

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**For the Years Ended December 31, 2021 AND 2020**

**CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENTS DISCUSSION AND ANALYSIS	4-17
FINANCIAL STATEMENTS:	
Statements of Net Position	18-19
Statements of Revenues, Expenses and Changes in Net Position	20
Statements of Cash Flows	21-22
Statements of Fiduciary Net Position	23
Statements of Changes in Fiduciary Net Position	24
Notes to Financial Statements	25-70
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios	71
Schedule of Authority Contributions Pension Plan	72
Schedule of Changes in the Suburban Net OPEB Liability and Related Ratios	73
Schedule of Contributions Suburban OPEB Plan	74
Schedule of Investment Returns Suburban OPEB Plan	75
Schedule of Changes in the City Division Total OPEB Liability and Related Ratios	76
OTHER SUPPLEMENTARY INFORMATION:	
Combining Statement of Revenues, Expenses and Changes in Net Position – Suburban Wastewater Fund	77



# *Zelenkofske Axelrod LLC*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lehigh County Authority  
Allentown, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the 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 year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Lehigh County Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lehigh County Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.



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

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

In performing an audit in accordance with GAAS, we:

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 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, and schedule of changes in total OPEB liability and related ratios – City Division, on pages 71 through 76 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.



# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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## ***Supplementary 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 statement of revenues, expenses, and changes in net position suburban wastewater fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement 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 statement 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.

*Zelenkofske Axlerod LLC*

**ZELENKOFKSKE AXELROD LLC**

Harrisburg, Pennsylvania  
December 9, 2022

## INTRODUCTION

Lehigh County Authority is pleased to present its Annual Financial Report for the year ended December 31, 2021. 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.

Certain prior year amounts have been reclassified to conform with current year presentation.

Information in this MDA is presented under the following headings:

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### From Pandemic Operations to a New Vision for the Future

Throughout 2020, the Authority operated under an emergency declaration related to the global COVID-19 pandemic. The Authority's response plan focused on contingency staffing plans to ensure a safe work environment and maintain reliable essential services for the community. While some additional expenses were incurred to achieve these goals, these increases were offset largely by deferment of non-critical projects. Those actions taken were continued in 2021 but began to be curtailed by Spring 2021. The primary financial impact to the Authority was derived from delayed collection of customer receivables, as all collections activities were halted during the pandemic. Collection activity including water shutoffs for nonpayment resumed fully by mid-2021, supported by the rollout of several new customer assistance programs including an Authority-sponsored hardship fund and payment plan offering, and new state-run programs for low-income households. By year-end, outstanding receivables and collection rates had returned to pre-pandemic levels.

As the Authority began to return to more normal operations in a post-pandemic world, staff and Board members kicked off a forward-looking strategic planning process. Community members, employees, and key stakeholders were engaged in this work to develop updated mission, vision and values statements that will guide the Authority's work for the next several years. Key strategies were defined, and action plans developed in critical areas such as asset management, employee engagement, and capacity development. This planning process resulted in formal adoption of the Authority's 2022-2027 Strategic Plan document in December 2021, with future budgets developed to provide support for the achievement of the new goals outlined in the plan. Looking ahead, strong staff alignment and broad community support for the Authority's work will be required to implement the vision of the organization: *To be a trusted and engaged community partner, advancing the vitality of our region through exceptional water and wastewater services.*

## Authority Activities and Highlights

The Authority's City Division 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. In 2020, the Authority's Concession agreement with the City was amended to achieve mutual goals related to revenue capacity and operational sustainability of the system, and \$155,915,000 of the bonds were refinanced to support the process, the positive impacts of which are described in the financial statements included in this report.

At the close of 2021, the Authority's total assets and deferred outflows exceeded its liabilities and deferred inflows by \$146,639,812 (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 (\$24,956,877).

The Authority's net position increased in 2021 by \$2,656,584, with a decrease of \$352,187 and \$2,108,609 in the City Division and Suburban Wastewater fund, respectively, offset by an increase in the Suburban Water fund of \$5,117,380.

Operating revenues increased from \$65,019,277 in 2020 to \$70,545,721 in 2021 due to increased Suburban Water Revenues of \$1,591,192, a decrease in Suburban Wastewater revenues of \$357,507 and an increase in City Division Revenues of \$4,292,759. Operating expenses increased from \$50,981,731 in 2020 to \$52,626,666 in 2021 due to inflationary effects on employee cost, higher purchased services, and higher depreciation and amortization.

## 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. Additionally, some revenues and expenses are reported in this statement for 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 of the 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 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>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets, Unrestricted	\$ 20,025,488	\$ 13,304,647	\$ 13,707,938
Non-current Assets:			
Restricted	60,788,278	59,947,285	55,676,307
Capital Assets, Net	945,827	941,153	835,697
Other Assets, Net	<u>253,383,943</u>	<u>255,101,102</u>	<u>244,343,059</u>
Total Assets	335,143,536	329,294,187	314,563,001
Deferred Outflows of Resources	<u>29,671,334</u>	<u>30,422,536</u>	<u>3,185,591</u>
Total Assets & Deferred Outflows	\$ 364,814,870	\$ 359,716,723	\$ 317,748,592
Current Liabilities	\$ 7,552,226	\$ 5,365,963	\$ 4,466,618
Non-current Liabilities	<u>413,589,023</u>	<u>412,009,079</u>	<u>368,670,338</u>
Total Liabilities	421,141,249	417,375,042	373,136,956
Deferred Inflows of Resources	<u>3,710,580</u>	<u>2,026,453</u>	<u>-</u>
Total Liabilities & Deferred Inflows	\$ 424,851,829	\$ 419,401,495	\$ 373,136,956
Net Position:			
Net Investment in Capital Assets	\$ 693,351	\$ 638,931	\$ 835,697
Unrestricted	<u>(60,730,310)</u>	<u>(60,323,703)</u>	<u>(56,224,061)</u>
Total Net Position	<u>\$ (60,036,959)</u>	<u>\$ (59,684,772)</u>	<u>\$ (55,388,364)</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 (75.9%). 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 2021 increased \$7,561,834, or 10.3%. This increase was primarily due to an increase in the amount of unrestricted cash which was partially offset by a decrease in other receivable balances and a slight increase in restricted cash.
- Capital assets, net and other assets, net in 2021 decreased by \$1,712,485, which was the net decrease after considering new acquisitions offset by depreciation and amortization of \$6,399,799.
- Current liabilities in 2021 increased by \$2,186,263 from 2020. This increase was primarily due to an increase in trade payables along with a higher current portion of long-term debt.
- Noncurrent liabilities in 2021 increased by \$1,579,944 from 2020. The increase was primarily due to additional bond liability for the service concession liability.
- Current and noncurrent assets other than capital assets and other assets in 2020 increased \$3,867,687, or 5.6%. This increase was primarily due to an increase in the amount of restricted cash balances.
- Capital assets, net and other assets, net in 2020 increased by \$10,863,499, which was the net increase after considering new acquisitions offset by depreciation and amortization.
- Current liabilities increased by \$899,345 in 2020 due to an increase in trade payables and an increase in the current portion of long-term debt.
- Noncurrent liabilities in 2020 increased by \$43,338,741 from 2019. This increase was primarily due to the effect of refinancing.

Net Position (Suburban Water Fund):

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

	2021	2020	2019
Current Assets, Unrestricted	\$ 12,480,046	\$ 14,104,096	\$ 16,248,121
Non-current Asset:			
Restricted	1,943,941	6,314,169	7,811,554
Capital Assets, Net	128,614,268	124,335,781	122,789,876
Other Assets, Net	2,540,046	1,448,937	1,268,495
Total Assets	145,578,301	146,202,983	148,118,046
Deferred Outflows	744,779	555,570	760,691
Total Assets & Deferred Outflows	<u>\$ 146,323,080</u>	<u>\$ 146,758,553</u>	<u>\$ 148,878,737</u>
Current Liabilities	\$ 3,854,367	\$ 4,486,161	\$ 4,717,228
Non-current Liabilities	34,422,363	40,051,208	42,931,671
Total Liabilities	38,276,730	44,537,369	47,648,899
Deferred Inflows	1,361,667	653,881	119,297
Total Liabilities & Deferred Inflows	<u>\$ 39,638,397</u>	<u>\$ 45,191,250</u>	<u>\$ 47,768,196</u>
Net Position:			
Net Investment in Capital Assets	\$ 92,406,620	\$ 86,673,358	\$ 84,665,617
Restricted	1,570,266	1,407,066	1,403,094
Unrestricted	12,707,797	13,486,879	15,041,830
Total Net Position	<u>\$ 106,684,683</u>	<u>\$ 101,567,303</u>	<u>\$ 101,110,541</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 (89.6%). 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 2021 decreased by \$5,994,278, or 29.4%. This decrease was primarily due to a reduction in restricted cash balances and a decrease in developer escrow balances.
- Capital assets, net and other assets, net in 2021 increased \$5,369,596 or 4.3%. This was due to capital spending on projects.
- Current liabilities in 2021 decreased \$631,794 or 16.4% from 2020. This decrease was primarily due to decreases in trade payables.
- Noncurrent liabilities in 2021 decreased \$5,628,845 or 14.1% from 2020, as a result of a reduction in developer escrow balances.
- Current and noncurrent assets other than capital assets and other assets in 2020 decreased \$3,641,410, or 15.1% from 2019. This decrease was primarily due to reduction in restricted and unrestricted cash balances.
- Capital assets, net and other assets, net in 2020 increased \$1,726,347 or 1.4%. This was due to capital spending on projects.
- Current liabilities in 2020 decreased \$231,067 or 4.9% from 2019. This decrease was primarily due to decreases in trade payables.
- Noncurrent liabilities in 2020 decreased \$2,880,463 or 6.7% from 2019, as a result of a reduction in debt related to 2020 principal repayments.

Net Position (Suburban Wastewater Fund):

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets, Unrestricted	\$ 15,726,177	\$ 16,537,194	\$ 17,602,581
Non-current Asset:			
Restricted	338,360	338,204	337,932
Capital Assets, Net	83,812,944	83,691,424	90,798,246
Other Assets, Net	<u>8,830,906</u>	<u>11,192,589</u>	<u>1,591,105</u>
Total Assets	108,708,387	111,759,411	110,329,864
Deferred Outflows	<u>331,223</u>	<u>268,506</u>	<u>342,115</u>
Total Assets & Deferred Outflows	<u>\$ 109,039,610</u>	<u>\$ 112,027,917</u>	<u>\$ 110,671,979</u>
Current Liabilities	\$ 2,516,100	\$ 2,942,341	\$ 3,812,676
Non-current Liabilities	<u>6,081,672</u>	<u>6,710,149</u>	<u>7,469,964</u>
Total Liabilities	8,597,772	9,652,490	11,282,640
Deferred Inflows	<u>449,750</u>	<u>274,730</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>\$ 9,047,522</u>	<u>\$ 9,927,220</u>	<u>\$ 11,282,640</u>
Net Position:			
Net Investment in Capital Assets	\$ 76,926,452	\$ 76,391,823	\$ 83,286,632
Restricted	-	-	-
Unrestricted	<u>23,065,636</u>	<u>25,708,874</u>	<u>16,102,707</u>
Total Net Position	<u>\$ 99,992,088</u>	<u>\$ 102,100,697</u>	<u>\$ 99,389,339</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 (85.2%). 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 2021 decreased \$810,861, or 4.8%. This decrease was primarily due to a reduction in restricted and unrestricted cash balances.
- Capital assets, net and other assets, net in 2021 decreased \$2,240,163 or 2.4%. This was due to capital spending on projects being outpaced by higher depreciation.
- Current liabilities in 2021 decreased \$426,241 or 14.5% from 2020. This decrease was primarily due to decreases in trade payables.
- Noncurrent liabilities in 2021 decreased \$628,477 or 9.4% from 2020, due to a reduction in debt related to principal payments.
- Current, and noncurrent assets other than capital assets and other assets in 2020 decreased \$1,065,115, or 5.9% from 2019. This decrease was primarily due to in unrestricted cash and investments.
- Capital assets, net and other assets, net in 2020 increased \$2,494,662 or 2.7% from 2019. This was due to capital spending on projects.
- Current liabilities in 2020 decreased \$870,335 or 22.8% from 2019. This decrease was primarily due to decreases in trade and construction payables.
- Noncurrent liabilities in 2020 decreased \$759,815 or 10.2% from 2019, as a result of a reduction in debt related balances from principal payments.

### 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
User Charges	\$ 41,949,921	\$ 37,748,826	\$ 36,524,337
Other Income & Rent	<u>326,513</u>	<u>234,849</u>	<u>551,525</u>
Total Operating Revenues	<u>42,276,434</u>	<u>37,983,675</u>	<u>37,075,862</u>
Operating Expenses:			
Salaries, Benefits & Administrative	11,658,011	12,466,218	13,304,766
Utilities, Supplies & Services	4,706,369	5,130,094	4,841,867
Treatment & Transportation	12,480	11,926	9,547
Depreciation & Amortization	<u>6,399,799</u>	<u>6,190,313</u>	<u>5,835,507</u>
Total Operating Expenses	<u>22,776,659</u>	<u>23,798,551</u>	<u>23,991,687</u>
Operating Income	<u>19,499,775</u>	<u>14,185,124</u>	<u>13,084,175</u>
Non-Operating Revenues (Expenses):			
Tapping & Capital Recovery Fees	2,173,581	1,901,863	1,707,128
Meter Sales	29,584	24,595	22,466
Inspection, Plan Reviews & Project Reimbursements	1,308,125	841,585	448,402
Interest Earnings	5,373	162,075	1,193,618
Other Income	113,357	51,620	59,659
Interest Expense	(19,452,114)	(17,257,071)	(19,386,584)
Other Expense	<u>(4,029,868)</u>	<u>(4,206,199)</u>	<u>(1,259,785)</u>
Total Net Non-Operating Revenues (Expenses)	<u>(19,851,962)</u>	<u>(18,481,532)</u>	<u>(17,215,096)</u>
Increase (Decrease) in Net Position	<u>(352,187)</u>	<u>(4,296,408)</u>	<u>(4,130,921)</u>
Beginning Net Position, as Restated	<u>(59,684,772)</u>	<u>(55,388,364)</u>	<u>(51,257,443)</u>
Ending Net Position	<u>\$ (60,036,959)</u>	<u>\$ (59,684,772)</u>	<u>\$ (55,388,364)</u>

Year over year changes are as follows:

- Operating Revenue for 2021 for the City Division was \$42,276,434, compared to \$37,983,675 in 2020 with most of the increase attributable to a rate increase and higher Signatory Revenues.
- Operating expenses, net of depreciation and amortization were \$16,376,860 in 2021 compared to \$17,608,238 in 2020, a decrease of \$1,231,378. The decrease was due to lower employee costs.
- Operating Income, net of depreciation and amortization was \$25,899,574 in 2021 compared to \$20,375,437 in 2020, an increase of \$5,524,137 that was driven mostly by the reduction in operating expenses and higher operating revenues.
- Operating Revenue for 2020 for the City Division was \$37,983,675, compared to \$37,075,862 in 2019 with most of the increase attributable to a rate increase and higher Signatory Revenues.
- Operating expenses, net of depreciation and amortization were \$17,608,328 in 2020 compared to \$18,156,180 in 2019, a decrease of \$547,852. The decrease was due to lower employee costs along with lower purchased services.

It should be noted that interest expense of \$19,452,114 in 2021 is comprised of actual interest paid (\$11,545,085), accretion (\$3,748,807), amortization of the SCA Payable (\$2,966,136), change in accrued interest payable (-\$2,839), amortization of bond discount (\$165,941), interest on leases (\$9,068), and deferred refunding loss of (\$1,019,916).

