEB liability and related ratios – City Division, and schedule of funding progress and employer contributions for post employment benefits other than pensions on pages 63 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lehigh County Authority's basic financial statements. The combining schedule of revenues, expenses, and changes in net position suburban wastewater fund is presented for the purpose of additional analysis and is not a required part of the basic financial statements.



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

Harrisburg, Pennsylvania
April 30, 2019

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC



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INTRODUCTION

Lehigh County Authority is pleased to present its Annual Financial Report for the year ended December 31, 2018. The Authority is a water and wastewater agency created by the County of Lehigh, Pennsylvania in 1966 under the Pennsylvania Municipality Authorities Act. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Authority's basic financial statements.

The Authority adopted the provisions of GASB 75 on a prospective basis; therefore the effects of the adoption of GASB 75 are reflected only in the 2018 amounts.

Information in this MDA is presented under the following headings:

- Authority Activities and Highlights
- Overview of the Financial Statements
- Financial Analysis
- Capital Assets & Service Concession Arrangement
- Debt Administration
- Economic Factors and Rates
- Contacting the Authority's Financial Management

MANAGEMENT'S DISCUSSION AND ANALYSIS

Authority Activities and Highlights

2018 marked the fifth full year of operations for the Authority's City Division, which was created on August 7, 2013, when the Authority acquired the rights to lease and operate the City of Allentown's Water and Wastewater Systems for a term of 50 years. This transaction, which was memorialized by the Allentown Water and Sewer Utility System Concession and Lease Agreement, was financed through the issuance of \$307,683,599 of bonds.

The assets of the Authority exceeded its liabilities at the close of 2018 by \$147,045,676 (net position). The portion of net position that can be used to meet the Authority's on-going obligations to customers and creditors, unrestricted net position, is (\$14,127,210).

The Authority's net position decreased in 2018 by \$5,064,221, with a decrease in the City fund of \$6,134,152 and a decrease in the Suburban Wastewater fund of \$743,133 offset partly by an increase in the Suburban Water fund of \$1,813,064.

Operating revenues increased from \$54,808,820 in 2017 to \$58,007,976 in 2018 due to increased Suburban Wastewater Revenues along with increased City Revenues while Suburban Water Revenues were relatively flat to last year. Operating expenses increased from \$46,719,135 in 2017 to \$46,926,940 in 2018 due to inflationary effect on employee cost and purchased cost along with higher treatment & transportation costs on higher Signatory volumes.

Overview of the Financial Statements

Lehigh County Authority's basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to private sector business.

Statement of net position: The statement of net position presents the financial position of the Authority. It presents information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of revenues, expenses, and changes in net position: The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal 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 related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. accrued wages).

Statement of cash flows: The statement of cash flows presents information on the effects changes in assets, liabilities and operations have on cash during the course of the fiscal year.

Statement of fiduciary net position: This statement presents the financial position of the Authority's OPEB Trust Fund. It presents information on the funds, assets, and liabilities, with the difference between two reported as net position held in trust for employees' post-retirement benefits.

Statement of changes in fiduciary net position: The statement presents information on the contributions, changes in the fair value of investments and expenses of the Authority's Other Post Employment Benefit (OPEB) Trust Fund.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

Proprietary funds: The Authority maintains proprietary funds. Enterprise funds are used to report functions presented as business-type activities, accounting for its suburban water, suburban wastewater, and city division operations.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's obligation to provide pension benefits and OPEB for its employees.

Financial Analysis

Net Position (City Division):

A summary of the Authority's City Division Statements of Net Position at December 31 are presented as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets, Unrestricted	\$ 9,261,881	\$ 13,114,412	\$ 15,194,720
Non-current Assets:			
Restricted	58,039,664	53,358,211	52,012,045
Capital Assets, Net	999,453	1,071,187	1,436,157
Other Assets, Net	<u>246,854,949</u>	<u>248,035,503</u>	<u>248,921,598</u>
Total Assets	315,155,947	315,579,313	317,564,520
Deferred Outflows of Resources	<u>1,891,432</u>	<u>2,382,072</u>	<u>1,738,603</u>
Total Assets & Deferred Outflows	\$ 317,047,379	\$ 317,961,385	\$ 319,303,123
Current Liabilities	\$ 5,143,326	\$ 22,369,076	\$ 2,753,830
Non-current Liabilities	<u>361,819,727</u>	<u>339,772,403</u>	<u>352,376,338</u>
Total Liabilities	366,963,053	362,141,479	355,130,168
Deferred Inflows of Resources	<u>1,341,769</u>	-	-
Total Liabilities & Deferred Inflows	\$ 368,304,822	\$ 362,141,479	\$ 355,130,168
Net Position:			
Net Investment in Capital Assets	\$ 999,453	\$ 936,731	\$ 1,014,508
Unrestricted	<u>(52,256,896)</u>	<u>(45,116,825)</u>	<u>(36,841,553)</u>
Total Net Position	<u>\$ (51,257,443)</u>	<u>\$ (44,180,094)</u>	<u>\$ (35,827,045)</u>

As would be expected for a water/sewer authority, the largest portion of the City Division's assets are Capital Assets and Other Assets (78.6%). These categories reflect the Authority's total investment in the leased Concession assets and the purchased rolling stock and other fleet of vehicles, less any depreciation and amortization.

- Current and noncurrent assets other than capital assets and other assets in 2018 increased \$828,922, or 1.2%. This increase was primarily due to an increase in the amount of restricted balances mostly offset by a reduction in net receivables.
- Capital assets, net and other assets, net in 2018 decreased by \$1,252,288, which was the net decrease after considering new acquisitions offset by depreciation and amortization of \$5,864,433.
- Current liabilities in 2018 decreased by \$17,225,750 from 2017. This decrease was primarily due to the debt payment on the Series C Bonds which occurred in 2018.
- Noncurrent liabilities in 2018 increased by \$22,047,324 from 2017. The increase was primarily due to the refunding of the Series C Bonds.

Net Position (Suburban Division):

A three-year condensed summary of the Authority's Suburban Division Statements of Net Position as of December 31 of each year is presented as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets, unrestricted	\$ 39,231,844	\$ 34,869,626	\$ 36,955,569
Non-current Assets:			
Restricted	14,613,449	21,445,778	8,441,763
Capital assets, net	200,602,241	198,417,167	189,152,068
Other assets, net	<u>2,720,567</u>	<u>3,538,758</u>	<u>4,149,187</u>
Total Assets	257,168,101	258,271,329	238,698,587
Deferred Outflows	<u>1,258,552</u>	<u>1,177,302</u>	<u>1,010,709</u>
Total Assets & Deferred Outflows	<u>\$ 258,426,653</u>	<u>\$ 259,448,631</u>	<u>\$ 239,709,296</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current liabilities	\$ 6,706,997	\$ 6,456,654	\$ 5,769,138
Non-current liabilities	<u>52,873,270</u>	<u>55,686,331</u>	<u>42,524,204</u>
Total Liabilities	59,580,267	62,142,985	48,293,342
Deferred Inflows	<u>543,267</u>	<u>-</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>\$ 60,123,534</u>	<u>\$ 62,142,985</u>	<u>\$ 48,293,342</u>
Net position:			
Net Investment in Capital Assets	\$ 158,792,779	\$ 161,373,199	\$ 151,420,469
Restricted	1,380,654	1,365,470	1,209,379
Unrestricted	<u>38,129,686</u>	<u>34,566,977</u>	<u>38,786,106</u>
Total Net Position	<u>\$ 198,303,119</u>	<u>\$ 197,305,646</u>	<u>\$ 191,415,954</u>

Again, as would be expected for a water/sewer authority, the largest portion of the Suburban Division's total assets & deferred outflows are Capital Assets and Other Assets (79.1%). These categories reflect the Authority's total investment in the capital and other assets (e.g. infrastructure, buildings, machinery and equipment), less any depreciation and amortization.

- Current, and noncurrent assets other than capital assets and other assets in 2018 decreased \$2,470,111, or 4.4%. This decrease was primarily due to capital spending during the year.
- Capital assets, net and other assets, net in 2018 increased \$1,366,883 or 0.7%. This was due to capital spending on projects.
- Current liabilities in 2018 increased \$250,343 or 3.9% from 2017. This increase was primarily due to increases in trade and construction payables.
- Noncurrent liabilities in 2018 decreased \$2,813,061 or 5.1% from 2017, as a result of a reduction in debt related to 2018 principal repayments.

Changes in Net Position (City Division):

A summary of the Authority's City Division Statement of Revenue, Expenses and Changes in Net Position for the years ended December 31 are presented as follows:

Operating Revenues:	<u>2018</u>	<u>2017</u>	<u>2016</u>
User Charges	\$ 34,590,898	\$ 32,802,663	\$ 31,599,212
Other Income & Rent	<u>53,764</u>	<u>93,262</u>	<u>74,245</u>
Total Operating Revenues	<u>34,644,662</u>	<u>32,895,925</u>	<u>31,673,457</u>
Operating Expenses:			
Salaries & Administrative	11,110,701	11,025,417	10,026,536
Utilities, Supplies & Services	6,090,064	5,836,761	5,387,867
Treatment & Transportation	9,827	10,096	11,011
Depreciation & Amortization	<u>5,864,433</u>	<u>5,887,307</u>	<u>5,834,285</u>
Total Operating Expenses	<u>23,075,025</u>	<u>22,759,581</u>	<u>21,259,699</u>
Operating Income	<u>11,569,637</u>	<u>10,136,344</u>	<u>10,413,758</u>
Non-Operating Revenues (Expenses):			
Tapping & Capital Recovery Fees	1,360,605	725,230	764,853
Meter Sales	8,397	17,187	13,319
Inspection, Plan Reviews & Project Reimbursements	913,550	1,132,206	1,396,588
Interest Earnings	1,047,630	341,431	386,754
Other Income	1,587,086	1,123,827	821,530

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest Expense	(18,810,413)	(18,516,650)	(18,280,300)
Other Expense	<u>(3,810,644)</u>	<u>(3,312,624)</u>	<u>(4,026,159)</u>
Total Net Non-Operating Revenues (Expenses)	<u>(17,703,789)</u>	<u>(18,489,393)</u>	<u>(18,923,415)</u>
Increase (Decrease) in Net Position	<u>(6,134,152)</u>	<u>(8,353,049)</u>	<u>(8,509,657)</u>
Beginning Net Position, as restated	<u>(45,123,291)</u>	<u>(35,827,045)</u>	<u>(27,317,388)</u>
Ending Net Position	<u>\$ (51,257,443)</u>	<u>\$ (44,180,094)</u>	<u>\$ (35,827,045)</u>

Year over year changes are as follows:

- Operating Revenue for 2018 for the City Division was \$34,644,662, compared to previous year of \$32,825,925 with most of the increase attributable to a rate increase, and higher Signatory Revenues.
- Operating expenses, net of depreciation and amortization were \$17,210,592 compared to previous year of \$16,872,274, an increase of \$338,318. The increase was due to inflationary effects on employee cost and purchased goods and services along with higher spending on outside services.
- Operating Income, net of depreciation and amortization was \$17,434,070 compared to previous year of \$16,023,651, an increase of \$1,410,419 that was driven mostly by the increase in operating revenues.

It should be noted that interest expense of \$18,810,413 in 2018 is comprised of actual interest paid (\$13,047,722), accretion (\$3,206,323), amortization of the SCA Payable (\$2,198,697), change in accrued interest payable (\$41,051) and amortization of bond discount (\$316,620).

The City Division's Annual Debt Service Coverage Ratio exceeded the indenture requirement of 1.20. The ratio for all years of operation has exceeded 1.20.

Changes in net position (Suburban Division):

A condensed summary of the Authority's Suburban Division Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31 is presented below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
User Charges	\$ 22,929,861	\$ 21,432,163	\$ 21,433,507
Other Income & Rent	<u>433,453</u>	<u>480,732</u>	<u>254,430</u>
Total Operating Revenues	<u>23,363,314</u>	<u>21,912,895</u>	<u>21,687,937</u>
Operating Expenses:			
Salaries & Administrative	3,341,735	3,283,747	3,078,832
Utilities, Supplies & Services	9,707,897	9,864,615	10,273,359
Treatment & Transportation	3,543,753	3,516,548	3,021,234
Depreciation & Amortization	<u>7,258,530</u>	<u>7,294,644</u>	<u>7,088,899</u>
Total Operating Expenses	<u>23,851,915</u>	<u>23,959,554</u>	<u>23,462,324</u>
Non-Operating Revenues (Expenses):			
Tapping & Capital Recovery Fees	\$ 744,931	\$ 904,781	\$ 1,591,549
Meter Sales	85,259	112,468	168,365
Inspection, Plan Reviews & Project Reimbursements	220,921	166,877	191,932
Interest Earnings	477,745	289,520	210,148
Other Income	87,661	116,863	113,516

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest Expense	(1,773,659)	(1,576,214)	(1,335,646)
Other Expense	<u>(113,018)</u>	<u>(458,095)</u>	<u>(222,336)</u>
Total Net Non-Operating Revenues (Expenses)	<u>\$ (270,160)</u>	<u>\$ (443,800)</u>	<u>\$ 717,528</u>
Increase (Decrease) in Net Position before Capital Contributions	<u>\$ (758,761)</u>	<u>\$ (2,490,459)</u>	<u>\$ (1,056,859)</u>

Capital Contributions:

Grants	212,688	211,892	211,552
Capital Assets Provided by Developers & Other	<u>1,616,004</u>	<u>8,168,259</u>	<u>4,334,145</u>
Total Capital contributions	<u>1,828,692</u>	<u>8,380,151</u>	<u>4,545,697</u>
Increase (Decrease) in Net Position	<u>1,069,931</u>	<u>5,889,692</u>	<u>3,488,838</u>
Beginning Net Position, as restated	<u>\$ 197,233,188</u>	<u>\$ 191,415,954</u>	<u>\$ 187,927,116</u>
Ending Net Position	<u>\$ 198,303,119</u>	<u>\$ 197,305,646</u>	<u>\$ 191,415,954</u>

Changes in the Statements of Revenues, Expenses and Changes in Net Position were as follows:

- Operating Revenue in 2018 for the Suburban Division was \$23,363,314 compared to last year of \$21,912,895. The Suburban Division's Water Fund contributed \$9,348,855 in revenue compared to last year of \$9,054,114, while the Wastewater Fund added another \$14,014,429 compared to previous year of \$12,858,781. The primary driver for the increase in Wastewater Fund revenue was higher flows.
- As an indication of the new growth in the Suburban Division territory, the following table illustrates the three-year trend of Water System connections and Wastewater capacity sales to new and expanding users.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water System # of Units Connected:			
Single Family Detached	114	99	95
Single Family Attached (Townhouses)	71	119	113
Apartments and Mobile Homes	709	97	288
Commercial	<u>14</u>	<u>22</u>	<u>34</u>
Total Water System Connections	<u>908</u>	<u>337</u>	<u>530</u>
Wastewater Capacity Sales in Gallons:			
Residential	43,708	53,297	87,161
Commercial	<u>34,803</u>	<u>22,179</u>	<u>14,634</u>
Total Sales	<u>78,511</u>	<u>75,476</u>	<u>101,795</u>

The table reflects an increase in new Water System connections for both detached and attached single family homes, apartments, and commercial properties, with more than half of the new units connected resulting from the connection of a troubled mobile home park water system, which serves 595 homes, to the Authority's Central Lehigh Division in 2018. Wastewater capacity sales trended higher in 2018 primarily as a result of commercial growth experienced in 2018.

- The Suburban Water System purchased 7 million gallons a day from the interconnection with its City Division in 2018. The purchase obligation remains at 7 mgd in 2019.
- The Suburban Division's Annual Water System Operating Coverage, which is determined by dividing net operating revenues by annual debt service, was above the 110% required by the Suburban Water Bond Indenture.

Changes in Net Position (Suburban Division Summary):

A summary of the Authority's Statement of Changes in Net Position Suburban Division is presented as follows:

Statement of Changes in Net Position Year Ended December 31, 2018

	<u>Beginning Balance</u>	<u>Increased / (Decreased)</u>	<u>Ending Balance</u>
Net Investment in Capital			
Assets	\$ 161,373,199	\$ 2,580,420	\$ 158,792,779
Restricted Net Position	1,365,470	(15,184)	1,380,654
Unrestricted Net Position	<u>34,566,977</u>	<u>(3,562,709)</u>	<u>38,129,686</u>
Total Net Position	<u>\$ 197,305,646</u>	<u>\$ (997,473)</u>	<u>\$ 198,303,119</u>

Other Selected Information:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Equivalent Fulltime Employees at Year-End	160	155	148
Units Served:			
<u>Suburban Division:</u>			
Water – Residential	22,003	21,103	20,788
Water – Industrial & Commercial	<u>734</u>	<u>722</u>	<u>700</u>
Total Water Billable Units	22,737	21,825	21,488
Wastewater Collection – Residential	2696	2,660	2,614
Wastewater Collection – Commercial	<u>127</u>	<u>126</u>	<u>125</u>
Total Wastewater Billable Units	2,823	2,786	2,739
<u>City Division:</u>			
Water:			
Water – Residential	41,198	41,620	41,615
Water – Industrial & Commercial	<u>5,139</u>	<u>5,150</u>	<u>5,147</u>
Total Water Billable Units	46,337	46,770	46,762
Wastewater:			
Wastewater – Residential	41,176	41,598	41,593
Wastewater – Commercial	<u>5,129</u>	<u>5,140</u>	<u>5,137</u>
Total Wastewater Billable Units	46,305	46,738	46,730
Customers:	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Suburban Division:</u>			
Water – Residential	19,501	19,308	19,085
Water – Industrial & Commercial	<u>730</u>	<u>718</u>	<u>696</u>
Total Water Customers	20,231	20,026	19,781
Wastewater Collection – Residential	2,336	2,300	2,254
Wastewater Collection – Commercial	<u>123</u>	<u>122</u>	<u>121</u>
Total Wastewater Customers	2,459	2,422	2,375
<u>City Division:</u>			
Water – Residential	30,368	30,334	30,329
Water – Industrial & Commercial	<u>3,021</u>	<u>3,022</u>	<u>3,019</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Water Customers	33,389	33,356	33,348
Wastewater Collection – Residential	30,346	30,312	30,307
Wastewater Collection – Commercial	<u>3,011</u>	<u>3,012</u>	<u>3,009</u>
Total Wastewater Customers	33,357	33,324	33,316

Ratios

Suburban Division:

Ratio of Operating Revenue to:

Operating Expenses, Net of Depreciation & Amortization	1.41	1.31	1.23
Total Assets	0.11	0.08	0.11
Total Net Position	0.12	0.11	0.14

Debt Related Ratios:

Net Position to Long-Term Debt	5.10	3.54	4.50
Current Ratio (Current Assets/Current Liabilities)	5.85	5.40	6.41

City Division:

Ratio of Operating Revenue to:

Operating Expenses, Net of Depreciation & Amortization	2.01	1.95	1.96
Total Assets (Annualized)	0.114	0.10	0.10
Total Net Position	N/A	N/A	N/A

Debt Related Ratios:

Net Position to Long-Term Debt	N/A	N/A	N/A
Current Ratio (Current Assets/Current Liabilities)	1.80	0.59	5.52

Capital Contributions

The Authority received grants related to construction in 2018 of \$212,688 compared to \$211,892 last year. Another major source of capital contributions is derived from developer installed Systems donated to the Authority \$1,616,004 was received in 2018 compared to \$8,168,259 in 2017.

Capital Assets & Service Concession Arrangement:

The largest investment in the Authority's history occurred on August 7, 2013 with the financing of the acquisition of the City of Allentown's Water and Sewer System through a 50-year lease concession. The Authority's Net Capital Investment in intangible and other assets decreased from \$246,460,723 in 2017 to \$244,952,520 in 2018, and the City Divisions net capital assets decreased from \$1,071,187 in 2017 to \$999,453 in 2018. More detail on the Service Concession Arrangement can be found in Note 6 to the financial statements.

Net capital assets in the Suburban Systems increased by \$2,185,074. This increase can be attributed to increased accumulated depreciation which partially offset capital projects executed in 2018. More detail on the Authority's capital assets can be found in Note 5 to the financial statements.

Debt Administration:

In 2013 the Authority issued \$307,683,599 million in three series of bonds to fund the upfront payment to the City of Allentown, capital improvements, create various reserves necessary under the Indenture and to fund financing and other transaction costs related to the Concession. Increases to debt in 2018 consisted of issuance of the Series 2018 Bond and accreted interest on the 2013 Series B Capital Appreciation Revenue Bonds. The Series C Bonds were refinanced in 2018.

In 2018 the Authority issued City Division Water and Sewer Revenue Bond Series 2018 in the amount of \$18,735,000 to currently refund the 2013 Series C Bonds, fund a debt service reserve, and pay the costs and expenses of issuing the Bond.

See note 8 of the Notes to the Financial Statements for further detail on outstanding debt.

Economic Factors and Rates:**Suburban Division:**

From the Suburban Division perspective, the Authority elected to increase water rates in 2018 to cover the additional debt service for the funding of capital projects. The Suburban Division's rates continue to be among the lowest in the Lehigh Valley region.

With higher treatment and transportation costs from the former City of Allentown water and wastewater departments and significant maintenance required on the Authority's interceptor System, annual Wastewater rate increases have been enacted since 2007. The last wastewater collection system rate increase was on January 1, 2013, a 5% increase.

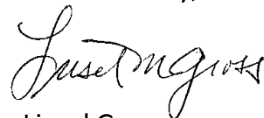
City Division:

City Division rates increased by 5.06% in January 2018 per the Concession agreement.

Contacting the Authority's Financial Management:

This financial report is designed to provide our customers, creditors and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, contact Edward C. Klein, the Lehigh County Authority's Chief Financial Officer, P.O. Box 3348, Allentown, PA 18106.

Submitted by,



Liesel Gross

Chief Executive Officer



Edward C. Klein

Chief Financial Officer

LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA

STATEMENTS OF NET POSITION
December 31, 2018 AND 2017

- ASSETS AND DEFERRED OUTFLOWS OF RESOURCES-

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Current Assets:								
Cash and Cash Equivalents (Note 2)	\$ 2,486,081	\$ 2,124,701	\$ 8,743,052	\$ 6,209,379	\$ 8,426,127	\$ 8,928,442	\$ 19,655,260	\$ 17,262,522
Certificates of Deposit (Note 2)	4,356,991	7,151,903	6,455,704	8,506,119	-	-	10,812,695	15,658,022
Accounts Receivable:								
Customers	1,663,830	1,594,030	3,726,863	2,978,550	6,606,583	6,084,823	11,997,276	10,657,403
Financing Contracts (Note 4)	-	-	316,797	310,150	-	-	316,797	310,150
Others	203,148	205,592	509,247	107,047	4,147,552	3,024,618	4,859,947	3,337,257
Due from (to) Other Funds (Note 9)	7,576,231	3,083,440	2,817,997	2,266,994	(10,394,228)	(5,350,434)	-	-
Inventory	16,190	34,170	-	-	-	-	16,190	34,170
Accrued Interest Receivable	14,724	854	23,832	16,896	100,851	35,957	139,407	53,707
Prepaid Expenses	198,131	179,831	123,026	99,970	374,996	391,006	696,153	670,807
Total Current Assets	16,515,326	14,374,521	22,716,518	20,495,105	9,261,881	13,114,412	48,493,725	47,984,038
Noncurrent Assets:								
Restricted:								
Cash and Cash Equivalents (Note 2)	7,649,898	8,299,174	337,562	337,271	54,099,024	45,417,571	62,086,484	54,054,016
Certificates of Deposit (Note 2)	25,522	25,508	-	-	-	-	25,522	25,508
Investment U.S. Treasury Obligations (Note 2)	2,214,267	8,750,850	-	-	3,940,640	7,940,640	6,154,907	16,691,490
Developer Escrow Deposit (Note 3)	4,386,200	4,017,759	-	-	-	-	4,386,200	4,017,759
Accrued Interest Receivable	-	15,216	-	-	-	-	-	15,216
Total Restricted Assets	14,275,887	21,108,507	337,562	337,271	58,039,664	53,358,211	72,653,113	74,803,989
Capital Assets: (Notes 1 and 5)								
Land	2,043,265	1,979,296	1,837,891	1,802,997	-	-	3,881,156	3,782,293
Construction in progress	5,023,631	3,818,074	10,052,683	9,012,605	-	-	15,076,314	12,830,679
Wells & Reservoirs	9,554,770	9,107,259	3,494,643	3,494,643	-	-	13,049,413	12,601,902
Transmission & Distribution Mains	78,963,688	77,398,129	-	-	-	-	78,963,688	77,398,129
Services & Hydrants	17,144,642	16,871,358	-	-	-	-	17,144,642	16,871,358
Interceptor & Collector Systems	-	-	38,036,405	38,035,012	-	-	38,036,405	38,035,012
Building Structure & Appurtenances	23,632,286	22,847,846	54,910,406	53,561,605	-	-	78,542,692	76,409,451
Metering System	10,539,291	8,641,522	429,777	421,474	-	-	10,969,068	9,062,996
Equipment and Furnishings	7,283,092	6,620,625	22,551,923	22,187,756	3,192,900	2,926,589	33,027,915	31,734,970
Capacity	1,207,901	1,207,901	2,062,956	2,442,164	-	-	3,270,857	3,650,065
Less accumulated depreciation	(40,476,618)	(37,780,438)	(47,690,391)	(43,252,661)	(2,193,447)	(1,855,402)	(90,360,456)	(82,888,501)
Total Capital Assets	114,915,948	110,711,572	85,686,293	87,705,595	999,453	1,071,187	201,601,694	199,488,354
Other Assets:								
Long-Term Portion of Receivables - Financing Contracts (Note 4)	-	-	1,856,283	2,165,508	-	-	1,856,283	2,165,508
Intangible Service Concession Arrangement (Note 6)	-	-	-	-	244,952,520	246,460,723	244,952,520	246,460,723
OPEB Asset (Note 12)	736,708	1,182,363	-	-	-	-	736,708	1,182,363
Other Assets	-	-	-	-	1,902,429	1,574,780	1,902,429	1,574,780
Facilities Planning Costs (Net of Accumulated Amortization) (Note 7)	24,749	39,185	102,827	151,702	-	-	127,576	190,887
Total Other Assets	761,457	1,221,548	1,959,110	2,317,210	246,854,949	248,035,503	249,575,516	251,574,261
Total Noncurrent Assets	129,953,292	133,041,627	87,982,965	90,360,076	305,894,066	302,464,901	523,830,323	525,866,604
Total Assets	146,468,618	147,416,148	110,699,483	110,855,181	315,155,947	315,579,313	572,324,048	573,850,642
Deferred Outflows of Resources								
Pensions	509,394	641,532	256,424	322,941	1,891,432	2,382,072	2,657,250	3,346,545
OPEB	373,843	-	-	-	-	-	373,843	-
Refunding Loss on Bonds	118,891	212,829	-	-	-	-	118,891	212,829
Total Deferred Outflows	1,002,128	854,361	256,424	322,941	1,891,432	2,382,072	3,149,984	3,559,374
Total Assets and Deferred Outflows of Resources	\$ 147,470,746	\$ 148,270,509	\$ 110,955,907	\$ 111,178,122	\$ 317,047,379	\$ 317,961,385	\$ 575,474,032	\$ 577,410,016

