



LCA Main Office:
1053 Spruce Road
Wescosville, PA 18106
610-398-2503

Agendas & Minutes Posted:
www.lehighcountyauthority.org

LEHIGH COUNTY AUTHORITY

Published: September 5, 2023

BOARD MEETING AGENDA – September 11, 2023 – 12:00 p.m.

In-Person or Virtual Meeting Attendance Options Available: Meetings of the LCA Board of Directors will be held at LCA's Main Office as well as online using the Zoom Meetings application, which includes a telephone option. Public participation is welcomed both in-person or virtually. Instructions for joining the meeting online or by phone are posted on the LCA website in the morning on the day of the meeting, prior to the start of each meeting. You may also issue comment to LCA via email to LCABoard@lehighcountyauthority.org in advance of any meeting or view the meeting at a later time by visiting the LCA website. Please visit <https://www.lehighcountyauthority.org/about/lca-board-meeting-videos/> for specific instructions to join the meeting if you are attending virtually. If attending in-person at LCA's Main Office, please follow all safety and sanitation protocols posted.

1. Call to Order

- **NOTICE OF MEETING RECORDINGS**

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

- *Public Participation Sign-In Request*

2. Review of Agenda / Executive Sessions

- Additions to Agenda (vote required if action will be taken)

3. Approval of Minutes

- *August 28, 2023 Board meeting minutes*

4. Public Comments

5. Action / Discussion Items:

FINANCE AND ADMINISTRATION

- *2024 Budget: Preliminary Review (Discussion)*
- *2022 Audit & Financial Statements (Acceptance) (digital Board packet, pages 7-86)*

WATER

WASTEWATER

- 6. Monthly Project Updates / Information Items (1st Board meeting per month) (*digital Board packet, pages 87-95*) – **September report attached**
- 7. Monthly Financial Review (2nd Board meeting per month)
- 8. Monthly System Operations Overview (2nd Board meeting per month)
- 9. Staff Comments
- 10. Solicitor's Comments

11. Public Comments / Other Comments
12. Board Member Comments
13. Executive Sessions
14. Adjournment

UPCOMING BOARD MEETINGS		
September 18, 2023	October 9, 2023	October 23, 2023

PUBLIC PARTICIPATION POLICY

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

REGULAR MEETING MINUTES

August 28, 2023

The Regular Meeting of the Lehigh County Authority Board of Directors was called to order at 12:02 p.m. on Monday, August 28, 2023, Chairman Brian Nagle presiding. The meeting was hybrid via in-person and video and audio advanced communication technology ("ACT"), using the Zoom internet application, including telephone option. Each Board member and other attendees of the meeting were able to hear each other attendee and be heard by each other attendee. The public could also participate in the meeting in-person or via ACT, using the Zoom internet application, including telephone option. A Roll Call of Board members present was taken. Brian Nagle, Amir Famili, Ted Lyons, Linda Rosenfeld, Norma Cusick, Jeff Morgan, Sean Ziller, and Marc Grammes were present for Roll Call, and remained for the duration of the meeting. Kevin Baker entered the meeting at 12:10 p.m.

Attorney Mike Gaul of KingSpry, the Authority's Solicitor, was present along with Authority Staff, Liesel Gross, Ed Klein, Chris Moughan, Andrew Moore, Albert Capuzzi, Phil DePoe, Susan Sampson, Chuck Volk, and Lisa Miller.

Chairman Nagle announced that the Board received their electronic and hard copies of the Board packet in advance. He noted that there was a change to the agenda to the page numbers due to the addition of the Administration and Suburban Division Preliminary 2024-2028 Capital Plan. He then asked if anyone did not receive their copy of the packet. A copy of the packet is also available online.

REVIEW OF AGENDA

Liesel Gross announced that there are no other changes to the agenda. An Executive Session is planned after the regular meeting to discuss a security matter.

APPROVAL OF MINUTES

August 14, 2023 Meeting Minutes

On a motion by Linda Rosenfeld, seconded by Sean Ziller, the Board approved the minutes of the August 14, 2023 Board meeting as presented (7-0). Norma Cusick abstained.