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 Water Fund):

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

	2021	2020	2019
Operating Revenues:			
User Charges	\$ 12,399,103	\$ 10,834,135	\$ 9,780,116
Other Income & Rent	58,764	32,540	150,425
Total Operating Revenues	<u>12,457,867</u>	<u>10,866,675</u>	<u>9,930,541</u>
Operating Expenses:			
Salaries, Benefits & Administrative	3,221,208	2,877,277	2,378,712
Utilities, Supplies & Services	4,340,242	4,351,085	3,532,545
Treatment & Transportation	-	-	-
Depreciation & Amortization	3,373,864	2,942,067	2,602,179
Total Operating Expenses	<u>10,935,314</u>	<u>10,170,429</u>	<u>8,513,436</u>
Operating Income/(Loss)	<u>1,522,553</u>	<u>696,246</u>	<u>1,417,105</u>
Non-Operating Revenues/(Expenses):			
Tapping & Capital Recovery Fees	386,165	464,648	418,775
Meter Sales	150,087	77,685	94,763
Inspection, Plan Reviews & Project Reimbursements	1,022,771	318,263	393,187
Interest Earnings	34,284	84,958	194,200
Other Income	132,181	105,508	93,928
Interest Expense	(1,136,953)	(1,442,776)	(1,545,028)
Other Expense	(255,343)	(57,563)	(113,255)
Total Net Non-Operating Revenues/(Expenses)	<u>333,192</u>	<u>(449,277)</u>	<u>(463,430)</u>
Increase/(Decrease) in Net Position Before Capital Contributions	<u>1,855,745</u>	<u>246,969</u>	<u>953,675</u>
Capital Contributions			
Grants	34,523	-	-
Capital Assets Provided by Developers & Other	3,227,112	209,793	1,716,419
Total Capital Contributions	<u>3,261,635</u>	<u>209,793</u>	<u>1,716,419</u>
Increase/(Decrease) in Net Position	<u>5,117,380</u>	<u>456,762</u>	<u>2,670,094</u>
Beginning Net Position, as Restated	<u>101,567,303</u>	<u>101,110,541</u>	<u>98,440,447</u>
Ending Net Position	<u>\$ 106,684,683</u>	<u>\$ 101,567,303</u>	<u>\$ 101,110,541</u>

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

- Operating Revenue in 2021 for the Suburban Water Fund was \$12,457,867 compared to \$10,866,675 in 2020 and \$9,930,541 in 2019. The primary driver for the increase in Water Fund revenue was higher volumes along with increased rates.
- Operating expenses, net of depreciation & amortization was \$7,561,450 in 2021 compared to \$7,228,362 in 2020, an increase of \$333,088 and 2020 was \$1,317,105 higher than 2019.

Changes in net position (Suburban Wastewater Fund):

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
User Charges	\$ 15,606,887	\$ 15,980,601	\$ 13,840,156
Other Income & Rent	204,533	188,326	241,900
Total Operating Revenues	<u>15,811,420</u>	<u>16,168,927</u>	<u>14,082,056</u>
Operating Expenses:			
Salaries, Benefits & Administrative	1,437,400	1,364,707	1,333,458
Utilities, Supplies & Services	6,906,429	6,445,488	6,973,245
Treatment & Transportation	3,899,502	2,906,958	3,385,568
Depreciation & Amortization	6,671,362	6,295,598	4,571,072
Total Operating Expenses	<u>18,914,693</u>	<u>17,012,751</u>	<u>16,263,343</u>
Operating Income/(Loss)	<u>(3,103,273)</u>	<u>(843,824)</u>	<u>(2,181,287)</u>
Non-Operating Revenues/(Expenses):			
Tapping & Capital Recovery Fees	752,932	3,575,692	1,573,749
Meter Sales	-	-	-
Inspection, Plan Reviews & Project Reimbursements	4,108	8,655	42,518
Interest Earnings	25,019	193,926	332,847
Other Income	45,690	11,694	711
Interest Expense	(199,973)	(199,707)	(213,114)
Other Expense	(55,412)	(42,698)	(43,757)
Total Net Non-Operating Revenues/(Expenses)	<u>572,364</u>	<u>3,547,562</u>	<u>1,692,954</u>
Increase/(Decrease) in Net Position Before Capital Contributions	<u>(2,530,909)</u>	<u>2,703,738</u>	<u>(488,333)</u>
Capital Contributions			
Grants	-	-	-
Capital Assets Provided by Developers & Other	422,300	7,620	15,000
Total Capital Contributions	<u>422,300</u>	<u>7,620</u>	<u>15,000</u>
Increase/(Decrease) in Net Position	<u>(2,108,609)</u>	<u>2,711,358</u>	<u>(473,333)</u>
Beginning Net Position, as Restated	<u>102,100,697</u>	<u>99,389,339</u>	<u>99,862,672</u>
Ending Net Position	<u>\$ 99,992,088</u>	<u>\$ 102,100,697</u>	<u>\$ 99,389,339</u>

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

- Operating Revenue in 2021 for the Suburban Wastewater Fund was \$15,811,420 compared to \$16,168,927 in 2020 and \$14,082,056 in 2019. The primary driver for the increase in Wastewater Fund revenue was higher flows and loads.
- Operating expenses, net of depreciation & amortization was \$12,243,331 in 2021, an increase of \$1,526,178 compared to 2020 of \$10,717,153 and 2020 was \$975,118 lower than \$11,692,271 in 2019.
- 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>2021</u>	<u>2020</u>	<u>2019</u>
Water System # of Units Connected:			
Single Family Detached	162	90	100
Single Family Attached (Townhouses)	98	90	97
Apartments and Mobile Homes	9	140	0
Commercial	<u>15</u>	<u>18</u>	<u>9</u>
Total Water System Connections	<u>284</u>	<u>338</u>	<u>206</u>
Wastewater Capacity Sales in Gallons:			
Residential	63,555	49,952	159,059
Commercial	<u>1,150</u>	<u>244,921</u>	<u>72,178</u>
Total Sales	<u>64,705</u>	<u>294,873</u>	<u>231,237</u>

The table reflects an increase in new Water System connections for both detached and attached single family homes while we had a decrease in connections for Apartments, mobile homes, and commercial. Wastewater capacity sales were lower in 2021 to previous year due to lower commercial activity.

- The Suburban Water System purchased 7.29 million gallons per day (mgd) from the interconnection with its City Division in 2021. We expect to purchase similar volume in 2022.
- 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 (Suburban Water and Wastewater) is presented as follows:

Statement of Changes in Net Position Year Ended December 31, 2021

	Beginning <u>Balance</u>	Increased / <u>(Decreased)</u>	Ending <u>Balance</u>
Net Investment in Capital			
Assets	\$ 163,065,181	\$ 6,267,891	\$ 169,333,072
Restricted Net Position	1,407,066	163,200	1,570,266
Unrestricted Net Position	<u>39,195,753</u>	<u>(3,422,320)</u>	<u>35,773,433</u>
Total Net Position	<u>\$ 203,668,000</u>	<u>\$ 3,008,771</u>	<u>\$ 206,676,771</u>

Other Selected Information:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Equivalent Fulltime Employees at Year-End	158	157	162
Units Served:			
<u>City Division:</u>			
Water:			
Water – Residential	41,998	41,742	41,377
Water – Industrial & Commercial	<u>5,184</u>	<u>5,179</u>	<u>5,146</u>
Total Water Billable Units	47,182	46,921	46,523
Wastewater:			
Wastewater – Residential	41,968	41,767	41,347
Wastewater – Commercial	<u>5,174</u>	<u>5,140</u>	<u>5,136</u>
Total Wastewater Billable Units	47,142	46,907	46,483
<u>Suburban Division:</u>			
Water – Residential	22,791	22,522	22,166
Water – Industrial & Commercial	<u>774</u>	<u>760</u>	<u>735</u>
Total Water Billable Units	23,565	23,282	22,901
Wastewater Collection – Residential	2,897	2,820	2,763
Wastewater Collection – Commercial	<u>132</u>	<u>128</u>	<u>127</u>
Total Wastewater Billable Units	3,029	2,948	2,890
Customers:	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>City Division:</u>			
Water – Residential	30,442	30,408	30,392
Water – Industrial & Commercial	<u>3,034</u>	<u>3,029</u>	<u>3,023</u>
Total Water Customers	33,476	33,437	33,415
Wastewater Collection – Residential	30,420	30,391	30,347
Wastewater Collection – Commercial	<u>3,024</u>	<u>3,014</u>	<u>3,010</u>
Total Wastewater Customers	33,444	33,405	33,357

Customers:	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Suburban Division:</u>			
Water – Residential	20,145	19,883	19,694
Water – Industrial & Commercial	<u>768</u>	<u>756</u>	<u>731</u>
Total Water Customers	20,913	20,639	20,425
Wastewater Collection – Residential	2,537	2,460	2,403
Wastewater Collection – Commercial	<u>126</u>	<u>124</u>	<u>123</u>
Total Wastewater Customers	2,663	2,584	2,526
Ratios:	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>City Division:</u>			
Ratio of Operating Revenue to:			
Operating Expenses, Net of Depreciation & Amortization	2.58	2.16	2.04
Total Assets (Annualized)	0.13	0.12	0.12
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)	2.65	2.48	3.07
<u>Suburban Water:</u>			
Ratio of Operating Revenue to:			
Operating Expenses, Net of Depreciation & Amortization	1.65	1.50	1.68
Total Assets	0.09	0.07	0.07
Total Net Position	0.12	0.11	0.10
Debt Related Ratios:			
Net Position to Long-Term Debt	3.19	3.02	2.85
Current Ratio (Current Assets/Current Liabilities)	3.24	3.14	3.44
<u>Suburban Wastewater:</u>			
Ratio of Operating Revenue to:			
Operating Expenses, Net of Depreciation & Amortization	1.29	1.51	1.20
Total Assets (Annualized)	0.15	0.14	0.13
Total Net Position	0.16	0.16	0.14
Debt Related Ratios:			
Net Position to Long-Term Debt	93.01	81.52	72.70
Current Ratio (Current Assets/Current Liabilities)	6.25	5.62	4.62

## Capital Contributions

The Authority received \$34,523 in grants related to construction in 2021 and had none in 2020. Another major source of capital contributions is derived from developer installed systems donated to the Authority. In 2021, \$3,649,412 was received compared to \$217,413 in 2020.

## 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 \$251,926,662 in 2020 to \$248,267,864 in 2021, and the City Divisions net capital assets increased from \$941,153 in 2020 to \$945,827 in 2021. More detail on the Service Concession Arrangement can be found in Note 6 to the financial statements.

Net capital assets in Suburban Water increased by \$4,278,487 and by \$121,520 in Suburban Wastewater. This increase can be attributed to increased capital project spending partially offset by an increase in accumulated depreciation. 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 and a portion of the Series A bonds were refinanced in 2020.

In 2020 the Authority issued City Division Water and Sewer Revenue Bond Series 2020 and Series A of 2020 in the amounts of \$161,035,000 and \$18,150,000, respectively. The Series 2020 Bonds were issued to advance refund a portion of the City Divisions Series 2013 A Bonds, fund a debt service reserve, and pay the costs and expenses of issuing the Bonds. The Series A 2020 Bonds were issued to currently refund the City Divisions Series 2018 Bonds, fund a debt service reserve, and pay the costs and expenses of issuing the Bonds.

In 2021, the Authority refinanced \$21,679,902 of existing debt in the Suburban Water fund.

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

## Economic Factors and Rates:

### City Division:

City Division rates increased by 3.3% in January 2021 per the Concession Agreement to support the mutual goals of the Authority and the City of Allentown related to revenue capacity and operational sustainability of the system.

Suburban Division:

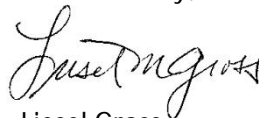
From the Suburban Division perspective, the Authority elected to increase water rates in 2021 to cover the funding of certain capital projects. The Suburban Division's rates continue to be among the lowest in the Lehigh Valley region.

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. For the Authority's smaller satellite systems and wastewater collection systems, the most recent rate increase was on January 1, 2013, a 5% increase.

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, 2021 AND 2020

- ASSETS AND DEFERRED OUTFLOWS OF RESOURCES-

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Current Assets:</b>								
Cash and Cash Equivalents (Note 2)	\$ 4,546,072	\$ 7,243,472	\$ 6,335,679	\$ 7,455,004	\$ 9,707,253	\$ 1,548,255	\$ 20,589,004	\$ 16,246,731
Certificates of Deposit (Note 2)	2,975,124	2,497,825	6,977,547	6,387,746	-	-	9,952,671	8,885,571
Accounts Receivable:								
Customers	2,183,368	2,129,490	2,977,620	3,286,041	7,094,069	8,081,987	12,255,057	13,497,518
Financing Contracts (Note 4)	-	-	241,683	194,495	-	-	241,683	194,495
Others	1,019,043	391,974	601,489	646,233	2,768,144	3,301,267	4,388,676	4,339,474
Due from (to) Other Funds (Note 9)	1,561,765	1,619,206	(1,561,765)	(1,582,995)	-	(36,211)	-	-
Inventory	23,049	24,597	-	-	-	-	23,049	24,597
Accrued Interest Receivable	923	1,614	6,928	22,588	410	491	8,261	24,693
Prepaid Expenses	170,702	195,918	146,996	128,082	455,612	408,858	773,310	732,858
Total Current Assets	12,480,046	14,104,096	15,726,177	16,537,194	20,025,488	13,304,647	48,231,711	43,945,937
<b>Noncurrent Assets:</b>								
<b>Restricted:</b>								
Cash and Cash Equivalents (Note 2)	1,943,941	1,858,493	338,360	338,204	60,788,278	59,947,285	63,070,579	62,143,982
Certificates of Deposit (Note 2)	-	-	-	-	-	-	-	-
Investment U.S. Treasury Obligations (Note 2)	-	244,924	-	-	-	-	-	244,924
Developer Escrow Deposit (Note 3)	-	4,210,752	-	-	-	-	-	4,210,752
Total Restricted Assets	1,943,941	6,314,169	338,360	338,204	60,788,278	59,947,285	63,070,579	66,599,658
<b>Capital Assets: (Notes 1 and 5)</b>								
Land	3,295,901	2,232,552	1,896,050	1,896,050	-	-	5,191,951	4,128,602
Construction in progress	1,434,072	7,143,221	829,357	8,665,170	-	-	2,263,429	15,808,391
Wells & Reservoirs	11,069,710	9,891,800	3,494,643	3,494,643	-	-	14,564,353	13,386,443
Transmission & Distribution Mains	88,175,419	85,446,377	-	-	-	-	88,175,419	85,446,377
Services & Hydrants	18,461,760	17,672,546	-	-	-	-	18,461,760	17,672,546
Interceptor & Collector Systems	-	-	39,317,989	38,265,579	-	-	39,317,989	38,265,579
Building Structure & Appurtenances	30,349,884	27,139,327	70,916,999	61,301,596	-	-	101,266,883	88,440,923
Metering System	13,988,178	10,800,051	429,778	429,778	-	-	14,417,956	11,229,829
Equipment and Furnishings	9,552,072	8,689,068	23,887,742	23,605,871	3,346,802	3,257,879	36,786,616	35,552,818
Leased Equipment	8,829	8,829	8,829	8,829	54,217	54,217	71,875	71,875
Leased Vehicles	97,216	-	983,239	669,052	338,169	313,865	1,418,624	982,917
Capacity	1,207,901	1,207,901	579,587	877,877	-	-	1,787,488	2,085,778
Less accumulated depreciation & amortization	(49,026,674)	(45,895,891)	(58,531,269)	(55,523,021)	(2,793,361)	(2,684,808)	(110,351,304)	(104,103,720)
Total Capital Assets	128,614,268	124,335,781	83,812,944	83,691,424	945,827	941,153	213,373,039	208,968,358
<b>Other Assets:</b>								
Long-Term Portion of Receivables -								
Financing Contracts (Note 4)	-	-	960,693	1,330,142	-	-	960,693	1,330,142
Intangible Service Concession								
Arrangement (Note 6)	-	-	-	-	248,267,864	251,926,662	248,267,864	251,926,662
Net Pension Asset	279,300	-	140,598	-	1,037,068	-	1,456,966	-
OPEB Asset (Note 12)	1,897,911	1,389,099	-	-	-	-	1,897,911	1,389,099
Other Assets	-	-	-	-	4,079,011	3,174,440	4,079,011	3,174,440
Facilities Planning Costs								
(Net of Accumulated Amortization) (Note 7)	362,835	59,838	7,729,615	9,862,447	-	-	8,092,450	9,922,285
Total Other Assets	2,540,046	1,448,937	8,830,906	11,192,589	253,383,943	255,101,102	264,754,895	267,742,628
Total Noncurrent Assets	133,098,255	132,098,887	92,982,210	95,222,217	315,118,048	315,989,540	541,198,513	543,310,644
<b>Total Assets</b>	<b>145,578,301</b>	<b>146,202,983</b>	<b>108,708,387</b>	<b>111,759,411</b>	<b>335,143,536</b>	<b>329,294,187</b>	<b>589,430,224</b>	<b>587,256,581</b>
<b>Deferred Outflows of Resources</b>								
Pensions	657,983	533,395	331,223	268,506	2,443,204	1,980,544	3,432,410	2,782,445
OPEB	86,796	22,175	-	-	795,309	989,255	882,105	1,011,430
Refunding Loss on Bonds	-	-	-	-	26,432,821	27,452,737	26,432,821	27,452,737
<b>Total Deferred Outflows</b>	<b>744,779</b>	<b>555,570</b>	<b>331,223</b>	<b>268,506</b>	<b>29,671,334</b>	<b>30,422,536</b>	<b>30,747,336</b>	<b>31,246,612</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 146,323,080</b>	<b>\$ 146,758,553</b>	<b>\$ 109,039,610</b>	<b>\$ 112,027,917</b>	<b>\$ 364,814,870</b>	<b>\$ 359,716,723</b>	<b>\$ 620,177,560</b>	<b>\$ 618,503,193</b>