This statement is continued on the next page

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

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2018 AND 2017**

- LIABILITIES AND NET POSITION -

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Current Liabilities:								
Accounts Payable - Trade	\$ 1,048,854	\$ 1,863,715	\$ 2,434,731	\$ 1,356,135	\$ 2,098,809	\$ 1,884,346	\$ 5,582,394	\$ 5,104,196
Accounts Payable - Capital	70,921	140,928	150,835	122,658	149,529	148,816	371,285	412,402
Accrued Interest Payable	237,699	241,716	3,346	3,346	1,128,362	1,087,310	1,369,407	1,332,372
Notes Payable (Note 8)	243,812	239,333	420,205	415,684	-	-	664,017	655,017
Revenue Bonds Payable (Note 8)	1,473,132	1,445,700	65,572	63,300	1,230,893	18,735,000	2,769,597	20,244,000
Developer Deposits and Other (Note 10)	195,273	192,998	6,019	6,019	26,016	14,456	227,308	213,473
Accrued Payroll & Other	220,498	190,395	136,100	174,727	509,717	499,148	866,315	864,270
Total Current Liabilities	<u>3,490,189</u>	<u>4,314,785</u>	<u>3,216,808</u>	<u>2,141,869</u>	<u>5,143,326</u>	<u>22,369,076</u>	<u>11,850,323</u>	<u>28,825,730</u>
Noncurrent Liabilities:								
Developer Deposits and Other (Note 10)	4,974,553	4,828,202	-	-	-	-	4,974,553	4,828,202
SCA Payable (Note 6)	-	-	-	-	45,936,129	44,248,993	45,936,129	44,248,993
Notes Payable (Note 8)	2,486,487	2,730,296	6,029,617	6,449,820	-	-	8,516,104	9,180,116
OPEB Liability	-	-	-	-	2,020,079	884,981	2,020,079	884,981
Net Pension Liability	336,866	822,165	169,575	413,870	1,250,814	3,052,774	1,757,255	4,288,809
Revenue Bonds Payable (Net of Premium/Discount) (Note 8)	<u>37,380,843</u>	<u>38,875,220</u>	<u>1,495,329</u>	<u>1,566,758</u>	<u>312,612,705</u>	<u>291,585,655</u>	<u>351,488,877</u>	<u>332,027,633</u>
Total Noncurrent Liabilities	<u>45,178,749</u>	<u>47,255,883</u>	<u>7,694,521</u>	<u>8,430,448</u>	<u>361,819,727</u>	<u>339,772,403</u>	<u>414,692,997</u>	<u>395,458,734</u>
Total Liabilities	<u>48,668,938</u>	<u>51,570,668</u>	<u>10,911,329</u>	<u>10,572,317</u>	<u>366,963,053</u>	<u>362,141,479</u>	<u>426,543,320</u>	<u>424,284,464</u>
Deferred Inflows of Resources								
Pensions	361,361	-	181,906	-	1,341,769	-	1,885,036	-
Total Deferred Inflows	<u>361,361</u>	<u>-</u>	<u>181,906</u>	<u>-</u>	<u>1,341,769</u>	<u>-</u>	<u>1,885,036</u>	<u>-</u>
Net Position: (Notes 1 and 13)								
Net Investment in Capital Assets	81,117,209	82,163,166	77,675,570	79,210,033	999,453	936,731	159,792,232	162,309,930
Restricted for Debt Service	1,380,654	1,365,470	-	-	-	-	1,380,654	1,365,470
Unrestricted	<u>15,942,584</u>	<u>13,171,205</u>	<u>22,187,102</u>	<u>21,395,772</u>	<u>(52,256,896)</u>	<u>(45,116,825)</u>	<u>(14,127,210)</u>	<u>(10,549,848)</u>
Total Net Position	<u>98,440,447</u>	<u>96,699,841</u>	<u>99,862,672</u>	<u>100,605,805</u>	<u>(51,257,443)</u>	<u>(44,180,094)</u>	<u>147,045,676</u>	<u>153,125,552</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 147,470,746</u>	<u>\$ 148,270,509</u>	<u>\$ 110,955,907</u>	<u>\$ 111,178,122</u>	<u>\$ 317,047,379</u>	<u>\$ 317,961,385</u>	<u>\$ 575,474,032</u>	<u>\$ 577,410,016</u>

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

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017**

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
OPERATING REVENUES:								
Charges for Services	\$ 9,209,531	\$ 8,863,788	\$ 13,720,330	\$ 12,568,375	\$ 34,590,898	\$ 32,802,663	\$ 57,520,759	\$ 54,234,826
Rent	98,405	91,019	-	-	-	-	98,405	91,019
Other Income	40,949	99,307	294,099	290,406	53,764	93,262	388,812	482,975
Total Operating Revenues	<u>9,348,885</u>	<u>9,054,114</u>	<u>14,014,429</u>	<u>12,858,781</u>	<u>34,644,662</u>	<u>32,895,925</u>	<u>58,007,976</u>	<u>54,808,820</u>
OPERATING EXPENSES								
Salaries and Wages	1,037,882	1,042,565	462,145	424,208	4,096,761	3,756,508	5,596,788	5,223,281
General and Administrative	1,261,241	1,257,063	580,467	559,911	7,013,940	7,268,909	8,855,648	9,085,883
Utilities	437,253	420,812	290,201	226,197	2,040,103	1,903,666	2,767,557	2,550,675
Materials and Supplies	294,937	422,730	264,744	155,503	1,267,835	1,312,551	1,827,516	1,890,784
Miscellaneous Services	2,703,594	2,270,359	5,717,168	6,369,014	2,782,126	2,620,544	11,202,888	11,259,917
Treatment and Transportation	-	-	3,543,753	3,516,548	9,827	10,096	3,553,580	3,526,644
Depreciation and Amortization	2,768,133	2,695,548	4,490,397	4,599,096	5,864,433	5,887,307	13,122,963	13,181,951
Total Operating Expenses	<u>8,503,040</u>	<u>8,109,077</u>	<u>15,348,875</u>	<u>15,850,477</u>	<u>23,075,025</u>	<u>22,759,581</u>	<u>46,926,940</u>	<u>46,719,135</u>
OPERATING INCOME (LOSS)	<u>845,845</u>	<u>945,037</u>	<u>(1,334,446)</u>	<u>(2,991,696)</u>	<u>11,569,637</u>	<u>10,136,344</u>	<u>11,081,036</u>	<u>8,089,685</u>
NONOPERATING REVENUES (EXPENSES):								
Tapping and Capital Recovery Fees	221,405	455,405	523,526	449,376	1,360,605	725,230	2,105,536	1,630,011
Meter Sales	85,259	112,468	-	-	8,397	17,187	93,656	129,655
Inspection, Plan Reviews, and Project Reimbursements	183,148	154,433	37,773	12,444	913,550	1,132,206	1,134,471	1,299,083
Investment Earnings	255,439	127,486	222,306	162,034	1,047,630	341,431	1,525,375	630,951
Interest Expense	(1,576,659)	(1,371,796)	(197,000)	(204,418)	(18,810,413)	(18,516,650)	(20,584,072)	(20,092,864)
Other Expense	(82,142)	(427,991)	(30,876)	(30,104)	(3,810,644)	(3,312,624)	(3,923,662)	(3,770,719)
Other Income	86,971	109,343	690	7,520	1,587,086	1,123,827	1,674,747	1,240,690
Total Nonoperating Revenues/(Expenses)	<u>(826,579)</u>	<u>(840,652)</u>	<u>556,419</u>	<u>396,852</u>	<u>(17,703,789)</u>	<u>(18,489,393)</u>	<u>(17,973,949)</u>	<u>(18,933,193)</u>
Increase (Decrease) in net position before capital contributions	<u>19,266</u>	<u>104,385</u>	<u>(778,027)</u>	<u>(2,594,844)</u>	<u>(6,134,152)</u>	<u>(8,353,049)</u>	<u>(6,892,913)</u>	<u>(10,843,508)</u>
Capital Contributions:								
Capital Grant	212,688	211,892	-	-	-	-	212,688	211,892
Capital Assets Provided by Developers and Others	1,581,110	6,112,316	34,894	2,055,943	-	-	1,616,004	8,168,259
Total Capital Contributions	<u>1,793,798</u>	<u>6,324,208</u>	<u>34,894</u>	<u>2,055,943</u>	<u>-</u>	<u>-</u>	<u>1,828,692</u>	<u>8,380,151</u>
Increase (Decrease) in Net Position	<u>1,813,064</u>	<u>6,428,593</u>	<u>(743,133)</u>	<u>(538,901)</u>	<u>(6,134,152)</u>	<u>(8,353,049)</u>	<u>(5,064,221)</u>	<u>(2,463,357)</u>
Net Position at Beginning of Year, before restatement	<u>96,699,841</u>	<u>90,271,248</u>	<u>100,605,805</u>	<u>101,144,706</u>	<u>(44,180,094)</u>	<u>(35,827,045)</u>	<u>153,125,552</u>	<u>155,588,909</u>
Cumulative Effect of Change in Accounting principle	<u>(72,458)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(943,197)</u>	<u>-</u>	<u>(1,015,655)</u>	<u>-</u>
Net Position at Beginning of Year, as restated (Note 18)	<u>96,627,383</u>	<u>90,271,248</u>	<u>100,605,805</u>	<u>101,144,706</u>	<u>(45,123,291)</u>	<u>(35,827,045)</u>	<u>152,109,897</u>	<u>155,588,909</u>
Net Position at End of Year	<u>\$ 98,440,447</u>	<u>\$ 96,699,841</u>	<u>\$ 99,862,672</u>	<u>\$ 100,605,805</u>	<u>\$ (51,257,443)</u>	<u>\$ (44,180,094)</u>	<u>\$ 147,045,676</u>	<u>\$ 153,125,552</u>

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

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 AND 2017**

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Received From Customers	\$ 9,139,731	\$ 8,713,133	\$ 12,872,395	\$ 12,918,435	\$ 32,946,204	\$ 32,057,170	\$ 54,958,330	\$ 53,688,738
Cash Payments To Suppliers For Goods And Services	(4,250,965)	(2,299,045)	(8,760,326)	(10,228,126)	(5,869,418)	(5,122,375)	(18,880,709)	(17,649,546)
Cash Payments To Employees For Services	(2,261,466)	(2,262,743)	(1,077,111)	(931,570)	(10,877,782)	(10,419,880)	(14,216,359)	(13,614,193)
Other Operating Cash Receipts	141,798	162,575	294,099	290,406	53,764	93,262	489,661	546,243
Net Cash Provided By Operating Activities	2,769,098	4,313,920	3,329,057	2,049,145	16,252,768	16,608,177	22,350,923	22,971,242
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interest Paid on Revenue Bonds and Notes	-	-	-	-	(13,047,722)	(13,047,721)	(13,047,722)	(13,047,721)
Facility Improvement Payments	-	-	-	-	(4,391,765)	(4,586,867)	(4,391,765)	(4,586,867)
Payments to the City of Allentown	-	-	-	-	(511,560)	(504,000)	(511,560)	(504,000)
Transfers From Other Funds	-	-	-	-	5,043,794	2,881,468	5,043,794	2,881,468
Transfers To Other Funds	(4,492,791)	(834,199)	(551,003)	(2,047,269)	-	-	(5,043,794)	(2,881,468)
Net Cash Provided By (Used in) Noncapital Financing Activities	(4,492,791)	(834,199)	(551,003)	(2,047,269)	(12,907,253)	(15,257,120)	(17,951,047)	(18,138,588)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Receipts/(Release) of Developer Deposits	171,926	340,669	-	-	11,560	(7,211)	183,486	333,458
Payments of Developer Deposits	(391,741)	(687,108)	-	-	-	-	(391,741)	(687,108)
Payments of Facilities Planning Costs	(26,909)	(20,431)	(3,792)	(130)	-	-	(30,701)	(20,561)
Acquisition and Construction of Property and Equipment	(5,350,054)	(5,163,628)	(2,383,534)	(2,865,337)	(289,860)	(121,398)	(8,023,448)	(8,150,363)
Cash Received from Tapping and Capital Recovery Fees	221,405	455,405	523,526	449,376	1,360,605	725,230	2,105,536	1,630,011
Cash Received from Meter Sales	85,259	112,468	-	-	8,397	17,187	93,656	129,655
Cash Received from Inspection, Plan Reviews, and Project Reimbursements	183,148	154,433	37,773	12,444	913,550	1,132,206	1,134,471	1,299,083
Other Capital Cash Receipts	299,659	321,235	(2,009)	41,838	1,587,086	1,123,827	1,884,736	1,486,900
Other Capital Cash Payments	(152,149)	(535,247)	-	-	(3,740,451)	(3,172,743)	(3,892,600)	(3,707,990)
Revenue Bond and Note Issuance Proceeds	-	15,292,006	-	-	18,735,000	-	18,735,000	15,292,006
Principal Paid On Revenue Bonds	(1,453,878)	(1,430,708)	(69,157)	(66,763)	(18,735,000)	-	(20,258,035)	(1,497,471)
Principal Paid On Revenue Notes	(239,330)	(237,110)	(415,682)	(408,822)	-	-	(655,012)	(645,932)
Interest Paid On Revenue Bonds and Notes	(1,499,805)	(1,202,612)	(197,000)	(204,418)	-	-	(1,696,805)	(1,407,030)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(8,152,469)	7,399,372	(2,509,875)	(3,041,812)	(149,113)	(302,902)	(10,811,457)	4,054,658
CASH FLOWS FROM INVESTING ACTIVITIES								
Maturities of Certificates Of Deposit	4,956,312	5,520,144	5,206,318	5,445,346	-	-	10,162,630	10,965,490
Purchase of Certificates Of Deposit	(2,161,990)	(3,525,605)	(3,154,859)	(5,618,502)	-	-	(5,316,849)	(9,144,107)
Purchase of U.S. Treasury Obligations	-	(8,784,195)	-	-	-	-	-	(8,784,195)
Maturities of U.S. Treasury Obligations	6,545,175	-	-	-	3,999,840	10,136,160	10,545,015	10,136,160
Interest Received On Investments	248,769	159,224	214,326	154,918	982,896	370,712	1,445,991	684,854
Net Cash Provided by (Used in) Investing Activities	9,588,266	(6,630,432)	2,265,785	(18,238)	4,982,736	10,506,872	16,836,787	3,858,202
Net Increase (Decrease) in Cash	(287,896)	4,248,661	2,533,964	(3,058,174)	8,179,138	11,555,027	10,425,206	12,745,514
Cash:								
Beginning	10,423,875	6,175,214	6,546,650	9,604,824	54,346,013	42,790,986	71,316,538	58,571,024
Ending	\$ 10,135,979	\$ 10,423,875	\$ 9,080,614	\$ 6,546,650	\$ 62,525,151	\$ 54,346,013	\$ 81,741,744	\$ 71,316,538
Cash Consisted of the Following:								
Cash and Cash Equivalents	\$ 2,486,081	\$ 2,124,701	\$ 8,743,052	\$ 6,209,379	\$ 8,426,127	\$ 8,928,442	\$ 19,655,260	\$ 17,262,522
Restricted Cash and Cash Equivalents	7,649,898	8,299,174	337,562	337,271	54,099,024	45,417,571	62,086,484	54,054,016
Total Cash and Cash Equivalents	\$ 10,135,979	\$ 10,423,875	\$ 9,080,614	\$ 6,546,650	\$ 62,525,151	\$ 54,346,013	\$ 81,741,744	\$ 71,316,538

This statement is continued on the next page

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

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2018 AND 2017

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities								
Operating Income (Loss)	\$ 845,845	\$ 945,037	\$ (1,334,446)	\$ (2,991,696)	\$ 11,569,637	\$ 10,136,344	\$ 11,081,036	\$ 8,089,685
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used In) Operating Activities:								
Depreciation and Amortization	2,768,133	2,695,548	4,490,397	4,599,096	5,864,433	5,887,307	13,122,963	13,181,951
Change in Assets and Liabilities:								
(Increase)/Decrease in Accounts Receivable Customers	(69,800)	(150,655)	(748,313)	79,697	(521,760)	(360,475)	(1,339,873)	(431,433)
(Increase)/Decrease in Financing Contract Receivable	-	-	302,578	310,706	-	-	302,578	310,706
(Increase)/Decrease in Other Operating Receivable	2,444	(27,751)	(402,200)	(40,343)	(1,122,934)	(385,018)	(1,522,690)	(453,112)
(Increase)/Decrease in Inventory	17,980	11,189	-	-	-	-	17,980	11,189
(Increase)/Decrease in Prepaid Expense	(18,300)	(88,824)	(23,056)	(17,747)	16,010	(12,247)	(25,346)	(118,818)
Increase in OPEB Liability	-	-	-	-	1,135,098	222,286	1,135,098	222,286
Decrease in OPEB Asset	373,197	(49,079)	-	-	-	-	373,197	(49,079)
Increase/(Decrease) in Accounts Payable - Trade	(814,861)	892,491	1,078,596	56,883	214,463	736,729	478,198	1,686,103
Increase in Net Pension Liability	(485,299)	254,195	(244,295)	127,959	(2,745,157)	943,851	(3,474,751)	1,326,005
(Increase) in Pension Deferred Outflows	132,138	(173,295)	66,517	(87,235)	490,640	(643,469)	689,295	(903,999)
(Increase) in OPEB Deferred Outflows	(373,843)	-	-	-	-	-	(373,843)	-
Increase in Pension Deferred Inflows	361,361	-	181,906	-	1,341,769	-	1,885,036	-
Increase/(Decrease) in Accrued Wages and Other	30,103	5,064	(38,627)	11,825	10,569	82,869	2,045	99,758
Net Cash Provided By Operating Activities	\$ 2,769,098	\$ 4,313,920	\$ 3,329,057	\$ 2,049,145	\$ 16,252,768	\$ 16,608,177	\$ 22,350,923	\$ 22,971,242
Noncash Investing, Capital, and Financing Activities								
Noncash Capital Activities, Contribution of Capital Assets From Developers and Others	\$ 1,581,110	\$ 6,112,316	\$ 34,894	\$ 2,055,943	\$ -	\$ -	\$ 1,616,004	\$ 8,168,259
Noncash Noncapital Activities, Accretion on Bonds Payable	-	-	-	-	3,206,323	3,029,308	3,206,323	3,029,308
Noncash Noncapital Activities, Change in Present Value of SCA Payable	-	-	-	-	2,198,696	2,123,000	2,198,696	2,123,000
Change in Fair Value of Investments	(8,016)	35,718	(1,044)	(403)	160	63,080	(8,900)	98,395

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

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2018 and 2017**

		Suburban Post Employment Health Fund	
		2018	2017
Assets			
	Investments:		
	Mutual Funds (Note 2)	\$ 2,828,188	\$ 3,127,964
	Total Assets	\$ 2,828,188	\$ 3,127,964
Net Position Restricted for			
	Post Retirement Health Benefits	\$ 2,828,188	\$ 3,127,964

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

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

	Suburban Post Employment Health Fund	
	2018	2017
Additions:		
Contributions:		
Employer	\$ 13,376	\$ -
Total Contributions	13,376	-
Investment Income:		
Net Increase/(Decrease) in Fair Value of Investments	(217,146)	488,731
Less Investment Expense	(3,102)	(2,794)
Net Investment Income/(Loss)	(220,248)	485,937
Total Additions	(206,872)	485,937
Deductions:		
Reimbursement of Benefits Expense	92,904	61,526
Total Deductions	92,904	61,526
Net Increase/(Decrease) in Net Position	(299,776)	424,411
Net Position Restricted for Post Retirement Health Benefits:		
Beginning of Year	3,127,964	2,703,553
End of Year	\$ 2,828,188	\$ 3,127,964

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

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lehigh County Authority (the Authority) was incorporated under the Pennsylvania Municipal Authorities Act, by the Lehigh County Commissioners in 1966, "... for the purpose of accumulating, conserving and distributing fresh water ..." Under the Act, an authority is an independent municipal corporation and a separate governmental agency of the state. In 1969, the County Commissioners advanced the Authority from a paper organization to an operating unit to plan and construct a water supply system and a wastewater interceptor system to serve residential, commercial and industrial users in the western part of Lehigh County. In 2013, the Authority started serving other areas of Lehigh County when it acquired the rights to lease and operate the City of Allentown's Water and Sewer Systems under a 50 year Concession and Lease Agreement (the Concession). As a result of this Agreement, the Authority created both City and Suburban Divisions, in recognition of the various agreements and financings, related to each entity.

The Authority currently provides two types of services to communities in the City Division. Through the Water Plant and Distribution System (the City Water System) the Authority serves 46,337 residential and business units in the City of Allentown and supplies water under Municipal Services Agreements to Lehigh County Municipalities of South Whitehall, Hanover, Salisbury, Whitehall, Bethlehem and to the Suburban Division under a previously executed water supply agreement. Through the Sewer Utility System (the City Sewer System) the Authority provides sewage collection, treatment and disposal services to 46,305 residential and business units in the City of Allentown and to the Lehigh County Municipalities of Coplay-Whitehall, Emmaus, Hanover, Salisbury, Lower Macungie, South Whitehall and to the Suburban Division, under a previously executed sewer services agreement.

The Authority currently provides four types of service to communities in the Suburban Division. Through the Western Lehigh Interceptor System, the Authority provides sewage transportation service to the Townships of Lower Macungie, Lowhill, Upper Macungie, Upper Milford, and Weisenberg and the Boroughs of Alburtis, Emmaus and Macungie. The Authority owns and operates wastewater collection systems in the Townships of Upper Milford, Heidelberg, Lynn, North Whitehall and Weisenberg serving a total of 2,823 customers as of December 31, 2018. Through the Little Lehigh Relief Interceptor System, the Authority provides sewage transportation service to Salisbury and South Whitehall Townships along with the other users of the Western Lehigh Interceptor System excluding Emmaus. As of December 31, 2018 the Water System serves 22,737 residential and business units in the Lehigh County Municipalities of Upper and Lower Macungie, North Whitehall, Washington, Weisenberg, South Whitehall, Heidelberg, Lower Milford, Lowhill, Lynn, Salisbury and Upper Milford Townships and in Moore Township of Northampton County.

The accompanying financial statements include all funds which are "controlled by or are dependent on" the Authority. The funds included are the Suburban Water Fund, both operating and capital, the Suburban Wastewater Fund, both operating and capital for the Western Lehigh Interceptor System, Little Lehigh Relief Interceptor System, Wastewater Collector Systems in Upper Milford, Weisenberg, Washington, Lynn, Heidelberg and North Whitehall Townships, a Wastewater Treatment Plant and planning activity for providing wastewater service, and the City Division Fund, both operating and capital.

Accordingly, the accompanying financial statements do not include the financial activities of the County of Lehigh (the County), nor are the Authority's financial activities included in the County's financial statements, since each is considered a separate entity under the Governmental Accounting Standards Board (GASB) criteria.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of financial reporting, the Authority is considered to be a related organization to the County. The criteria used in determining the scope of the reporting entity are outlined below.

The Authority members are appointed to five-year terms by the County Executive, with concurrence by the County Commissioners, in an authoritative, official capacity. After confirmation, only the Court of Common Pleas can remove a member for cause. While there is continuing communication with the County, there is little linkage to the elected County officials thereafter.

The management and employees of the Authority responsible for the operations of the Authority are appointed by and held accountable to the Authority. The County does not possess powers of appointment over any Authority employee.

The Authority reviews and approves all budgets, sets rates, and exercises control over facilities, property and policies relating to the services provided by the Authority. The County is under no obligation to finance operating deficits and does not have claim to any surpluses. The Authority has the power to issue bonds and other financing, with the County having no legal responsibility for debt issued by the Authority.

The accounting policies of the Lehigh County Authority conform to generally accepted accounting principles as established by the Governmental Accounting Standards Board. The following is a summary of the significant policies:

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses are distinguished from non-operating items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues of the Authority are charges to customers for water use and wastewater collection, transmission and treatment. When calculating user fees charged to customers, the Authority includes a component for the repayment of principal on the Authority's outstanding debt. Operating expenses include the cost of providing water and wastewater services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal non-operating revenues of the Authority are capital recovery fees, plan review and inspection fees and investment income. The principal non-operating expenses of the Authority include interest expense and cost of goods sold.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital grant funding represents amounts received from capital project grants, which are restricted to capital acquisition or construction. The Authority recognizes capital grant funding when the grants are earned which is generally when the related capital expenditure is made.

The funds of the Authority are grouped in the financial statements in this report as follows:

1. Proprietary Funds:

Enterprise Funds - are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds, which are reported as major funds:

Suburban Water Fund - Used to account for the operations of the suburban water supply and distribution system. The suburban water system is a public utility service, which is intended to be maintained on a self-supporting basis.

Suburban Wastewater Fund - Used to account for the operations of the suburban wastewater interceptor, collector systems, and treatment facilities. The suburban wastewater system is a public utility service, which intends to be maintained on a self-supporting basis.