PUBLIC COMMENTS

None.

Administration and Suburban Division Preliminary 2024-2028 Capital Plan

Liesel Gross provided an overview of the Authority's process for developing the Capital Plan (Plan), which is conducted annually. She noted the various Board approvals and public input process, and explained that today's presentation is focused on the Suburban Division draft Plan for the 2024 to 2028 time period. She reviewed key highlights of the Suburban Division Plan, which includes cost increases from prior five-year plans. Major drivers for the increases include \$11 million for the Western Lehigh Interceptor projects; \$7.5 million for an increase in annual smaller maintenance projects; and \$1.6 million to increase Pretreatment Plant annual projects. She noted there are some major differences from the Allentown Division plan that are not included in the Suburban Division plan such as the lead service line replacements, PFAS treatment costs, and the pass-through costs from Allentown, which will show in future rates via cost-sharing agreements. She also explained that while this Plan represents a cost increase from prior plans, there are other costs not included related to the regional Act 537 Plan that is under development. The projects that are determined through the Act 537 Plan process will be incorporated into future plans.

Chuck Volk then presented the Administration Capital plan highlights included in the Plan. His presentation included a review of annual and new projects included for the first time in this year's Capital Plan. The new projects included: MUNIS software implementation and the main office improvements. He then reviewed the Suburban Division Capital plan water and wastewater project details included in the plan and detailed in the PowerPoint presentation. His presentation included a review of annual projects, system improvement projects, and new projects. The new projects included: Water Quality Upgrades and Studies, Central Lehigh System Supply Improvements, North Whitehall Township Act 537 Planning, Spring Creek Pump Station Upgrade, Sand Spring WWTP Improvements, and Spring Creek Pump Station Force Main relocation. He also noted that the SCADA projects for both water and wastewater were moved to the annual projects list.

Ed Klein reviewed the financial analysis included in the Plan, noting water projects total \$34 million, and the wastewater projects total \$34 million. To fund the water projects, approximately \$14 million will be funded through current revenues or reserves, and \$20 million will be funded from new borrowing. Funding for the wastewater projects is approximately \$17 million funded through current revenues or reserves, and \$16 million funded from new borrowing. He presented a condensed cash flow statement that indicates the Authority's key financial metrics related to cash balances and debt service coverage would continue to be achieved during the Plan period.

Liesel Gross concluded the presentation with a recap of the plan noting the \$23 million increase in the Plan is driven primarily by the increase in annual maintenance projects and the Western Lehigh Interceptor projects. With the new borrowing for water and wastewater, financial performance is maintained and rate impacts remain modest with approximately 3.5 to 4% annual increases for water rates and relatively flat rates for wastewater. The rate impacts remain modest but may need to be adjusted as pass-through costs from the Allentown Division projects are added. She also noted that future capital plans will increase significantly as regional Act 537 Plan projects are finalized. The new borrowing shown in the current Plan for wastewater projects allows current cash reserves to be preserved and expanded, which will help to pay for these future Act 537 Plan project costs.

Liesel Gross reviewed the timeline for future presentations and public input, and noted that Plan approval will be requested in October. She requested any Board comments or questions be submitted to her so they can be incorporated into the final plan documents prior to the October Board meeting.

There was some Board discussion about satellite systems and the rates in the Northern Lehigh Division. Marc Grammes asked for more information about the Washington Township water and wastewater systems and the relationship with the Borough of Slatington. Liesel Gross will prepare information to share with Mr. Grammes. There was also brief discussion regarding funding of the lead service line replacement program.

Resolution No. 8-2023-1: Specifying Authorized Persons to Perform Financial Transactions

Liesel Gross explained that the Resolution authorizes certain personnel to sign financial documents, and staff is requesting an update to reflect personnel changes that have occurred over the past few years.

On a motion by Jeff Morgan, seconded by Ted Lyons, the Board adopted Resolution No. 8-2023-1 specifying authorized persons to perform Authority financial transactions (9-0).