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, 2021 AND 2020

- LIABILITIES AND NET POSITION -

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Current Liabilities:</b>								
Accounts Payable - Trade	\$ 919,345	\$ 1,258,966	\$ 1,522,256	\$ 1,840,344	\$ 2,971,985	\$ 1,507,525	\$ 5,413,586	\$ 4,606,835
Accounts Payable - Capital	277,831	269,149	93,956	301,306	195,097	60,850	566,884	631,305
Accrued Interest Payable	200,039	228,440	3,346	3,346	959,251	962,090	1,162,636	1,193,876
Lease Payable	20,468	1,954	202,687	138,178	78,716	71,734	301,871	211,866
Notes Payable (Note 8)	74,410	253,032	443,724	434,775	-	-	518,134	687,807
Revenue Bonds Payable (Note 8)	1,850,767	1,848,653	177,473	114,595	3,023,568	2,514,642	5,051,808	4,477,890
Developer Deposits and Other (Note 10)	359,362	455,865	2,950	18,204	37,852	24,877	400,164	498,946
Accrued Payroll & Other	152,145	170,102	69,708	91,593	285,757	224,245	507,610	485,940
Total Current Liabilities	3,854,367	4,486,161	2,516,100	2,942,341	7,552,226	5,365,963	13,922,693	12,794,465
<b>Noncurrent Liabilities:</b>								
Developer Deposits and Other (Note 10)	160,360	4,210,752	19,064	3,810	10,000	-	189,424	4,214,562
SCA Payable (Note 6)	-	-	-	-	65,983,689	64,261,077	65,983,689	64,261,077
Lease Payable	70,709	3,226	263,627	191,875	173,760	230,488	508,096	425,589
Notes Payable (Note 8)	787,494	1,985,076	4,723,957	5,167,681	-	-	5,511,451	7,152,757
OPEB Liability	-	-	-	-	3,588,854	3,825,143	3,588,854	3,825,143
Net Pension Liability	-	187,303	-	94,286	-	695,473	-	977,062
Revenue Bonds Payable (Net of Premium/Discount) (Note 8)	33,403,800	33,664,851	1,075,024	1,252,497	343,832,720	342,996,898	378,311,544	377,914,246
Total Noncurrent Liabilities	34,422,363	40,051,208	6,081,672	6,710,149	413,589,023	412,009,079	454,093,058	458,770,436
<b>Total Liabilities</b>	<b>38,276,730</b>	<b>44,537,369</b>	<b>8,597,772</b>	<b>9,652,490</b>	<b>421,141,249</b>	<b>417,375,042</b>	<b>468,015,751</b>	<b>471,564,901</b>
<b>Deferred Inflows of Resources</b>								
Pensions	893,441	545,758	449,750	274,730	3,317,431	2,026,453	4,660,622	2,846,941
OPEB	468,226	108,123	-	-	393,149	-	861,375	108,123
<b>Total Deferred Inflows</b>	<b>1,361,667</b>	<b>653,881</b>	<b>449,750</b>	<b>274,730</b>	<b>3,710,580</b>	<b>2,026,453</b>	<b>5,521,997</b>	<b>2,955,064</b>
<b>Net Position: (Notes 1 and 13)</b>								
Net Investment in Capital Assets	92,406,620	86,673,358	76,926,452	76,391,823	693,351	638,931	170,026,423	163,704,112
Restricted for Debt Service	1,570,266	1,407,066	-	-	-	-	1,570,266	1,407,066
Unrestricted	12,707,797	13,486,879	23,065,636	25,708,874	(60,730,310)	(60,323,703)	(24,956,877)	(21,127,950)
Total Net Position	106,684,683	101,567,303	99,992,088	102,100,697	(60,036,959)	(59,684,772)	146,639,812	143,983,228
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 146,323,080</b>	<b>\$ 146,758,553</b>	<b>\$ 109,039,610</b>	<b>\$ 112,027,917</b>	<b>\$ 364,814,870</b>	<b>\$ 359,716,723</b>	<b>\$ 620,177,560</b>	<b>\$ 618,503,193</b>

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, 2021 and 2020**

	<b>Suburban Water Fund</b>		<b>Suburban Wastewater Fund</b>		<b>City Division Fund</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES:</b>								
Charges for Services	\$ 12,399,103	\$ 10,834,135	\$ 15,606,887	\$ 15,980,601	\$ 41,949,921	\$ 37,748,826	\$ 69,955,911	\$ 64,563,562
Rent	-	-	-	-	-	-	-	-
Other Income	58,764	32,540	204,533	188,326	326,513	234,849	589,810	455,715
Total Operating Revenues	<u>12,457,867</u>	<u>10,866,675</u>	<u>15,811,420</u>	<u>16,168,927</u>	<u>42,276,434</u>	<u>37,983,675</u>	<u>70,545,721</u>	<u>65,019,277</u>
<b>OPERATING EXPENSES</b>								
Salaries and Wages	1,936,530	1,697,918	807,480	800,670	7,393,768	7,498,713	10,137,778	9,997,301
Employee Benefits	774,783	878,894	411,940	491,430	2,734,246	3,513,819	3,920,969	4,884,143
General and Administrative	509,895	300,465	217,980	72,607	1,529,997	1,453,686	2,257,872	1,826,758
Utilities	423,327	419,493	269,555	296,419	1,705,824	1,815,047	2,398,706	2,530,959
Materials and Supplies	472,436	279,430	231,857	236,574	1,486,678	1,393,271	2,190,971	1,909,275
Miscellaneous Services	3,444,479	3,652,162	6,405,017	5,912,495	1,513,867	1,921,776	11,363,363	11,486,433
Treatment and Transportation	-	-	3,899,502	2,906,958	12,480	11,926	3,911,982	2,918,884
Depreciation and Amortization	3,373,864	2,942,067	6,671,362	6,295,598	6,399,799	6,190,313	16,445,025	15,427,978
Total Operating Expenses	<u>10,935,314</u>	<u>10,170,429</u>	<u>18,914,693</u>	<u>17,012,751</u>	<u>22,776,659</u>	<u>23,798,551</u>	<u>52,626,666</u>	<u>50,981,731</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,522,553</u>	<u>696,246</u>	<u>(3,103,273)</u>	<u>(843,824)</u>	<u>19,499,775</u>	<u>14,185,124</u>	<u>17,919,055</u>	<u>14,037,546</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>								
Tapping and Capital Recovery Fees	386,165	464,648	752,932	3,575,692	2,173,581	1,901,863	3,312,678	5,942,203
Meter Sales	150,087	77,685	-	-	29,584	24,595	179,671	102,280
Inspection, Plan Reviews, and Project Reimbursements	1,022,771	318,263	4,108	8,655	1,308,125	841,585	2,335,004	1,168,503
Investment Earnings	34,284	84,958	25,019	193,926	5,373	162,075	64,676	440,959
Interest Expense	(1,136,953)	(1,442,776)	(199,973)	(199,707)	(19,452,114)	(17,257,071)	(20,789,040)	(18,899,554)
Other Expense	(255,343)	(57,563)	(55,412)	(42,698)	(4,029,868)	(4,206,199)	(4,340,623)	(4,306,460)
Other Income	132,181	105,508	45,690	11,694	113,357	51,620	291,228	168,822
Total Nonoperating Revenues/(Expenses)	<u>333,192</u>	<u>(449,277)</u>	<u>572,364</u>	<u>3,547,562</u>	<u>(19,851,962)</u>	<u>(18,481,532)</u>	<u>(18,946,406)</u>	<u>(15,383,247)</u>
Increase (Decrease) in net position before capital contributions	<u>1,855,745</u>	<u>246,969</u>	<u>(2,530,909)</u>	<u>2,703,738</u>	<u>(352,187)</u>	<u>(4,296,408)</u>	<u>(1,027,351)</u>	<u>(1,345,701)</u>
<b>Capital Contributions:</b>								
Capital Grant	34,523	-	-	-	-	-	34,523	-
Capital Assets Provided by Developers and Others	3,227,112	209,793	422,300	7,620	-	-	3,649,412	217,413
Total Capital Contributions	<u>3,261,635</u>	<u>209,793</u>	<u>422,300</u>	<u>7,620</u>	<u>-</u>	<u>-</u>	<u>3,683,935</u>	<u>217,413</u>
<b>Increase (Decrease) in Net Position</b>	<u>5,117,380</u>	<u>456,762</u>	<u>(2,108,609)</u>	<u>2,711,358</u>	<u>(352,187)</u>	<u>(4,296,408)</u>	<u>2,656,584</u>	<u>(1,128,288)</u>
<b>Net Position at Beginning of Year, as restated Note 19</b>	<u>101,567,303</u>	<u>101,110,541</u>	<u>102,100,697</u>	<u>99,389,339</u>	<u>(59,684,772)</u>	<u>(55,388,364)</u>	<u>143,983,228</u>	<u>145,111,516</u>
<b>Net Position at End of Year</b>	<u>\$ 106,684,683</u>	<u>\$ 101,567,303</u>	<u>\$ 99,992,088</u>	<u>\$ 102,100,697</u>	<u>\$ (60,036,959)</u>	<u>\$ (59,684,772)</u>	<u>\$ 146,639,812</u>	<u>\$ 143,983,228</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, 2021 AND 2020

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash Received From Customers	\$ 12,345,225	\$ 10,465,048	\$ 16,282,313	\$ 16,243,302	\$ 43,470,962	\$ 35,848,993	\$ 72,098,500	\$ 62,557,343
Cash Payments To Suppliers For Goods And Services	(4,653,099)	(4,454,561)	(11,142,933)	(10,326,418)	(3,301,143)	(4,597,709)	(19,097,175)	(19,378,688)
Cash Payments To Employees For Services	(3,696,003)	(3,132,622)	(1,581,866)	(1,449,243)	(12,149,916)	(12,498,568)	(17,427,785)	(17,080,433)
Other Operating Cash Receipts	(568,305)	(79,427)	204,533	193,826	326,513	234,849	(37,259)	349,248
<b>Net Cash Provided By Operating Activities</b>	<b>3,427,818</b>	<b>2,798,438</b>	<b>3,762,047</b>	<b>4,661,467</b>	<b>28,346,416</b>	<b>18,987,565</b>	<b>35,536,281</b>	<b>26,447,470</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Interest Paid on Revenue Bonds and Notes	-	-	-	-	(11,554,153)	(10,853,413)	(11,554,153)	(10,853,413)
Facility Improvement Payments	-	-	-	-	(3,228,132)	(2,071,742)	(3,228,132)	(2,071,742)
Payments to the City of Allentown	-	-	-	-	(1,243,524)	(533,258)	(1,243,524)	(533,258)
Transfers From Other Funds	57,441	-	-	12,819	-	6,695	57,441	19,514
Transfers To Other Funds	-	(19,514)	(21,230)	-	(36,211)	-	(57,441)	(19,514)
<b>Net Cash Provided By (Used in) Noncapital Financing Activities</b>	<b>57,441</b>	<b>(19,514)</b>	<b>(21,230)</b>	<b>12,819</b>	<b>(16,062,020)</b>	<b>(13,451,718)</b>	<b>(16,025,809)</b>	<b>(13,458,413)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Receipts/(Release) of Developer Deposits	63,857	-	-	-	22,975	(4,928)	86,832	(4,928)
Payments of Developer Deposits	-	(99,112)	-	-	-	-	-	(99,112)
Payments of Facilities Planning Costs	(505,178)	(78,153)	(1,176,935)	(1,640,963)	-	-	(1,682,113)	(1,719,116)
Acquisition and Construction of Property and Equipment	(4,117,160)	(4,214,495)	(3,044,918)	(6,668,645)	(143,364)	-	(7,305,442)	(10,883,140)
Proceeds From Capacity Sales	-	-	298,290	-	-	-	298,290	-
Cash Received from Tapping and Capital Recovery Fees	386,165	464,648	752,932	3,575,692	2,173,581	1,901,863	3,312,678	5,942,203
Cash Received from Meter Sales	150,087	77,685	-	-	29,584	24,595	179,671	102,280
Cash Received from Inspection, Plan Reviews, and Project Reimburseme	1,022,771	318,263	4,108	8,655	1,308,125	841,585	2,335,004	1,168,503
Other Capital Cash Receipts	166,704	105,508	(217,072)	(42,101)	113,357	51,620	62,989	115,027
Other Capital Cash Payments	(255,343)	(57,563)	-	-	(4,150,067)	(4,036,283)	(4,405,410)	(4,093,846)
Revenue Bond and Note Issuance Proceeds	21,066,942	-	-	-	-	179,185,000	21,066,942	179,185,000
Payments to Escrow Agents	-	-	-	-	-	(161,635,261)	-	(161,635,261)
Principal Paid On Leases	(11,219)	(3,649)	(177,926)	(347,828)	(74,050)	(65,860)	(263,195)	(417,337)
Principal Paid On Revenue Bonds	(21,146,465)	(1,833,012)	(114,595)	(114,905)	(2,570,000)	(19,980,000)	(23,831,060)	(21,927,917)
Principal Paid On Revenue Notes	(1,376,204)	(248,379)	(434,775)	(427,161)	-	-	(1,810,979)	(675,540)
Interest Paid On Revenue Bonds and Notes	(1,344,768)	(1,436,049)	(199,973)	(199,707)	-	-	(1,544,741)	(1,635,756)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(5,899,811)</b>	<b>(7,004,308)</b>	<b>(4,310,864)</b>	<b>(5,856,963)</b>	<b>(3,289,859)</b>	<b>(3,717,669)</b>	<b>(13,500,534)</b>	<b>(16,578,940)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Maturities of Certificates Of Deposit	1,493,682	2,910,486	3,439,000	4,543,273	-	-	4,932,682	7,453,759
Purchase of Certificates Of Deposit	(1,988,000)	(2,239,000)	(4,084,000)	(3,155,000)	-	-	(6,072,000)	(5,394,000)
Purchase of U.S. Treasury Obligations	-	(244,924)	-	-	-	-	-	(244,924)
Maturities of U.S. Treasury Obligations	245,000	-	-	-	-	-	245,000	-
Interest Received On Investments	51,918	82,901	95,878	192,493	5,454	218,009	153,250	493,403
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(197,400)</b>	<b>509,463</b>	<b>(549,122)</b>	<b>1,580,766</b>	<b>5,454</b>	<b>218,009</b>	<b>(741,068)</b>	<b>2,308,238</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(2,611,952)</b>	<b>(3,715,921)</b>	<b>(1,119,169)</b>	<b>398,089</b>	<b>8,999,991</b>	<b>2,036,187</b>	<b>5,268,870</b>	<b>(1,281,645)</b>
<b>Cash:</b>								
Beginning	9,101,965	12,817,886	7,793,208	7,395,119	61,495,540	59,459,353	78,390,713	79,672,358
Ending	<u>\$ 6,490,013</u>	<u>\$ 9,101,965</u>	<u>\$ 6,674,039</u>	<u>\$ 7,793,208</u>	<u>\$ 70,495,531</u>	<u>\$ 61,495,540</u>	<u>\$ 83,659,583</u>	<u>\$ 78,390,713</u>
<b>Cash Consisted of the Following:</b>								
Cash and Cash Equivalents	\$ 4,546,072	\$ 7,243,472	\$ 6,335,679	\$ 7,455,004	\$ 9,707,253	\$ 1,548,255	\$ 20,589,004	\$ 16,246,731
Restricted Cash and Cash Equivalents	1,943,941	1,858,493	338,360	338,204	60,788,278	59,947,285	63,070,579	62,143,982
Total Cash and Cash Equivalents	<u>\$ 6,490,013</u>	<u>\$ 9,101,965</u>	<u>\$ 6,674,039</u>	<u>\$ 7,793,208</u>	<u>\$ 70,495,531</u>	<u>\$ 61,495,540</u>	<u>\$ 83,659,583</u>	<u>\$ 78,390,713</u>