City Division Fund – Used to account for the operations of the City Concessions System. The City Division Fund is a public utility service, which intends to be maintained on a self supporting basis. This fund was added in 2013 as a result of the Service Concession Arrangement discussed in Note 6.

2. Fiduciary Fund:

The Suburban Post-Employment Health Trust Fund was created in 2010 to accumulate assets to be used for payment of health benefits to qualified retirees.

C. Budgets and Budgetary Accounting

The Lehigh County Authority follows these procedures in establishing the annual budgets:

1. In November department heads develop a preliminary budget, including personnel needs, for all capital and operating programs and for all line items for the coming calendar year. Supporting detail provides justification for each budget component, including calculations, quotations, project timetables, outlines, etc.
2. The budget is given to the Authority Board in late November for review. A formal presentation is made the second week of December with final adoption at the Authority's final December meeting. The final copy of the budget includes an individual budget for City and Suburban Divisions, including Water and Wastewater Operating, and Water and Wastewater Capital sections. The officially adopted budget is the financial plan for the ensuing year.
3. Each month, a Budget Comparative Report is prepared. The report cites monthly and year-to-date activity as well as unused budgeted monies. All department heads are responsible for evaluating their areas for compliance with the budget and taking appropriate remedial action.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. The General Manager is authorized to transfer budgeted amounts between line items within any budget; however, any revisions that alter the total expenses or revenues of any fund must be approved by the Authority Board. For the year ended December 31, 2018, there were no budget amendments.
5. The level of control (level at which expenses may not exceed budget) is the individual budgets within each fund. Budgets lapse at year-end.
6. Budgets for the Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budgets of the Authority are maintained and are prepared using the accrual basis of accounting. Budgeted amounts are as originally adopted, as amended by the General Manager, or as amended by the Authority Board.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including investments in external investment pools and money market mutual funds as discussed in Note 2, with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Certificates of Deposit include escrow accounts established in the Authority's name for maintenance security by developers, funds held by the trustee in debt service accounts, and other special purpose trustee accounts which include unspent bond proceeds.

E. Trade Receivables

All trade receivables are shown net of an allowance for uncollectables, as applicable, trade receivables are evaluated for collectability and an allowance is established, as deemed necessary based on the best information available and in an amount that management believes is adequate. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

F. Inventory

Inventory of the Suburban Water Fund consists of meters and related components and is stated at cost (first-in, first-out). It is the policy of the Authority to expense all other materials and supplies on a current basis for all of the funds.

G. Investments, External Investment Pools, Certificates of Deposit

The Authority invests its idle funds in various instruments, including external investment pools which invest in government secured instruments and certificates of deposit with federally-insured financial institutions. The investments, as listed on the balance sheet, include an equity security held in escrow as security for Developer system extensions. This investment is valued at fair value. The Authority's investment in external investment pools, as discussed in Note 2, and government secured money market instruments are valued at fair value, or amortized cost, which approximates cost and is classified as cash and cash equivalents in the balance sheet. The Authority invests in both negotiable and non-negotiable certificates of deposit (CD) in federally insured financial institutions. Negotiable CD's are valued at fair value while non-negotiable CD's are valued at cost because they are considered non-participating contracts for which redemption terms do not consider market rates.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets & Depreciation, and Service Concession Arrangement & Amortization

The Authority uses a capitalization threshold of \$5,000 to record capital assets purchased and constructed. The expenses are recorded at cost including any liability for contract retainage and construction costs payable. In addition, the Authority included any water rights associated with a project as part of the cost of that project and depreciated them accordingly. Intangible assets acquired in the Service Concession Arrangement are amortized over 50 years. Intangible assets with an indefinite life are not subject to amortization. The construction accounts have also been charged with applicable administrative expenses.

Contributed assets are carried at estimated acquisition value at the time of contribution. Depreciation is determined using the straight-line method based upon the following estimated useful lives:

	<u>Years</u>
Wells	45
Transmission and Distribution Mains	100
Services	60
Fire Hydrants	65
Reservoirs	55
Pumping Station – Structures	45
Pumping Station - Electrical and Pumping Appurtenances	35
Pumping Station – Purification	33.5
Metering System	20
Transportation and Computer Equipment	5
Communication and Miscellaneous Equipment	5 - 20
Wastewater Collector System	100
Western Lehigh Interceptor System	50
Relief Interceptor Systems	100
Office Equipment and Furnishings	10
Office Building and Site Improvements	20 - 40
Water Capacity	40

Normal maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized and depreciated based upon the expected life of such improvements.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Non-exchange transactions, such as donated system assets and assets acquired by contributions, are recognized as capital contributions in accordance with GASB Statement No. 33.

I. Facilities Planning Costs

The Authority has adopted a policy of amortizing planning costs related to all Water and Wastewater activity. With the exception of the development of a Water System hydraulic model, a Financial Information System Selection, an Integrated Computer System study, a Methane Gas Energy Study and the costs of negotiating a lease agreement with the County of Lehigh for oversight of a wastewater treatment plant, all of which are being amortized over 7 years, and a future water supply drilling program and a wastewater hydraulic model, which are being amortized over 10 years, all other planning costs are amortized over a 3-year period.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The period over which the costs are amortized and the amortization expense for 2018 and 2017 are as follows:

	<u>Amortization Period (Years)</u>	<u>2018 Amortization</u>	<u>2017 Amortization</u>
Suburban Water Fund:			
Facilities Planning Costs	3-10	\$ 31,834	\$ 143,644
Suburban Wastewater Fund:			
Facilities Planning Costs	3-7	<u>52,668</u>	<u>218,875</u>
Total Amortization		<u>\$ 84,502</u>	<u>\$ 362,519</u>

J. Compensated Absences

The Authority has an incentive excused absence policy, which annually compensates employees who are absent from work less than a specific number of days during the year. Excused absences include employee and dependent illness, medical or dental appointments, or any other valid reason approved by the employee's immediate supervisor. There is no carryover of the excused absence allowance.

With approval up to 25 days of unused vacation can accumulate for 18 months beyond the year in which it is earned.

The following table summarizes unused vacation liability:

	<u>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 268,361	\$ 235,208
Additions	283,062	268,361
Retirements	<u>(268,361)</u>	<u>(235,208)</u>
Balance at End of Year	<u>\$ 283,062</u>	<u>\$ 268,361</u>

Unused vacation days are generally utilized within 12 months and are reported in current liabilities as a component of Accrued Payroll and Other.

K. Deferred Outflows of Resources

The statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has three items that qualify for reporting in this category: deferred outflows related to pensions, OPEB and refunding losses on bonds.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Inflows of Resources

The statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category: deferred inflows related to pensions.

M. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", GASB Statement No. 85 "*Omnibus 2017*", and GASB Statement No. 86 "*Certain Debt Extinguishment Issues*". The adoption of GASB Statement No. 75 resulted in a restatement of prior year net position (see Note 18), modification of Note 12 of the financial statements and the addition of new schedules that are included as required supplementary information in the financial statements. The adoption of the remaining GASB Statements did not result in modification of previously reported amounts.

N. Pending Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The Authority is required to adopt statement No. 83 for its calendar year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The Authority is required to adopt statement No. 84 for its calendar year 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Authority is required to adopt statement No. 87 for its calendar year 2020 financial statements.

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The Authority is required to adopt statement No. 88 for its calendar year 2019 statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The Authority is required to adopt statement No. 89 for its calendar year 2020 statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61*". The Authority is required to adopt statement No. 90 for its calendar year 2019 statements.

The Authority has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

The carrying amounts of the cash and investments at December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Demand deposit, money market, and savings accounts	\$ 76,828,652	\$ 66,849,224
Certificates of deposit, nonnegotiable	2,425,522	2,425,508
Overnight repurchase	2,434,615	2,067,929
Certificates of deposit, negotiable	8,412,695	13,258,022
U.S. Treasury Obligations	6,154,907	16,691,490
OPEB Mutual Funds	2,828,188	3,127,964
Pennsylvania School District Liquid Asset Fund	<u>2,478,477</u>	<u>2,399,385</u>
	<u>\$101,563,056</u>	<u>\$106,819,522</u>
Classification per statements of net position:		
Unrestricted current assets		
Cash and cash equivalents	\$ 19,655,260	\$ 17,262,522
Certificates of deposit	10,812,695	15,658,022
Restricted non-current assets		
Cash and cash equivalents	62,086,484	54,054,016
Certificates of deposit	25,522	25,508
Investment U.S. treasury obligations	6,154,907	16,691,490
OPEB Mutual Funds	<u>2,828,188</u>	<u>3,127,964</u>
	<u>\$101,563,056</u>	<u>\$106,819,522</u>

Deposits:

The Authority has a policy that requires all deposits and investments, other than U.S. government obligations, to be covered by Federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law.

The securities pledged as collateral are held by the trust department of a financial institution or by its agent in the financial institution's name. When certificates of deposit are purchased, the Authority or its agent either holds the actual certificate of deposit or receives a safekeeping certificate as its proof of ownership.

The Authority has custodial credit risk on cash and investment deposits. This is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned. At December 31, 2018 and 2017, the carrying amounts of the Authority's bank deposits were \$10,201,433 and \$9,515,703 respectively, and the bank balance of \$12,296,350 and \$10,589,992, respectively. As of December 31, 2018 and 2017 \$9,460,446 and \$7,664,484 of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. At December 31, 2018 and 2017 none of the Authority's investments were subject to custodial credit risk.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments:

Pennsylvania Law limits investment and deposit types the Authority may purchase as follows:

- (a) U.S. Treasury bills
- (b) Short-term obligations of the U.S. government or its agencies
- (c) Demand, savings and time deposits with institutions insured by the FDIC or the National Credit Union Share Funds or collateralized with securities as provided by law.
- (d) Obligations of the United States or any of its agencies, the Commonwealth of Pennsylvania or any of its agencies or any political subdivisions of the Commonwealth of Pennsylvania or any of its agencies providing the obligations are backed by the full faith and credit of the political subdivisions.

Pennsylvania School District Liquid Asset Fund

The Authority has funds invested with the Pennsylvania School District Liquid Asset Fund (PSDLAF), an investment pool managed by RBC Capital Markets. In 2001, PSDLAF amended its bylaws to allow Pennsylvania municipal entities besides school districts to participate in the fund. The purpose of the pool is to enhance investment potential through cash pooling while providing security and liquidity. Pool participants are allocated a pro-rata share of each investment purchased by the pool.

Purchased securities, placed in the name of PSDLAF, serve as collateral and are held in safekeeping at PNC Bank. A liquid fund and MAX fund require no advance notice for withdrawals; however, since the MAX fund does not provide check writing services, a higher rate of return is earned.

In addition, each member can purchase certificates of deposit and other investments through the pool. Security for collateralized certificate of deposit purchases are held at the Bank of New York or the Federal Reserve Bank of Boston. The PSDLAF fund is regulated by the Municipal Securities Rulemaking Board. Investment policy is guided by Pennsylvania statute. The Authority's fair value of its position in the pool is measured at amortized cost and is the same as the value of the pool shares.

International City Managers Association Trust Fund

The Authority entered into an agreement with the International City Managers Association (ICMA) to place its future obligation for Other Post-employment Benefits into an irrevocable trust fund.

The Authority invested the funds in a long-term growth mutual fund (98%) and a Low Duration Bond fund (2%). Since the funds are not part of a pool, they are held in the name of Lehigh County Authority.

Money Market Funds

The Authority invests in various money market mutual funds. The money market accounts are secured only by the investments within the fund, which are generally U.S. Government obligations.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investment Maturities

As of December 31, 2018 and 2017, the Authority had the following investments and maturities:

<u>2018</u>						
<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total</u>	Investment Maturities (In Years)		Rating as of Year-End
				<u>Less than One Year</u>	<u>One-to-Five Years</u>	
Certificates of Deposit, negotiable	\$8,442,000	\$8,412,695	49.35%	\$6,496,275	\$1,916,420	N/A
U.S. Treasury Obligations	6,123,857	6,154,907	36.11%	6,154,907	-	N/A
Pennsylvania School District Liquid Asset Fund	<u>2,478,477</u>	<u>2,478,477</u>	<u>14.54%</u>	<u>2,478,477</u>	<u>-</u>	AAA Standard & Poors
Total	<u>\$17,044,334</u>	<u>\$17,046,079</u>	<u>100.00%</u>	<u>\$15,129,659</u>	<u>\$1,916,420</u>	

<u>2017</u>						
<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total</u>	Investment Maturities (In Years)		Rating as of Year-End
				<u>Less than One Year</u>	<u>One-to-Five Years</u>	
Certificates of Deposit, negotiable	\$13,297,000	\$13,258,022	40.98%	\$7,247,009	\$6,011,013	N/A
U.S. Treasury Obligation	16,737,181	16,691,490	51.60%	10,545,016	6,146,474	N/A
Pennsylvania School District Liquid Asset Fund	<u>2,399,385</u>	<u>2,399,385</u>	<u>7.42%</u>	<u>2,399,385</u>	<u>-</u>	AAA Standard & Poors
Total	<u>\$32,433,566</u>	<u>\$32,348,897</u>	<u>100.00%</u>	<u>\$20,191,410</u>	<u>\$12,157,487</u>	

Interest Rate Risk:

As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority's investment policy limits the value of investments with maturities to no greater than five years.

Credit Risk:

The Authority limits the type of investments permitted as defined in the Municipality Authorities Act and the related trust indentures. Permitted investments are defined above. The Authority's investment policy is consistent with these limitations.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Fair Value:

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's investments in negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

The Authority's investments in U.S. Treasury Obligations are valued using a matrix pricing model (Level 2 inputs).

The Authority's investments in OPEB Mutual Funds are valued using quoted market prices (Level 1 inputs).

NOTE 3 – DEVELOPER ESCROW DEPOSIT

The Authority requires developers to provide improvement security for system extensions. To meet this requirement, the majority of developers provide such security in cash or a letter of credit. With one larger developer, however, the Authority has agreed to hold 350,896 shares of stock as collateral. Although the stock certificate is issued in the developer's name, the Authority holds the original stock certificate. Each quarter the market value of the shares held is compared to total maintenance security required for all of this developer's extensions to ensure that enough security is being held. An offsetting liability for all developer deposits is shown as a current and non-current liability on the Statement of Net Position.

NOTE 4 – RECEIVABLES – DEVELOPER CONTRACTS

As of December 31, 2018 the Authority has five agreements with customers, which allow for the financing of wastewater capital recovery fees over a multi-year period. The purpose of these arrangements is to make it more affordable for high-volume wastewater users to locate in the Authority service area. The total amounts of unpaid fees have been recorded as current (\$316,797) and long-term receivables (\$1,856,283). At year-end 2017, there were five agreements and the unpaid fees were recorded as current (\$310,150) and long-term receivables (\$2,165,508). The Authority is recording interest income on the receivables in the year of receipt, which is not materially different than the accrual method.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital assets of the Authority for 2018 and 2017 consist of the following:

	Balance at 12/31/17	Additions	Retirements	Balance at 12/31/18
Suburban Water Fund				
Non-depreciable Assets:				
Land	\$ 1,979,296	\$ 63,969	\$ -	\$ 2,043,265
Construction in progress	3,818,074	5,348,971	(4,143,414)	5,023,631
Total Capital Assets Not Being Depreciated	<u>5,797,370</u>	<u>5,412,940</u>	<u>(4,143,414)</u>	<u>7,066,896</u>
Depreciable Assets:				
Wells & Reservoirs	9,107,259	447,511	-	9,554,770
Transmission & Distribution Mains	77,398,129	1,565,559	-	78,963,688
Service & Hydrants	16,871,358	273,284	-	17,144,642
Building Structure & Appurtenances	22,847,846	784,440	-	23,632,286
Metering System	8,641,522	1,897,769	-	10,539,291
Equipment	6,620,625	693,075	(30,608)	7,283,092
Capacity	1,207,901	-	-	1,207,901
Total Capital Assets Being Depreciated	<u>142,694,640</u>	<u>5,661,638</u>	<u>(30,608)</u>	<u>148,325,670</u>
Less Accumulated Depreciation for:				
Wells & Reservoirs	(3,015,812)	(172,202)	-	(3,188,014)
Transmission & Distribution Mains	(12,146,796)	(780,224)	-	(12,927,020)
Service & Hydrants	(4,021,004)	(277,101)	-	(4,298,105)
Building Structure & Appurtenances	(8,074,735)	(602,353)	-	(8,677,088)
Metering System	(4,444,941)	(421,514)	-	(4,866,455)
Equipment	(5,389,774)	(441,560)	30,608	(5,800,726)
Capacity	(687,376)	(31,834)	-	(719,210)
Total Accumulated Depreciation	<u>(37,780,438)</u>	<u>(2,726,788)</u>	<u>30,608</u>	<u>(40,476,618)</u>
Total Net Capital Assets Being Depreciated	<u>104,914,202</u>	<u>2,934,850</u>	<u>-</u>	<u>107,849,052</u>
Total Capital Assets, Net	<u><u>\$ 110,711,572</u></u>	<u><u>\$ 8,347,790</u></u>	<u><u>\$ (4,143,414)</u></u>	<u><u>\$ 114,915,948</u></u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at 12/31/17	Additions	Retirements	Balance at 12/31/18
Suburban Wastewater Fund				
Non-depreciable Assets:				
Land	\$ 1,802,997	\$ 34,894	\$ -	\$ 1,837,891
Capacity	2,442,164	-	(379,208)	2,062,956
Construction in progress	9,012,605	2,740,223	(1,700,145)	10,052,683
Total Capital Assets Not Being Depreciated	13,257,766	2,775,117	(2,079,353)	13,953,530
Depreciable Assets:				
Interceptor & Collector Systems	38,035,012	1,393	-	38,036,405
Wells & Reservoirs	3,494,643	-	-	3,494,643
Building Structure & Appurtenances	53,561,605	1,348,801	-	54,910,406
Metering System	421,474	8,303	-	429,777
Equipment	22,187,756	364,167	-	22,551,923
Total Capital Assets Being Depreciated	117,700,490	1,722,664	-	119,423,154
Less Accumulated Depreciation for:				
Interceptor & Collector Systems	(10,254,369)	(440,551)	-	(10,694,920)
Wells & Reservoirs	(476,143)	(63,539)	-	(539,682)
Building Structure & Appurtenances	(16,561,892)	(1,771,060)	-	(18,332,952)
Metering System	(240,928)	(11,648)	-	(252,576)
Equipment	(15,719,329)	(2,150,932)	-	(17,870,261)
Total Accumulated Depreciation	(43,252,661)	(4,437,730)	-	(47,690,391)
Total Net Capital Assets Being Depreciated	74,447,829	(2,715,066)	-	71,732,763
Total Capital Assets, Net	<u>\$ 87,705,595</u>	<u>\$ 60,051</u>	<u>\$ (2,079,353)</u>	<u>\$ 85,686,293</u>
	Balance at 12/31/17	Additions	Retirements	Balance at 12/31/18
City Division Fund				
Non-depreciable Assets:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
Depreciable Assets:				
Transportation Equipment	2,654,492	289,860	(23,549)	2,920,803
Miscellaneous Equipment & Computers	248,981	-	-	248,981
Office Furniture & Equipment	23,116	-	-	23,116
Total Capital Assets Being Depreciated	2,926,589	289,860	(23,549)	3,192,900
Less Accumulated Depreciation for:				
Transportation Equipment	(1,687,385)	(312,025)	21,837	(1,977,573)
Miscellaneous Equipment & Computers	(147,213)	(45,545)	-	(192,758)
Office Furniture & Equipment	(20,804)	(2,312)	-	(23,116)
Total Accumulated Depreciation	(1,855,402)	(359,882)	21,837	(2,193,447)
Total Net Capital Assets Being Depreciated	1,071,187	(70,022)	(1,712)	999,453
Total Capital Assets, Net	<u>\$ 1,071,187</u>	<u>\$ (70,022)</u>	<u>\$ (1,712)</u>	<u>\$ 999,453</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at 12/31/17	Additions	Retirements	Balance at 12/31/18
Total Funds				
Total Capital Assets Not Being Depreciated	\$ 19,055,136	\$ 8,188,057	\$ (6,222,767)	\$ 21,020,426
Total Capital Assets Being Depreciated	263,321,719	7,674,162	(54,157)	270,941,724
Total Accumulated Depreciation	(82,888,501)	(7,524,400)	52,445	(90,360,456)
Total Net Capital Assets Being Depreciated	180,433,218	149,762	(1,712)	180,581,268
Total Capital Assets, Net	<u>\$ 199,488,354</u>	<u>\$ 8,337,819</u>	<u>\$ (6,224,479)</u>	<u>\$ 201,601,694</u>

	Balance at 12/31/16	Additions	Retirements	Balance at 12/31/17
Suburban Water Fund				
Non-depreciable Assets:				
Land	\$ 1,704,406	\$ 274,890	\$ -	\$ 1,979,296
Construction in progress	5,015,672	5,238,556	(6,436,154)	3,818,074
Total Capital Assets Not Being Depreciated	6,720,078	5,513,446	(6,436,154)	5,797,370
Depreciable Assets:				
Wells & Reservoirs	8,966,440	140,819	-	9,107,259
Transmission & Distribution Mains	68,692,948	8,705,181	-	77,398,129
Service & Hydrants	14,592,810	2,278,548	-	16,871,358
Building Structure & Appurtenances	22,377,675	470,171	-	22,847,846
Metering System	8,484,524	156,998	-	8,641,522
Equipment	6,282,968	446,935	(109,278)	6,620,625
Capacity	1,207,901	-	-	1,207,901
Total Capital Assets Being Depreciated	130,605,266	12,198,652	(109,278)	142,694,640
Less Accumulated Depreciation for:				
Wells & Reservoirs	(2,847,982)	(167,830)	-	(3,015,812)
Transmission & Distribution Mains	(11,417,925)	(728,871)	-	(12,146,796)
Service & Hydrants	(3,764,864)	(256,140)	-	(4,021,004)
Building Structure & Appurtenances	(7,482,985)	(591,750)	-	(8,074,735)
Metering System	(4,070,631)	(374,310)	-	(4,444,941)
Equipment	(5,097,883)	(401,169)	109,278	(5,389,774)
Capacity	(655,542)	(31,834)	-	(687,376)
Total Accumulated Depreciation	(35,337,812)	(2,551,904)	109,278	(37,780,438)
Total Net Capital Assets Being Depreciated	95,267,454	9,646,748	-	104,914,202
Total Capital Assets, Net	<u>\$ 101,987,532</u>	<u>\$ 15,160,194</u>	<u>\$ (6,436,154)</u>	<u>\$ 110,711,572</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at 12/31/16	Additions	Retirements	Balance at 12/31/17
Suburban Wastewater Fund				
Non-depreciable Assets:				
Land	\$ 1,733,997	\$ 69,000	\$ -	\$ 1,802,997
Capacity	1,116,214	1,690,500	(364,550)	2,442,164
Construction in progress	6,644,610	3,183,454	(815,459)	9,012,605
Total Capital Assets Not Being Depreciated	9,494,821	4,942,954	(1,180,009)	13,257,766
Depreciable Assets:				
Interceptor & Collector Systems	37,723,778	311,234	-	38,035,012
Wells & Reservoirs	3,494,643	-	-	3,494,643
Building Structure & Appurtenances	53,038,870	522,735	-	53,561,605
Metering System	421,474	-	-	421,474
Equipment	21,884,835	324,366	(21,445)	22,187,756
Total Capital Assets Being Depreciated	116,563,600	1,158,335	(21,445)	117,700,490
Less Accumulated Depreciation for:				
Interceptor & Collector Systems	(9,815,381)	(438,988)	-	(10,254,369)
Wells & Reservoirs	(412,604)	(63,539)	-	(476,143)
Building Structure & Appurtenances	(14,808,040)	(1,753,852)	-	(16,561,892)
Metering System	(228,845)	(12,083)	-	(240,928)
Equipment	(13,629,015)	(2,111,759)	21,445	(15,719,329)
Total Accumulated Depreciation	(38,893,885)	(4,380,221)	21,445	(43,252,661)
Total Net Capital Assets Being Depreciated	77,669,715	(3,221,886)	-	74,447,829
Total Capital Assets, Net	\$ 87,164,536	\$ 1,721,068	\$ (1,180,009)	\$ 87,705,595
City Division Fund				
Non-depreciable Assets:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
Depreciable Assets:				
Transportation Equipment	2,473,706	233,385	(52,599)	2,654,492
Miscellaneous Equipment & Computers	248,981	-	-	248,981
Office Furniture & Equipment	23,116	-	-	23,116
Total Capital Assets Being Depreciated	2,745,803	233,385	(52,599)	2,926,589
Less Accumulated Depreciation for:				
Transportation Equipment	(1,195,269)	(528,935)	36,819	(1,687,385)
Miscellaneous Equipment & Computers	(98,196)	(49,017)	-	(147,213)
Office Furniture & Equipment	(16,181)	(4,623)	-	(20,804)
Total Accumulated Depreciation	(1,309,646)	(582,575)	36,819	(1,855,402)
Total Net Capital Assets Being Depreciated	1,436,157	(349,190)	(15,780)	1,071,187
Total Capital Assets, Net	\$ 1,436,157	\$ (349,190)	\$ (15,780)	\$ 1,071,187

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at 12/31/16	Additions	Retirements	Balance at 12/31/17
Total Funds				
Total Capital Assets Not Being Depreciated	\$ 16,214,899	\$ 10,456,400	\$ (7,616,163)	\$ 19,055,136
Total Capital Assets Being Depreciated	249,914,669	13,590,372	(183,322)	263,321,719
Total Accumulated Depreciation	(75,541,343)	(7,514,700)	167,542	(82,888,501)
Total Net Capital Assets Being Depreciated	174,373,326	6,075,672	(15,780)	180,433,218
Total Capital Assets, Net	<u>\$ 190,588,225</u>	<u>\$ 16,532,072</u>	<u>\$ (7,631,943)</u>	<u>\$ 199,488,354</u>

Under an agreement dated December 29, 1981, the Authority acquired 1,400,000 gallons per day of sewage treatment capacity ("grandfathered capacity") from the City of Allentown in addition to the amortized costs. This capacity was available to municipalities in Western Lehigh County for developments connected to the wastewater system. When a municipality required capacity to serve a business or residence, a fee was paid and recorded as a sale of capacity on the Authority's books. In addition, on an as-needed basis, the Authority purchases sewage treatment capacity from the City for non-grandfathered users ("General Pool Capacity"). This capacity is recorded on the books at the date of purchase and is reduced as such capacity is sold to the various municipalities and is included as a capital asset in the above table. At year-end 2018 and 2017 the total value of this capacity was \$2,062,956 and \$2,442,164 respectively.