A roll call vote was taken with the following votes cast:

Brian Nagle – yes
Amir Famili – yes

Ted Lyons – yes
Linda Rosenfeld – yes
Norma Cusick – yes
Kevin Baker – yes
Jeff Morgan – yes
Sean Ziller – yes
Marc Grammes – yes

KISS Modeling – Final Alternatives Analysis (FAA) Presentation

Liesel Gross provided a presentation and overview of the Kline's Island Sewer System (KISS) regional sewer facilities planning effort, known as an Act 537 Plan. The plan will be developed to address three major challenges: aging infrastructure, size of the infrastructure, and capacity at the Pretreatment Plant. The plan must also include all-inclusive solutions, including routine repair and rehab projects, future flow projections and plans to accommodate planned growth, a financing plan and rate projections, and an implementation plan with institutional structure. The planning work is on schedule for completion in 2024 and municipal approval in 2025. The implementation period will be 2026 through 2035.

Ms. Gross reviewed the major project components of the plan which include the Kline's Island Wastewater Treatment plant wet-weather upgrades and master plan improvements; core conveyance system upgrades including addressing the Little Lehigh and Western Lehigh interceptors; Pretreatment Plant capacity upgrades and master plan improvements; municipal sewer collection systems upgrades to address inflow and infiltration; and projects to address specific inflow challenged interceptors located within the municipal systems. There was some discussion regarding the alternatives to address the Western Lehigh Interceptor through parallel interceptors versus pumping through a new pump station and force main. Ms. Gross explained the current cost estimates of \$577 to \$588 million illustrates very minimal cost difference between the options, so the decision must be made based on other factors such as ease of construction, environmental and social impacts, and life cycle cost. There are several key decisions that must be made in the next few months to finalize the plan, and the Western Lehigh Interceptor solution is a key decision the region must make.

Ms. Gross explained the Authority's role in the decision-making process and asked the Board how they would like to weigh in on these decisions. The municipalities served by the KISS system, not the Authority, must take action to review and approve the Act 537 Plan. However, the Authority will be tasked with funding and implementing the plan. There was some Board discussion about the decision-making process and how the Authority Board should participate in the process. Ms. Gross reviewed the recommended approach to gathering public input, which would be helpful in the decision-making process. She reviewed a conceptual approach to conduct outreach with the municipalities, key stakeholders, and the general public. The Board discussed the recommended public input process and expressed support for gathering input earlier in the process, prior to issuing the final plan for municipal approval.

Ms. Gross reviewed the planning activities for the remainder of the year.

MONTHLY FINANCIAL REVIEW

Ed Klein gave an overview of the July 2023 financial statements, highlighting variances between actual expenses and budgeted or forecasted expenses. Mr. Klein reported that all three funds are performing better than forecast.

MONTHLY SYSTEM OPERATIONS OVERVIEW

Andrew Moore reviewed the July 2023 Operations report and noted highlights as outlined in the report.

There was some additional Board discussion about recent main breaks and safety processes and procedures.

STAFF COMMENTS

Liesel Gross announced that at the PMAA Conference in September, past Board member Richard Bohner will receive an award recognizing his 50 years of service. Since Mr. Bohner is unable to attend the conference, Ms. Gross will receive the award on his behalf and invite him to join a future Authority meeting to allow the Board to honor him and present the award.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

BOARD MEMBER COMMENTS

None.

EXECUTIVE SESSION

Chairman Nagle announced an Executive Session to discuss security matters would commence immediately following adjournment of the regular meeting.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 2:40 p.m.

Linda A. Rosenfeld
Secretary

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

YEARS ENDED DECEMBER 31, 2022 AND 2021

**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	25-69
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios	70
Schedule of Authority Contributions Pension Plan	71
Schedule of Changes in the Suburban Net OPEB Liability and Related Ratios	72
Schedule of Contributions Suburban OPEB Plan	73
Schedule of Investment Returns Suburban OPEB Plan	74
Schedule of Changes in the City Division Total OPEB Liability and Related Ratios	75
OTHER SUPPLEMENTARY INFORMATION:	
Combining Statement of Revenues, Expenses and Changes in Net Position – Suburban Wastewater Fund	76



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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, 2022 and 2021, 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, 2022 and 2021, 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.