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, 2021 AND 2020

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities</b>								
Operating Income (Loss)	\$ 1,522,553	\$ 696,246	\$ (3,103,273)	\$ (843,824)	\$ 19,499,775	\$ 14,185,124	\$ 17,919,055	\$ 14,037,546
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used In) Operating Activities:								
Depreciation and Amortization	3,373,864	2,952,782	6,671,362	6,298,073	6,399,799	6,190,313	16,445,025	15,441,168
Change in Assets and Liabilities:								
(Increase)/Decrease in Accounts Receivable Current	(53,878)	(369,087)	308,421	(97,803)	987,918	(1,539,656)	1,242,461	(2,006,546)
(Increase)/Decrease in Financing Contract Receivable	-	-	322,261	331,646	-	-	322,261	331,646
(Increase)/Decrease in Other Operating Receivable	(627,069)	(111,967)	44,744	28,858	533,123	(360,177)	(49,202)	(443,286)
(Increase)/Decrease in Inventory	1,548	11,477	-	-	-	-	1,548	11,477
(Increase)/Decrease in Prepaid Expense	25,216	(9,925)	(18,914)	3,218	(46,754)	5,704	(40,452)	(1,003)
Increase in OPEB Liability	-	-	-	-	(236,289)	880,220	(236,289)	880,220
Decrease in OPEB Asset	(508,812)	(145,046)	-	-	-	-	(508,812)	(145,046)
Increase/(Decrease) in Accounts Payable - Trade	(339,621)	(115,743)	(318,088)	(978,699)	1,464,460	509,553	806,751	(584,889)
Increase in Net Pension Liability	(466,603)	(768,918)	(234,884)	(387,067)	(1,732,541)	(2,855,065)	(2,434,028)	(4,011,050)
(Increase) in Pension Deferred Outflows	(124,588)	146,225	(62,717)	73,609	(462,660)	542,954	(649,965)	762,788
(Increase) in OPEB Deferred Outflows	(64,621)	33,942	-	-	193,946	(327,162)	129,325	(293,220)
Increase in OPEB Deferred Inflows	360,103	(11,174)	-	-	393,149	-	753,252	(11,174)
Increase in Pension Deferred Inflows	347,683	545,758	175,020	274,730	1,290,978	2,026,453	1,813,681	2,846,941
Increase/(Decrease) in Accrued Wages and Other	(17,957)	(56,132)	(21,885)	(41,274)	61,512	(270,696)	21,670	(368,102)
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 3,427,818</b>	<b>\$ 2,798,438</b>	<b>\$ 3,762,047</b>	<b>\$ 4,661,467</b>	<b>\$ 28,346,416</b>	<b>\$ 18,987,565</b>	<b>\$ 35,536,281</b>	<b>\$ 26,447,470</b>
<b>Noncash Investing, Capital, and Financing Activities</b>								
Noncash Capital Activities, Contribution of Capital Assets From Developers and Others	\$ 3,227,112	\$ 209,793	\$ 422,300	\$ 7,620	\$ -	\$ -	\$ 3,649,412	\$ 217,413
Noncash Noncapital Activities, Accretion on Bonds Payable	-	-	-	-	3,748,807	3,392,575	3,748,807	3,392,575
Noncash Noncapital Activities, Change in Present Value of SCA Asset	-	-	-	-	-	-	-	-
Noncash Noncapital Activities, Change in Present Value of SCA Payable	-	-	-	-	2,966,136	2,283,222	2,966,136	2,283,222
Change in Fair Value of Investments	16,943	(6,854)	55,199	(18,743)	-	(59,360)	72,142	(84,957)

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, 2021 and 2020**

	Component Unit Suburban Post Employment Health Fund	
	2021	2020
Assets		
Investments:		
Cash Equivalents	\$ 156,984	\$ 203,795
Mutual Funds - Equity	2,224,550	1,375,076
Mutual Funds - Fixed Income	-	343,311
Stocks	1,491,658	1,265,583
U.S. Treasury Obligations	-	130,076
U.S. Agencies	-	67,168
Corporate Bonds	155,695	293,278
Total Assets	<u>\$ 4,028,887</u>	<u>\$ 3,678,287</u>
Liabilities		
Accounts Payable	<u>\$ -</u>	<u>\$ 88,255</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 88,255</u>
Net Position Restricted for Post Retirement Health Benefits	<u>\$ 4,028,887</u>	<u>\$ 3,590,032</u>

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, 2021 and 2020**

	Component Unit Suburban Post Employment Health Fund	
	2021	2020
Additions:		
Contributions:		
Employer	\$ 11,831	\$ 27,393
Total Contributions	11,831	27,393
Investment Income:		
Net Increase/(Decrease) in Fair Value of Investments	540,405	297,312
Less Investment Expense	(22,863)	(4,926)
Net Investment Income/(Loss)	517,542	292,386
Total Additions	529,373	319,779
Deductions:		
Reimbursement of Benefits Expense	90,518	115,648
Total Deductions	90,518	115,648
Net Increase/(Decrease) in Net Position	438,855	204,131
Net Position Restricted for Post Retirement Health Benefits:		
Beginning of Year	3,590,032	3,385,901
End of Year	\$ 4,028,887	\$ 3,590,032

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 47,182 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 46,907 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 3,029 customers as of December 31, 2021. 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, 2021 the Water System serves 23,565 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 Board 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.

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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The funds and component unit 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 Concessed 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 Component Unit:

The Suburban Post-Employment Health Trust Plan (the “Plan”) was created in 2010 to accumulate assets to be used for payment of health benefits to qualified retirees. The Plan is included in the financial reporting entity as a fiduciary component unit because the Plan is (1) considered to be a separate legal entity, (2) the Authority appoints a voting majority of the governing board, and (3) the plan imposes a financial burden on the Authority as it has assumed an obligation to make contributions to the Plan.

**C. Budgets and Budgetary Accounting**

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

1. Starting in the summer months 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 September or October for review. A formal presentation is made the second week of October with final adoption at the Authority’s final October 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 vs. Actual 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 Accounting Supervisor 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, 2021, there were no budget amendments that required Board approval.
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 Accounting Supervisor, 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.

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 2021 and 2020 are as follows:

	<u>Amortization Period (Years)</u>	<u>2021 Amortization</u>	<u>2020 Amortization</u>
<b>Suburban Water Fund:</b>			
Facilities Planning Costs	3-10	\$ 202,179	\$ 42,756
<b>Suburban Wastewater Fund:</b>			
Facilities Planning Costs	3-7	<u>3,309,769</u>	<u>2,968,848</u>
Total Amortization		<u>\$ 3,511,948</u>	<u>\$ 3,011,604</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>2021</u>	<u>2020</u>
Balance at Beginning of Year	\$ 319,277	\$ 307,524
Additions	244,820	319,277
Retirements	<u>(319,277)</u>	<u>(307,524)</u>
Balance at End of Year	<u>\$ 244,820</u>	<u>\$ 319,277</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 assets 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.

**L. Reclassifications**

Certain prior year amounts have been reclassified to conform with current year presentation.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. 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 assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category: deferred inflows related to pensions and OPEB.

**N. Adoption of Governmental Accounting Standards Board Statements**

The Authority adopted the provisions of GASB Statement No. 87, “Leases”, GASB Statement No. 89, “Accounting for Interest Cost Incurred before End of a Construction Period”, and certain requirements related to LIBOR, SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues, and terminology updates of GASB Statement No. 99 “Omnibus 2022”. The adoption of GASB Statement No. 87 changed the Authority’s accounting for leases, and resulted in a restatement of opening net position. The adoption of the remaining statements had no effect on previously reported amounts.

**O. Pending Changes in Accounting Principles**

In May 2019, the GASB issued Statement No. 91, “Conduit Debt Obligations”. The Authority is required to adopt statement No. 91 for its calendar year 2022 statements.

In January 2020, the GASB issued Statement No. 92, “Omnibus 2020”. The Authority is required to adopt statement No. 92 for its calendar year 2022 statements.

In March 2020, the GASB issued Statement No. 93, “Replacement of Interbank Offered Rates”. The Authority is required to adopt statement No. 93 for its calendar year 2021 statements, except for the requirements of paragraphs 11b, 13, and 14 which are effective for the Authority’s calendar year 2022 statements.

In March 2020, the GASB issued Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. The Authority is required to adopt statement No. 94 for its calendar year 2023 statements.

In May 2020, the GASB issued Statement No. 96, “Subscription-Based Information Technology Arrangements”. The Authority is required to adopt statement No. 96 for its calendar year 2023 statements.

In June 2020, the GASB issued Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32”. The Authority is required to adopt the remaining provisions of statement No. 97 for its calendar year 2022 statements.

In November 2021, the GASB issued Statement No. 98, “The Annual Comprehensive Report”. The Authority is required to adopt the provisions of statement No. 98 for its calendar year 2022 statements.

In April 2022, the GASB issued Statement No. 99, “Omnibus 2022”. The Authority is required to adopt the remaining provisions of statement No. 99 for its calendar year 2023 and 2024 statements.

In June 2022, the GASB issued Statement No. 100, “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62”. The Authority is required to statement No. 100 for its calendar year 2024 statements.

In June 2022, the GASB issued Statement No. 101, “Compensated Absences”. The Authority is required to adopt statement No. 101 for its calendar year 2024 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><b>2021</b></u>	<u><b>2020</b></u>
Demand deposit, money market, and savings accounts	\$ 78,133,366	\$ 73,127,505
Certificates of deposit, nonnegotiable	1,000,184	1,000,000
Overnight repurchase	2,121,061	1,264,010
Certificates of deposit, negotiable	8,952,487	7,885,571
U.S. Treasury Obligations	-	244,924
Pennsylvania School District Liquid Asset Fund	3,405,156	3,999,198
OPEB Investments:		
Cash Equivalents	156,984	203,795
Mutual Funds - Equity	2,224,550	1,375,076
Mutual Funds – Fixed Income	-	343,311
Stocks	1,491,658	1,265,583
U.S. Treasury Obligations	-	130,076
U.S. Agencies	-	67,168
Corporate Bonds	155,695	293,278
	<u><b>\$ 97,641,141</b></u>	<u><b>\$ 91,199,495</b></u>
Classification per statements of net position:		
Unrestricted current assets		
Cash and cash equivalents	\$ 20,589,004	\$ 16,246,731
Certificates of deposit	9,952,671	8,885,571
Restricted non-current assets		
Cash and cash equivalents	63,070,579	62,143,982
Certificates of deposit	-	-
Investment U.S. treasury obligations	-	244,924
OPEB Investments:		
Cash Equivalents	156,984	203,795
Mutual Funds - Equity	2,224,550	1,375,076
Mutual Funds – Fixed Income	-	343,311
Stocks	1,491,658	1,265,583
U.S. Treasury Obligations	-	130,076
U.S. Agencies	-	67,168
Corporate Bonds	155,695	293,278
	<u><b>\$ 97,641,141</b></u>	<u><b>\$ 91,199,495</b></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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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, 2021 and 2020, the carrying amounts of the Authority's bank deposits were \$7,483,730 and \$10,123,311 respectively, and the bank balance of \$9,753,407 and \$11,610,289, respectively. As of December 31, 2021 and 2020, \$8,253,223 and \$9,860,289 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, 2021 and 2020 none of the Authority's investments were subject to custodial credit risk.

**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.

Money Market Funds

The Authority invest 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, 2021 and 2020, the Authority had the following investments and maturities:

				<b>2021</b>			
				<b>Investment Maturities (In Years)</b>			
<b><u>Investment Type</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>% of Total</u></b>	<b><u>Less than One Year</u></b>	<b><u>One-to- Five Years</u></b>	<b><u>Six-to- Ten Years</u></b>	<b><u>More than 10 Years</u></b>
Certificates of Deposit, negotiable	\$8,968,000	\$8,952,487	72.44%	\$3,897,092	\$5,055,395	-	-
U.S. Treasury Obligations	-	-	-	-	-	-	-
Pennsylvania School District Liquid Asset Fund	<u>3,405,156</u>	<u>3,405,156</u>	<u>27.56%</u>	<u>3,405,156</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$12,373,156</u>	<u>\$12,357,643</u>	<u>100.00%</u>	<u>\$7,302,248</u>	<u>\$5,055,395</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Fiduciary Fund</u>							
U.S Government Agencies	-	-	-	-	-	-	-
U.S. Government Treasury Obligations	-	-	-	-	-	-	-
Corporate Bonds	157,065	155,695	100.00%	34,266	121,429	-	-
Fixed Income Mutual Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$157,065</u>	<u>\$155,695</u>	<u>100.00%</u>	<u>\$34,266</u>	<u>\$121,429</u>	<u>\$ -</u>	<u>\$ -</u>
				<b>2020</b>			
				<b>Investment Maturities (In Years)</b>			
<b><u>Investment Type</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>% of Total</u></b>	<b><u>Less than One Year</u></b>	<b><u>One-to- Five Years</u></b>	<b><u>Six-to- Ten Years</u></b>	<b><u>More than 10 Years</u></b>
Certificates of Deposit, negotiable	\$7,833,000	\$7,885,571	65.01%	\$3,715,629	\$4,169,942	-	-
U.S. Treasury Obligations	244,682	244,924	2.02%	244,924	-	-	-
Pennsylvania School District Liquid Asset Fund	<u>3,999,198</u>	<u>3,999,198</u>	<u>32.97%</u>	<u>3,999,198</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$12,076,880</u>	<u>\$12,129,693</u>	<u>100.00%</u>	<u>\$7,959,751</u>	<u>\$4,169,941</u>	<u>\$ -</u>	<u>\$ -</u>

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

<u>Fiduciary Fund</u>							
U.S Government							
Agencies	\$67,217	\$67,168	8.06%	-	-	\$6,056	\$61,112
U.S. Government							
Treasury							
Obligations	134,008	130,076	15.60%	-	55,111	-	74,965
Corporate Bonds	293,225	293,278	35.17%	12,336	169,895	82,609	28,438
Fixed Income							
Mutual Bonds	<u>327,821</u>	<u>343,311</u>	<u>41.17%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,311</u>
Total	<u>\$822,271</u>	<u>\$833,833</u>	<u>100.00%</u>	<u>\$12,336</u>	<u>\$225,006</u>	<u>\$88,665</u>	<u>\$507,826</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.

As of December 31, 2021, the Authority's investments investment were rated by Standard and Poor's as follows:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Percent of Investment Type</u>
Corporate Bonds	AA	5.26%
Corporate Bonds	AA-	5.26%
Corporate Bonds	A+	5.26%
Corporate Bonds	A	5.26%
Corporate Bonds	A-	5.26%
Corporate Bonds	BBB	26.3%
Corporate Bonds	BBB+	36.84%
Corporate Bonds	NR	10.53%
Pennsylvania School District		
Liquid Asset Fund	AAAm	100%
Certificates of Deposit Negotiable	NR	100%

**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, stocks, fixed income mutual funds, and equity mutual funds are valued using quoted market prices (Level 1 inputs).

The Authority's investments in U.S. Treasury Obligations, U.S. Government Agencies, and Corporate Bonds are valued using a matrix pricing model (Level 2 inputs).

	12/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Debt securities				
Corporate Bonds	\$ 155,695	\$ -	\$ 155,695	\$ -
Total debt securities	155,695	-	155,695	-
Equity securities				
Negotiable Certificates of Deposit	8,952,487	8,952,487	-	-
Stocks	1,491,658	1,491,658	-	-
Equity Mutual Funds	2,224,550	2,224,550	-	-
Total equity securities	12,668,695	12,668,695	-	-
Total investments by fair value	\$ 12,824,390	\$ 12,668,695	\$ 155,695	\$ -

**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. In 2021 the Authority released the stock certificate to the developer.