NOTE 6 – SERVICE CONCESSION ARRANGEMENT

On August 7, 2013, the Lehigh County Authority ("LCA") entered into the Allentown Water and Sewer Utility System Concession and Lease Agreement (the "Service Concession Arrangement") with the City of Allentown, under which the LCA leased the Water and Sewer Utility Systems and retained the right and related obligation to operate those systems as the Concessionaire for 50 years. The LCA is required to operate and maintain the systems in accordance with the Service Concession Arrangement. The LCA entered into the Service Concession Arrangement to aid further regionalization of water and sewer services in the Lehigh Valley and to benefit the ratepayers with the overall organizational efficiencies. The LCA paid the City an upfront payment of \$211,332,218. The LCA also agreed to make required annual payments of \$500,000 starting in 2016, and every year thereafter, adjusted for inflation using the consumer price index. In addition to the required annual payments, the LCA must establish a Capex Fund (held in trust) no later than January 1, 2033. The LCA is required to make annual deposits into the Capex Fund in the amounts of \$1,000,000 for years 2033 to 2042, \$2,000,000 for years 2043 to 2052, and \$3,000,000 for years 2053 to 2062, adjusted for inflation using the consumer price index. These funds can be withdrawn by the LCA to pay costs incurred with respect to major capital improvements meeting certain requirements of the concession agreement. On the reversion date of the Water and Sewer Utility System, any moneys or securities held in the Capex Fund shall be applied first to pay any unpaid termination compensation, AA-Compensation and Concession Compensation and any amount remaining shall be remitted to the City. In conjunction with the execution of the service concession arrangement capital assets with an approximate fair value of \$1,485,804 were conveyed to LCA from the City.

This transaction meets the criteria for reporting under Governmental Accounting Standards Board (GASB) Statement No. 60 "Accounting and Financial Reporting for Service Concession Arrangements".

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 6 – SERVICE CONCESSION ARRANGEMENT (Continued)

As a result, an intangible asset (Service Concession Arrangement) of \$246,205,824, representing: I) the upfront payment, less the fair value of conveyed capital assets, II) the discounted future annual payments, and III) the discounted future Capex Fund funding requirements was recorded by LCA on the execution date. The intangible asset will be amortized on the straight line method over the life of the agreement (50 years). Cost of improvements to the facility during the term of the Service Concession Arrangement that increase capacity or efficiency of the facility are recorded as increases to the intangible asset and amortized systematically over the term of the arrangement. Costs of \$3,996,348 and \$4,586,867 were recorded as increases to the intangible asset in 2018 and 2017, respectively. Amortization expense in the amount of \$5,504,551 and \$5,416,719 was recognized in 2018 and 2017, respectively related to the intangible asset. The net book value of the asset was \$244,952,520 and \$246,460,723 at December 31, 2018 and 2017, respectively.

In addition to the intangible asset, LCA recorded an initial liability ("SCA Payable") of \$36,359,411 representing: I) the present value of future annual payments, and II) the present value of future Capex Fund deposit requirements on the execution date. This liability is adjusted annually to reflect the present value of the future payments. Interest expense of \$2,198,697 and \$2,123,000 was recognized in 2018 and 2017, respectively. The liability was \$45,936,129 and \$44,248,993 at December 31, 2018 and 2017, respectively.

As part of the Service Concession Agreement the LCA was required to offer employment to substantially all existing employees of the Water and Sewer System. The LCA was required to provide existing levels of certain benefits to these employees, including OPEB and Pension. This resulted in the adoption of a new OPEB plan in 2013 (Note 12) and the addition of new employees into the LCA Pension. The impact of the addition of these new employees into the plan resulted in an unfunded actuarial accrued liability of \$220,059 at August 8, 2013.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 7 – FACILITIES PLANNING COSTS

Facilities Planning Costs for 2018 and 2017 consist of the following:

	<u>As of 12/31/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>As of 12/31/18</u>
Suburban Water Fund				
Facilities Planning Costs	\$802,857	\$ 26,909	\$ (142,215)	\$687,551
Less Accumulated Amortization	<u>(763,672)</u>	<u>(41,345)</u>	<u>142,215</u>	<u>(662,802)</u>
Total Suburban Water Facilities Costs - Net	<u>39,185</u>	<u>(14,436)</u>	<u>-</u>	<u>24,749</u>
Suburban Wastewater Fund				
Facilities Planning Costs	1,067,180	3,793	(562,073)	508,900
Less Accumulated Amortization	<u>(915,478)</u>	<u>(52,668)</u>	<u>562,073</u>	<u>(406,073)</u>
Total Suburban Wastewater Facilities Planning Costs - Net	<u>151,702</u>	<u>(48,875)</u>	<u>-</u>	<u>102,827</u>
 Total Facilities Planning Costs - Net	 <u>\$ 190,887</u>	 <u>\$ (63,311)</u>	 <u>\$ -</u>	 <u>\$ 127,576</u>
	<u>As of 12/31/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>As of 12/31/17</u>
Suburban Water Fund				
Facilities Planning Costs	\$ 896,731	\$ 20,431	\$ (114,305)	\$802,857
Less Accumulated Amortization	<u>(734,333)</u>	<u>(143,644)</u>	<u>114,305</u>	<u>(763,672)</u>
Total Suburban Water Facilities Planning Costs - Net	<u>162,398</u>	<u>(123,213)</u>	<u>-</u>	<u>39,185</u>
Suburban Wastewater Fund				
Facilities & Planning Costs	1,078,201	130	(11,151)	1,067,180
Less Accumulated Amortization	<u>(707,754)</u>	<u>(218,875)</u>	<u>11,151</u>	<u>(915,478)</u>
Total Suburban Wastewater Planning Facilities Costs - Net	<u>370,447</u>	<u>(218,745)</u>	<u>-</u>	<u>151,702</u>
 Total Planning Facilities Costs - Net	 <u>\$ 532,845</u>	 <u>\$ (341,958)</u>	 <u>\$ -</u>	 <u>\$ 190,887</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT

Long-term debt for 2018 and 2017 consists of the following:

	Balance Outstanding As of <u>12/31/17</u>	Additions / <u>Accretions</u>	<u>Retirements</u>	Balance Outstanding As of <u>12/31/18</u>	Principal Due Within One <u>Year</u>
Suburban Water Fund					
Water Revenue Bonds Series of 2010 A	\$ 11,590,000	\$ -	\$ -	\$ 11,590,000	\$ -
Water Revenue Bonds Series of 2011	547,552	-	(115,518)	432,034	110,552
Water Revenue Bonds Series of 2015	4,251,695	-	(1,038,960)	3,212,735	1,051,180
Water Revenue Bonds Series of 2015 A	8,646,200	-	(299,400)	8,346,800	311,400
Water Revenue Bonds Series of 2017	14,900,000	-	-	14,900,000	-
2007 State Pennw orks Note	1,821,066	-	(169,279)	1,651,787	172,696
2011 Pennsylvania Infrastructure Investment Authority Note	1,148,563	-	(70,051)	1,078,512	71,116
Subtotal	\$ 42,905,076	\$ -	\$ (1,693,208)	\$ 41,211,868	\$ 1,716,944
Add Bond Premium	385,473	-	(13,067)	372,406	
Total Suburban Wastew ater Fund Debt	\$ 43,290,549	\$ -	\$ (1,706,275)	\$ 41,584,274	
Less Current Maturities				(1,716,944)	
Net Suburban Wastew ater Fund Long-Term Debt				<u>\$ 39,867,330</u>	
Suburban Wastewater Fund					
2009 Pennsylvania Infrastructure Investment Authority Note	\$ 3,692,167	\$ -	\$ (240,892)	\$ 3,451,275	\$ 247,095
2011 Sew er Revenue Bonds Series A	1,630,058	-	(69,157)	1,560,901	65,572
2013 Pennsylvania Infrastructure Investment Authority Note	2,432,419	-	(137,785)	2,294,634	135,730
2015 Pennsylvania Infrastructure Investment Authority Note	740,918	-	(37,005)	703,913	37,380
Total Suburban Wastew ater Fund Debt	\$ 8,495,562	\$ -	\$ (484,839)	\$ 8,010,723	\$ 485,777
Less Current Maturities				(485,777)	
Net Suburban Wastew ater Fund Long-Term Debt				<u>\$ 7,524,946</u>	
City Division Fund					
2013 Water and Sew er Revenue Bonds, Series A	\$ 245,590,000	\$ -	\$ -	\$ 245,590,000	\$ -
2013 Water and Sew er Capital Appreciation Revenue Bonds, Series B	55,494,318	3,206,323	-	58,700,641	435,893
2013 Water and Sew er Revenue Bonds, Series C	18,735,000	-	(18,735,000)	-	-
2018 Water and Sew er Revenue Bonds (Federally Taxable)	-	18,735,000	-	18,735,000	795,000
Subtotal	\$ 319,819,318	\$ 3,206,323	\$ (18,735,000)	\$ 323,025,641	\$ 1,230,893
Less Bond Discount	(9,498,663)	-	316,620	(9,182,043)	
Total City Division Fund Debt	\$ 310,320,655	\$ 3,206,323	\$ (18,418,380)	313,843,598	
Less Current Maturities				(1,230,893)	
Net City Division Fund Long-Term Debt				<u>\$ 312,612,705</u>	
Total Net Long-Term Debt				<u>\$ 360,004,981</u>	

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

	Balance Outstanding As of <u>12/31/16</u>	Additions / <u>Accretions</u>	<u>Retirements</u>	Balance Outstanding As of <u>12/31/17</u>	Principal Due Within One <u>Year</u>
Suburban Water Fund					
Water Revenue Bonds Series of 2010 A	\$ 11,590,000	\$ -	\$ -	\$ 11,590,000	\$ -
Water Revenue Bonds Series of 2011	659,940	-	(112,388)	547,552	107,340
Water Revenue Bonds Series of 2015	5,272,815	-	(1,021,120)	4,251,695	1,038,960
Water Revenue Bonds Series of 2015 A	8,943,400	-	(297,200)	8,646,200	299,400
Water Revenue Bonds Series of 2017	-	14,900,000	-	14,900,000	-
2007 State Pennw orks Note	1,986,995	-	(165,929)	1,821,066	169,281
2011 Pennsylvania Infrastructure Investment Authority Note	1,219,744	-	(71,181)	1,148,563	70,052
Subtotal	\$ 29,672,894	\$ 14,900,000	\$ (1,667,818)	\$ 42,905,076	\$ 1,685,033
Add Bond Premium	-	392,006	(6,533)	385,473	
Total Suburban Wastew ater Fund Debt	\$ 29,672,894	\$ 15,292,006	\$ (1,674,351)	\$ 43,290,549	
Less Current Maturities				(1,685,033)	
Net Suburban Wastew ater Fund Long-Term Debt				<u>\$ 41,605,516</u>	
Suburban Wastewater Fund					
2009 Pennsylvania Infrastructure Investment Authority Note	\$ 3,927,001	\$ -	\$ (234,834)	\$ 3,692,167	\$ 240,890
2011 Sew er Revenue Bonds Series A	1,696,821	-	(66,763)	1,630,058	63,300
2013 Pennsylvania Infrastructure Investment Authority Note	2,568,833	-	(136,414)	2,432,419	137,785
2015 Pennsylvania Infrastructure Investment Authority Note	778,492	-	(37,574)	740,918	37,009
Total Suburban Wastew ater Fund Debt	\$ 8,971,147	\$ -	\$ (475,585)	\$ 8,495,562	\$ 478,984
Less Current Maturities				(478,984)	
Net Suburban Wastew ater Fund Long-Term Debt				<u>\$ 8,016,578</u>	
City Division Fund					
2013 Water and Sew er Revenue Bonds, Series A	\$ 245,590,000	\$ -	\$ -	\$ 245,590,000	\$ -
2013 Water and Sew er Capital Appreciation Revenue Bonds, Series B	52,465,010	3,029,308	-	55,494,318	-
2013 Water and Sew er Revenue Bonds, Series C	18,735,000	-	-	18,735,000	18,735,000
Subtotal	\$ 316,790,010	\$ 3,029,308	\$ -	\$ 319,819,318	\$ 18,735,000
Less Bond Discount	(9,815,283)	-	316,620	(9,498,663)	
Total City Division Fund Debt	\$ 306,974,727	\$ 3,029,308	\$ 316,620	310,320,655	
Less Current Maturities				(18,735,000)	
Net City Division Fund Long-Term Debt				<u>\$ 291,585,655</u>	
Total Net Long-Term Debt				<u>\$ 341,207,749</u>	

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

A summary of the long-term payable is provided in the ensuing paragraphs.

A. Suburban Division Water Fund

On December 21, 2011, the Authority issued \$1,185,400 of 2011 Water Bonds to refinance the balance of the 2001 Pennvest loan and to cover financing costs. The maturity date for the new bonds remained at July 1, 2022 and carries a fixed interest rate of 2.75%. The loan is secured by a pledge of the gross receipts and revenues of the water system and resulted in a 2% present value savings of refunded principal.

On October 10, 2007 the Authority entered into an agreement with the Commonwealth of Pennsylvania for a “Pennworks” loan and grant. The \$3,000,000 loan was used to reimburse the Authority for a portion of the cost of various Water projects with a \$2,000,000 grant also available to cover additional expenditures. The loan that matures on November 1, 2027 are secured by water system revenues and carry a 2% interest rate.

On March 30, 2010, the Authority issued Series A taxable Build America Bonds in the amount of \$11,590,000 to be used to finance water capital projects over the next several years. The bond issue matures in November 2031 and carries a net effective interest rate of 3.75876% when considering a 35% subsidy interest expense return from the Federal government. Water system revenue serves as collateral for the bonds.

On May 20, 2015 the Authority issued Water Revenue Bond Series 2015 in the amount of \$6,486,000. The bonds were issued to currently refund the 2010 outstanding water revenue bonds Series AA bonds and to fund issuance costs. The bond carries a fixed interest rate of 1.6% per annum, payable commencing on November 1, 2015 and semi-annually thereafter on the interest payment date until November 1, 2020, at which time the fixed rate shall be reset by the Bank to a floating or variable interest rate equivalent to the rate which is 60% of the National Prime Rate of Interest as published in the Wall Street Journal. At no time and in no instance shall the variable interest rate exceed 2.75% during the variable rate period. The bond matures in November 2021 and is secured by a pledge of system revenues. The refunding decreased the Authority's total debt service payments by \$755,492 and resulted in an economic gain of \$757,165.

In determining the variable interest rate for the issue the Authority used the National Prime Interest Rate as published in the Wall Street Journal as of December 31, 2017 to calculate an applicable effective rate of 2.7%.

On October 29, 2015 the Authority issued Water Revenue Bond Series A of 2015 in the amount of \$9,232,000. The bond was issued to currently refund the 2008 outstanding water revenue bond and to fund issuance costs. The bond carries a fixed interest rate of 2.41% per annum, payable commencing on May 1, 2016 and semi-annually thereafter on the interest payment date until November 1, 2023, at which time the fixed rate shall be reset to a floating or variable interest rate equivalent to the rate which is 66% of the 30 day London Inter Bank Offering Rate (“30 Day LIBOR) plus 135 basis points or its equivalent. At no time and in no instance shall the variable interest rate exceed 3.75% during the variable rate period. The bond matures in November 2026 and is secured by a pledge of system revenues. The refunding increased the Authority's total debt service payments by \$719,340 and resulted in an economic loss of \$684,295.

In determining the variable interest rate for the issue the Authority used the 30 Day LIBOR as of December 31, 2018 to calculate an applicable effective rate of 2.97%.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

On June 29, 2011, Pennvest approved a \$1,660,303 loan to the Authority for a Water Meter Replacement program. Terms of the loan provide that the Authority will be reimbursed up to the limit of the loan amount. Interest payments commenced on November 1, 2011. Principal payments began on October 1, 2012. The loan carries a 1% interest rate for the first five years and a 1.51% annual interest rate for the remainder of the 20 year term. The debt is secured by the project collateral.

On June 20, 2017, the Authority issued Water Revenue Bond Series 2017 in the amount of \$14,900,000. The bond was issued to fund capital projects under the Authority's Capital Improvements Program, fund a deposit to the Debt Service Reserve Fund, and pay the costs related to the issuance of the Bonds. Interest payments commenced on November 1, 2017 and are payable every May and November. Principal payments begin on November 1, 2020 and commence on November 1, 2047. The bonds carry fixed annual interest rates ranging from of 3% to 5%.

The schedule of principal maturity and annual debt service for the suburban water fund is as follows:

Year	Principal Amount	Total Interest	Total Debt Service
2019	\$ 1,716,944	\$ 1,468,478	\$ 3,185,422
2020	2,081,156	1,436,287	3,517,443
2021	2,101,455	1,406,328	3,507,783
2022	2,147,314	1,351,168	3,498,482
2023	2,201,607	1,299,901	3,501,508
2024-2028	12,126,726	5,502,867	17,629,593
2029-2033	9,681,666	2,574,192	12,255,858
2034-2038	2,795,000	1,352,659	4,147,659
2039-2043	3,295,000	858,430	4,153,430
2044-2047	<u>3,065,000</u>	<u>262,912</u>	<u>3,327,912</u>
	<u>\$ 41,211,868</u>	<u>\$ 17,513,222</u>	<u>\$58,725,090</u>

B. Suburban Wastewater Fund

On December 21, 2011, the balance of the 2000 Pennvest loan was refinanced by the 2011 Sewer Series A bonds. The new bonds (\$2,166,100) also provided additional funds to pay for a portion of the Vera Cruz sewer project and to cover bond issue financing costs. The maturity date for the new bonds is November 1, 2031. The revenues of the common rate collector systems are serving as loan collateral. The loan carries an interest rate of 2.25% for the first 5 years and a variable rate thereafter, which equates to 70% of the 10 year average prime rate with 3% minimum and 5.5% maximum rate caps.

On November 16, 2009, the Pennsylvania Infrastructure Investment Authority (Pennvest) approved a loan of \$5,878,847 to the Authority to fund the design and construction of a 3 million gallon flow equalization basin and pump station. The purpose of the project is to shave off and hold wet weather flows to address system capacity deficiencies during precipitation events. The loan carries an annual interest rate of 1.274% for the first five years and 2.547% for the remainder of the loan.

The loan is secured by a pledge of gross receipts and revenues obtained from users of the Western Lehigh Interceptor System. The Authority may not prepay at any time all or any portion of the unpaid principal without the prior written consent of Pennvest. As of December 31, 2012, the Authority received all (\$5,389,323) of the reimbursements for project expenditures. The Authority began paying both interest and principal on February 1, 2011.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

On June 19, 2013 the Pennsylvania Infrastructure Investment Authority (Pennvest) approved a loan of \$2,931,170 to the Authority to fund the design and construction of a 40,000 gpd wastewater treatment plant to be built at Arcadia West to replace the existing plant. As of December 31, 2015 the Authority received all (\$2,931,170) of the reimbursement for project expenditures. The loan carries an interest rate of 1% for the first 5 years and 1.51% thereafter, for a period of 15 years.

On February 25, 2015 the Pennsylvania Infrastructure Investment Authority (Pennvest) approved a loan of \$1,000,000 to the Authority to fund the Wynnewood Terrace pump station and force main replacement. The loan carries an interest rate of 1% for the first 5 years and 1.743% thereafter, for a period of 15 years.

The schedule of principal maturity and debt service for the suburban wastewater fund is as follows:

Year	Principal Amount	Total Interest	Total Debt Service
2019	\$ 485,777	\$ 198,934	\$ 684,711
2020	546,029	195,887	741,916
2021	549,034	184,072	733,106
2022	562,081	169,411	731,492
2023	575,980	153,143	729,123
2024-2028	3,101,814	505,173	3,606,987
2029-2033	2,030,800	94,320	2,125,120
2034-2036	<u>159,208</u>	<u>2,292</u>	<u>161,500</u>
Total	<u>\$ 8,010,723</u>	<u>\$ 1,503,232</u>	<u>\$ 9,513,955</u>

C. CITY DIVISION FUND

On July 31, 2013, the Authority issued, in aggregate \$307,683,599 of Water and Sewer Revenue Bonds comprised of \$245,590,000 of Series 2013A Revenue Bonds, \$43,358,599 of Series 2013B Capital Appreciation Revenue Bonds and \$18,735,000 of Series 2013C Federally Taxable Revenue Bonds. The bonds were issued at a discount of \$10,923,458.

The 2013 bonds were issued to provide funding for i) a single, up-front concession and lease payment to the City of Allentown pursuant to the Allentown Water and Sewer utility system Concession and Lease Agreement, ii) projected capital improvements to the Concessioned System, iii) deposits to certain reserve and other funds, and iv) transaction costs and expenses incurred in connection with the acquisition of the Concessioned System and the issuance of the 2013 Bonds.

The 2013 Bonds were issued under and secured by a Trust Indenture between the Authority and Manufacturers and Traders Trust Company, the concession trustee. The 2013 Bonds are payable from and secured by a pledge and an assignment by the authority of all the concessionaire interest, including revenues derived from operating the Concessioned System certain service charges imposed by the Authority for use of the Concessioned System and certain payments received from the municipal customers of the Concessioned System.

The 2013 Bonds are also secured by a Debt Service Reserve Fund initially funded at \$28,090,273 and held by the Concession Trustee and other funds including an Operations and Maintenance Reserve Fund and a Major Maintenance Reserve Fund in the amounts of \$9,199,515 and \$7,500,000 respectively. These funds are available to pay shortfalls in the scheduled debt service on the 2013 Bonds.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG TERM DEBT (Continued)

The Series 2013A bonds bear interest of 5% - 5.125% with final maturity on December 1, 2047. The Series 2013 Appreciation bonds bear interest of 3.21% - 6.21% with final maturity on December 1, 2038. The Series 2013C Federally Taxable bonds bear interest of 3.44% and mature on December 1, 2018.

In October 2018, the Authority issued Water and Sewer Revenue Bond, Series 2018 (Federally Taxable) in the amount of \$18,735,000. Proceeds of the bond together with other funds of the Authority were used to currently refund the 2013 Series C bonds, fund a debt service reserve, and pay the costs and expenses of issuing the Bond. The bond carries a fixed interest rate of 4.75% per annum, payable commencing on June 1, 2019 and semi-annually thereafter on the interest payment date until June 1, 2029, at which time the fixed rate shall be reset to a floating or variable interest rate of one month LIBOR plus 165 basis points. At no time and in no instance shall the variable interest rate exceed 6.5% during the variable rate period. The bond matures on December 1, 2033 and is secured by the Authority's interest in the Concessioned System. The refunding increased the Authority's total debt service payments by \$7,817,099 and resulted in an economic loss of \$2,503,652.

The schedule of principal maturity and debt service for the City division is as follows:

Year	Principal Amount	Total Interest	Total Debt Service
2019	\$ 1,230,893	\$ 13,428,383	\$ 14,659,276
2020	1,805,976	13,319,412	15,125,388
2021	2,235,441	13,369,585	15,605,026
2022	2,639,713	13,467,813	16,107,526
2023	3,011,383	13,611,266	16,622,649
2024-2028	19,511,960	71,962,427	91,474,387
2029-2033	24,387,390	82,369,019	106,756,409
2034-2038	36,877,885	106,598,302	143,476,187
2039-2043	132,335,000	58,449,938	190,784,938
2044-2047	<u>98,990,000</u>	<u>20,292,950</u>	<u>119,282,950</u>
Total	<u>\$ 323,025,641</u>	<u>\$ 406,869,095</u>	<u>\$ 729,894,736</u>

NOTE 9 – INTERFUND BALANCES

During the course of its operations, the Authority has numerous transactions between funds to finance operations and provide services. The Suburban Water fund has financed the construction and expansion of the Authority's Operation Center and Information Technology Upgrades and is being reimbursed over time by the Suburban Wastewater fund for its share of the costs. Certain cost incurred by the City Division fund, were initially paid by the Suburban Water fund, and will be reimbursed to the Suburban Water fund from the City Division fund. For reporting purposes, the transactions of the Internal Service are included with the Suburban Water and Suburban Wastewater and City Division funds on a proportional basis. The interfund receivables and payables are as follows:

Fund	2018		2017	
	Interfund Receivables	Interfund Payables	Interfund Receivables	Interfund Payables
Enterprise Funds:				
City Division	\$ -	\$ 10,394,228	\$ -	\$ 5,350,434
Suburban Water	7,576,231	-	3,083,440	-
Suburban Wastewater	<u>2,817,997</u>	<u>-</u>	<u>2,266,994</u>	<u>-</u>
Total	<u>\$ 10,394,228</u>	<u>\$ 10,394,228</u>	<u>\$ 5,350,434</u>	<u>\$ 5,350,434</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 10 – DEVELOPER DEPOSITS

Developer Deposits represent funds received by the Authority from developers to cover the costs of plan reviews and project inspections and to ensure that infrastructure improvements are constructed in accordance with approved plans. Deposits for developments to be completed within one year are recorded as current liabilities in the amount of \$227,308 and \$213,473 as of December 31, 2018 and 2017, respectively. Deposits for developments not expected to be completed by the end of one year are recorded as long-term liabilities in the amount of \$4,974,553 and \$4,828,202 as of December 31, 2018 and 2017, respectively.