830 Sir Thomas Court, Suite 100, Harrisburg, PA 17109
3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401
210 Tollgate Hill Road, Greensburg, PA 15601

www.zallc.org



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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 70 through 75 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

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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
August 4, 2023

INTRODUCTION

Lehigh County Authority is pleased to present its Annual Financial Report for the year ended December 31, 2022. 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

2022: A Year of Looking Forward

For many organizations, including Lehigh County Authority, 2022 was a year to begin moving forward. While the threats associated with the global COVID-19 pandemic continued throughout the year, their impact was greatly lessened, and response measures became more routine. The Authority returned to "normal" pre-pandemic operations in 2022. From a "lessons learned" perspective, however, Authority staff gained significant insights during the COVID-19 experience that will have lasting positive impacts. For example, the hardships felt by many Authority water and wastewater customers created a more poignant need to focus on affordability and rate relief programs, which will continue into the future. In addition, employees' enthusiastic adoption of innovative technology to support pandemic protocols has been extended, allowing certain remote operations protocols to continue that increase efficiency and add workplace flexibility. Looking ahead, the Authority expects to receive help from increased operational resiliency and deeper customer connections because of this highly challenging time.

In late 2021, the Authority adopted an updated Strategic Plan, which included updated mission, vision and values statements that will guide the Authority's work for the next several years. In 2022, LCA launched the "kickoff" of the key strategies defined in the plan, and Authority staff and board embraced the opportunity to look forward once again. Priorities were named in five key areas: Asset Management, Process Improvement, Water & Wastewater Capacity, Operational Excellence, and Employee Engagement & Safety. Throughout the year, strategy teams were developed, with internal "champions" assigned to work the plan. An updated quarterly reporting process was developed to keep the Board and public updated on the Authority's progress, coupled with a new dashboard of key performance indicators to measure success. By the close of the year, significant strides had been made in each of the five strategic priorities, and continued work planned for 2023 and beyond. More information about the Authority's 2022-2025 Strategic Plan is available on the Authority's website, or by contacting CEO Liesel Gross at lieselgross@lehighcountyauthority.org. Looking ahead, the groundwork laid in 2022 will go a long way toward supporting the Authority's mission: *To protect public health and the environment by providing high-quality, safe, and reliable water and wastewater services.*

Authority Activities and Highlights

The Authority's City Division was created on August 7, 2013, when the Authority bought 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 2022, the Authority's total assets and deferred outflows exceeded its liabilities and deferred inflows by \$156,868,629 (net position). The part of net position that can be used to meet the Authority's on-going obligations to customers and creditors, unrestricted net position, is (\$25,232,838).

The Authority's net position increased in 2022 by \$10,228,817, with an increase of \$4,138,513 and \$6,545,431 in the Suburban Water and City Division funds, respectively, offset by a decrease in the Suburban Wastewater fund of \$455,127.

Operating revenues increased from \$70,545,721 in 2021 to \$78,096,829 in 2022 due to increased Suburban Water Revenues of \$3,860,065, a decrease in Suburban Wastewater revenues of \$789,768 and an increase in City Division Revenues of \$4,480,811. Operating expenses increased from \$52,626,666 in 2021 to \$55,032,473 in 2022 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 following 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 like 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 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 supply 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 supply 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 on December 31 is presented as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets, Unrestricted	\$ 28,009,615	\$ 20,025,488	\$ 13,304,647
Non-current Assets:			
Restricted	61,306,220	60,788,278	59,947,285
Capital Assets, Net	1,987,204	945,827	941,153
Other Assets, Net	<u>255,809,350</u>	<u>253,383,943</u>	<u>255,101,102</u>
Total Assets	347,112,389	335,143,536	329,294,187
Deferred Outflows of Resources	<u>28,003,303</u>	<u>29,671,334</u>	<u>30,422,536</u>
Total Assets & Deferred Outflows	\$ 375,115,692	\$ 364,814,870	\$ 359,716,723
Current Liabilities	\$ 7,986,724	\$ 7,552,226	\$ 5,365,963
Non-current Liabilities	<u>415,808,462</u>	<u>413,589,023</u>	<u>412,009,079</u>
Total Liabilities	423,795,186	421,141,249	417,375,042
Deferred Inflows of Resources	<u>4,812,034</u>	<u>3,710,580</u>	<u>2,026,453</u>
Total Liabilities & Deferred Inflows	\$ 428,607,220	\$ 424,851,829	\$ 419,401,495
Net Position:			
Net Investment in Capital Assets	\$ 1,367,914	\$ 693,351	\$ 638,931
Restricted	3,288,666	1,037,068	-
Unrestricted	<u>(58,148,108)</u>	<u>(61,767,378)</u>	<u>(60,323,703)</u>
Total Net Position	<u>\$ (53,491,528)</u>	<u>\$ (60,036,959)</u>	<u>\$ (59,684,772)</u>