**NOTE 4 – RECEIVABLES – DEVELOPER CONTRACTS**

As of December 31, 2021 the Authority has four 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 (\$241,638) and long-term receivables (\$960,693). At year-end 2020, there were four agreements and the unpaid fees were recorded as current (\$194,495) and long-term receivables (\$1,330,142). 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 2021 and 2020 consist of the following:

	<b>Balance at 12/31/20</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at 12/31/21</b>
<b>Suburban Water Fund</b>				
Non-depreciable Assets:				
Land	\$ 2,232,552	\$ 1,063,349	\$ -	\$ 3,295,901
Construction in progress	7,143,221	4,694,717	(10,403,866)	1,434,072
Total Capital Assets Not Being Depreciated	9,375,773	5,758,066	(10,403,866)	4,729,973
Depreciable Assets:				
Wells & Reservoirs	9,891,800	1,177,910	-	11,069,710
Transmission & Distribution Mains	85,446,377	2,729,042	-	88,175,419
Service & Hydrants	17,672,546	789,214	-	18,461,760
Building Structure & Appurtenances	27,139,327	3,210,557	-	30,349,884
Metering System	10,800,051	3,188,127	-	13,988,178
Equipment	8,689,068	903,904	(40,900)	9,552,072
Right-To-Use Leased Equipment	8,829	-	-	8,829
Right-To-Use Leased Vehicles	-	97,216	-	97,216
Capacity	1,207,901	-	-	1,207,901
Total Capital Assets Being Depreciated	160,855,899	12,095,970	(40,900)	172,910,969
Less Accumulated Depreciation for:				
Wells & Reservoirs	(3,546,684)	(193,284)	-	(3,739,968)
Transmission & Distribution Mains	(14,550,885)	(866,524)	-	(15,417,409)
Service & Hydrants	(4,867,937)	(294,276)	-	(5,162,213)
Building Structure & Appurtenances	(9,965,714)	(764,184)	-	(10,729,898)
Metering System	(5,799,079)	(540,098)	-	(6,339,177)
Equipment	(6,378,896)	(469,837)	40,900	(6,807,833)
Right-To-Use Leased Equipment	(3,819)	(1,924)	-	(5,743)
Right-To-Use Leased Vehicles	-	(9,722)	-	(9,722)
Capacity	(782,877)	(31,834)	-	(814,711)
Total Accumulated Depreciation	(45,895,891)	(3,171,683)	40,900	(49,026,674)
Total Net Capital Assets Being Depreciated	114,960,008	8,924,287	-	123,884,295
Total Capital Assets, Net	\$ 124,335,781	\$ 14,682,353	\$ (10,403,866)	\$ 128,614,268

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	<u>Balance at 12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/21</u>
<b>Suburban Wastewater Fund</b>				
Non-depreciable Assets:				
Land	\$ 1,896,050	\$ -	\$ -	\$ 1,896,050
Capacity	877,877	-	(298,290)	579,587
Construction in progress	8,665,170	4,250,286	(12,086,099)	829,357
Total Capital Assets Not Being Depreciated	<u>11,439,097</u>	<u>4,250,286</u>	<u>(12,384,389)</u>	<u>3,304,994</u>
Depreciable Assets:				
Interceptor & Collector Systems	38,265,579	1,052,410	-	39,317,989
Wells & Reservoirs	3,494,643	-	-	3,494,643
Building Structure & Appurtenances	61,301,596	9,615,403	-	70,916,999
Metering System	429,778	-	-	429,778
Right-To-Use Leased Equipment	8,829	-	-	8,829
Right-To-Use Leased Vehicles	669,052	314,187	-	983,239
Equipment	23,605,871	635,218	(353,347)	23,887,742
Total Capital Assets Being Depreciated	<u>127,775,348</u>	<u>11,617,218</u>	<u>(353,347)</u>	<u>139,039,219</u>
Less Accumulated Depreciation for:				
Interceptor & Collector Systems	(11,579,413)	(446,000)	-	(12,025,413)
Wells & Reservoirs	(666,758)	(63,539)	-	(730,297)
Building Structure & Appurtenances	(22,009,355)	(2,105,583)	-	(24,114,938)
Metering System	(275,700)	(10,837)	-	(286,537)
Right-To-Use Leased Equipment	(3,819)	(1,924)	-	(5,743)
Right-To-Use Leased Vehicles	(357,071)	(175,459)	-	(532,530)
Equipment	(20,630,905)	(558,253)	353,347	(20,835,811)
Total Accumulated Depreciation	<u>(55,523,021)</u>	<u>(3,361,595)</u>	<u>353,347</u>	<u>(58,531,269)</u>
Total Net Capital Assets Being Depreciated	<u>72,252,327</u>	<u>8,255,623</u>	<u>-</u>	<u>80,507,950</u>
Total Capital Assets, Net	<u>\$ 83,691,424</u>	<u>\$ 12,505,909</u>	<u>\$ (12,384,389)</u>	<u>\$ 83,812,944</u>
	<u>Balance at 12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/21</u>
<b>City Division Fund</b>				
Depreciable Assets:				
Transportation Equipment	\$ 2,985,782	\$ 143,364	\$ (54,441)	\$ 3,074,705
Miscellaneous Equipment & Computers	248,981	-	-	248,981
Right-To-Use Leased Equipment	54,217	-	-	54,217
Right-To-Use Leased Vehicles	313,865	24,304	-	338,169
Office Furniture & Equipment	23,116	-	-	23,116
Total Capital Assets Being Depreciated	<u>3,625,961</u>	<u>167,668</u>	<u>(54,441)</u>	<u>3,739,188</u>
Less Accumulated Depreciation for:				
Transportation Equipment	(2,342,715)	(87,978)	54,441	(2,376,252)
Miscellaneous Equipment & Computers	(246,060)	(1,947)	-	(248,007)
Right-To-Use Leased Equipment	(24,138)	(11,556)	-	(35,694)
Right-To-Use Leased Vehicles	(48,779)	(61,513)	-	(110,292)
Office Furniture & Equipment	(23,116)	-	-	(23,116)
Total Accumulated Depreciation	<u>(2,684,808)</u>	<u>(162,994)</u>	<u>54,441</u>	<u>(2,793,361)</u>
Total Net Capital Assets Being Depreciated	<u>941,153</u>	<u>4,674</u>	<u>-</u>	<u>945,827</u>
Total Capital Assets, Net	<u>\$ 941,153</u>	<u>\$ 4,674</u>	<u>\$ -</u>	<u>\$ 945,827</u>

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	<u>Balance at 12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/21</u>
<b>Total Funds</b>				
Total Capital Assets Not Being Depreciated	\$ 20,814,870	\$ 10,008,352	\$ (22,788,255)	\$ 8,034,967
Total Capital Assets Being Depreciated	292,257,208	23,880,856	(448,688)	315,689,376
Total Accumulated Depreciation	(104,103,720)	(6,696,272)	448,688	(110,351,304)
Total Net Capital Assets Being Depreciated	188,153,488	17,184,584	-	205,338,072
Total Capital Assets, Net	<u>\$ 208,968,358</u>	<u>\$ 27,192,936</u>	<u>\$ (22,788,255)</u>	<u>\$ 213,373,039</u>
	<u>Balance at 12/31/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/20</u>
<b>Suburban Water Fund</b>				
Non-depreciable Assets:				
Land	\$ 2,114,884	\$ 117,668	\$ -	\$ 2,232,552
Construction in progress	12,504,370	5,043,931	(10,405,080)	7,143,221
Total Capital Assets Not Being Depreciated	14,619,254	5,161,599	(10,405,080)	9,375,773
Depreciable Assets:				
Wells & Reservoirs	9,709,252	182,548	-	9,891,800
Transmission & Distribution Mains	80,498,411	4,947,966	-	85,446,377
Service & Hydrants	17,571,410	101,136	-	17,672,546
Building Structure & Appurtenances	23,797,378	3,341,949	-	27,139,327
Metering System	10,672,043	128,008	-	10,800,051
Equipment	7,769,506	988,975	(69,413)	8,689,068
Right-To-Use Leased Equipment	7,454	1,375	-	8,829
Right-To-Use Leased Vehicles	-	-	-	-
Capacity	1,207,901	-	-	1,207,901
Total Capital Assets Being Depreciated	151,233,355	9,691,957	(69,413)	160,855,899
Less Accumulated Depreciation for:				
Wells & Reservoirs	(3,365,888)	(180,796)	-	(3,546,684)
Transmission & Distribution Mains	(13,722,746)	(828,139)	-	(14,550,885)
Service & Hydrants	(4,580,883)	(287,054)	-	(4,867,937)
Building Structure & Appurtenances	(9,294,442)	(671,272)	-	(9,965,714)
Metering System	(5,332,817)	(466,262)	-	(5,799,079)
Equipment	(6,007,460)	(440,849)	69,413	(6,378,896)
Right-To-Use Leased Equipment	-	(3,819)	-	(3,819)
Right-To-Use Leased Vehicles	-	-	-	-
Capacity	(751,043)	(31,834)	-	(782,877)
Total Accumulated Depreciation	(43,055,279)	(2,910,025)	69,413	(45,895,891)
Total Net Capital Assets Being Depreciated	108,178,076	6,781,932	-	114,960,008
Total Capital Assets, Net	<u>\$ 122,797,330</u>	<u>\$ 11,943,531</u>	<u>\$ (10,405,080)</u>	<u>\$ 124,335,781</u>

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	Balance at <u>12/31/19</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>12/31/20</u>
<b>Suburban Wastewater Fund</b>				
Non-depreciable Assets:				
Land	\$ 1,888,430	\$ 7,620	\$ -	\$ 1,896,050
Capacity	953,831	-	(75,954)	877,877
Construction in progress	18,974,421	8,381,452	(18,690,703)	8,665,170
Total Capital Assets Not Being Depreciated	<u>21,816,682</u>	<u>8,389,072</u>	<u>(18,766,657)</u>	<u>11,439,097</u>
Depreciable Assets:				
Interceptor & Collector Systems	38,259,619	5,960	-	38,265,579
Wells & Reservoirs	3,494,643	-	-	3,494,643
Building Structure & Appurtenances	55,828,047	5,473,549	-	61,301,596
Metering System	429,778	-	-	429,778
Right-To-Use Leased Equipment	7,454	1,375	-	8,829
Right-To-Use Leased Vehicles	669,052	-	-	669,052
Equipment	23,175,902	442,598	(12,629)	23,605,871
Total Capital Assets Being Depreciated	<u>121,864,495</u>	<u>5,923,482</u>	<u>(12,629)</u>	<u>127,775,348</u>
Less Accumulated Depreciation for:				
Interceptor & Collector Systems	(11,136,593)	(442,820)	-	(11,579,413)
Wells & Reservoirs	(603,220)	(63,538)	-	(666,758)
Building Structure & Appurtenances	(20,126,163)	(1,883,192)	-	(22,009,355)
Metering System	(264,381)	(11,319)	-	(275,700)
Right-To-Use Leased Equipment	-	(3,819)	-	(3,819)
Right-To-Use Leased Vehicles	-	(357,071)	-	(357,071)
Equipment	(20,076,068)	(567,466)	12,629	(20,630,905)
Total Accumulated Depreciation	<u>(52,206,425)</u>	<u>(3,329,225)</u>	<u>12,629</u>	<u>(55,523,021)</u>
Total Net Capital Assets Being Depreciated	<u>69,658,070</u>	<u>2,594,257</u>	<u>-</u>	<u>72,252,327</u>
Total Capital Assets, Net	<u>\$ 91,474,752</u>	<u>\$ 10,983,329</u>	<u>\$ (18,766,657)</u>	<u>\$ 83,691,424</u>
	Balance at <u>12/31/19</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>12/31/20</u>
<b>City Division Fund</b>				
Depreciable Assets:				
Transportation Equipment	\$ 2,996,782	\$ -	\$ (11,000)	\$ 2,985,782
Miscellaneous Equipment & Computers	248,981	-	-	248,981
Right-To-Use Leased Equipment	47,802	6,415	-	54,217
Right-To-Use Leased Vehicles	-	313,865	-	313,865
Office Furniture & Equipment	23,116	-	-	23,116
Total Capital Assets Being Depreciated	<u>3,316,681</u>	<u>320,280</u>	<u>(11,000)</u>	<u>3,625,961</u>
Less Accumulated Depreciation for:				
Transportation Equipment	(2,180,625)	(173,090)	11,000	(2,342,715)
Miscellaneous Equipment & Computers	(229,441)	(16,619)	-	(246,060)
Right-To-Use Leased Equipment	-	(24,138)	-	(24,138)
Right-To-Use Leased Vehicles	-	(48,779)	-	(48,779)
Office Furniture & Equipment	(23,116)	-	-	(23,116)
Total Accumulated Depreciation	<u>(2,433,182)</u>	<u>(262,626)</u>	<u>11,000</u>	<u>(2,684,808)</u>
Total Net Capital Assets Being Depreciated	<u>883,499</u>	<u>57,654</u>	<u>-</u>	<u>941,153</u>
Total Capital Assets, Net	<u>\$ 883,499</u>	<u>\$ 57,654</u>	<u>\$ -</u>	<u>\$ 941,153</u>

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	Balance at <u>12/31/19</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>12/31/20</u>
<b>Total Funds</b>				
Total Capital Assets Not Being Depreciated	\$ 36,435,936	\$ 13,550,671	\$ (29,171,737)	\$ 20,814,870
Total Capital Assets Being Depreciated	276,414,531	15,935,719	(93,042)	292,257,208
Total Accumulated Depreciation	(97,694,886)	(6,501,876)	93,042	(104,103,720)
Total Net Capital Assets Being Depreciated	178,719,645	9,433,843	-	188,153,488
Total Capital Assets, Net	<u>\$ 215,155,581</u>	<u>\$ 22,984,514</u>	<u>\$ (29,171,737)</u>	<u>\$ 208,968,358</u>

In 2020 the Authority transferred \$12,772,706 from construction in progress to facilities planning costs in the Suburban Wastewater fund.

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 2021 and 2020 the total value of this capacity was \$579,587 and \$877,877 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 \$2,323,561 and \$1,994,503 were recorded as increases to the intangible asset in 2021 and 2020, respectively. Amortization expense in the amount of \$5,982,358 and \$5,927,686 was recognized in 2021 and 2020, respectively related to the intangible asset. The net book value of the asset was \$248,267,864 and \$251,926,661 at December 31, 2021 and 2020, 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 \$2,966,136 and \$2,366,076 was recognized in 2021 and 2020, respectively. The liability was \$65,983,689 and \$64,261,077 at December 31, 2021 and 2020, 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.

In 2020 the Authority and the City of Allentown entered into an agreement which modified certain terms of original Service Concession Arrangement. The modified terms included future payments to be made by the Authority to the City, as well as changes to the terms in which the Authority may increase rates to customers of the system. This agreement resulted in the Authority recording additions of \$14,733,768 to the intangible asset and SCA Payable liability in 2020.

**NOTE 7 – FACILITIES PLANNING COSTS**

Facilities Planning Costs for 2021 and 2020 consist of the following:

	<u>As of 12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>As of 12/31/21</u>
<b>Suburban Water Fund</b>				
Facilities Planning Costs	\$ 128,270	\$ 505,176	\$ (26,909)	\$ 606,537
Less Accumulated Amortization	<u>(68,432)</u>	<u>(202,179)</u>	<u>26,909</u>	<u>(243,702)</u>
Total Suburban Water Facilities Costs - Net	<u>59,838</u>	<u>302,997</u>	<u>-</u>	<u>362,835</u>
<b>Suburban Wastewater Fund</b>				
Facilities Planning Costs	13,288,570	1,176,937	(505,068)	13,960,439
Less Accumulated Amortization	<u>(3,426,123)</u>	<u>(3,309,769)</u>	<u>505,068</u>	<u>(6,230,824)</u>
Total Suburban Wastewater Facilities Planning Costs - Net	<u>9,862,447</u>	<u>(2,132,832)</u>	<u>-</u>	<u>7,729,615</u>
Total Facilities Planning Costs - Net	<u>\$ 9,922,285</u>	<u>\$ (1,829,835)</u>	<u>\$ -</u>	<u>\$ 8,092,450</u>

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 7 – FACILITIES PLANNING COSTS (Continued)**

	<u>As of 12/31/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>As of 12/31/20</u>
<b>Suburban Water Fund</b>				
Facilities Planning Costs	\$ 70,548	\$ 78,152	\$ (20,430)	\$ 128,270
Less Accumulated Amortization	<u>(46,106)</u>	<u>(42,756)</u>	<u>20,430</u>	<u>(68,432)</u>
Total Suburban Water Facilities Planning Costs - Net	<u>24,442</u>	<u>35,396</u>	<u>-</u>	<u>59,838</u>
<b>Suburban Wastewater Fund</b>				
Facilities & Planning Costs	515,995	12,772,706	(131)	13,288,570
Less Accumulated Amortization	<u>(457,406)</u>	<u>(2,968,848)</u>	<u>131</u>	<u>(3,426,123)</u>
Total Suburban Wastewater Planning Facilities Costs - Net	<u>58,589</u>	<u>9,803,858</u>	<u>-</u>	<u>9,862,447</u>
Total Planning Facilities Costs - Net	<u>\$ 83,031</u>	<u>\$ 9,839,254</u>	<u>\$ -</u>	<u>\$ 9,922,285</u>

In 2020 the Authority transferred \$12,772,706 from construction in progress to facilities planning costs in the Suburban Wastewater fund.