NOTE 11 – COMMITMENTS & CONTINGENCIES

In addition to the commitments disclosed in Note 6 related to the Service Concession Arrangement, the Authority as of December 31, 2018, through contractual agreements, had construction commitments of \$9,158,021 for various capital projects as compared to \$4,606,755 at year-end 2017. Operating and Capital reserves, construction note proceeds and grants will fund these expenditures.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. Health & Welfare Plan For Suburban Employees (Suburban Plan)

Suburban Plan Reporting (December 31, 2018 & 2017) and Employer Reporting (December 31, 2018):

Plan Description: The Authority through the Pennsylvania Municipal Health Insurance Cooperative offers a single employer defined benefit plan to eligible retirees for health insurance benefits. The Suburban Plan is reported as the Post Employment Health Trust Fund in the accompanying financial statements, and does not issue stand-alone statements.

Management of the Suburban Plan is vested in the Authority's nine members Board of Directors, who are appointed by the Lehigh County Executive and approved by the Lehigh County Commissioners.

Suburban Plan Membership: At January 1, 2017 Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	16
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	18
Total	<hr/> 34

The Suburban Plan is closed to new entrants (employees) hired on or after January 1, 2005.

Benefits Provided: Any employee hired prior to January 1, 2005 and retiring with at least 10 years of service is eligible to receive medical and prescription drug coverage at age 65 (as a supplement to Medicare). This coverage will include the spouse of the retiree as long as the retiree is living. The authority to establish and amend the benefit terms of the Suburban Plan resides with the nine member Board of Directors.

Contributions: The authority to establish and amend the contribution requirements of the Authority and plan members also resides with the nine member Board of Directors. The Board establishes rates based on an actuarially determined rate. Based on the funded status of the Suburban Plan and the latest actuarial valuations neither the plan members or the Authority were required to make contributions for the years ended December 31, 2018, and 2017.

**LEHIGH COUNTY AUTHORITY
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Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Investments: The Suburban Plan's policy in regard to the allocation of invested assets is established and may be amended by the nine member Board of Directors. It is the policy of the Board of Directors to pursue an investment strategy that reduces risk through diversification of the portfolio by investing in several mutual funds. The following is the Suburban Plan's target asset allocation as of December 31, 2018 and 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Mutual funds	100%
Total	100%

The annual money-weighted rate of return on investments, net of investment expense, was (7.13%) and 18.18%, for the years ended December 31, 2018 and 2017, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

See Note 2 to the financial statements for additional details on the plan's investments.

Net OPEB Liability of the Suburban Plan: The components of the net OPEB liability of the Suburban Plan at December 31, 2018, and 2017, were as follows:

	2018	2017
Total Plan OPEB Liability	\$ 2,091,480	\$ 2,018,059
Plan Fiduciary Net Position	2,828,188	3,127,964
Plan's Net OPEB Liability/(Asset)	<u>\$ (736,708)</u>	<u>\$ (1,109,905)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	135.2%	155.0%

Actuarial Assumptions: The Suburban Plan's net OPEB liability was measured as of December 31, 2018 and 2017, and the plan's total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. The actuary utilized update procedures to roll forward the Suburban Plan's total OPEB liability in the January 1, 2017 actuarial valuation to the December 31, 2018 and 2017 measurement dates.

The Suburban Plan's total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3 %
Salary Increases	5.0%, average, including inflation
Investment Rate of Return	8.0%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	0% during 2018 followed by 8.5% during 2019 reduced by .25% per year to an ultimate rate of 5.0% per year.
Cost Sharing with Inactive Plan Members	Eligible retirees who retired prior to January 1, 2005 contribute 50% of premiums, retirees who retire after January 1, 2005 contribute 21% of the premiums.

Mortality rates were based on the RP-2014 at 2006 Blue Collar Generational Tables using Scale MP-2017.

**LEHIGH COUNTY AUTHORITY
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Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

It is assumed that 100% of eligible retirees and spouses will participate in the plan.

The actuarial assumptions used in the January 1, 2017 valuation were based on historical results, as a recent experience study was not completed.

The long-term expected rate of return on the Suburban Plan's OPEB investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2018 and 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual funds	6.0%

Discount Rate: The discount rate used to measure the Suburban Plan's total OPEB liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions to the plan will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Suburban Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Suburban Plan's investments was applied to all periods of projected benefit payments to determine the Suburban Plan's total OPEB liability.

Changes in the net OPEB liability for the Suburban plan for the year ended December 31, 2018 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(asset) (a) - (b)
Balances as of 12/31/17	\$ 2,018,059	\$ 3,127,964	\$ (1,109,905)
Service cost	7,960	-	7,960
Interest cost	158,365	-	158,365
Differences between expected and actual experience	-	-	-
Contributions - employer	-	13,376	(13,376)
Contributions - members	-	-	-
Net investment income	-	(220,248)	220,248
Benefit payments	(92,904)	(92,904)	-
Plan administrative expenses	-	-	-
Other changes	-	-	-
Net Changes	73,421	(299,776)	373,197
Balances as of 12/31/18	<u>\$ 2,091,480</u>	<u>\$ 2,828,188</u>	<u>\$ (736,708)</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Suburban Plan Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Suburban Plan, as well as what the Suburban Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current discount rate:

	1 % Decrease (7.0%)	Discount Rate (8.0%)	1% Increase (9.0%)
Net OPEB Liability (Asset) 12/31/18	\$ (499,988)	\$ (736,708)	\$ (938,118)
Net OPEB Liability (Asset) 12/31/17	(873,219)	(1,109,905)	(1,310,675)

Sensitivity of the Suburban Plan Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the Suburban Plan, as well as what the Suburban Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower ((7.5%) decreasing to 4.0%) or 1-percentage-point higher ((9.5%) decreasing to 6.0%) than the current healthcare cost trend rates:

	1 % Decrease ((7.5%) decreasing to 4.0%)	Discount Rate ((8.5%) decreasing to 5.0%)	1% Increase ((9.5%) decreasing to 6.0%)
Net OPEB Liability (Asset) 12/31/18	\$ (979,676)	\$ (736,708)	\$ (448,868)
Net OPEB Liability (Asset) 12/31/17	(1,334,557)	(1,109,905)	(843,997)

OPEB Expense and Deferred Outflows of Resources: For the year ended December 31, 2018, the Authority recognized OPEB expense of \$12,730 for the plan. At December 31, 2018, the Authority reported deferred outflows of resources related to the OPEB plan from the following sources:

	Outflow
Differences between expected and actual experience	\$ -
Net difference between projected and actual earnings on OPEB plan investments	373,843
Changes of assumptions	-
Total	<u>\$ 373,843</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	
2019	\$ 93,461
2020	93,461
2021	93,461
2022	93,460
Total	<u>\$ 373,843</u>

Employer Reporting (December 31, 2017):

Funding Policy: The contribution requirement was established through a resolution and may be amended at board discretion. For active employees, however, it is the board's opinion that coverage for existing retirees must be maintained. The plan currently requires eligible retirees to contribute 21% of the annual premium.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Progress: As of January 1, 2017, the most recent actuarial valuation date, the Suburban Plan was 140.79% funded. The actuarial accrued liability for benefits was \$1,920,239 and the actuarial value of assets was \$2,703,553, resulting in an unfunded actuarial accrued liability (UAAL) of (\$783,314). The Authority plans to reimburse itself semi-annually for its portion (79%) of benefit cost.

Payroll for 2017 of active employees covered by the Suburban Plan was \$1,378,259 and the ratio of UAAL to covered payroll is 56.83%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions on mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Annual OPEB Cost and Net Obligation: The Authority's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB costs for Suburban Employees, contributions to the plan, and changes in the net OPEB asset:

	<u>2017</u>
Annual Required Contribution	\$ (71,083)
Interest on Net OPEB Asset	(92,703)
ARC Adjustment	<u>114,707</u>
OPEB Cost	(49,079)
Employer Contribution	<u>-</u>
Change in Net OPEB Asset	(49,079)
Net OPEB (Asset) Obligation – beginning of year	<u>(1,133,284)</u>
Net OPEB (Asset) Obligation – end of year	<u><u>\$ (1,182,363)</u></u>

The Authority's annual OPEB cost, the % of annual OPEB cost contributed to the plan and the net OPEB asset were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
12/31/15	\$ 14,379	0%	\$ (1,148,526)
12/31/15	15,242	0%	(1,133,284)
12/31/17	(49,079)	0%	(1,182,363)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Health & Welfare Plan For City Division Employees (City Plan)

For the January 1, 2017 actuarial valuation, the Entry Age Normal cost method expressed as a level percent of pay was used. The actuarial assumptions also included a retirement age of 65. The UAAL is being amortized over a closed period of 30 years. The remaining amortization period at December 31, 2017 was 21 years.

Employer Reporting (December 31, 2018)

City Plan Description: The Authority through a single employer defined benefit plan offers to eligible City Division retirees health insurance and prescription drug benefits in accordance with a memorandum of agreement with the Service Employees International Union Local 32BJ. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

The authority to establish and amend the benefit terms and financing requirements to the Authority resides with the Authority's nine member Board of Directors, who are appointed by the Lehigh County Executive and approved by the Lehigh County Commissioners.

City Plan Membership: At January 1, 2017 Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	-
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	65
Total	<u>65</u>

Benefits Provided: The benefits provided to Other Key Employees hired, were the same as those provided to Union Employees. Any employee retiring with a minimum age of 55 and 20 years of service or retiring at the age of 60 with 10 years is eligible to receive medical and prescription drug coverage until they reach the age of 65. This coverage will include the spouse of the retiree until the retiree or spouse attains the age of 65 and dependent child coverage that ends when the dependent child reaches the age of 26 or the retiree reaches the age of 65. The authority to establish and amend the benefit terms of the City Plan resides with the nine member Board of Directors.

Actuarial Assumptions & Total OPEB Liability: The total OPEB liability for the City Plan of \$2,020,079 was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2017. The actuary utilized update procedures to roll forward the total OPEB liability for the City Plan in the January 1, 2017 actuarial valuation to the December 31, 2018 measurement date.

The City Plan's total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3 %
Salary Increases	5.0%, average, including inflation
Discount Rate	3.75%
Healthcare Cost Trend Rates	0% during 2018 followed by 8.5% during 2019 reduced by .25% per year to an ultimate rate of 5.0% per year.
Cost Sharing with Inactive Plan Members	Eligible retirees with a minimum of 15 years pay 25% of premiums, retirees with more than 10 years but less than 15 pay 50% of premiums.

The discount rate was based on the S&P 20 year AA municipal bond rate.

Mortality rates were based on the RP-2014 at 2006 Blue Collar Generational Tables using Scale MP-2017.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

It is assumed that 100% of eligible retirees and spouses will participate in the plan.

The actuarial assumptions used in the January 1, 2017 valuation were based on historical results as a recent experience study was not completed.

Changes in the total OPEB liability for the City Plan for the year ended December 31, 2018 were as follows:

	Increase (Decrease) Total OPEB Liability (a)
Balances as of 12/31/17	\$ 1,828,178
Service cost	142,941
Interest cost	73,458
Differences between expected and actual experience	-
Benefit payments	(24,498)
Other changes	-
Net Changes	191,901
Balances as of 12/31/18	<u>\$ 2,020,079</u>

Sensitivity of the City Plan Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City Plan, as well as what the City Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current discount rate:

	1 % Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB Liability 12/31/18	\$ 2,239,339	\$ 2,020,079	\$ 1,819,543

Sensitivity of the City Plan Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the City Plan, as well as what the City Plan's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower ((7.5%) decreasing to 4.0%) or 1-percentage-point higher ((9.5%) decreasing to 6.0%) than the current healthcare cost trend rates:

	1 % Decrease ((7.5%) decreasing to 4.0%)	Discount Rate ((8.5%) decreasing to 5.0%)	1% Increase ((9.5%) decreasing to 6.0%)
Net OPEB Liability (Asset) 12/31/18	\$ 1,707,380	\$ 2,020,079	\$ 2,404,462

OPEB Expense: For the year ended December 31, 2018, the Authority recognized OPEB expense of \$216,399 for the plan. The plan is funded on a "pay as you go" basis.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Reporting (December 31, 2017)

Funding Policy: The plan requires eligible retirees with 15 years of service to contribute 25% of the annual premium and retirees with more than 10 years of service but less than 15 years of service to contribute 50% of the premium. The Authority funds the plan on a pay-as-you-go basis. For 2017, the Authority's contribution to the plan was \$11,677.

Funding Status and Progress: As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,637,203 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,637,203.

Payroll for 2017 of active employees covered by the plan was \$3,370,706 and the ratio of UAAL to covered payroll is 48.57%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions on mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Annual OPEB Cost and Net Obligation: The Authority's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employee (ARC), an amount actuarially determined in accordance with GASB statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB costs for City Division Employees, contributions to the plan, and changes in the net OPEB obligation:

	<u>2017</u>	<u>2016</u>
Annual Required Contribution	\$ 255,268	\$ 248,412
Interest on Net OPEB Obligation	24,851	18,643
ARC Adjustment	<u>(46,156)</u>	<u>(32,252)</u>
OPEB Cost	233,963	234,803
Employer Contribution	<u>11,677</u>	<u>38,191</u>
Change in Net OPEB Obligation	222,286	196,612
Net OPEB Obligation – beginning of year	<u>662,695</u>	<u>466,083</u>
Net OPEB Obligation – end of year	<u>\$ 884,981</u>	<u>\$ 662,695</u>

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Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Authority's annual OPEB cost, the % of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/15	226,816	11.96%	466,083
12/31/16	234,803	16.27%	662,695
12/31/17	233,963	4.99%	884,981

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the January 1, 2017 actuarial valuation, the Entry Age Normal cost method expressed as a level percent of pay was used. The actuarial assumptions include a 3.75% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits and a health care cost trend rate of (-%) for 2018, 8.5% for 2019 and reduced by .25% per year thereafter to an ultimate level of 5%. Both the discount rate and the health care cost trend rate include an inflation component of 2.3%. The actuarial assumptions include 100% participation of eligible retirees, 80% of all future retirees are assumed to be married. The UAAL is being amortized over a closed period of 25 years. The remaining amortization period was 21 years at December 31, 2017.

NOTE 13 – NET POSITION

The basic financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position that are associated with non-liquid, capital assets, less outstanding capital asset related debt. Restricted assets are liquid assets generated from revenues that have third-party (statutory, bond covenant or water user) limitation on their use. Unrestricted net position are amounts that do not meet the definitions of "invested in capital assets" or "restricted assets" and are available for Authority operations.

It is the Authority's policy to first use restricted assets prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted assets are available.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description. The Authority, through a January 2014 agreement, provides employee pension benefits through participation in the Pennsylvania Municipal Retirement System (PMRS). The PMRS was created by the Pennsylvania General Assembly in 1974 with the passage of the Pennsylvania Municipal Retirement Law 1974, P.L. 34, No. 15. PMRS administers pension plans on a contracted basis for any municipality or institution supported and maintained by a Pennsylvania municipality. This agent multiple-employer public employee retirement system maintains each municipality's account separately with that municipality's contributions and related employee contributions, and earnings segregated into separate accounts. PMRS issues a separate Comprehensive Annual Financial Report, which can be obtained by contacting the PMRS accounting office at P.O. Box 1165, Harrisburg, PA 17108-1165.

Benefits Provided. Benefit terms were established under the 2014 agreement between PMRS and the Authority, changes to benefit terms can only occur by modification of this agreement. Major provisions of the 2014 agreement include the following:

All full-time and permanent part-time Authority employees are required to participate in the System. Benefits vest after eight years of service. Employees can retire with an annual retirement benefit after 20 years of service provided age 55 has been attained, or at age 60.

The normal form of payment of retirement benefits is a monthly annuity available for the life of the retired employee. One and two-thirds percent of the employee's average salary for the three consecutive years of greatest compensation multiplied by the number of years of service, and any fraction thereof, is used to calculate the normal retirement benefit funded solely by the Authority's contributions. Supplemental benefits are derived from employee contributions and interest earnings of the fund. A retiree may elect to receive a reduced amount of benefit and provide a death benefit in the form of annuity or lump sum to the designated beneficiary. The plan also provides death and disability benefits for an active employee.

Depending upon the annual investment return, the plan may award excess interest earnings to participating municipalities. The municipalities have the option of either retaining such excess earnings or sharing the additional earnings with active employees and retirees. In all years when excess interest earnings have been awarded, the Authority has elected to pro-ratably share excess earnings resulting in a postretirement increase to retirees. Sharing of excess earnings is the only method available for increasing postretirement benefits.

The plan does not allow for any cost-of-living adjustments to an employee's retirement allowance subsequent to the employee's retirement date.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms. At December 31, 2016, the following employees were covered by the benefit terms:

	<u>12/31/2016</u>
Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>145</u>
Total	181

Contributions. Required contributions to the plan are governed by the 2014 agreement. The PMRS Board will actuarially determine the normal cost of the benefits provided under the contract (2014 agreement) and any liability associated with the actuarial experience of such benefits which shall be contributed annually by the Authority. The PMRS Board shall determine and the Authority shall be charged an additional amount to be contributed annually toward a reserve account for any disability benefit which may be payable under the contract (2014 agreement). The amounts so determined shall be computed in accordance with the Municipal Pension Plan Funding Standard and Recovery Act, 53 P.S. §895.101 et seq., and the PMRL. Members shall contribute one percent of their compensation to fund the annuity. Members may optionally contribute up to, but no more than an additional ten percent of their compensation. For the years ended December 31, 2018 and 2017, the average active employee contribution rate was 1.0% of annual pay, and the Authority's average contribution rate was 11.62% and 12.16%, respectively, of covered annual payroll.

B. Net Pension Liability

The Authority's net pension liability was measured as of December 31, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The actuary utilized update procedures to roll forward the total pension liability in the December 31, 2016 actuarial valuation to the respective measurement dates.

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

	<u>December 31, 2016 Valuation</u>
Investment rate of return	5.25%, net of pension plan investment expense, including inflation
Projected salary increases	Age/Merit Scale including inflation ranging from 2.80% to 7.05%
Inflation	3%

Mortality rates Pre-Retirement for the December 31, 2016 valuation were based on the RP-2000 Scale with 1 year set back for males and 5 year set back for females. Mortality rates Post-Retirement for the December 31, 2016 valuation were based on the RP-2000 Sex-Distinct Mortality Table. The current mortality assumptions, while not reflecting projections for improvements are subject to experience review every four years at which time recommendations of changes to reflect changes in experience over those expected from the tables applied over the five year period preceding the experience analysis are received and reviewed by the Board. Such experience is required by State statute.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

The actuarial assumptions used in the December 31, 2016 valuation were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 as well as subsequent Board approved assumption changes.

The PMRS system's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. There are four steps to the method:

- 1.) Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
- 2.) The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
- 3.) The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below.
- 4.) These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the PMRS Board has been determined to be 70%.

System Nominal and Real Rates of Return by Asset Class
12/31/2016 Valuation

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25.0%	8.6%	5.6%
Domestic Equities (small capitalized firms)	15.0%	10.2%	7.2%
International Equities (international developed markets)	15.0%	7.6%	4.6%
International Equities (emerging markets)	10.0%	11.7%	8.7%
Real Estate	20.0%	9.2%	6.2%
Fixed income	15.0%	5.1%	2.1%

Based on the four part analysis, the PMRS Board established the System's Long-Term Expected Rate of Return at 7.3%.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's Long-Term Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "*Discount rate*". As of December 31, 2017, the Regular Interest Rate was 5.25%.

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

Discount rate. While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The PMRS Board considers the following five quantitative factors in establishing the Regular Interest Rate:

- 1.) Retiree Plan liability as a percentage of total Plan liability,
- 2.) Active Plan participant liability as a percentage of total Plan liability,
- 3.) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates as a proxy for annuity purchase rates,
- 4.) PMRS System Long-Term Expected Rate of Return and,
- 5.) PMRS administrative expenses.

The PMRS Board may then adjust the Regular Interest Rate due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rates adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% for the December 31, 2016 actuarial valuation.

The Regular Interest Rate / Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the PMRS Board is authorized to allocate any applicable portion of such excess in accordance with PMRS Board policies in the form of Excess Interest as provided for in the law.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required (depletion testing”), used the following assumptions: 1.) member contributions will be made at the current contribution rate 2.) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3.) the System’s Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

C. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2017 (based on 12/31/2016 measurement date)	\$ 25,951,527	\$ 21,662,718	\$ 4,288,809
Changes for the year:			
Service cost	1,543,865	-	1,543,865
Interest	1,401,384	-	1,401,384
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,106,875	(1,106,875)
Contributions - member	-	543,474	(543,474)
Net investment income/(loss)	-	3,886,626	(3,886,626)
Benefit payments, including refunds of employee contributions	(1,166,011)	(1,166,011)	-
Administrative expense	-	(60,172)	60,172
Net changes	1,779,238	4,310,792	(2,531,554)
Balances at 12/31/18 (based on a 12/31/17 measurement date)	<u>\$ 27,730,765</u>	<u>\$ 25,973,510</u>	<u>\$ 1,757,255</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Changes in the Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2016 (based on 12/31/2015 measurement date)	\$ 22,434,490	\$ 19,471,686	\$ 2,962,804
Changes for the year:			
Service cost	1,452,861	-	1,452,861
Interest	1,276,753	-	1,276,753
Changes of benefits	-	-	-
Changes of assumptions	641,095	-	641,095
Differences between expected and actual experience	1,061,505	-	1,061,505
Contributions - employer	-	972,122	(972,122)
Contributions - member	-	526,823	(526,823)
Net investment income/(loss)	-	1,670,359	(1,670,359)
Benefit payments, including refunds of employee contributions	(915,177)	(915,177)	-
Administrative expense	-	(63,095)	63,095
Net changes	<u>3,517,037</u>	<u>2,191,032</u>	<u>1,326,005</u>
Balances at 12/31/17 (based on a 12/31/16 measurement date)	<u>\$ 25,951,527</u>	<u>\$ 21,662,718</u>	<u>\$ 4,288,809</u>

The December 31, 2016 measurement date reflects a change in assumption related to a reduction in the discount rate from 5.50% to 5.25%

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the pension liability to changes in the discount rate. The following tables present the net pension liability of the Authority, calculated using the discount rates of 5.25%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the discount rate utilized for the December 31, 2016 actuarial valuation:

	1% Decrease (4.25%)	Discount Rate 12/31/16 Valuation (5.25%)	1% Increase (6.25%)
Authority's net pension liability 12/31/17	\$4,819,222	\$1,757,255	\$(814,523)
Authority's net pension liability 12/31/16	\$7,154,317	\$4,288,809	\$1,882,039

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issues PMRS financial report.

D. Pension Expense, Deferred Outflows, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the Authority recognized pension expense of \$227,782, \$114,663, and \$845,775 in the Suburban Water Fund, Suburban Wastewater Fund, and City Fund, respectively.

For the year ended December 31, 2017, the Authority recognized pension expense of \$293,845, \$147,919, and \$1,091,076 in the Suburban Water Fund, Suburban Wastewater Fund, and City Fund, respectively.

At December 31, 2018 and 2017 the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2018 Deferred Outflows/(Inflows) of Resources	2017 Deferred Outflows/(Inflows) of Resources
Differences between expected and actual experience	\$ 923,196	\$ 1,116,085
Changes in assumptions	588,972	706,767
Net difference between projected and actual earnings on pension plan investments	(1,885,036)	413,099
Contributions subsequent to the measurement date	1,145,082	1,110,595
Total	<u>\$ 772,214</u>	<u>\$ 3,346,546</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Pension Expense, Deferred Outflows, and Deferred Inflows of Resources Related to Pensions (Continued)

The \$1,145,082 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018 financial statements. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ (50,290)
2019	(58,626)
2020	(312,245)
2021	(221,140)
2022	269,433
Thereafter	-

NOTE 15 – DEFERRED COMPENSATION PLAN

In 1990, the Authority entered into an agreement with the International City Management Association (ICMA) to provide a Deferred Compensation Plan in accordance with the Internal Revenue Code, Section 457, on a voluntary basis to full-time employees. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement or for an unforeseeable emergency. The Authority makes no contributions to the plan. In accordance with federal law, a trust fund was established for the deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Authority but are held in a trust, the deferred compensation assets and related liabilities are not recorded in the Authority's financial statements. The Authority's fiduciary responsibilities are to submit participant payroll deductions and enrollment change forms to the plan administrator (Retirement Corporation). Other than reviewing quarterly statements for accuracy, the Authority has no other fiduciary responsibility. Investments are managed by the plan's trustee with various investment options available. The choice of the investment option(s) is made by the employee. Fifty-three and forty employees contributed into the plan during 2018 and 2017 respectively.

NOTE 16 – RISK MANAGEMENT

The Authority joined the Pennsylvania Intergovernmental Risk Management Association (PIRMA) in August 1991, to obtain General, Public Officials' and Automobile Liability Coverage. PIRMA, which has operated since 1987, is a public entity risk pool providing liability insurance coverage to 621 Pennsylvania municipal entities as of December 31, 2018. In paying claims, the pool covers the first \$350,000 per claim. Thereafter, American Public Entity Excess Pool (APEEP) provides coverage of \$4,650,000 per claim and General Reinsurance Company and Market Reinsurance Company provide quota share coverage at \$5,000,000 per claim of excess coverage over APEEP for a total coverage of \$10,000,000 per claim. The intergovernmental agreement specifies that in the event a claim or claims exhausts total members' equity, plus excess insurance coverage, then payment for such claim shall be the obligation of the respective individual member. In 2018 and 2017 the Authority paid \$282,918 and \$297,581 to PIRMA as its share of liability insurance premiums, respectively.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 16 – RISK MANAGEMENT (Continued)

The Authority has been a member of the Delaware Valley Workers' Compensation Trust (DVWCT) since 1993. The Trust, a risk sharing pool formed in 1992, is comprised of 79 municipal entities located primarily in Southeastern Pennsylvania. The DVWCT assumes the first \$750,000 of each occurrence with excess insurance providing coverage up to the PA Statutory limit. If reserve funds and surplus are exhausted by claims, the Trust Agreement allows the governing board to levy additional assessments against pool members. Any additional assessments would be equal to the ratio of the participant's annual contribution to the total annual contribution paid by all participants in the trust year in which a deficit occurred. The Trust's surplus position makes an assessment unlikely.

The Authority paid a net premium (after payroll audit) of \$212,667 in 2017 and a gross premium \$214,247 in 2018. As of January 1, 2018, the Authority had accrued \$38,720 in Rate Stabilization Fund (RSF) credits which were available to reduce the Authority's 2018 premium. Any unused RSF credits will be rolled over to 2019, and the Trust will add investment income to the unused balance. The Authority also received dividends from the Trust of \$6,059 in 2018 and \$7,476 in 2017.

The Authority offers employees health care coverage through a PPO (Preferred Provider Organization) Plan using the Pennsylvania Municipal Insurance Cooperative (PMHIC) to purchase such insurance. The purpose of the cooperative, which consists of 266 municipal entities as of October 1, 2018, is to control escalating health care premiums by allowing municipalities the potential for volume discounts. The pool utilizes an Administrative Services arrangement, which uses the insurer (Capital Blue Cross) only for network access and claims management. The pool is self-funding up to the first \$45,000 per claim with reinsurance available to cover costs in excess of the self-funded limit. Annually a reconciliation of premiums paid to claims incurred is developed and if the cooperative has favorable experience, a dividend is returned to those participants who paid more premium than claims incurred. The cooperative uses a third-party administrator to issue bills and act as the liaison and rate negotiator with the insurers. Authority health benefits payments for retirees and active employees, net of reimbursements and dividend returns, for the years ended December 31, 2018 and December 31, 2017 totaled \$1,404,862 and \$773,168, respectively.

The Authority also purchases property coverage through CNA, brokered through Murray Securus. For 2018 and 2017, insurance costs amounted to \$176,890 and \$175,910, respectively. All other risks of loss including employee bonding, group disability and life insurance are insured through commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past four years.

NOTE 17 – MAJOR CUSTOMER AND ECONOMIC DEPENDENCY

Several service agreements specify that the Authority will provide wastewater service through use of the Western Lehigh and Little Lehigh Relief Interceptor Systems to ten municipalities. As part of this service, the Authority bills certain municipalities for their share of the City of Allentown's treatment and transportation costs and the operating costs of the Western Lehigh and Little Lehigh Relief Interceptor Systems. During 2018 and 2017, two of the municipal customers each provided in excess of 10% of the total operating revenues. Since any reduction in user discharges is offset by lower treatment and transportation costs, and all municipalities share in paying system costs, economic dependency of any one of the customers is absent.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 18 – RESTATEMENT

The Authority recorded the cumulative effect of applying the provisions of GASB Statement No. 75 as a restatement of beginning net position as of January 1, 2018 (the beginning of the current financial statement period), as it was not practical to restate calendar year 2017. Net position as of January 1, 2018 was decreased by \$72,458, and \$943,197 in the Suburban Water Fund, and the City Division fund, respectively. The effect on beginning balances for calendar year 2018 is as follows:

Description	January 1, 2018 as Previously Reported	Restatement	January 1, 2018 as Restated
Net OPEB Liability/(Asset) (GASB 75)			
- Suburban Water Fund	\$ (1,182,363)	\$ 72,458	\$ (1,109,905)
- City Division Fund	884,981	943,197	1,828,178
Total	(297,382)	1,015,655	718,273
Net Position			
- Suburban Water Fund	96,699,841	(72,458)	96,627,383
- City Division Fund	(44,180,094)	(943,197)	(45,123,291)
Total	\$ 52,519,747	\$ (1,015,655)	\$ 51,504,092

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	*	*	*	*
	2018	2017	2016	2015
Total Pension Liability				
Service Costs	\$ 1,543,865	\$ 1,452,861	\$ 1,488,350	\$ 677,165
Interest	1,401,384	1,276,753	1,163,405	1,038,585
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	-	1,061,505	-	329,959
Changes of Assumptions	-	641,095	209,677	-
Benefit Payments, Including Refunds of Member Contributions	(1,166,011)	(915,177)	(600,285)	(544,982)
Net Change in Total Pension Liability	1,779,238	3,517,037	2,261,147	1,500,727
Total Pension Liability - beginning	25,951,527	22,434,490	20,173,343	18,672,616
Total Pension Liability - ending (a)	<u>\$ 27,730,765</u>	<u>\$ 25,951,527</u>	<u>\$ 22,434,490</u>	<u>\$ 20,173,343</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,106,875	\$ 972,122	\$ 978,336	\$ 365,907
Contributions - Member	543,474	526,823	507,893	473,935
Net Investment Income	3,886,626	1,670,359	(99,517)	947,378
Benefit Payments, Including Refunds of Member Contributions	(1,166,011)	(915,177)	(600,285)	(544,982)
Administrative Expense	(60,172)	(63,095)	(52,516)	(41,411)
Net Change in Plan Fiduciary Net Position	4,310,792	2,191,032	733,911	1,200,827
Plan Fiduciary Net Position - beginning	21,662,718	19,471,686	18,737,775	17,536,948
Plan Fiduciary Net Position - ending (b)	<u>\$ 25,973,510</u>	<u>\$ 21,662,718</u>	<u>\$ 19,471,686</u>	<u>\$ 18,737,775</u>
Authority's Net Pension Liability - ending (a) - (b)	<u>\$ 1,757,255</u>	<u>\$ 4,288,809</u>	<u>\$ 2,962,804</u>	<u>\$ 1,435,568</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.66%	83.47%	86.79%	92.88%
Covered Payroll	\$ 9,135,580	\$ 8,807,193	\$ 8,763,140	\$ 2,314,192
Authority's Net Pension Liability as a Percentage of Covered-Employee Payroll	19.24%	48.70%	33.81%	62.03%

* - Information only available for four years. Future years will be added as information becomes available.

** - The Authority had changes in assumptions related to mortality rates, retirement rates, and wage scales in the December 31, 2015 measurement date compared to previous measurement dates.

*** - The Authority had changes in assumptions related to the discount rate in the December 31, 2017 measurement date compared to previous measurement dates.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS PENSION PLAN
LAST 10 FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 1,145,082	\$ 1,110,595	\$ 972,122	\$ 978,336	\$ 361,607	\$ 190,996	\$ 136,779	\$ 134,456	\$ 99,891	\$ 94,931
Contribution in Relation to the Actuarially Determined Contribution	1,145,082	1,110,595	972,122	978,736	365,907	190,996	136,779	134,456	99,891	94,931
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ (400)	\$ (4,300)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,856,915	\$ 9,135,580	\$ 8,807,193	\$ 8,763,140	\$ 2,314,192	\$ 2,220,914	*	\$ 2,563,288	*	\$ 2,352,616
Contribution as a percentage of Covered-Employee Payroll	11.62%	12.16%	11.04%	11.17%	15.81%	8.60%	*	5.25%	*	4.04%

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.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar Closed
Remaining Amortization Period	9 years
Asset Valuation Method	Based Upon Municipal Reserves in PMRS (Fair Value)
Inflation	3.0%
Salary Increases	Age/Merit Scale including inflation ranging from 3.0% to 8.3%.
Investment Rate of Return	5.5%, net of pension plan investment expense, including inflation.
Pre-Retirement Mortality	Males - RP 2000 with 1 year set back Females - RP 2000 with 5 year set back
Post-Retirement Mortality:	Sex distinct RP-2000 Combined Mortality

* - Information not available

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SUBURBAN NET OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	*	*
	2018	2017
Total OPEB Liability Suburban Plan		
Service Cost	\$ 7,960	\$ 7,580
Interest	158,365	151,765
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments	(92,904)	(61,525)
Net Change in Suburban Plan Total OPEB Liability	73,421	97,820
Suburban Plan Total OPEB Liability - Beginning	2,018,059	1,920,239
Suburban Plan Total OPEB Liability - Ending (a)	<u>\$ 2,091,480</u>	<u>\$ 2,018,059</u>
Suburban Plan Fiduciary Net Position		
Contributions - Employer	\$ 13,376	\$ -
Net Investment Income	(220,248)	485,937
Benefit Payments	(92,904)	(61,526)
Administrative Expense	-	-
Net Change in Suburban Plan Fiduciary Net Position	(299,776)	424,411
Suburban Plan Fiduciary Net Position - Beginning	3,127,964	2,703,553
Suburban Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,828,188</u>	<u>\$ 3,127,964</u>
Suburban Plan Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ (736,708)</u>	<u>\$ (1,109,905)</u>
Suburban Plan Fiduciary Net Position as a Percentage of the Total Suburban Plan OPEB Liability	135.22%	155.00%
Covered Payroll Suburban Plan	\$ 1,098,115	\$ 1,045,824
Suburban Plan Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	-67.09%	-106.13%

* - Information only available for two years. Future years will be added as information becomes available.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS SUBURBAN OPEB PLAN**

LAST 10 FISCAL YEARS

	* 2018	* 2017
Actuarially Determined Contribution	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution	13,376	-
Contribution Deficiency (Excess)	<u>\$ (13,376)</u>	<u>\$ -</u>
Suburban Plan Covered Payroll	\$ 1,098,115	\$ 1,045,824
Contributions as a Percentage of Covered Payroll	1.22%	0.00%

Notes to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Amortization Period	21 years
Asset Valuation Method	5-year smoothed market
Inflation	2.25%
Healthcare Cost Trend Rates	0% during 2018 followed by 8.5% during 2019 reduced by .25% per year to an ultimate rate of 5.0% per year
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	65
Mortality	RP-2014 at 2006 Blue Collar Generational Tables Using Scale MP-2017

* - Information only available for two years. Future years will be added as information becomes available.

LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS SUBURBAN OPEB PLAN

LAST 10 FISCAL YEARS

	[*] 2018	[*] 2017
Annual money-weighted rate of return, net of investment expense	-7.13%	18.18%

* - Information only available for two years. Future years will be added as information becomes available.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY DIVISION'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	*
	<u>2018</u>
Total OPEB Liability City Division Plan	
Service Cost	\$ 142,941
Interest	73,458
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	<u>(24,498)</u>
Net Change in City Division Plan Total OPEB Liability	191,901
City Division Plan Total OPEB Liability - Beginning	<u>1,828,178</u>
City Division Plan Total OPEB Liability - Ending (a)	<u><u>\$ 2,020,079</u></u>
 Covered Payroll City Division Plan	 \$ 3,279,472
 City Division Plan Total OPEB Liability as a Percentage of Covered-Employee Payroll	 61.60%

* - Information only available for one year. Future years will be added as information becomes available.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (GASB #43 & #45)
SCHEDULES OF FUNDING PROGRESS**

Health & Welfare Plan For Suburban Employees

¹ Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) -Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
01/01/11	\$1,974,410	\$ 2,043,446	\$ 69,036	96.62%	\$ 1,894,466	3.64%
01/01/14	2,534,503	2,220,252	(314,251)	114.15%	1,528,660	(20.56)%
01/01/17	2,703,553	1,920,239	(783,314)	140.79%	1,378,259	(56.83)%

Health & Welfare Plan For City Division Employees

¹ Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) -Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
08/08/13	\$ -	\$ 1,658,670	\$ 1,658,670	0%	\$ 1,325,125	125.17%
01/01/14	-	1,721,854	1,721,854	0%	1,325,125	129.94%
01/01/17	-	1,637,203	1,637,203	0%	3,370,706	48.57%

¹ Actuarial valuations are completed every three years.

Note the Authority adopted the provisions of GASB No. 75 for calendar year 2018, information is provided in a separate schedule in accordance with GASB No. 75.

Note the 01/01/17 valuations reflect changes in the discount rates, mortality rates, health care cost trend rates, and actuarial cost methods as compared to prior valuations.

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULES OF EMPLOYER CONTRIBUTIONS**

Health & Welfare Plan For Suburban Employees

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Liability/(Asset)</u>
12/31/12	\$ 83,675	\$ -	0%	\$ (1,293,589)
12/31/13	92,390	-	0%	(1,176,470)
12/31/14	(9,587)	-	0%	(1,162,905)
12/31/15	(10,366)	-	0%	(1,148,526)
12/31/16	(11,227)	-	0%	(1,133,284)

Health & Welfare Plan For City Division Employees

² <u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Liability/(Asset)</u>
12/31/13	\$ 70,361	\$ 8,293	11.79%	\$ 62,068
12/31/14	220,231	14,317	6.50%	266,394
12/31/15	234,091	27,127	11.59%	466,083
12/31/16	248,412	38,191	15.37%	662,695
12/31/17	255,268	11,677	4.57%	884,981

² The 01/01/17 valuation reflects changes in the discount rate, mortality rate, health care cost trend rates, and actuarial cost methods as compared to prior valuations.
 Note>The Authority adopted GASB No. 74 in 2017, as such 12/31/17 and subsequent information is provided in a separate schedule in accordance with GASB No. 74.
 Note>The Authority adopted GASB No. 75 in 2018, as such 12/31/18 information is provided in a separate schedule in accordance with GASB No. 75

**OTHER
SUPPLEMENTARY
INFORMATION**

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SUBURBAN WASTEWATER FUND
For the year ended December 31, 2018**

	Western Lehigh Interceptor System	West. Weisenberg Wastewater	Common Rate Wastewater Fund	Other Wastewater Funds	Total Wastewater Fund
Operating Revenues					
Charges for Services	\$ 5,509,645	\$ 304,080	\$ 757,406	\$ 7,149,199	\$ 13,720,330
Other Income	169,586	-	60,329	64,184	294,099
Total Operating Revenues	5,679,231	304,080	817,735	7,213,383	14,014,429
Operating Expenses					
Salaries and Wages	182,352	42,569	116,948	120,276	462,145
General and Administrative	283,726	29,137	88,446	179,158	580,467
Utilities	63,720	16,908	40,623	168,950	290,201
Materials and Supplies	119,655	24,538	30,623	89,928	264,744
Miscellaneous Services	344,488	28,717	116,154	5,227,809	5,717,168
Treatment and Transportation	3,511,188	-	32,565	-	3,543,753
Depreciation and Amortization	521,609	135,326	147,114	3,686,348	4,490,397
Total Operating Expenses	5,026,738	277,195	572,473	9,472,469	15,348,875
Operating Income (Loss)	652,493	26,885	245,262	(2,259,086)	(1,334,446)
Nonoperating Revenues (Expenses)					
Tapping and Capital Recovery Fees	403,469	-	33,450	86,607	523,526
Meter Sales	-	-	-	-	-
Inspection and Plan Reviews	-	48	35,924	1,801	37,773
Interest Earnings	132,721	293	596	88,696	222,306
Interest Expense	(91,240)	(23,694)	(77,382)	(4,684)	(197,000)
Other Expense	(21,486)	-	(1,134)	(8,256)	(30,876)
Other Income	-	-	405	285	690
Total Nonoperating Revenues (Expenses)	423,464	(23,353)	(8,141)	164,449	556,419
Increase (Decrease) in net position before capital contributions	1,075,957	3,532	237,121	(2,094,637)	(778,027)
Capital Contributions					
Capital Grant	-	-	-	-	-
Capital Assets Provided by Developers and Others	-	-	27,041	7,853	34,894
Total Capital Contributions	-	-	27,041	7,853	34,894
Increase (Decrease) in Net Position	1,075,957	3,532	264,162	(2,086,784)	(743,133)
Net Position at Beginning of Year	36,170,914	2,747,228	9,737,583	51,950,080	100,605,805
Net Position at End of Year	\$ 37,246,871	\$ 2,750,760	\$ 10,001,745	\$ 49,863,296	\$ 99,862,672



Lehigh County Authority

1053 Spruce Street * P.O. Box 3348 * Allentown, PA 18106-0348
(610)398-2503 * FAX (610)398-8413 * Email: service@lehighcountyauthority.org

MEMORANDUM

Date: May 20, 2019

To: Lehigh County Authority Board

From: Jason Peters, Capital Project Coordinator

Subject: Suburban Division- Water Main Replacement Program
Construction Phase for Cycle 5

MOTIONS /APPROVALS REQUESTED:

No.	Item	Amount
2	<u>Capital Project Authorization:</u> Construction Phase, Cycle 5	\$2,211,226
3 *	<u>Professional Services Authorization Cycle 5:</u> <ul style="list-style-type: none">Construction Engineering / Managements and Inspection Services, Amendment No. 2 - <i>Gannett Fleming Inc.</i>	\$130,000
4 *	<u>Contract Award Cycle 5:</u> <ul style="list-style-type: none">General Construction – JOAO & Bradley Construction Co., Inc	\$1,821,226

() Included in the Capital Project Authorization*

PROJECT OVERVIEW:

The Suburban Division water system serves multiple municipalities in Lehigh and Northampton Counties. This Program covers Cycles 4-6 which addresses the main replacement requirements for years 2018 through 2020 and includes approximately 4 miles of pipe. Cycle 5 main replacement project includes approximately 1.41 mile of pipe and appurtenances in 2019 in order to provide for a more reliable system to our community and customers.

The driver for the project is to replace aging and failing infrastructure to prevent excessive leakage or disruptive water main breaks that can impact our customers. Given the complex nature and magnitude of the project, it will require a significant amount of coordination and public relations efforts.

FUNDING:

The Project will be funded by the LCA Suburban Division.

PROJECT STATUS:

In October 2017 the Board approved the Design Phase for Cycles 4-6 of the Project and in July 2018 the Board approved the Cycle 4 construction phase.

Working closely with all necessary Municipalities and other outside agencies, LCA obtained all approvals and permits required for Cycle 5 Construction Phase.

THIS APPROVAL: CONSTRUCTION PHASE CYCLE 5

Cycle 5 includes 1.41 miles of water main replacement in Lower Macungie Township.

BIDDING SUMMARY: CONSTRUCTION CONTRACTS CYCLE 5

The project was advertised for bid on April 5, 2019. A mandatory pre-bid meeting was held on April 23, 2019, and bids were opened on May 7, 2019. The bidding results are as shown in Table 1 below.

Table 1	
General Construction	
Bidder	Amount
<i>JOAO & Bradley Construction Co., Inc.</i>	<i>\$1,821,226</i>
Barrasso Excavation Inc	\$2,035,638
James T. O'Hara, Inc.	\$2,455,232
Ankiewicz Enterprises Inc.	\$2,529,249
DOLI Construction Corporation	\$2,908,665

JOAO & Bradley Construction Co., Inc. (Contractor) successfully performed the Suburban Division Cycles 3 & 4 water main replacement Projects as well as the Allentown Division Cycles 2 & 3 water main replacement Projects for LCA. Prior to the Lease, the Contractor performed many water main replacements for the COA, and is currently utilized by LCA's Distribution and Collection Department for emergency repairs. Therefore, we recommend awarding the General Construction contract to JOAO Bradley Construction Co., Inc., subject to the receipt of the necessary Performance Bonds, Insurance and other required documentation.

PROFESSIONAL SERVICES: CONSTRUCTION PHASE CYCLE 5***1. Construction Engineering / Management and Inspection***

Gannett Fleming Inc., our design consultant, will provide construction engineering / management and inspection related services for the construction phase of the project. The work will generally include:

- Conduct pre construction conference.
- Review contractor's construction schedule and updates for compliance with project.
- Arrange and conduct monthly progress meetings and provide meeting minutes.
- Review all contractor submittals to ensure that design objectives and requirements of the Contract Documents are met.
- Prepare Change Orders.
- Respond to contractor Requests-for-Information.
- Review certified payrolls.

- Conduct walkover of the project site with contractors and LCA representatives.
- Provide LCA with recommendation on completeness of work, final acceptance and release of final payment.
- Act as the daily field contact person for the project.
- On-site contract management and coordination, including full-time construction observation.
- Collect field GPS data
- Maintain daily record of project activities, quantities of work performed, site conditions, etc.
- Perform substantial and final completion inspections

SCHEDULE:

Assuming approval of the Construction Phase at the May 20, 2019 Board meeting, all work is anticipated to be operational by November 1, 2019 (i.e. the substantial completion date).

FUTURE AUTHORIZATIONS:

No future authorizations are anticipated at this time.

CAPITAL PROJECT AUTHORIZATION

PROJECT NO.:	SD-W-19-1	BUDGET FUND:	Suburban Div\Water\Capital
PROJECT TITLE:	Suburban Division -Water Main Replacement Program Cycles 4-6	PROJECT TYPE:	<input checked="" type="checkbox"/> Construction <input type="checkbox"/> Engineering Study <input type="checkbox"/> Equipment Purchase <input checked="" type="checkbox"/> Amendment No. 2
THIS AUTHORIZATION TO DATE (W/ABOVE)	\$ 2,211,226 \$ 4,897,861		

DESCRIPTION AND BENEFITS:

The Suburban Division water systems serve multiple municipalities in Lehigh and Northampton Counties. This Program covers Cycles 4-6 which addresses the main replacement requirements for years 2018 through 2020 with the intent to replace 4 miles of water main over the 3-year period due to aging infrastructure that has reached the end of its useful life, in order to prevent excessive leakage or disruptive water main breaks that can impact our customers.

Cycle 5 main replacement project includes replacement of 1.41 mile of pipe.
Please reference the cover Memo for additional information.

THIS AMENDMENT –Construction Phase, Cycle 5

Please reference the cover Memo for additional information.

Previous Authorizations	
Design Phase Cycles 4-6	\$655,000
Construction Phase Cycle 4	\$2,013,635

REQUESTED THIS AUTHORIZATION	
Construction Phase Cycle 5	
Staff	\$80,000
Professional Services	
Construction Engineering / Management & Inspection	\$130,000
General Construction Contract	\$1,821,226
Contingency	\$180,000
Total This Authorization	\$2,211,226

Future Authorizations	
Construction Phase Cycle 6	\$2,500,000

Total Estimated Project	\$7,379,861
-------------------------	-------------

REVIEW AND APPROVALS:

_____ Project Manager	_____ Date	_____ Chief Executive Officer	_____ Date
_____ Chief Capital Works Officer	_____ Date	_____ Chairman	_____ Date



Lehigh County Authority

1053 Spruce Street * P.O. Box 3348 * Allentown, PA 18106-0348
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PROFESSIONAL SERVICES AUTHORIZATION
Amendment No. 2

Professional: GANNETT FLEMING, INC.
P.O. Box 67100
Harrisburg, PA 17106

Date: May 20, 2019

Requested By: Jason Peters

Approvals

Department Head: _____

Chief Executive Officer: _____

Suburban Division – Water Main Replacement Program Cycles 4-6

*Previous Authorizations- Design Phase, Cycles 4-6: \$405,000
Construction Phase Cycle 4: \$47,400*

This Authorization- Construction Phase, Cycle 5: \$130,000

Gannett Fleming, Inc. will provide construction related services including but not limited to conducting pre-construction, progress and close out meetings, catalog cut / shop drawing review and approval, change orders, RFI response, full time construction observation, and technical assistance within the following Professional Services.

Professional Services
1. Construction Engineering / Management & Inspection Services

Please reference the cover Memo for additional information.

Cost Estimate (not to be exceeded without further authorization): \$582,400

Time Table and Completion Deadline: As required to meet various critical deadlines as set forth in the proposal.