**NOTE 8 – LONG-TERM DEBT**

Long-term debt for 2021 and 2020 consists of the following:

	<u>Balance Outstanding As of 12/31/20</u>	<u>Additions / Accretions</u>	<u>Retirements</u>	<u>Balance Outstanding As of 12/31/21</u>	<u>Principal Due Within One Year</u>
<b>Suburban Water Fund Bonds</b>					
Water Revenue Bonds Series of 2010 A	\$ 11,590,000	\$ -	\$ (11,590,000)	\$ -	\$ -
Water Revenue Bonds Series of 2011	191,227	-	(125,460)	65,767	65,767
Water Revenue Bonds Series of 2015	1,088,705	-	(1,088,705)	-	-
Water Revenue Bonds Series of 2015 A	7,717,300	-	(7,717,300)	-	-
Water Revenue Bonds Series of 2017	14,580,000	-	(330,000)	14,250,000	340,000
Water Revenue Bonds Series of 2021	-	17,740,000	(295,000)	17,445,000	1,445,000
Subtotal	<u>\$ 35,167,232</u>	<u>\$ 17,740,000</u>	<u>\$ (21,146,465)</u>	<u>\$ 31,760,767</u>	<u>\$ 1,850,767</u>
Add Bond Premium	346,272	3,326,942	(179,414)	3,493,800	
Total Suburban Water Fund Bonds	<u>\$ 35,513,504</u>	<u>\$ 21,066,942</u>	<u>\$ (21,325,879)</u>	<u>\$ 35,254,567</u>	
Less Current Maturities				<u>(1,850,767)</u>	
Net Suburban Water Fund Long-Term Bonds				<u>\$ 33,403,800</u>	
<b>Notes from Direct Borrowings</b>					
2007 State Pennw orks Note	\$ 1,302,909	\$ -	\$ (1,302,909)	\$ -	\$ -
2011 Pennsylvania Infrastructure Investment Authority Note	935,199	-	(73,295)	861,904	74,410
Total Suburban Water Fund Direct Borrow ings	<u>\$ 2,238,108</u>	<u>\$ -</u>	<u>\$ (1,376,204)</u>	<u>\$ 861,904</u>	<u>\$ 74,410</u>
Less Current Maturities				<u>(74,410)</u>	
Net Suburban Water Fund Long-Term Direct Borrow ings				<u>\$ 787,494</u>	
Total Net Suburban Water Fund Long-Term				<u>\$ 34,191,294</u>	

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (Continued)**

	Balance Outstanding As of 12/31/20	Additions / Accretions	Retirements	Balance Outstanding As of 12/31/21	Principal Due Within One Year
<b>Suburban Wastewater Fund</b>					
<b>Bonds</b>					
2011 Sewer Revenue Bonds					
Series A	\$ 1,367,092	\$ -	\$ (114,595)	\$ 1,252,497	\$ 177,473
Less Current Maturities				(177,473)	
Net Suburban Wastewater Fund					
Long-Term Bonds				\$ 1,075,024	
<b>Notes from Direct Borrowings</b>					
2009 Pennsylvania Infrastructure					
Investment Authority Note	\$ 2,950,716	\$ -	\$ (259,995)	\$ 2,690,721	\$ 266,694
2013 Pennsylvania Infrastructure					
Investment Authority Note	2,022,962	-	(138,009)	1,884,953	140,107
2015 Pennsylvania Infrastructure					
Investment Authority Note	628,778	-	(36,771)	592,007	36,923
Total Suburban Wastewater Fund Direct Borrowings	\$ 5,602,456	\$ -	\$ (434,775)	\$ 5,167,681	\$ 443,724
Less Current Maturities				(443,724)	
Net Suburban Wastewater Fund					
Long-Term Direct Borrowings				\$ 4,723,957	
Total Net Suburban Wastewater Fund Long Term				\$ 5,798,981	
<b>City Division Fund</b>					
<b>Bonds</b>					
2013 Water and Sewer Revenue					
Bonds, Series A	\$ 107,615,000	\$ -	\$ -	\$ 107,615,000	\$ -
2013 Water and Sewer Capital					
Appreciation Revenue Bonds,					
Series B	64,303,120	3,748,807	(1,395,000)	66,656,927	1,813,568
2020 Water and Sewer Revenue					
Bonds	161,035,000	-	-	161,035,000	-
Subtotal	\$ 332,953,120	\$ 3,748,807	\$ (1,395,000)	\$ 335,306,927	\$ 1,813,568
Less Bond Discount	(4,466,580)	-	165,941	(4,300,639)	
Total City Division Fund Bonds	\$ 328,486,540	\$ 3,748,807	\$ (1,229,059)	331,006,288	
Less Current Maturities				(1,813,568)	
Net City Division Fund Long-Term Bonds				\$ 329,192,720	
<b>Direct Borrowings</b>					
2020 Series A Refunding Bonds	\$ 17,025,000	\$ -	\$ (1,175,000)	\$ 15,850,000	\$ 1,210,000
Less Current Maturities				(1,210,000)	
Net City Division Fund Long-Term					
Direct Borrowings				\$ 14,640,000	
Total Net City Division Fund Long Term				\$ 343,832,720	
Total Net Long-Term Debt				\$ 383,822,995	

	Balance Outstanding As of 12/31/19	Additions / Accretions	Retirements	Balance Outstanding As of 12/31/20	Principal Due Within One Year
<b>Suburban Water Fund</b>					
<b>Bonds</b>					
Water Revenue Bonds					
Series of 2010 A	\$ 11,590,000	\$ -	\$ -	\$ 11,590,000	\$ -
Water Revenue Bonds					
Series of 2011	313,289	-	(122,062)	191,227	125,448
Water Revenue Bonds					
Series of 2015	2,161,555	-	(1,072,850)	1,088,705	1,088,705
Water Revenue Bonds					
Series of 2015 A	8,035,400	-	(318,100)	7,717,300	304,500
Water Revenue Bonds					
Series of 2017	14,900,000	-	(320,000)	14,580,000	330,000
Subtotal	\$ 37,000,244	\$ -	\$ (1,833,012)	\$ 35,167,232	\$ 1,848,653
Add Bond Premium	359,339	-	(13,067)	346,272	
Total Suburban Water Fund Bonds	\$ 37,359,583	\$ -	\$ (1,846,079)	\$ 35,513,504	
Less Current Maturities				(1,848,653)	
Net Suburban Water Fund					
Long-Term Bonds				\$ 33,664,851	

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (Continued)**

	Balance Outstanding As of <u>12/31/19</u>	Additions / <u>Accretions</u>	<u>Retirements</u>	Balance Outstanding As of <u>12/31/20</u>	Principal Due Within One <u>Year</u>
<b>Suburban Water Fund</b>					
<b>Notes from Direct Borrowings</b>					
2007 State Pennworks					
Note	1,479,091	-	(176,182)	1,302,909	179,737
2011 Pennsylvania Infrastructure					
Investment Authority Note	1,007,396	-	(72,197)	935,199	73,295
Total Suburban Water Fund Direct Borrowings	\$ 2,486,487	\$ -	\$ (248,379)	\$ 2,238,108	\$ 253,032
Less Current Maturities				(253,032)	
Net Suburban Water Fund				\$ 1,985,076	
Long-Term Direct Borrowings					
Total Net Suburban Water Fund Long-Term				\$ 35,649,927	
<b>Suburban Wastewater Fund</b>					
<b>Sewer Revenue Bonds</b>					
2011 Sewer Revenue Bonds					
Series A	\$ 1,481,997	\$ -	\$ (114,905)	\$ 1,367,092	\$ 114,595
Less Current Maturities				(114,595)	
Net Suburban Wastewater Fund				\$ 1,252,497	
Long-Term Bonds					
<b>Direct Borrowings</b>					
2009 Pennsylvania Infrastructure					
Investment Authority Note	\$ 3,204,180	\$ -	\$ (253,464)	\$ 2,950,716	\$ 259,995
2013 Pennsylvania Infrastructure					
Investment Authority Note	2,158,904	-	(135,942)	2,022,962	138,009
2015 Pennsylvania Infrastructure					
Investment Authority Note	666,533	-	(37,755)	628,778	36,771
Total Suburban Wastewater Fund Direct Borrowing	\$ 6,029,617	\$ -	\$ (427,161)	\$ 5,602,456	\$ 434,775
Less Current Maturities				(434,775)	
Net Suburban Wastewater Fund				\$ 5,167,681	
Long-Term Direct Borrowings					
Net Suburban Wastewater Fund Long Term				\$ 6,420,178	
<b>City Division Fund</b>					
<b>Bonds</b>					
2013 Water and Sewer Revenue					
Bonds, Series A	\$ 245,590,000	\$ -	\$ (137,975,000)	\$ 107,615,000	\$ -
2013 Water and Sewer Capital					
Appreciation Revenue Bonds,					
Series B	61,643,216	3,574,904	(915,000)	64,303,120	1,339,642
2018 Water and Sewer Revenue					
Bonds (Federally Taxable)	17,940,000	-	(17,940,000)	-	-
2020 Water and Sewer Revenue					
Bonds	-	161,035,000		161,035,000	
Subtotal	\$ 325,173,216	\$ 164,609,904	\$ (156,830,000)	\$ 332,953,120	\$ 1,339,642
Less Bond Discount	(8,865,423)	-	4,398,843	(4,466,580)	
Total City Division Fund Debt	\$ 316,307,793	\$ 164,609,904	\$ (152,431,157)	328,486,540	
Less Current Maturities				(1,339,642)	
Net City Division Fund Long-Term Debt				\$ 327,146,898	
Total Net Long-Term Debt				\$ 369,217,003	
<b>Direct Borrowings</b>					
2020 Series A Refunding Bonds	\$ -	\$ 18,150,000	\$ (1,125,000)	\$ 17,025,000	\$ 1,175,000
Less Current Maturities				(1,175,000)	
Net City Division Fund				\$ 15,850,000	
Direct Borrowings					
Total Net City Division Fund Long Term				\$ 342,996,898	
Total Net Long Term Debt				\$ 385,067,003	

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (Continued)**

The Authority's direct borrowings contain provisions that in the event of certain defaults the notes or bonds become immediately due and payable at the discretion of the lenders.

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 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 matured in November 2021 and was 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.

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%.

In June 2021, the Authority issued Water Revenue Bond, Series of 2021 in the amount of \$17,740,000. The bonds were issued at a premium of \$3,326,942. Proceeds of the bond together with other funds of the Authority were used to currently refund the Authority's 2007 Pennworks loan, currently refund the Authority's Water Revenue Bonds, Series A of 2010, currently refund the Authority's Water Revenue Bonds, 2015 A Series, fund a debt service reserve, and pay the costs and expenses of issuing the Bond. The bond carries a fixed interest rate of 4.00% per annum, payable commencing on November 1, 2021 and semi-annually thereafter on the interest payment date. The bond matures on November 1, 2031 and is secured by a pledge of system revenues. The refunding decreased the Authority's total debt service payments by \$3,037,117 and resulted in an economic gain of \$2,676,038.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (Continued)**

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

<u>Year</u>	<b>Bonds</b>		<b>Notes from Direct Borrowings</b>	
	<u>Principal Amount</u>	<u>Total Interest</u>	<u>Principal Amount</u>	<u>Total Interest</u>
2022	\$ 1,850,767	\$ 1,187,800	\$ 74,410	\$ 12,501
2023	1,935,000	1,119,114	75,541	11,370
2024	2,005,000	1,045,214	76,689	10,221
2025	2,090,000	961,414	77,856	9,055
2026	1,890,000	874,014	79,038	7,871
2027-2031	11,830,000	3,070,020	413,593	20,960
2032-2036	2,625,000	1,520,325	64,777	408
2037-2041	3,085,000	1,069,318	-	-
2042-2046	3,645,000	513,168	-	-
2047	805,000	27,168	-	-
	<u>\$ 31,760,767</u>	<u>\$ 11,387,555</u>	<u>\$ 861,904</u>	<u>\$ 72,386</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.

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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (Continued)**

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:

<u>Year</u>	<u>Bonds</u>		<u>Notes from Direct Borrowings</u>	
	<u>Principal Amount</u>	<u>Total Interest</u>	<u>Principal Amount</u>	<u>Total Interest</u>
2022	\$ 177,473	\$ 66,456	\$ 443,724	\$ 102,955
2023	122,605	59,840	453,374	93,303
2024	127,003	52,987	463,248	83,431
2025	131,560	45,888	473,347	73,332
2026	136,280	38,534	483,677	63,002
2027-2031	557,576	75,411	2,274,102	154,809
2032-2036	-	-	576,209	14,391
	<u>\$ 1,252,497</u>	<u>\$ 339,116</u>	<u>\$ 5,167,681</u>	<u>\$ 585,223</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.

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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 8 – LONG TERM DEBT (Continued)**

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.

In September 2020, the Authority issued Water and Sewer Revenue Bonds, Series 2020 (Federally Taxable) in the amount of \$161,035,000. Proceeds of the bonds together with other funds of the Authority were used to (i) advance refund a portion of the Authority's Water and Sewer Revenue Bond (City of Allentown Concession), Series 2013A; (ii) fund a debt service reserve fund with respect to the 2020 Bonds; and (iii) pay transaction costs and expenses in connection with the issuance of the bonds. Interest rates on the bonds range from 3.232% to 3.632% per annum, payable commencing on December 1, 2020 and semi-annually thereafter on the interest payment date until maturity. The bonds are payable from and secured by a pledge and assignment by the Authority of all the Concessionaire Interest in and to the Concessioned System created by the Concession Agreement. The refunding resulted in a deferred refunding loss of \$27,792,709, an increase in the Authority's total debt service payments of \$55,617,288, and resulted in an economic gain of \$9,929,809.

In October 2020, the Authority issued Water and Sewer Revenue Bond, Series A of 2020 (Federally Taxable) in the amount of \$18,150,000. Proceeds of the bond together with other funds of the Authority were used to currently refund the 2018 Series bonds, fund a debt service reserve, and pay the costs and expenses of issuing the Bond. The bond carries a fixed interest rate of 2.90% per annum, payable commencing on December 1, 2020 and semi-annually thereafter on the interest payment date until June 1, 2026, at which time the fixed rate shall be reset to 5.00%. The bond matures on December 1, 2033 and is secured by the Authority's interest in the Concessioned System. The refunding decreased the Authority's total debt service payments by \$1,928,034 and resulted in an economic gain of \$1,419,618.

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

<u>Year</u>	<b>Bonds</b>		<b>Notes from Direct Borrowings</b>	
	<u>Principal Amount</u>	<u>Total Interest</u>	<u>Principal Amount</u>	<u>Total Interest</u>
2022	\$ 1,813,568	\$ 11,132,794	\$ 1,210,000	\$ 459,650
2023	2,196,583	11,264,778	1,245,000	424,560
2024	2,543,183	11,453,179	1,280,000	388,456
2025	2,851,749	11,694,612	1,320,000	351,336
2026	3,123,364	11,992,998	1,130,000	539,750
2027-2031	18,628,774	68,228,032	6,555,000	1,792,750
2032-2036	23,728,294	83,948,512	3,110,000	235,250
2037-2041	45,226,412	73,274,893	-	-
2042-2046	61,770,000	40,337,631	-	-
2047-2051	58,990,000	26,500,855	-	-
2052-2056	67,735,000	15,826,558	-	-
2057-2059	46,700,000	3,432,603	-	-
	<u>\$ 335,306,927</u>	<u>\$ 369,087,445</u>	<u>\$ 15,850,000</u>	<u>\$ 4,191,752</u>

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**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:

<b>Fund</b>	<b>2021</b>		<b>2020</b>	
	<b><u>Interfund Receivables</u></b>	<b><u>Interfund Payables</u></b>	<b><u>Interfund Receivables</u></b>	<b><u>Interfund Payables</u></b>
Enterprise Funds:				
City Division	\$ -	\$ -	\$ -	\$ 36,211
Suburban Water	1,561,765	-	1,619,206	-
Suburban Wastewater	-	1,561,765	-	1,582,995
Total	<u>\$ 1,561,765</u>	<u>\$ 1,561,765</u>	<u>\$ 1,619,206</u>	<u>\$ 1,619,206</u>

**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 \$400,164 and \$498,946 as of December 31, 2021 and 2020, 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 \$189,424 and \$4,214,562 as of December 31, 2021 and 2020, 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, 2021, through contractual agreements, had construction commitments of \$6,087,090 for various capital projects as compared to \$6,347,837 at year-end 2020. Operating and Capital reserves, construction note proceeds and grants will fund these expenditures.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

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

Suburban Plan:

*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, 2021 Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	19
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>12</u>
Total	31

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, 2021, and 2020.

*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 a variety of equities and fixed income securities. The following is the Suburban Plan's target asset allocation as of December 31, 2021 and 2020:

<b>2021</b>			
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity			
Large Cap	49.6%	International Equity	16.8%
Bonds	20.0%	Non-US Debt	5.9%
Cash	3.9%	Blend	3.8%
<b>2020</b>			
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity			
Large Cap	34.6%	International Equity	10.1%
Mid/Small Cap	14.8%	Emerging Markets	2.7%
Bonds	30.4%	Non-US Debt	1.8%
Cash	5.5%	Blend	0.0%

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The annual money-weighted rate of return on investments, net of investment expense, was 14.6% and 8.6%, for the years ended December 31, 2021 and 2020, 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, 2021, and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Total Plan OPEB Liability	\$ 2,130,976	\$ 2,200,933
Plan Fiduciary Net Position	<u>4,028,887</u>	<u>3,590,032</u>
Plan's Net OPEB Liability/(Asset)	<u><u>\$ (1,897,911)</u></u>	<u><u>\$ (1,389,099)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	189.1%	163.1%

*Actuarial Assumptions:* The Suburban Plan's net OPEB liability was measured as of December 31, 2021 and 2020, and the plan's total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of January 1, 2021 and January 1, 2019, respectively. The actuary utilized update procedures to roll forward the Suburban Plan's total OPEB liability in the January actuarial valuations to the December 31, 2021 and 2020 measurement dates.