(For Authority Use Only)

Authorization Completion:

Approval: _____ **Actual Cost:** _____ **Date:** _____

**LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS
APRIL 2019**

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - SUMMARY
APRIL 2019

MONTH					YEAR-TO-DATE					FULL YEAR					
Actual	Forecast	Prior Year	FC Var	PY Var	APRIL 2019	Actual	Forecast	Prior Year	FC Var	PY Var	Forecast	Budget	Prior Year	Bud Var	PY Var
					Income Statement										
394,609	355,117	(127,675)	39,492	522,284	Suburban Water	386,005	346,513	(68,298)	39,492	454,303	263,459	236,452	1,813,064	27,007	(1,549,604)
332,403	300,288	(28,383)	32,115	360,786	Suburban Wastewater	265,773	233,658	(269,539)	32,115	535,312	(775,612)	(969,731)	(743,133)	194,119	(32,479)
(156,652)	(183,247)	(221,779)	26,595	65,127	City Division	(386,507)	(413,102)	(966,124)	26,595	579,617	(3,706,288)	(4,036,377)	(6,134,152)	330,089	2,427,864
570,360	472,158	(377,836)	98,202	948,196	Total LCA	265,271	167,069	(1,303,960)	98,202	1,569,231	(4,218,441)	(4,769,656)	(5,064,221)	551,215	845,781
					Cash Flow Statement										
954,673	1,053,277	885,752	(98,604)	68,921	Suburban Water	2,206,315	2,304,919	1,845,625	(98,604)	360,691	(9,920)	(2,378,358)	(287,896)	2,368,438	277,977
1,660,902	1,433,471	414,188	227,431	1,246,714	Suburban Wastewater	(1,176,937)	(1,404,368)	1,890,145	227,431	(3,067,082)	(1,927,176)	(3,026,596)	2,533,964	1,099,420	(4,461,140)
1,183,099	1,198,753	1,224,767	(15,654)	(41,668)	City Division	5,250,809	5,266,463	4,301,074	(15,654)	949,735	2,500,591	2,127,423	4,982,736	373,168	(2,482,145)
3,798,674	3,685,501	2,524,707	113,173	1,273,967	Total LCA	6,280,187	6,167,014	8,036,844	113,173	(1,756,657)	563,495	(3,277,531)	7,228,804	3,841,026	(6,665,309)
					Debt Service Coverage Ratio										
2.87	2.66	1.49	0.21	1.38	Suburban Water	1.75	1.69	1.36	0.05	0.38	1.41	1.40	1.39	0.01	0.02
13.23	12.29	7.08	0.94	6.16	Suburban Wastewater	8.48	8.27	6.37	0.21	2.11	5.89	5.52	5.73	0.37	0.16
1.42	1.41	1.61	0.02	(0.19)	City Division	1.48	1.47	1.55	-	(0.07)	1.39	1.37	1.65	0.03	(0.26)

LEHIGH COUNTY AUTHORITY
MONTHLY FINANCIAL STATEMENTS - CONSOLIDATED
APRIL 2019

MONTH					YEAR-TO-DATE				FULL YEAR FORECAST			
Suburban Water	Suburban Wastewater	City Division	LCA TOTAL		Suburban Water	Suburban Wastewater	City Division	LCA TOTAL	Suburban Water	Suburban Wastewater	City Division	LCA TOTAL
				APRIL 2019 INCOME STATEMENT								
				Operating Revenues								
902,521	1,239,685	3,083,268	5,225,474	Charges For Services	3,118,657	5,021,615	12,175,243	20,315,515	9,789,866	14,939,475	37,062,644	61,791,985
10,348	-	-	10,348	Rent	42,551	-	-	42,551	106,937	-	-	106,937
15,843	-	47,758	63,601	Other Income	24,891	-	162,089	186,980	104,048	-	540,110	644,158
928,712	1,239,685	3,131,026	5,299,423	Total Operating Revenues	3,186,099	5,021,615	12,337,332	20,545,046	10,000,851	14,939,475	37,602,754	62,543,080
				Operating Expenses								
77,238	37,191	414,554	528,983	Salaries and Wages	347,908	181,857	1,888,097	2,417,862	1,017,672	573,993	5,623,902	7,215,567
118,993	54,016	589,188	762,197	General and Administrative	425,937	199,022	2,164,037	2,788,996	1,395,044	596,537	6,429,333	8,420,914
37,910	35,625	108,081	181,616	Utilities	116,697	104,248	507,781	728,726	595,183	296,793	2,091,935	2,983,911
21,079	31,501	78,960	131,540	Materials and Supplies	93,278	110,415	314,154	517,847	498,635	378,770	1,593,799	2,471,204
197,433	550,028	244,541	992,002	Miscellaneous Services	784,360	2,034,560	532,500	3,351,420	2,900,539	6,563,092	1,982,739	11,446,370
-	300,001	-	300,001	Treatment & Transportation	-	1,200,001	-	1,200,001	-	3,600,000	12,000	3,612,000
229,166	383,527	490,000	1,102,693	Depreciation and Amortization	916,664	1,534,108	1,960,000	4,410,772	2,749,997	4,602,324	5,880,000	13,232,321
681,819	1,391,889	1,925,324	3,999,032	Total Operating Expenses	2,684,844	5,364,211	7,366,569	15,415,624	9,157,070	16,611,509	23,613,708	49,382,287
246,893	(152,204)	1,205,702	1,300,391	Operating Income	501,255	(342,596)	4,970,763	5,129,422	843,781	(1,672,034)	13,989,046	13,160,793
				Non-Operating Revenues (Expenses)								
251,060	479,322	-	730,382	Tapping and Capital Recovery fees	299,095	572,276	226,962	1,098,333	467,000	809,621	327,462	1,604,083
10,795	-	1,296	12,091	Meter Sales	31,718	-	7,887	39,605	108,000	-	12,591	120,591
3,050	-	1,000	4,050	Inspection and Plan Reviews	23,810	-	10,600	34,410	144,000	18,751	206,680	369,431
-	-	-	-	Project Reimbursements	-	-	-	-	-	-	-	-
17,735	23,217	115,998	156,950	Interest Income	59,866	92,749	328,826	481,441	150,131	252,532	792,828	1,195,491
4,116	300	4,140	8,556	Other Income	22,819	24,440	15,865	63,124	24,000	33,140	22,727	79,867
(138,505)	(17,290)	(1,460,584)	(1,616,379)	Interest Expense	(550,835)	(69,231)	(5,847,683)	(6,467,749)	(1,472,265)	(206,699)	(18,957,099)	(20,636,063)
(535)	(942)	(24,204)	(25,681)	Other Expense	(1,723)	(11,865)	(99,727)	(113,315)	(1,188)	(10,923)	(100,523)	(112,634)
147,716	484,607	(1,362,354)	(730,031)	Total Non-Operating Revenues (Expenses)	(115,250)	608,369	(5,357,270)	(4,864,151)	(580,322)	896,422	(17,695,334)	(17,379,234)
394,609	332,403	(156,652)	570,360	Net Income Before Capital Contributions	386,005	265,773	(386,507)	265,271	263,459	(775,612)	(3,706,288)	(4,218,441)
-	-	-	-	Capital Contributions	-	-	-	-	-	-	-	-
394,609	332,403	(156,652)	570,360	NET INCOME	386,005	265,773	(386,507)	265,271	263,459	(775,612)	(3,706,288)	(4,218,441)

LEHIGH COUNTY AUTHORITY
MONTHLY FINANCIAL STATEMENTS - CONSOLIDATED
APRIL 2019

MONTH				YEAR-TO-DATE				FULL YEAR FORECAST				
Suburban Water	Suburban Wastewater	City Division	LCA TOTAL	APRIL 2019	Suburban Water	Suburban Wastewater	City Division	LCA TOTAL	Suburban Water	Suburban Wastewater	City Division	LCA TOTAL
				CASH FLOW STATEMENT								
				Cash Flows From Operating Activities								
928,712	1,239,685	3,131,026	5,299,423	Operating Revenues	3,186,099	5,021,615	12,337,332	20,545,046	10,000,851	14,939,475	37,602,754	62,543,080
(452,653)	(1,008,362)	(1,435,324)	(2,896,339)	Operating Expenses (ex D&A)	(1,768,180)	(3,830,103)	(5,406,569)	(11,004,852)	(6,407,073)	(12,009,185)	(17,733,708)	(36,149,966)
(313)	1,358,384	(100,873)	1,257,198	Non-Cash Working Capital Changes	(716,253)	221,895	(1,037,194)	(1,531,552)	-	98,511	-	98,511
475,746	1,589,707	1,594,829	3,660,282	Net Cash Provided by (Used in) Operating Activities	701,666	1,413,407	5,893,569	8,008,642	3,593,778	3,028,801	19,869,046	26,491,625
				Cash Flows From Financing Activities								
-	-	-	-	Lease Payments to City	-	-	-	-	-	-	-	-
-	-	-	-	Capital Contributions	-	-	-	-	-	-	-	-
-	-	-	-	Proceeds New Borrowing	-	-	-	-	-	-	-	-
(31,678)	(14,384)	-	(46,062)	Interest Payments	(52,727)	(57,978)	(5,348)	(116,053)	(1,472,485)	(205,352)	(14,961,924)	(16,639,761)
(30,078)	(41,089)	-	(71,167)	Principal Payments	(119,984)	(163,921)	-	(283,905)	(1,713,746)	(481,430)	-	(2,195,176)
(61,756)	(55,473)	-	(117,229)	Net Cash Provided by (Used in) Financing Activities	(172,711)	(221,899)	(5,348)	(399,958)	(3,186,231)	(686,782)	(14,961,924)	(18,834,937)
				Cash Flows from Capital and Related Activities								
269,021	479,622	6,436	755,079	Non-Operating Revenues	377,442	596,716	261,314	1,235,472	743,000	861,512	569,460	2,173,972
-	-	-	-	Project Reimbursement	-	-	-	-	-	-	-	-
-	(92)	-	(92)	Non-Operating Expenses	-	(92)	(262,431)	(262,523)	-	-	(524,862)	(524,862)
(412,457)	(375,901)	(534,164)	(1,322,522)	Capital Expenditures	(788,916)	(1,045,620)	(965,121)	(2,799,657)	(7,901,319)	(8,871,219)	(3,243,957)	(20,016,495)
(143,436)	103,629	(527,728)	(567,535)	Net Cash Provided By (Used In) Capital and Related Activities	(411,474)	(448,996)	(966,238)	(1,826,708)	(7,158,319)	(8,009,707)	(3,199,359)	(18,367,385)
				Cash Flows From Investing Activities								
1,354,201	337,848	-	1,692,049	Investments Converting To Cash	3,166,198	2,092,466	-	5,258,664	7,040,134	3,504,618	-	10,544,752
(687,817)	(338,026)	-	(1,025,843)	Purchased Invesments	(1,137,230)	(4,104,664)	-	(5,241,894)	(449,413)	(16,638)	-	(466,051)
17,735	23,217	115,998	156,950	Interest Income	59,866	92,749	328,826	481,441	150,131	252,532	792,828	1,195,491
684,119	23,039	115,998	823,156	Net Cash Provided By (Used In) Investing Activities	2,088,834	(1,919,449)	328,826	498,211	6,740,852	3,740,512	792,828	11,274,192
954,673	1,660,902	1,183,099	3,798,674	FUND NET CASH FLOWS	2,206,315	(1,176,937)	5,250,809	6,280,187	(9,920)	(1,927,176)	2,500,591	563,495
				DEBT SERVICE RATIO								
762,815	734,162	1,775,100	3,272,077	Total Cash Available For Debt Service	1,855,227	1,880,977	7,371,233	11,107,437	4,486,909	4,044,334	20,833,142	29,364,385
265,519	55,473	1,246,381	1,567,373	Debt Service	1,062,076	221,899	4,985,524	6,269,499	3,186,231	686,782	14,956,576	18,829,589
2.87	13.23	1.42	2.09	DSCR	1.75	8.48	1.48	1.77	1.41	5.89	1.39	1.56

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - SUBURBAN WATER
APRIL 2019

MONTH					APRIL 2019	YEAR-TO-DATE					FULL YEAR				
Actual	Forecast	Prior Yr	FC Var	PY Var	INCOME STATEMENT	Actual	Forecast	Prior Yr	FC Var	PY Var	Forecast	Budget	Prior Yr	Bud Var	PY Var
					Operating Revenues										
902,521	896,647	800,432	5,874	102,089	Charges For Services	3,118,657	3,112,783	2,915,918	5,874	202,739	9,789,866	9,772,570	9,140,848	17,296	649,018
10,348	10,734	6,980	(386)	3,368	Rent	42,551	42,937	28,121	(386)	14,430	106,937	87,860	98,405	19,077	8,532
15,843	15,000	37,959	843	(22,116)	Other Income	24,891	24,048	61,983	843	(37,092)	104,048	129,158	109,632	(25,110)	(5,584)
928,712	922,381	845,371	6,331	83,341	Total Operating Revenues	3,186,099	3,179,768	3,006,022	6,331	180,077	10,000,851	9,989,588	9,348,885	11,263	651,966
					Operating Expenses										
77,238	78,078	81,893	840	4,655	Salaries and Wages	347,908	348,748	378,468	840	30,560	1,017,672	1,020,940	1,037,882	3,268	20,210
118,993	122,500	119,829	3,507	836	General and Administrative	425,937	429,444	410,279	3,507	(15,658)	1,395,044	1,399,959	1,261,241	4,915	(133,803)
37,910	39,396	31,601	1,486	(6,309)	Utilities	116,697	118,183	154,080	1,486	37,383	595,183	592,750	437,253	(2,433)	(157,930)
21,079	25,048	24,069	3,969	2,990	Materials and Supplies	93,278	97,247	70,598	3,969	(22,680)	498,635	504,580	294,937	5,945	(203,698)
197,433	201,110	202,819	3,677	5,386	Miscellaneous Services	784,360	788,037	652,828	3,677	(131,532)	2,900,539	2,905,325	2,703,594	4,786	(196,945)
-	-	-	-	-	Treatment & Transportation	-	-	-	-	-	-	-	-	-	-
229,166	229,167	245,832	1	16,666	Depreciation and Amortization	916,664	916,665	983,328	1	66,664	2,749,997	2,750,000	2,768,133	3	18,136
681,819	695,299	706,043	13,480	24,224	Total Operating Expenses	2,684,844	2,698,324	2,649,580	13,480	(35,264)	9,157,070	9,173,554	8,503,041	16,484	(654,029)
246,893	227,082	139,328	19,811	107,565	Operating Income	501,255	481,444	356,442	19,811	144,813	843,781	816,034	845,845	27,747	(2,063)
					Non-Operating Revenues (Expenses)										
251,060	232,250	10,285	18,810	240,775	Tapping and Capital Recovery fees	299,095	280,285	43,450	18,810	255,645	467,000	467,000	221,405	-	245,595
10,795	5,000	4,930	5,795	5,865	Meter Sales	31,718	25,923	18,094	5,795	13,624	108,000	108,000	85,259	-	22,741
3,050	1,000	-	2,050	3,050	Inspection and Plan Reviews	23,810	21,760	8,381	2,050	15,429	144,000	144,000	183,148	-	(39,148)
-	-	-	-	-	Project Reimbursements	-	-	-	-	-	-	-	(0)	-	0
17,735	12,000	(5,615)	5,735	23,350	Interest Income	59,866	54,131	35,942	5,735	23,924	150,131	144,000	255,438	6,131	(105,307)
4,116	-	2,595	4,116	1,521	Other Income	22,819	18,703	7,980	4,116	14,839	24,000	24,000	86,971	-	(62,971)
(138,505)	(122,215)	(278,792)	(16,290)	140,287	Interest Expense	(550,835)	(534,545)	(537,747)	(16,290)	(13,088)	(1,472,265)	(1,466,582)	(1,576,659)	(5,683)	104,394
(535)	-	(406)	(535)	(129)	Other Expense	(1,723)	(1,188)	(840)	(535)	(883)	(1,188)	-	(82,141)	(1,188)	80,953
147,716	128,035	(267,003)	19,681	414,719	Total Non-Operating Revenues (Expenses)	(115,250)	(134,931)	(424,740)	19,681	309,490	(580,322)	(579,582)	(826,579)	(740)	246,257
394,609	355,117	(127,675)	39,492	522,284	Net Income Before Capital Contributions	386,005	346,513	(68,298)	39,492	454,303	263,459	236,452	19,266	27,007	244,194
-	-	-	-	-	Capital Contributions	-	-	-	-	-	-	-	1,793,798	-	(1,793,798)
394,609	355,117	(127,675)	39,492	522,284	NET INCOME	386,005	346,513	(68,298)	39,492	454,303	263,459	236,452	1,813,064	27,007	(1,549,604)

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - SUBURBAN WATER
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MONTH					APRIL 2019					YEAR-TO-DATE					FULL YEAR				
Actual	Forecast	Prior Yr	FC Var	PY Var	CASH FLOW STATEMENT					Actual	Forecast	Prior Yr	FC Var	PY Var	Forecast	Budget	Prior Yr	Bud Var	PY Var
					Cash Flows From Operating Activities														
928,712	922,381	845,371	6,331	83,341	Operating Revenues					3,186,099	3,179,768	3,006,022	6,331	180,077	10,000,851	9,989,588	9,348,885	11,263	651,966
(452,653)	(466,132)	(460,211)	13,479	7,558	Operating Expenses (ex D&A)					(1,768,180)	(1,781,659)	(1,666,252)	13,479	(101,928)	(6,407,073)	(6,423,554)	(5,734,908)	16,481	(672,165)
(313)	-	1,060,590	(313)	(1,060,903)	Non-Cash Working Capital Changes					(716,253)	(715,940)	139,432	(313)	(855,685)	-	-	(5,441,123)	-	5,441,123
475,746	456,249	1,445,750	19,497	(970,004)	Net Cash Provided by (Used in) Operating Activities					701,666	682,169	1,479,202	19,497	(777,536)	3,593,778	3,566,034	(1,827,145)	27,744	5,420,924
					Cash Flows From Financing Activities														
-	-	-	-	-	Capital Contributions					-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	Proceeds New Borrowing					-	-	-	-	-	-	-	-	-	-
(31,678)	(31,215)	(278,792)	(463)	247,114	Interest Payments					(52,727)	(52,264)	(537,747)	(463)	485,020	(1,472,485)	(1,466,582)	(1,508,149)	(5,903)	35,664
(30,078)	(30,078)	(203,145)	-	173,067	Principal Payments					(119,984)	(119,984)	(620,724)	-	500,740	(1,713,746)	(1,725,120)	(1,693,208)	11,374	(20,538)
(61,756)	(61,293)	(481,937)	(463)	420,181	Net Cash Provided by (Used in) Financing Activities					(172,711)	(172,248)	(1,158,471)	(463)	985,760	(3,186,231)	(3,191,702)	(3,201,357)	5,471	15,126
					Cash Flows from Capital and Related Activities														
269,021	238,250	17,810	30,771	251,211	Non-Operating Revenues					377,442	346,671	77,905	30,771	299,537	743,000	743,000	576,783	-	166,217
-	-	-	-	-	Project Reimbursement					-	-	-	-	-	-	-	(0)	-	0
-	-	-	-	-	Non-Operating Expenses					-	-	-	-	-	-	-	(82,142)	-	82,142
(412,457)	(239,500)	(90,256)	(172,957)	(322,201)	Capital Expenditures					(788,916)	(615,959)	(610,963)	(172,957)	(177,953)	(7,901,319)	(10,210,540)	(5,348,970)	2,309,221	(2,552,349)
(143,436)	(1,250)	(72,446)	(142,186)	(70,990)	Net Cash Provided By (Used In) Capital and Related Activities					(411,474)	(269,288)	(533,058)	(142,186)	121,584	(7,158,319)	(9,467,540)	(4,854,329)	2,309,221	(2,303,990)
					Cash Flows From Investing Activities														
1,354,201	1,347,571	-	6,630	1,354,201	Investments Converting To Cash					3,166,198	3,159,568	2,022,010	6,630	1,144,188	7,040,134	6,570,850	11,501,487	469,284	(4,461,353)
(687,817)	(700,000)	-	12,183	(687,817)	Purchased Investments					(1,137,230)	(1,149,413)	-	12,183	(1,137,230)	(449,413)	-	(2,161,990)	(449,413)	1,712,577
17,735	12,000	(5,615)	5,735	23,350	Interest Income					59,866	54,131	35,942	5,735	23,924	150,131	144,000	255,438	6,131	(105,307)
684,119	659,571	(5,615)	24,548	689,735	Net Cash Provided By (Used In) Investing Activities					2,088,834	2,064,286	2,057,952	24,548	30,882	6,740,852	6,714,850	9,594,935	26,002	(2,854,083)
954,673	1,053,277	885,752	(98,604)	68,921	FUND NET CASH FLOWS					2,206,315	2,304,919	1,845,625	(98,604)	360,691	(9,920)	(2,378,358)	(287,896)	2,368,438	277,977
					DEBT SERVICE RATIO														
762,815	706,499	397,355	56,316	365,460	Total Cash Available For Debt Service					1,855,227	1,798,911	1,453,617	56,316	401,610	4,486,909	4,453,034	4,446,199	33,875	40,710
265,519	265,519	266,780	-	(1,261)	Debt Service					1,062,076	1,062,076	1,067,120	-	(5,044)	3,186,231	3,191,702	3,201,357	(5,471)	(15,126)
2.87	2.66	1.49	0.21	1.38	DSCR					1.75	1.69	1.36	0.05	0.38	1.41	1.40	1.39	0.01	0.02

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - SUBURBAN WATER
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FORECAST VARIANCES - MONTH

INCOME STATEMENT	Actual	Forecast	Variance	Comments
Operating Revenues				
Charges For Services	902,521	896,647	5,874	
Rent	10,348	10,734	(386)	
Other Income	15,843	15,000	843	
Total Operating Revenues	928,712	922,381	6,331	
Operating Expenses				
Salaries and Wages	77,238	78,078	840	
General and Administrative	118,993	122,500	3,507	
Utilities	37,910	39,396	1,486	
Materials and Supplies	21,079	25,048	3,969	
Miscellaneous Services	197,433	201,110	3,677	
Treatment & Transportation	-	-	-	
Depreciation and Amortization	229,166	229,167	1	
Total Operating Expenses	681,819	695,299	13,480	
Operating Income	246,893	227,082	19,811	
Non-Operating Revenues (Expenses)				
Tapping and Capital Recovery fees	251,060	232,250	18,810	
Meter Sales	10,795	5,000	5,795	
Inspection and Plan Reviews	3,050	1,000	2,050	
Project Reimbursements	-	-	-	
Interest Income	17,735	12,000	5,735	
Other Income	4,116	-	4,116	
Interest Expense	(138,505)	(122,215)	(16,290)	
Other Expense	(535)	-	(535)	
Total Non-Operating Revenues (Expenses)	147,716	128,035	19,681	
Net Income Before Capital Contributions	394,609	355,117	39,492	
Capital Contributions	-	-	-	
NET INCOME	394,609	355,117	39,492	Higher Operating Revenues and higher non-operating revenues along with lower operating expenses

FORECAST VARIANCES - MONTH

CASH FLOW STATEMENT	Actual	Forecast	Variance	Comments
Cash Flows From Operating Activities				
Operating Revenues	928,712	922,381	6,331	
Operating Expenses (ex D&A)	(452,653)	(466,132)	13,479	
Non-Cash Working Capital Changes	(313)	-	(313)	
Net Cash Provided by (Used in) Operating Activities	475,746	456,249	19,497	
Cash Flows From Financing Activities				
Capital Contributions	-	-	-	
Proceeds New Borrowing	-	-	-	
Interest Payments	(31,678)	(31,215)	(463)	
Principal Payments	(30,078)	(30,078)	-	
Net Cash Provided by (Used in) Financing Activities	(61,756)	(61,293)	(463)	
Cash Flows from Capital and Related Activities				
Non-Operating Revenues	269,021	238,250	30,771	
Project Reimbursement	-	-	-	
Non-Operating Expenses	-	-	-	
Capital Expenditures	(412,457)	(239,500)	(172,957)	Unfavorable timing effect on project spending
Net Cash Provided By (Used In) Capital and Related Activities	(143,436)	(1,250)	(142,186)	
Cash Flows From Investing Activities				
Investments Converting To Cash	1,354,201	1,347,571	6,630	
Purchased Investments	(687,817)	(700,000)	12,183	
Interest Income	17,735	12,000	5,735	
Net Cash Provided By (Used In) Investing Activities	684,119	659,571	24,548	
FUND NET CASH FLOWS	954,673	1,053,277	(98,604)	Higher cash provided by operations and favorable investment activity partially offset by unfavorable timing on project spending

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - SUBURBAN WASTEWATER
APRIL 2019

MONTH					APRIL 2019 INCOME STATEMENT	YEAR-TO-DATE					FULL YEAR				
Actual	Forecast	Prior Yr	FC Var	PY Var		Actual	Forecast	Prior Yr	FC Var	PY Var	Forecast	Budget	Prior Yr	Bud Var	PY Var
					Operating Revenues										
1,239,685	1,199,843	1,184,708	39,842	54,977	Charges For Services	5,021,615	4,981,773	4,584,862	39,842	436,753	14,939,475	14,905,873	17,230,516	33,602	(2,291,041)
-	-	-	-	-	Rent	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	Other Income	-	-	-	-	-	-	-	-	-	-
1,239,685	1,199,843	1,184,708	39,842	54,977	Total Operating Revenues	5,021,615	4,981,773	4,584,862	39,842	436,753	14,939,475	14,905,873	17,230,516	33,602	(2,291,041)
					Operating Expenses										
37,191	37,327	28,634	136	(8,557)	Salaries and Wages	181,857	181,993	133,742	136	(48,115)	573,993	420,095	462,145	(153,898)	(111,848)
54,016	51,531	36,985	(2,485)	(17,031)	General and Administrative	199,022	196,537	128,852	(2,485)	(70,170)	596,537	474,363	511,800	(122,174)	(84,737)
35,625	28,170	17,191	(7,455)	(18,434)	Utilities	104,248	96,793	78,424	(7,455)	(25,824)	296,793	338,035	290,201	41,242	(6,592)
31,501	32,278	17,939	777	(13,562)	Materials and Supplies	110,415	111,192	41,036	777	(69,379)	378,770	459,324	295,370	80,554	(83,400)
550,028	552,276	525,541	2,248	(24,487)	Miscellaneous Services	2,034,560	2,036,808	2,023,264	2,248	(11,296)	6,563,092	7,688,121	6,175,835	1,125,029	(387,257)
300,001	300,000	254,093	(1)	(45,908)	Treatment & Transportation	1,200,001	1,200,000	985,148	(1)	(214,853)	3,600,000	2,649,555	7,030,353	(950,445)	3,430,353
383,527	383,527	397,865	-	14,338	Depreciation and Amortization	1,534,108	1,534,108	1,591,460	-	57,352	4,602,324	4,540,765	4,490,397	(61,559)	(111,927)
1,391,889	1,385,109	1,278,248	(6,780)	(113,641)	Total Operating Expenses	5,364,211	5,357,431	4,981,925	(6,780)	(382,286)	16,611,509	16,570,258	19,256,101	(41,251)	2,644,592
(152,204)	(185,266)	(93,541)	33,062	(58,663)	Operating Income	(342,596)	(375,658)	(397,063)	33,062	54,467	(1,672,034)	(1,664,385)	(2,025,585)	(7,649)	353,551
					Non-Operating Revenues (Expenses)										
479,322	476,667	81,590	2,655	397,732	Tapping and Capital Recovery fees	572,276	569,621	193,745	2,655	378,531	809,621	800,000	523,626	9,621	285,995
-	-	-	-	-	Meter Sales	-	-	-	-	-	-	-	-	-	-
-	2,083	-	(2,083)	-	Inspection and Plan Reviews	-	2,083	500	(2,083)	(500)	18,751	25,000	38,363	(6,249)	(19,612)
-	-	-	-	-	Project Reimbursements	-	-	-	-	-	-	-	-	-	-
23,217	23,000	284	217	22,933	Interest Income	92,749	92,532	1,007	217	91,742	252,532	75,000	217,721	177,532	34,811
300	1,000	135	(700)	165	Other Income	24,440	25,140	300	(700)	24,140	33,140	1,000	664,848	32,140	(631,708)
(17,290)	(17,196)	(16,851)	(94)	(439)	Interest Expense	(69,231)	(69,137)	(68,027)	(94)	(1,204)	(206,699)	(206,346)	(197,000)	(353)	(9,699)
(942)	-	-	(942)	(942)	Other Expense	(11,865)	(10,923)	-	(942)	(11,865)	(10,923)	-	(10,923)	(10,923)	(10,923)
484,607	485,554	65,158	(947)	419,449	Total Non-Operating Revenues (Expenses)	608,369	609,316	127,525	(947)	480,844	896,422	694,654	1,247,558	201,768	(351,136)
332,403	300,288	(28,383)	32,115	360,786	Net Income Before Capital Contributions	265,773	233,658	(269,539)	32,115	535,312	(775,612)	(969,731)	(778,027)	194,119	2,415
-	-	-	-	-	Capital Contributions	-	-	-	-	-	-	-	34,894	-	(34,894)
332,403	300,288	(28,383)	32,115	360,786	NET INCOME	265,773	233,658	(269,539)	32,115	535,312	(775,612)	(969,731)	(743,133)	194,119	(32,479)