The Suburban Plan's total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.24%
Salary Increases	5.0%, average, including inflation
Investment Rate of Return	6.79%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	7.75% during 2022 followed by a .25% decrease per year to an ultimate rate of 4.00% 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 2010 Public General Amount Weighted Mortality Tables projected to 2026 using Scale MP-2020.

**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, 2021 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, 2021 and 2020 are summarized in the following tables:

<b>2021</b>			
<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>	<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic Equity			
Large Cap	5.72%	International Equity	6.55%
Bonds	1.14%	Non-US Debt	0.29%
Cash	-0.33%	Blend	5.41%
<b>2020</b>			
<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>	<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic Equity			
Large Cap	6.19%	International Equity	6.92%
Mid Cap	7.37%	Emerging Markets	9.16%
Bonds	1.57%	Non-US Debt	0.36%
Cash	0.11%	Blend	0.00%

*Discount Rate:* The discount rate used to measure the Suburban Plan's total OPEB liability was 6.79% and 8.0% at December 31, 2021 and 2020, respectively. 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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Changes in the net OPEB liability for the Suburban plan for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(asset) (a) - (b)
Balances as of 12/31/20	\$ 2,200,933	\$ 3,590,032	\$ (1,389,099)
Service cost	10,221	-	10,221
Interest cost	138,371	-	138,371
Differences between expected and actual experience	(282,636)	-	(282,636)
Changes in Assumptions	154,605	-	154,605
Contributions - employer	-	11,831	(11,831)
Contributions - members	-	-	-
Net investment income	-	517,542	(517,542)
Benefit payments	(90,518)	(90,518)	-
Plan administrative expenses	-	-	-
Other changes	-	-	-
Net Changes	(69,957)	438,855	(508,812)
Balances as of 12/31/21	<u>\$ 2,130,976</u>	<u>\$ 4,028,887</u>	<u>\$ (1,897,911)</u>

\*- The December 31, 2020 measurement date reflects a change in assumptions related to the Healthcare Cost Trend Rate, Mortality assumptions, and discount rate.

Changes in the net OPEB liability for the Suburban plan for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(asset) (a) - (b)
Balances as of 12/31/19	\$ 2,141,848	\$ 3,385,901	\$ (1,244,053)
Service cost	7,418	-	7,418
Interest cost	167,315	-	167,315
Differences between expected and actual experience	-	-	-
Changes in Assumptions	-	-	-
Contributions - employer	-	27,393	(27,393)
Contributions - members	-	-	-
Net investment income	-	292,386	(292,386)
Benefit payments	(115,648)	(115,648)	-
Plan administrative expenses	-	-	-
Other changes	-	-	-
Net Changes	59,085	204,131	(145,046)
Balances as of 12/31/20	<u>\$ 2,200,933</u>	<u>\$ 3,590,032</u>	<u>\$ (1,389,099)</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 December 31, 2021 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 (5.79%) or 1-percentage-point higher (7.79%) than the current discount rate:

	<u>1 % Decrease (5.79%)</u>	<u>Discount Rate (6.79%)</u>	<u>1% Increase (7.79%)</u>
Net OPEB Liability (Asset) 12/31/21	\$ (1,668,735)	\$ (1,897,911)	\$ (2,095,278)

*Sensitivity of the Suburban Plan Net OPEB Liability to Changes in the Discount Rate:* The following presents the December 31, 2020 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:

	<u>1 % Decrease (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Net OPEB Liability (Asset) 12/31/20	\$ (1,162,784)	\$ (1,389,099)	\$ (1,583,670)

*Sensitivity of the Suburban Plan Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the December 31, 2021 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 (6.75% decreasing to 3.0%) or 1-percentage-point higher (8.75% decreasing to 5.0%) than the current healthcare cost trend rates:

	<u>1 % Decrease ((6.75%) decreasing to 3%)</u>	<u>Discount Rate ((7.75%) decreasing to 4%)</u>	<u>1% Increase ((8.75%) decreasing to 5%)</u>
Net OPEB Liability (Asset) 12/31/21	\$ (2,119,754)	\$ (1,897,911)	\$ (1,639,036)

*Sensitivity of the Suburban Plan Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the December 31, 2020 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 (19.0% decreasing to 4.0%) or 1-percentage-point higher (21.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	<u>1 % Decrease ((19%) decreasing to 4%)</u>	<u>Discount Rate ((20%) decreasing to 5%)</u>	<u>1% Increase ((21%) decreasing to 6%)</u>
Net OPEB Liability (Asset) 12/31/20	\$ (1,625,314)	\$ (1,389,099)	\$ (1,112,694)

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*OPEB Expense and Deferred Outflows and Inflows of Resources:* For the year ended December 31, 2021 and 2019, the Authority recognized OPEB expense of (\$201,499), and \$94,884, respectively for the plan. At December 31, 2021, and 2020, the Authority reported deferred outflows and inflows of resources related to the OPEB plan from the following sources:

	12/31/2021 <u>Outflow/(Inflow)</u>	12/31/2020 <u>Outflow/(Inflow)</u>
Differences between expected and actual experience	\$ (158,673)	\$ 22,175
Net difference between projected and actual earnings on OPEB plan investments	(309,553)	(83,707)
Changes of assumptions	<u>86,796</u>	<u>(24,416)</u>
Total	<u>\$ (381,430)</u>	<u>\$ (85,948)</u>

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

<u>Year Ended December 31:</u>	<u>12/31/2021</u>
2022	\$ (106,759)
2023	(159,789)
2024	(59,592)
2025	(55,290)
2026	<u>-</u>
Total	<u>\$ (381,430)</u>

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

City Plan

*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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*City Plan Membership:* At January 1, 2021 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	<u>72</u>
Total	72

*Benefits Provided:* The benefits provided to Other Key Employees hired, were the same as those provided to Union Employees, with the exception of union employees hired after January 1, 2017, receive coverage for three years or until Medicare eligible, whichever occurs first. Any employee retiring with a minimum age of 55 and 20 years of service or retiring at the age of 60 with 15 years is eligible to receive medical and prescription drug coverage until they reach the age of 65, with the exception previously noted for union employees hired after January 1, 2017. 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 City Plan's total OPEB liability was measured as of December 31, 2021 and 2020, and were determined by actuarial valuations as of January 1, 2021, and January 1, 2019, respectively. The actuary utilized update procedures to roll forward the total OPEB liability for the City Plan in the January 1, 2021 and January 1, 2019 actuarial valuations to the December 31, 2021, and 2020 measurement dates.

The City Plan's total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.24 %
Salary Increases	5.0%, average, including inflation
Discount Rate	2.25%
Healthcare Cost Trend Rates	7.75% during 2022 followed by a .25% decrease per year to an ultimate rate of 4.00% 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 2010 Public General Amount Weighted Mortality Tables projected to 2026 using Scale MP-2020.

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

The actuarial assumptions used in the January 1, 2021 valuation were based on historical results as a recent experience study was not completed.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Changes in the total OPEB liability for the City Plan for the year ended December 31, 2021 were as follows:

	<u>Increase (Decrease)</u> Total OPEB Liability (a)
Balances as of 12/31/20	\$ 3,825,143
Service cost	220,048
Interest cost	79,341
Change in Benefit Terms	(18,456)
Differences between expected and actual experience	(159,743)
Change in Assumptions *	(324,006)
Benefit payments	(33,473)
Other changes	-
Net Changes	(236,289)
Balances as of 12/31/21	<u>\$ 3,588,854</u>

\*- The December 31, 2021 measurement date reflects a change in assumptions related to the Healthcare Cost Trend Rate, and a change in the discount rate.

Changes in the total OPEB liability for the City Plan for the year ended December 31, 2020 were as follows:

	<u>Increase (Decrease)</u> Total OPEB Liability (a)
Balances as of 12/31/19	\$ 2,944,923
Service cost	269,018
Interest cost	72,855
Change in Benefit Terms	-
Differences between expected and actual experience	-
Change in Assumptions*	583,524
Benefit payments	(45,177)
Other changes	-
Net Changes	880,220
Balances as of 12/31/20	<u>\$ 3,825,143</u>

\*- The December 31, 2020 measurement date reflects a change in assumptions related to the Healthcare Cost Trend Rate, and a change in the discount rate.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Sensitivity of the City Plan Total OPEB Liability to Changes in the Discount Rate:* The following presents the December 31, 2021 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 (1.25%) or 1-percentage-point higher (3.25%) than the current discount rate:

	<u>1 % Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total OPEB Liability 12/31/2	\$ 3,934,251	\$ 3,588,854	\$ 3,262,273

*Sensitivity of the City Plan Total OPEB Liability to Changes in the Discount Rate:* The following presents the December 31, 2020 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 (0.93%) or 1-percentage-point higher (2.93%) than the current discount rate:

	<u>1 % Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total OPEB Liability 12/31/20	\$ 4,192,791	\$ 3,825,143	\$ 3,477,837

*Sensitivity of the City Plan Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the December 31, 2021 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 ((6.75%) decreasing to 3%) or 1-percentage-point higher ((8.75%) decreasing to 5%) than the current healthcare cost trend rates:

	<u>1 % Decrease ((6.75%) decreasing to 3%)</u>	<u>Discount Rate ((7.75%) decreasing to 4%)</u>	<u>1% Increase ((8.75%) decreasing to 5%)</u>
Total OPEB Liability 12/31/21	\$ 3,057,325	\$ 3,588,854	\$ 4,235,591

*Sensitivity of the City Plan Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the December 31, 2020 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 ((19%) decreasing to 4%) or 1-percentage-point higher ((21%) decreasing to 6%) than the current healthcare cost trend rates:

	<u>1 % Decrease ((19%) decreasing to 4%)</u>	<u>Discount Rate ((20%) decreasing to 5%)</u>	<u>1% Increase ((21%) decreasing to 6%)</u>
Total OPEB Liability 12/31/20	\$ 3,234,823	\$ 3,825,143	\$ 4,549,607

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*OPEB Expense and Deferred Outflows of Resources:* For the year ended December 31, 2021 and 2020, the Authority recognized OPEB expense of \$384,229 and \$598,235, respectively for the plan. The plan is funded on a “pay as you go” basis. At December 31, 2021 and December 31, 2020 the Authority reported deferred outflows of resources related to the OPEB plan from the following sources:

	<u>12/31/2021</u>		<u>12/31/2020</u>	
	<u>Outflow</u>	<u>(Inflow)</u>	<u>Outflow</u>	<u>(Inflow)</u>
Differences between expected and actual experience	\$ 210,563	\$(129,825)	\$ 268,261	\$ -
Changes of assumptions	584,796	(263,324)	720,994	-
Total	<u>\$ 795,359</u>	<u>\$(393,149)</u>	<u>\$ 989,255</u>	<u>\$ -</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>	
2022	\$ 103,296
2023	103,296
2024	103,296
2025	66,083
2026	26,239
Thereafter	<u>-</u>
Total	<u>\$ 402,210</u>

**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 Annual Comprehensive 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.

*Employees Covered by Benefit Terms.* At December 31, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	43
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>157</u>
Total	206

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)**

**B. Net Pension Liability (Continued)**

*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, 2021 and 2020, the average active employee contribution rate was 1.0% of annual pay, and the Authority's average contribution rate was 13.10% and 13.13%, respectively, of covered annual payroll.

**B. Net Pension Liability**

The Authority's net pension liability was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2020 and December 31, 2018, respectively. The actuary utilized update procedures to roll forward the total pension liability in the December 31, 2020 and December 31, 2018 actuarial valuation to the respective measurement dates.

*Actuarial assumptions.* The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

	December 31, 2020 Valuation
Investment rate of return	5.25%, net of pension plan investment expense, including inflation
Projected salary increases	Age/Merit Scale including inflation ranging from 2.79% to 6.22%
Inflation	2.8%

Mortality rates Pre-Retirement for the December 31, 2020 valuation was based on the RP-2000 Sex-Distinct non-annuitant table projected 15 years with scale AA, and 5 year set back for females. Mortality rates Post-Retirement for the December 31, 2020 valuation was based on the RP-2000 Sex-Distinct Mortality Table projected 15 years with scale AA for males, and projected 10 years with scale AA for females.

The actuarial assumptions used in the December 31, 2020 valuation were based on the PMRS Experience Study for the period covering January 1, 2014 through December 31, 2018 issued by the actuary in September 2020 as well as subsequent Board approved assumption changes.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)**

**B. Net Pension Liability (Continued)**

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 (expected returns, net of pension plan investment expenses 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 pension plan's target asset allocation of December 31, 2020 are summarized in the tables below labeled "System Nominal and Real Rates of Return by Asset Class."

System Nominal and Real Rates of Return by Asset Class  
12/31/2020 Valuation

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25.0%	7.56%	5.31%
Domestic Equities (small capitalized firms)	15.0%	8.31%	6.06%
International Equities (international developed markets)	15.0%	7.78%	5.53%
International Equities (emerging markets)	10.0%	8.20%	5.95%
Real Estate	15.0%	7.50%	5.25%
Timber	5.0%	6.03%	3.78%
Fixed income	15.0%	4.12%	1.87%

Based on the three part analysis, the PMRS Board established the System's Long-Term Expected Rate of Return at 7.8% for the December 31, 2020 valuation.

In addition to determining the System's Long-Term Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. 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." This rate was 5.25% for the December 31, 2020 valuation.

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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)**

**B. Net Pension Liability (Continued)**

*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 (Regular Interest Rate / Discount Rate). The PMRS Board establishes the Regular Interest Rate / Discount 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. As a starting point, the Board considers the following five quantitative factors in reviewing the Regular Interest Rate / Discount 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 then adjust the Regular Interest Rate / Discount Rate by a variety of qualitative factors such as the desire to minimize Regular Interest Rate / Discount Rate volatility, varying levels of asset allocation and liquidity, 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 Regular Interest Rate / Discount Rates adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% for the December 31, 2020 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.

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.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)**

**C. Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2020 (based on 12/31/2019 measurement date)	\$ 32,842,049	\$ 31,864,987	\$ 977,062
Changes for the year:			
Service cost	1,949,152	-	1,949,152
Interest	1,784,757	-	1,784,757
Changes of benefits	-	-	-
Changes of assumptions	600,023	-	600,023
Differences between expected and actual experience	409,231	-	409,231
Contributions - employer	-	1,484,790	(1,484,790)
Contributions - member	-	713,435	(713,435)
Net investment income/(loss)	-	5,054,281	(5,054,281)
Benefit payments, including refunds of employee contributions	(1,000,961)	(1,000,961)	-
Administrative expense	-	(75,315)	75,315
Net changes	<u>3,742,202</u>	<u>6,176,230</u>	<u>(2,434,028)</u>
Balances at 12/31/21 (based on a 12/31/20 measurement date)	<u>\$ 36,584,251</u>	<u>\$ 38,041,217</u>	<u>\$(1,456,966)</u>

The December 31, 2020 actuarial valuation reflects a change in assumptions related to the most recent actuarial study that was performed.

**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 12/31/2019 (based on 12/31/2018 measurement date)	\$ 30,412,440	\$ 25,424,328	\$ 4,988,112
Changes for the year:			
Service cost	1,779,213	-	1,779,213
Interest	1,649,798	-	1,649,798
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,410,695	(1,410,695)
Contributions - member	-	648,390	(648,390)
Net investment income/(loss)	-	5,436,112	(5,436,112)
Benefit payments, including refunds of employee contributions	(999,402)	(999,402)	-
Administrative expense	-	(55,136)	55,136
Net changes	2,429,609	6,440,659	(4,011,050)
Balances at 12/31/20 (based on a 12/31/19 measurement date)	<u>\$ 32,842,049</u>	<u>\$ 31,864,987</u>	<u>\$ 977,062</u>

*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, 2018 actuarial valuation:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Authority's net pension liability 12/31/20	\$2,679,206	\$(1,456,966)	\$(4,903,854)
Authority's net pension liability 12/31/19	\$4,545,713	\$977,062	\$(2,021,087)

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

**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**

For the year ended December 31, 2021, the Authority recognized pension expense of \$80,265, \$40,405, and \$298,032 in the Suburban Water Fund, Suburban Wastewater Fund, and City Fund, respectively.

For the year ended December 31, 2020, the Authority recognized pension expense of \$208,525, \$104,970, and \$774,272 in the Suburban Water Fund, Suburban Wastewater Fund, and City Fund, respectively.

At December 31, 2021 and 2020 the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2021 Deferred Outflows/(Inflows) of Resources	2020 Deferred Outflows/(Inflows) of Resources
Differences between expected and actual experience	\$ 1,007,791	\$ 940,213
Changes in assumptions	735,606	353,382
Net difference between projected and actual earnings on pension plan investments	(4,660,622)	(2,846,941)
Contributions subsequent to the measurement date	1,688,963	1,488,850
Total	<u>\$ (1,228,262)</u>	<u>\$ (64,496)</u>

The \$1,688,963 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 subsequent year 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:	
2022	\$ (956,442)
2023	(465,869)
2024	(1,227,755)
2025	(435,368)
2026	168,209
Thereafter	0

**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. In 2020, the Authority changed record-keepers to Empower Retirement. 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-eight and forty-five employees contributed into the Empower Retirement plan in 2021 and 2020, respectively.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**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 622 Pennsylvania municipal entities as of December 31, 2021. 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 2021 and 2020 the Authority paid \$325,582 and \$291,204 to PIRMA as its share of liability insurance premiums, respectively.