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MONTH					APRIL 2019					YEAR-TO-DATE					FULL YEAR				
Actual	Forecast	Prior Yr	FC Var	PY Var	CASH FLOW STATEMENT					Actual	Forecast	Prior Yr	FC Var	PY Var	Forecast	Budget	Prior Yr	Bud Var	PY Var
					Cash Flows From Operating Activities														
1,239,685	1,199,843	1,184,708	39,842	54,977	Operating Revenues					5,021,615	4,981,773	4,584,862	39,842	436,753	14,939,475	14,905,873	17,230,516	33,602	(2,291,041)
(1,008,362)	(1,001,582)	(880,383)	(6,780)	(127,979)	Operating Expenses (ex D&A)					(3,830,103)	(3,823,323)	(3,390,465)	(6,780)	(439,638)	(12,009,185)	(12,029,493)	(14,765,704)	20,308	2,756,519
1,358,384	1,350,000	155,170	8,384	1,203,214	Non-Cash Working Capital Changes					221,895	213,511	(3,667)	8,384	225,562	98,511	-	2,166,774	98,511	(2,068,263)
1,589,707	1,548,261	459,494	41,446	1,130,213	Net Cash Provided by (Used in) Operating Activities					1,413,407	1,371,961	1,190,730	41,446	222,677	3,028,801	2,876,380	4,631,586	152,421	(1,602,785)
					Cash Flows From Financing Activities														
-	-	-	-	-	Capital Contributions					-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	Proceeds New Borrowing					-	-	-	-	-	-	-	-	-	-
(14,384)	(17,196)	(14,350)	2,812	(34)	Interest Payments					(57,978)	(60,790)	(57,809)	2,812	(169)	(205,352)	(206,346)	(197,000)	994	(8,352)
(41,089)	(39,844)	(40,224)	(1,245)	(865)	Principal Payments					(163,921)	(162,676)	(160,469)	(1,245)	(3,452)	(481,430)	(478,130)	(484,839)	(3,300)	3,409
(55,473)	(57,040)	(54,573)	1,567	(900)	Net Cash Provided by (Used in) Financing Activities					(221,899)	(223,466)	(218,278)	1,567	(3,621)	(686,782)	(684,476)	(681,839)	(2,306)	(4,943)
					Cash Flows from Capital and Related Activities														
479,622	479,750	81,725	(128)	397,897	Non-Operating Revenues					596,716	596,844	194,545	(128)	402,171	861,512	826,000	1,226,837	35,512	(365,325)
-	-	-	-	-	Project Reimbursement					-	-	-	-	-	-	-	-	-	-
(92)	-	-	(92)	(92)	Non-Operating Expenses					(92)	-	-	(92)	(92)	-	-	-	-	-
(375,901)	(560,500)	(72,742)	184,599	(303,159)	Capital Expenditures					(1,045,620)	(1,230,219)	(257,858)	184,599	(787,762)	(8,871,219)	(9,619,500)	(2,687,185)	748,281	(6,184,034)
103,629	(80,750)	8,983	184,379	94,646	Net Cash Provided By (Used In) Capital and Related Activities					(448,996)	(633,375)	(63,313)	184,379	(385,683)	(8,009,707)	(8,793,500)	(1,460,348)	783,793	(6,549,359)
					Cash Flows From Investing Activities														
337,848	-	-	337,848	337,848	Investments Converting To Cash					2,092,466	1,754,618	980,000	337,848	1,112,466	3,504,618	3,500,000	5,445,346	4,618	(1,940,728)
(338,026)	-	-	(338,026)	(338,026)	Purchased Investments					(4,104,664)	(3,766,638)	-	(338,026)	(4,104,664)	(16,638)	-	(5,618,502)	(16,638)	5,601,864
23,217	23,000	284	217	22,933	Interest Income					92,749	92,532	1,007	217	91,742	252,532	75,000	217,721	177,532	34,811
23,039	23,000	284	39	22,755	Net Cash Provided By (Used In) Investing Activities					(1,919,449)	(1,919,488)	981,007	39	(2,900,456)	3,740,512	3,575,000	44,565	165,512	3,695,947
<u>1,660,902</u>	<u>1,433,471</u>	<u>414,188</u>	<u>227,431</u>	<u>1,246,714</u>	FUND NET CASH FLOWS					<u>(1,176,937)</u>	<u>(1,404,368)</u>	<u>1,890,145</u>	<u>227,431</u>	<u>(3,067,082)</u>	<u>(1,927,176)</u>	<u>(3,026,596)</u>	<u>2,533,964</u>	<u>1,099,420</u>	<u>(4,461,140)</u>
					DEBT SERVICE RATIO														
734,162	701,011	386,333	33,151	347,829	Total Cash Available For Debt Service					1,880,977	1,847,826	1,389,949	33,151	491,028	4,044,334	3,777,380	3,909,370	266,954	134,964
55,473	57,040	54,573	(1,567)	900	Debt Service					221,899	223,466	218,278	(1,567)	3,621	686,782	684,476	681,839	2,306	4,943
<u>13.23</u>	<u>12.29</u>	<u>7.08</u>	<u>0.94</u>	<u>6.16</u>	DSCR					<u>8.48</u>	<u>8.27</u>	<u>6.37</u>	<u>0.21</u>	<u>2.11</u>	<u>5.89</u>	<u>5.52</u>	<u>5.73</u>	<u>0.37</u>	<u>0.16</u>

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - SUBURBAN WASTEWATER
APRIL 2019

FORECAST VARIANCES - MONTH

INCOME STATEMENT	Actual	Forecast	Variance	Comments
Operating Revenues				
Charges For Services	1,239,685	1,199,843	39,842	Higher revenues from Pre-treatment plant and higher WLI revenues
Rent	-	-	-	
Other Income	-	-	-	
Total Operating Revenues	1,239,685	1,199,843	39,842	
Operating Expenses				
Salaries and Wages	37,191	37,327	136	
General and Administrative	54,016	51,531	(2,485)	
Utilities	35,625	28,170	(7,455)	
Materials and Supplies	31,501	32,278	777	
Miscellaneous Services	550,028	552,276	2,248	
Treatment & Transportation	300,001	300,000	(1)	
Depreciation and Amortization	383,527	383,527	-	
Total Operating Expenses	1,391,889	1,385,109	(6,780)	
Operating Income	(152,204)	(185,266)	33,062	
Non-Operating Revenues (Expenses)				
Tapping and Capital Recovery fees	479,322	476,667	2,655	
Meter Sales	-	-	-	
Inspection and Plan Reviews	-	2,083	(2,083)	
Project Reimbursements	-	-	-	
Interest Income	23,217	23,000	217	
Other Income	300	1,000	(700)	
Interest Expense	(17,290)	(17,196)	(94)	
Other Expense	(942)	-	(942)	
Total Non-Operating Revenues (Expenses)	484,607	485,554	(947)	
Net Income Before Capital Contributions	332,403	300,288	32,115	
Capital Contributions	-	-	-	
NET INCOME	332,403	300,288	32,115	

FORECAST VARIANCES - MONTH

CASH FLOW STATEMENT	Actual	Forecast	Variance	Comments
Cash Flows From Operating Activities				
Operating Revenues	1,239,685	1,199,843	39,842	
Operating Expenses (ex D&A)	(1,008,362)	(1,001,582)	(6,780)	
Non-Cash Working Capital Changes	1,358,384	1,350,000	8,384	
Net Cash Provided by (Used in) Operating Activities	1,589,707	1,548,261	41,446	
Cash Flows From Financing Activities				
Capital Contributions	-	-	-	
Proceeds New Borrowing	-	-	-	
Interest Payments	(14,384)	(17,196)	2,812	
Principal Payments	(41,089)	(39,844)	(1,245)	
Net Cash Provided by (Used in) Financing Activities	(55,473)	(57,040)	1,567	
Cash Flows from Capital and Related Activities				
Non-Operating Revenues	479,622	479,750	(128)	
Project Reimbursement	-	-	-	
Non-Operating Expenses	(92)	-	(92)	
Capital Expenditures	(375,901)	(560,500)	184,599	Lower Capex - Timing
Net Cash Provided By (Used In) Capital and Related Activities	103,629	(80,750)	184,379	
Cash Flows From Investing Activities				
Investments Converting To Cash	337,848	-	337,848	
Purchased Investments	(338,026)	-	(338,026)	
Interest Income	23,217	23,000	217	
Net Cash Provided By (Used In) Investing Activities	23,039	23,000	39	
FUND NET CASH FLOWS	1,660,902	1,433,471	227,431	

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - CITY DIVISION
APRIL 2019

MONTH					APRIL 2019 INCOME STATEMENT	YEAR-TO-DATE					FULL YEAR				
Actual	Forecast	Prior Yr	FC Var	PY Var		Actual	Forecast	Prior Yr	FC Var	PY Var	Forecast	Budget	Prior Yr	Bud Var	PY Var
Operating Revenues															
3,083,268	3,078,965	2,986,780	4,303	96,488	Charges For Services	12,175,243	12,170,940	11,569,611	4,303	605,633	37,062,644	37,022,206	36,450,498	40,438	612,146
-	-	-	-	-	Rent	-	-	-	-	-	-	-	-	-	-
47,758	47,309	49,070	449	(1,312)	Other Income	162,089	161,640	221,850	449	(59,761)	540,110	567,706	357,112	(27,596)	182,998
3,131,026	3,126,274	3,035,850	4,752	95,176	Total Operating Revenues	12,337,332	12,332,580	11,791,461	4,752	545,871	37,602,754	37,589,912	36,807,610	12,842	795,144
Operating Expenses															
414,554	421,000	390,803	6,446	(23,751)	Salaries and Wages	1,888,097	1,894,543	1,838,023	6,446	(50,074)	5,623,902	5,653,796	5,417,629	29,894	(206,273)
589,188	587,610	715,975	(1,578)	126,787	General and Administrative	2,164,037	2,162,459	2,102,633	(1,578)	(61,404)	6,429,333	6,407,601	6,792,863	(21,732)	363,530
108,081	110,000	163,330	1,919	55,249	Utilities	507,781	509,700	667,225	1,919	159,444	2,091,935	2,095,255	1,970,383	3,320	(121,552)
78,960	77,578	10,527	(1,382)	(68,433)	Materials and Supplies	314,154	312,772	296,999	(1,382)	(17,155)	1,593,799	1,597,216	1,197,148	3,417	(396,651)
244,541	251,000	92,037	6,459	(152,504)	Miscellaneous Services	532,500	538,959	350,733	6,459	(181,767)	1,982,739	1,988,845	1,801,414	6,106	(181,325)
-	-	-	-	-	Treatment & Transportation	-	-	-	-	-	12,000	12,000	9,827	-	(2,173)
490,000	490,000	466,667	-	(23,333)	Depreciation and Amortization	1,960,000	1,960,000	1,866,668	-	(93,332)	5,880,000	5,880,000	6,143,373	-	263,373
1,925,324	1,937,188	1,839,339	11,864	(85,985)	Total Operating Expenses	7,366,569	7,378,433	7,122,280	11,864	(244,289)	23,613,708	23,634,713	23,332,637	21,005	(281,071)
1,205,702	1,189,086	1,196,511	16,616	9,191	Operating Income	4,970,763	4,954,147	4,669,180	16,616	301,583	13,989,046	13,955,199	13,474,973	33,847	514,073
Non-Operating Revenues (Expenses)															
-	-	-	-	-	Tapping and Capital Recovery fees	226,962	226,962	124,557	-	102,405	327,462	324,000	563,922	3,462	(236,460)
-	-	74,605	-	(74,605)	Meter Sales	7,887	7,591	4,316	296	3,571	12,591	12,000	8,397	591	4,194
1,296	1,000	-	296	1,296	Inspection and Plan Reviews	10,600	11,267	7,145	(667)	3,455	206,680	207,000	539,698	(320)	(333,018)
1,000	1,667	(53,376)	(667)	54,376	Project Reimbursements	-	-	-	-	-	-	1,645,000	372,527	(1,645,000)	(372,527)
-	-	-	-	-	Interest Income	328,826	327,828	195,759	998	133,067	792,828	400,000	1,047,630	392,828	(254,802)
115,998	115,000	91,192	998	24,806	Other Income	15,865	11,725	14,835	4,140	1,030	22,727	22,000	200,818	727	(178,091)
4,140	-	4,365	4,140	(225)	Interest Expense	(5,847,683)	(5,852,099)	(5,610,936)	4,416	(236,747)	(18,957,099)	(18,956,576)	(18,810,413)	(523)	(146,686)
(1,460,584)	(1,465,000)	(1,402,734)	4,416	(57,850)	Other Expense	(99,727)	(100,523)	(370,980)	796	271,253	(100,523)	(1,645,000)	(3,531,704)	1,544,477	3,431,181
(24,204)	(25,000)	(132,342)	796	108,138	Total Non-Operating Revenues (Expenses)	(5,357,270)	(5,367,249)	(5,635,304)	9,979	278,034	(17,695,334)	(17,991,576)	(19,609,125)	296,242	1,913,791
(1,362,354)	(1,372,333)	(1,418,290)	9,979	55,936											
(156,652)	(183,247)	(221,779)	26,595	65,127	Net Income Before Capital Contributions	(386,507)	(413,102)	(966,124)	26,595	579,617	(3,706,288)	(4,036,377)	(6,134,152)	330,089	2,427,864
-	-	-	-	-	Capital Contributions	-	-	-	-	-	-	-	-	-	-
(156,652)	(183,247)	(221,779)	26,595	65,127	NET INCOME	<u>(386,507)</u>	<u>(413,102)</u>	<u>(966,124)</u>	<u>26,595</u>	<u>579,617</u>	<u>(3,706,288)</u>	<u>(4,036,377)</u>	<u>(6,134,152)</u>	<u>330,089</u>	<u>2,427,864</u>

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - CITY DIVISION
APRIL 2019

MONTH					APRIL 2019	YEAR-TO-DATE					FULL YEAR				
Actual	Forecast	Prior Yr	FC Var	PY Var	CASH FLOW STATEMENT	Actual	Forecast	Prior Yr	FC Var	PY Var	Forecast	Budget	Prior Yr	Bud Var	PY Var
					Cash Flows From Operating Activities										
3,131,026	3,126,274	3,035,850	4,752	95,176	Operating Revenues	12,337,332	12,332,580	11,791,461	4,752	545,871	37,602,754	37,589,912	36,807,610	12,842	795,144
(1,435,324)	(1,447,188)	(1,372,672)	11,864	(62,652)	Operating Expenses (ex D&A)	(5,406,569)	(5,418,433)	(5,255,612)	11,864	(150,957)	(17,733,708)	(17,754,713)	(17,189,264)	21,005	(544,444)
(100,873)	(100,000)	(392,191)	(873)	291,318	Non-Cash Working Capital Changes	(1,037,194)	(1,036,321)	(1,338,232)	(873)	301,038	-	-	319,942	-	(319,942)
1,594,829	1,579,086	1,270,987	15,743	323,842	Net Cash Provided by (Used in) Operating Activities	5,893,569	5,877,826	5,197,616	15,743	695,953	19,869,046	19,835,199	19,938,288	33,847	(69,242)
					Cash Flows From Financing Activities										
-	-	-	-	-	Capital Contributions	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	Proceeds New Borrowing	-	-	-	-	-	-	-	18,735,000	-	(18,735,000)
-	-	-	-	-	Interest Payments	(5,348)	(5,348)	-	-	(5,348)	(14,961,924)	(14,956,576)	(13,321,283)	(5,348)	(1,640,641)
-	-	-	-	-	Principal Payments	-	-	-	-	-	-	-	(18,735,000)	-	18,735,000
-	-	-	-	-	Net Cash Provided by (Used in) Financing Activities	(5,348)	(5,348)	-	-	(5,348)	(14,961,924)	(14,956,576)	(13,321,283)	(5,348)	(1,640,641)
					Cash Flows from Capital and Related Activities										
6,436	2,667	25,594	3,769	(19,158)	Non-Operating Revenues	261,314	257,545	150,853	3,769	110,461	569,460	565,000	1,312,835	4,460	(743,375)
-	-	-	-	-	Project Reimbursement	-	-	-	-	-	-	1,645,000	372,527	(1,645,000)	(372,527)
-	-	-	-	-	Non-Operating Expenses	(262,431)	(262,431)	(255,780)	-	(6,651)	(524,862)	(516,200)	(513,272)	(8,662)	(11,590)
(534,164)	(498,000)	(163,006)	(36,164)	(371,158)	Capital Expenditures	(965,121)	(928,957)	(987,374)	(36,164)	22,253	(3,243,957)	(4,845,000)	(7,853,989)	1,601,043	4,610,032
(527,728)	(495,333)	(137,412)	(32,395)	(390,316)	Net Cash Provided By (Used In) Capital and Related Activities	(966,238)	(933,843)	(1,092,301)	(32,395)	126,063	(3,199,359)	(3,151,200)	(6,681,899)	(48,159)	3,482,540
					Cash Flows From Investing Activities										
-	-	-	-	-	Investments Converting To Cash	-	-	-	-	-	-	-	4,000,000	-	(4,000,000)
-	-	-	-	-	Purchased Investments	-	-	-	-	-	-	-	-	-	-
115,998	115,000	91,192	998	24,806	Interest Income	328,826	327,828	195,759	998	133,067	792,828	400,000	1,047,630	392,828	(254,802)
115,998	115,000	91,192	998	24,806	Net Cash Provided By (Used In) Investing Activities	328,826	327,828	195,759	998	133,067	792,828	400,000	5,047,630	392,828	(4,254,802)
<u>1,183,099</u>	<u>1,198,753</u>	<u>1,224,767</u>	<u>(15,654)</u>	<u>(41,668)</u>	FUND NET CASH FLOWS	<u>5,250,809</u>	<u>5,266,463</u>	<u>4,301,074</u>	<u>(15,654)</u>	<u>949,735</u>	<u>2,500,591</u>	<u>2,127,423</u>	<u>4,982,736</u>	<u>373,168</u>	<u>(2,482,145)</u>
					DEBT SERVICE RATIO										
1,775,100	1,754,014	1,755,358	21,086	19,742	Total Cash Available For Debt Service	7,371,233	7,350,147	6,736,843	21,086	634,390	20,833,142	20,421,285	21,521,372	411,857	(688,230)
1,246,381	1,246,381	1,087,310	-	159,071	Debt Service	4,985,524	4,985,524	4,349,240	-	636,284	14,956,576	14,956,576	13,047,722	-	1,908,854
<u>1.42</u>	<u>1.41</u>	<u>1.61</u>	<u>0.02</u>	<u>(0.19)</u>	DSCR	<u>1.48</u>	<u>1.47</u>	<u>1.55</u>	<u>0.00</u>	<u>(0.07)</u>	<u>1.39</u>	<u>1.37</u>	<u>1.65</u>	<u>0.03</u>	<u>(0.26)</u>

LEHIGH COUNTY AUTHORITY
FINANCIAL STATEMENTS - CITY DIVISION
APRIL 2019

FORECAST VARIANCES - MONTH

INCOME STATEMENT	Actual	Forecast	Variance	Comments
Operating Revenues				
Charges For Services	3,083,268	3,078,965	4,303	
Rent	-	-	-	
Other Income	47,758	47,309	449	
Total Operating Revenues	3,131,026	3,126,274	4,752	
Operating Expenses				
Salaries and Wages	414,554	421,000	6,446	
General and Administrative	589,188	587,610	(1,578)	
Utilities	108,081	110,000	1,919	
Materials and Supplies	78,960	77,578	(1,382)	
Miscellaneous Services	244,541	251,000	6,459	
Treatment & Transportation	-	-	-	
Depreciation and Amortization	490,000	490,000	-	
Total Operating Expenses	1,925,324	1,937,188	11,864	
Operating Income	1,205,702	1,189,086	16,616	
Non-Operating Revenues (Expenses)				
Tapping and Capital Recovery fees	-	-	-	
Meter Sales	1,296	1,000	296	
Inspection and Plan Reviews	1,000	1,667	(667)	
Project Reimbursements	-	-	-	
Interest Income	115,998	115,000	998	
Other Income	4,140	-	4,140	
Interest Expense	(1,460,584)	(1,465,000)	4,416	
Other Expense	(24,204)	(25,000)	796	
Total Non-Operating Revenues (Expenses)	(1,362,354)	(1,372,333)	9,979	
Net Income Before Capital Contributions	(156,652)	(183,247)	26,595	
Capital Contributions	-	-	-	
NET INCOME	(156,652)	(183,247)	26,595	

FORECAST VARIANCES - MONTH

CASH FLOW STATEMENT	Actual	Forecast	Variance	Comments
Cash Flows From Operating Activities				
Operating Revenues	3,131,026	3,126,274	4,752	
Operating Expenses (ex D&A)	(1,435,324)	(1,447,188)	11,864	
Non-Cash Working Capital Changes	(100,873)	(100,000)	(873)	
Net Cash Provided by (Used in) Operating Activities	1,594,829	1,579,086	15,743	
Cash Flows From Financing Activities				
Capital Contributions	-	-	-	
Proceeds New Borrowing	-	-	-	
Interest Payments	-	-	-	
Principal Payments	-	-	-	
Net Cash Provided by (Used in) Financing Activities	-	-	-	
Cash Flows from Capital and Related Activities				
Non-Operating Revenues	6,436	2,667	3,769	
Project Reimbursement	-	-	-	
Non-Operating Expenses	-	-	-	
Capital Expenditures	(534,164)	(498,000)	(36,164)	Higher Capex - timing
Net Cash Provided By (Used In) Capital and Related Activities	(527,728)	(495,333)	(32,395)	
Cash Flows From Investing Activities				
Investments Converting To Cash	-	-	-	
Purchased Investments	-	-	-	
Interest Income	115,998	115,000	998	
Net Cash Provided By (Used In) Investing Activities	115,998	115,000	998	
FUND NET CASH FLOWS	1,183,099	1,198,753	(15,654)	

CASH & INVESTMENT SUMMARY
APRIL 2019
YTD CHANGES IN CASH BALANCES

	Suburban Water	Suburban Wastewater	City Division
CURRENT MONTH			
CASH			
Operating	11,196,161.72	5,396,830.48	18,152,209.08
Capital	5,056,891.73	6,480,443.76	43,223.23
Restricted	1,574,281.01	337,682.10	39,277,562.28
Escrow	4,948,099.83	-	6,361.38
Total Cash	22,775,434.29	12,214,956.34	57,479,355.97
INVESTMENTS			
Operating	2,380,385.54	-	-
Capital	2,374,267.24	8,467,901.75	-
Restricted	25,525.94	-	3,940,640.00
Total Investments	4,780,178.72	8,467,901.75	3,940,640.00
TOTAL CASH & INVESTMENTS	27,555,613.01	20,682,858.09	61,419,995.97
BEGINNING OF YEAR			
CASH			
Operating	8,283,969.69	5,314,951.71	18,017,729.33
Capital	5,772,084.72	7,739,379.19	42,935.90
Restricted	1,564,965.39	337,562.23	34,161,520.50
Escrow	4,990,657.44	-	6,361.22
Total Cash	20,611,677.24	13,391,893.13	52,228,546.95
INVESTMENTS			
Operating	3,356,991.39	-	-
Capital	3,426,629.74	6,455,704.16	-
Restricted	25,521.88	-	3,940,640.00
Total Investments	6,809,143.01	6,455,704.16	3,940,640.00
TOTAL CASH & INVESTMENTS	27,420,820.25	19,847,597.29	56,169,186.95
YTD CHANGE IN BALANCES			
CASH			
Operating	2,912,192.03	81,878.77	134,479.75
Capital	(715,192.99)	(1,258,935.43)	287.33
Restricted	9,315.62	119.87	5,116,041.78
Escrow	(42,557.61)	-	0.16
Total Cash	2,163,757.05	(1,176,936.79)	5,250,809.02
INVESTMENTS			
Operating	(976,605.85)	-	-
Capital	(1,052,362.50)	2,012,197.59	-
Restricted	4.06	-	-
Total Investments	(2,028,964.29)	2,012,197.59	-
TOTAL CASH & INVESTMENTS	134,792.76	835,260.80	5,250,809.02
CASH WITHOUT ESCROW	2,206,314.66	(1,176,936.79)	5,250,808.86

Presented: May 20, 2019

Western Lehigh Interceptor High Flow Emergency Project

Status as of 5/10/2019

The Iron Run Trunk Line (IRTL) between the Industrial Pretreatment Plant (PTP) and Manhole (MH) U6, is the main area of recurring SSOs that led to the development of the emergency project. U6 is located SW of the intersection of Trexlertown Road and SR 222. The IRTL is Phase 1.

The emergency contract for Phase 1 was awarded to Standard Pipe Services (SPS) out of Delaware. The Notice to Proceed was issued on 3/27/2019 and work began on 3/29/2019. The contract calls for the work to be done within 60 days, but we anticipate things will get done sooner than that if the weather cooperates. Unfortunately, we have experienced quite a few lost days in April/May due to weather.

Until repairs reach Spring Creek Pump Station (SCPS), the Pretreatment Plant will hold back flow using the FEB on Monday, Wednesday and Friday of each week. Tuesday and Thursday will need to be used to release FEB contents. SPS plans to perform CCTV work five (5) days per week, weather permitting, long-term until their work is completed. Again, weather has disrupted this schedule on numerous occasions. Phase 1 completion is tentatively scheduled for the week of 5/13/2019.

Phase 2 is the WLI section between U6 and L274. Phase 3 is the WLI section between L274 and SCPS. Due to consistently high flows, Phase 3 has been impossible to CCTV. Another contract is being formulated that will provide for a contractor to set up a full-scale bypass over the entire length of Phase 3 which is just short of one mile. A prebid meeting was held on 4/11/2019 and bids were due for this work on 4/19/2019. Only one bid was received and it was for \$483,000. This bid was rejected and a re-bid was due on 5/10/19, with a low bid coming in at \$374,400. After the bypass is set up, SPS will CCTV the remaining problematic areas. All defects that are discovered will be corrected by SPS before the bypass is disassembled.

Between all of the FEB and SCPS usage, metering of flow in the project area has been difficult to impossible. We plan to have a two-week project shutdown between Phases 1 and 2 so metering can be done under typical flow patterns. This is scheduled for the second half of May.