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 97 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 \$245,332 in 2020 and a deposit premium \$224,559 in 2021 before payroll audit. As of January 1, 2021, the Authority had accrued \$72,840 in Rate Stabilization Fund (RSF) credits which were available to reduce the Authority's 2021 premium. Any unused RSF credits will be rolled over to 2022, and the Trust will add investment income to the unused balance. The Authority also received dividends from the Trust of \$6,952 in 2020 and \$12,370 in 2021.

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 280 municipal entities as of September 21, 2021, 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 \$50,000 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, 2021 and December 31, 2020 totaled \$864,611 and \$1,006,526 respectively.

The Authority also purchases property coverage through CNA, brokered through Murray Securus. For 2021 and 2020, insurance costs amounted to \$269,150 and \$247,000, 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 2021 and 2020, 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 – LEASES**

The Authority leases various office equipment for its operations. The leased office equipment consist of various copiers and printers. Terms of each lease vary with fixed monthly payments ranging from \$43 to \$267, and lease periods ranging from 36 to 60 months. An incremental borrowing rate of 3.25% was utilized when calculating the lease liabilities.

The future principal and interest lease payments on the Authority's leased office equipment as of December 31, 2021, were as follows:

Year	Suburban Water		Suburban Wastewater		City Division	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,018	\$ 75	\$ 2,018	\$ 75	\$12,134	\$ 451
2023	1,208	13	1,208	13	7,262	79
	<u>\$ 3,226</u>	<u>\$ 88</u>	<u>\$ 3,226</u>	<u>\$ 88</u>	<u>\$19,396</u>	<u>\$ 530</u>

In addition to office equipment the Authority also leases various vehicles for its operations. Terms of each lease vary with fixed monthly payments ranging from \$438 to \$7,770, and lease periods of 60 months. An incremental borrowing rate of 3.25% was utilized when calculating the lease liabilities.

The future principal and interest lease payments on the Authority's leased vehicles as of December 31, 2021, were as follows:

Year	Suburban Water		Suburban Wastewater		City Division	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 18,450	\$ 2,585	\$200,669	\$12,079	\$ 66,582	\$ 6,589
2023	19,058	1,977	109,858	6,379	68,778	4,393
2024	19,687	1,348	63,971	4,011	71,048	2,124
2025	20,337	698	66,081	1,901	24,068	324
2026	10,419	100	22,509	153	2,604	25
	<u>\$ 87,951</u>	<u>\$ 6,708</u>	<u>\$463,088</u>	<u>\$24,523</u>	<u>\$233,080</u>	<u>\$13,455</u>

The future principal and interest lease payments on all of the Authority's leases as of December 31, 2021, were as follows:

Year	Suburban Water		Suburban Wastewater		City Division	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 20,468	\$ 2,660	\$202,687	\$12,154	\$ 78,716	\$ 7,040
2023	20,266	1,990	111,066	6,392	76,040	4,472
2024	19,687	1,348	63,971	4,011	71,048	2,124
2025	20,337	698	66,081	1,901	24,068	324
2026	10,419	100	22,509	153	2,604	25
	<u>\$ 91,177</u>	<u>\$ 6,796</u>	<u>\$466,314</u>	<u>\$24,611</u>	<u>\$252,476</u>	<u>\$13,985</u>

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**Notes to Financial Statements**

**NOTE 19 – RESTATEMENT**

The Authority recorded the effect of applying the provisions of GASB Statement No. 87 as a restatement of beginning net position as of January 1, 2021. In accordance with GASB Statement No. 87 the Authority applied the provisions of GASB Statement No. 87 to the earliest year presented in the financial statements. Net position as of January 1, 2021 was decreased by \$170, \$13,062, and \$7,057 in the Suburban Water Fund, Suburban Wastewater Fund, and the City Division Fund, respectively.

The effect on beginning balances for January 1, 2021 is as follows:

Description	January 1, 2021 as Previously Reported	Restatement	January 1, 2021 as Restated
Suburban Water Fund:			
Net Book Value of Leased Equipment	\$ -	\$ 5,010	\$ 5,010
Lease Payable	-	(5,180)	(5,180)
Net Position	<u>\$ 101,567,473</u>	<u>\$ (170)</u>	<u>\$ 101,567,303</u>
Suburban Wastewater Fund:			
Net Book Value of Leased Equipment	\$ -	\$ 5,010	\$ 5,010
Net Book Value of Leased Vehicles	-	311,981	311,981
Lease Payable	-	(330,053)	(330,053)
Net Position	<u>\$ 102,113,759</u>	<u>\$ (13,062)</u>	<u>\$ 102,100,697</u>
City Division Fund:			
Net Book Value of Leased Equipment	\$ -	\$ 265,086	\$ 265,086
Net Book Value of Leased Vehicles	-	30,079	30,079
Lease Payable	-	(302,222)	(302,222)
Net Position	<u>\$ (59,677,715)</u>	<u>\$ (7,057)</u>	<u>\$ (59,684,772)</u>

**NOTE 20 – SUBSEQUENT EVENTS**

In August 2022, the Authority issued Water Revenue Bond, 2022 Series in the amount of \$12,255,000. Proceeds of the bond will be used to fund various capital projects of the Suburban Water System.

**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**

	*	*	*	*	*	*	*
	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Costs	\$ 1,949,152	\$ 1,779,213	\$ 1,688,127	\$ 1,543,865	\$ 1,452,861	\$ 1,488,350	\$ 677,165
Interest	1,784,757	1,649,798	1,503,378	1,401,384	1,276,753	1,163,405	1,038,585
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	409,231	-	563,913	-	1,061,505	-	329,959
Changes of Assumptions	600,023	-	-	-	641,095	209,677	-
Benefit Payments, Including Refunds of Member Contributions	(1,000,961)	(999,402)	(1,073,743)	(1,166,011)	(915,177)	(600,285)	(544,982)
Net Change in Total Pension Liability	3,742,202	2,429,609	2,681,675	1,779,238	3,517,037	2,261,147	1,500,727
Total Pension Liability - beginning	32,842,049	30,412,440	27,730,765	25,951,527	22,434,490	20,173,343	18,672,616
Total Pension Liability - ending (a)	<u>\$ 36,584,251</u>	<u>\$ 32,842,049</u>	<u>\$ 30,412,440</u>	<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	\$ 1,484,790	\$ 1,410,695	\$ 1,141,302	\$ 1,106,875	\$ 972,122	\$ 978,336	\$ 365,907
Contributions - Member	713,435	648,390	602,779	543,474	526,823	507,893	473,935
Net Investment Income	5,054,281	5,436,112	(1,157,514)	3,886,626	1,670,359	(99,517)	947,378
Benefit Payments, Including Refunds of Member Contributions	(1,000,961)	(999,402)	(1,073,743)	(1,166,011)	(915,177)	(600,285)	(544,982)
Administrative Expense	(75,315)	(55,136)	(62,006)	(60,172)	(63,095)	(52,516)	(41,411)
Net Change in Plan Fiduciary Net Position	6,176,230	6,440,659	(549,182)	4,310,792	2,191,032	733,911	1,200,827
Plan Fiduciary Net Position - beginning	31,864,987	25,424,328	25,973,510	21,662,718	19,471,686	18,737,775	17,536,948
Plan Fiduciary Net Position - ending (b)	<u>\$ 38,041,217</u>	<u>\$ 31,864,987</u>	<u>\$ 25,424,328</u>	<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>\$ (1,456,966)</u>	<u>\$ 977,062</u>	<u>\$ 4,988,112</u>	<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	103.98%	97.02%	83.60%	93.66%	83.47%	86.79%	92.88%
Covered Payroll	\$ 11,336,308	\$ 10,378,157	\$ 9,905,129	\$ 9,135,580	\$ 8,807,193	\$ 8,763,140	\$ 2,314,192
Authority's Net Pension Liability as a Percentage of Covered Payroll	-12.85%	9.41%	50.36%	19.24%	48.70%	33.81%	62.03%

\* - Information only available for seven 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.

\*\*\*\* - The Authority had changes in assumptions related to the discount rate in the December 31, 2020 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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	\$ 1,688,963	\$ 1,488,850	\$ 1,414,635	\$ 1,145,082	\$ 1,110,595	\$ 972,122	\$ 978,336	\$ 361,607	\$ 190,996	\$ 136,779	\$ 134,456
Contribution in Relation to the Actuarially Determined Contribution	1,688,963	1,488,850	1,414,635	1,145,082	1,110,595	972,122	978,736	365,907	190,996	136,779	134,456
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (400)	\$ (4,300)	\$ -	\$ -	\$ -
Covered Payroll	\$ 10,831,527	\$ 11,336,308	\$ 10,378,157	\$ 9,905,129	\$ 9,135,580	\$ 8,807,193	\$ 8,763,140	\$ 2,314,192	\$ 2,220,914	*	\$ 2,563,288
Contribution as a percentage of Covered Payroll	15.59%	13.13%	13.63%	11.56%	12.16%	11.04%	11.17%	15.81%	8.60%	*	5.25%

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	8 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	5.25%, 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**

	*	*	*	*
	2021	2020	2019	2018
Total OPEB Liability Suburban Plan				
Service Cost	\$ 10,221	\$ 7,418	\$ 7,065	\$ 7,960
Interest	138,371	167,315	162,742	158,365
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(282,636)	-	90,059	-
Changes of Assumptions	154,605	-	(99,162)	-
Benefit Payments	(90,518)	(115,648)	(110,336)	(92,904)
Net Change in Suburban Plan Total OPEB Liability	(69,957)	59,085	50,368	73,421
Suburban Plan Total OPEB Liability - Beginning	2,200,933	2,141,848	2,091,480	2,018,059
Suburban Plan Total OPEB Liability - Ending (a)	<u>\$ 2,130,976</u>	<u>\$ 2,200,933</u>	<u>\$ 2,141,848</u>	<u>\$ 2,091,480</u>
Suburban Plan Fiduciary Net Position				
Contributions - Employer	\$ 11,831	\$ 27,393	\$ 22,928	\$ 13,376
Net Investment Income	517,542	292,386	645,121	(220,248)
Benefit Payments	(90,518)	(115,648)	(110,336)	(92,904)
Administrative Expense	-	-	-	-
Net Change in Suburban Plan Fiduciary Net Position	438,855	204,131	557,713	(299,776)
Suburban Plan Fiduciary Net Position - Beginning	3,590,032	3,385,901	2,828,188	3,127,964
Suburban Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,028,887</u>	<u>\$ 3,590,032</u>	<u>\$ 3,385,901</u>	<u>\$ 2,828,188</u>
Suburban Plan Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ (1,897,911)</u>	<u>\$ (1,389,099)</u>	<u>\$ (1,244,053)</u>	<u>\$ (736,708)</u>
Suburban Plan Fiduciary Net Position as a Percentage of the Total Suburban Plan OPEB Liability	189.06%	163.11%	158.08%	135.22%
Covered Payroll Suburban Plan	\$ 1,079,573	\$ 1,209,753	\$ 1,152,146	\$ 1,098,115
Suburban Plan Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	-175.80%	-114.83%	-107.98%	-67.09%

\* - Information only available for five 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**

	* 2021	* 2020	* 2019	* 2018	* 2017
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution	11,831	27,393	22,928	13,376	-
Contribution Deficiency (Excess)	<u>\$ (11,831)</u>	<u>\$ (27,393)</u>	<u>\$ (22,928)</u>	<u>\$ (13,376)</u>	<u>\$ -</u>
Suburban Plan Covered Payroll	\$ 1,079,573	\$ 1,209,753	\$ 1,152,146	\$ 1,098,115	\$ 1,045,824
Contributions as a Percentage of Covered Payroll	1.10%	2.26%	1.99%	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	20 years
Asset Valuation Method	5-year smoothed market
Inflation	2.24%
Healthcare Cost Trend Rates	
Salary Increases	7.75% during 2022 followed by .25% decrease per year to an ultimate rate of 4.00% per year.
Investment Rate of Return	5.00%
Retirement Age	6.79%
Mortality	65
	2010 Public General Amount Weighted Mortality Tables projected to 2026 using Scale MP-2020

\* - Information only available for five 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

	<sup>*</sup> <u>2021</u>	<sup>*</sup> <u>2020</u>	<sup>*</sup> <u>2019</u>	<sup>*</sup> <u>2018</u>	<sup>*</sup> <u>2017</u>
Annual money-weighted rate of return, net of investment expense	14.60%	8.60%	23.20%	-7.13%	18.18%

\* - Information only available for five 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**

	*	*	*	*
	2021	2020	2019	2018
Total OPEB Liability City Division Plan				
Service Cost	\$ 220,048	\$ 269,018	\$ 184,957	\$ 142,941
Interest	79,341	72,855	106,760	73,458
Changes of Benefit Terms	(18,456)	-	(55,110)	-
Differences Between Expected and Actual Experience	(159,743)	-	383,657	-
Changes of Assumptions	(324,006)	583,524	322,110	-
Benefit Payments	(33,473)	(45,177)	(17,530)	(24,498)
Net Change in City Division Plan Total OPEB Liability	(236,289)	880,220	924,844	191,901
City Division Plan Total OPEB Liability - Beginning	3,825,143	2,944,923	2,020,079	1,828,178
City Division Plan Total OPEB Liability - Ending (a)	<u>\$ 3,588,854</u>	<u>\$ 3,825,143</u>	<u>\$ 2,944,923</u>	<u>\$ 2,020,079</u>
Covered-Employee Payroll City Division Plan	\$ 4,944,191	\$ 4,538,767	\$ 4,322,635	\$ 3,279,472
City Division Plan Total OPEB Liability as a Percentage of Covered-Employee Payroll	72.59%	84.28%	68.13%	61.60%

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

\*\* - The 12/31/2021 measurement date had a change in the discount rate from previous valuations.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SUBURBAN WASTEWATER FUND  
For the year ended December 31, 2021**

	Western Lehigh Interceptor System	West. Weisenberg Wastewater	Common Rate Wastewater Fund	Other Wastewater Funds	Total Wastewater Fund
<b>Operating Revenues</b>					
Charges for Services	\$ 5,663,542	\$ 319,083	\$ 877,202	\$ 8,747,060	\$ 15,606,887
Other Income	65,338	-	34,809	104,386	204,533
Total Operating Revenues	5,728,880	319,083	912,011	8,851,446	15,811,420
<b>Operating Expenses</b>					
Salaries and Wages	297,779	68,324	235,001	206,376	807,480
Employee Benefits	74,977	45,386	155,263	136,314	411,940
General and Administrative	84,547	17,886	61,521	54,026	217,980
Utilities	75,880	18,808	42,668	132,199	269,555
Materials and Supplies	72,741	17,702	49,778	91,636	231,857
Miscellaneous Services	217,710	57,773	156,044	5,973,490	6,405,017
Treatment and Transportation	3,879,498	-	20,004	-	3,899,502
Depreciation and Amortization	3,461,167	135,364	671,630	2,403,201	6,671,362
Total Operating Expenses	8,164,299	361,243	1,391,909	8,997,242	18,914,693
<b>Operating Income (Loss)</b>	(2,435,419)	(42,160)	(479,898)	(145,796)	(3,103,273)
<b>Nonoperating Revenues (Expenses)</b>					
Tapping and Capital Recovery Fees	399,977	-	74,942	278,013	752,932
Inspection and Plan Reviews	-	2,060	792	1,256	4,108
Interest Earnings	24,233	156	-	630	25,019
Interest Expense	(86,317)	(29,594)	(68,968)	(15,094)	(199,973)
Other Expense	(39,418)	-	(1,597)	(14,397)	(55,412)
Other Income	45,060	-	390	240	45,690
Total Nonoperating Revenues (Expenses)	343,535	(27,378)	5,559	250,648	572,364
<b>Increase (Decrease) in net position before capital contributions</b>	(2,091,884)	(69,538)	(474,339)	104,852	(2,530,909)
<b>Capital Contributions</b>					
Capital Assets Provided by Developers and Others	-	-	422,300	-	422,300
Total Capital Contributions	-	-	422,300	-	422,300
<b>Increase (Decrease) in Net Position</b>	(2,091,884)	(69,538)	(52,039)	104,852	(2,108,609)
<b>Net Position at Beginning of Year, as restated</b>	41,388,639	2,832,682	9,847,314	48,032,062	102,100,697
<b>Net Position at End of Year</b>	\$ 39,296,755	\$ 2,763,144	\$ 9,795,275	\$ 48,136,914	\$ 99,992,088