As expected for a water/sewer authority, the largest part of the City Division's assets are Capital Assets and Other Assets (74.3%). 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 2022 increased \$8,502,069, or 10.5%. This increase was primarily due to an increase for unrestricted cash, restricted cash, trade receivables and other receivables.
- Capital assets, net and other assets, net in 2022 increased by \$3,466,784, which was the net increase after considering new acquisitions offset by depreciation and amortization of \$6,492,067 along with an increase in the net pension asset.
- Current liabilities in 2022 increased by \$434,498 from 2021. This increase was primarily due to a higher current part of long-term debt with a partial offset from a reduction in trade payables.
- Noncurrent liabilities in 2022 increased by \$2,219,439 from 2021. 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 2021 increased \$7,561,834, or 10.3%. This increase was primarily due to an increase for 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 part 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.

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:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets, Unrestricted	\$ 13,417,932	\$ 12,480,046	\$ 14,104,096
Non-current Asset:			
Restricted	1,875,456	1,943,941	6,314,169
Capital Assets, Net	131,525,866	128,614,268	124,335,781
Other Assets, Net	2,282,894	2,540,046	1,448,937
Total Assets	149,102,148	145,578,301	146,202,983
Deferred Outflows	969,294	744,779	555,570
Total Assets & Deferred Outflows	<u>\$ 150,071,442</u>	<u>\$ 146,323,080</u>	<u>\$ 146,758,553</u>
Current Liabilities	\$ 5,894,716	\$ 3,854,367	\$ 4,486,161
Non-current Liabilities	32,251,632	34,422,363	40,051,208
Total Liabilities	38,146,348	38,276,730	44,537,369
Deferred Inflows	1,101,898	1,361,667	653,881
Total Liabilities & Deferred Inflows	<u>\$ 39,248,246</u>	<u>\$ 39,638,397</u>	<u>\$ 45,191,250</u>
Net Position:			
Net Investment in Capital Assets	\$ 97,314,000	\$ 92,406,620	\$ 86,673,358
Restricted	3,629,406	3,747,477	2,796,165
Unrestricted	9,879,790	10,530,586	12,097,780
Total Net Position	<u>\$ 110,823,196</u>	<u>\$ 106,684,683</u>	<u>\$ 101,567,303</u>

Again, as expected for a water/sewer authority, the largest part of the Suburban Water Fund's total assets & deferred outflows are Capital Assets and Other Assets (89.7%). 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 2022 increased by \$869,401, or 6.0%. This increase was primarily due to an increase in unrestricted cash balances and an increase in trade receivables with a partial offset from a reduction in other receivables.
- Capital assets, net and other assets, net in 2022 increased \$2,654,446 or 2.0%. This was primarily due to capital spending on projects.
- Current liabilities in 2022 increased \$2,040,349 or 52.9% from 2021. This increase was primarily due to an increase in trade payables.
- Noncurrent liabilities in 2022 decreased \$2,170,731 or 6.3% from 2021, due to a reduction in bond liability.
- 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 4.1%. 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, due to a reduction in developer escrow balances.

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>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets, Unrestricted	\$ 18,904,361	\$ 15,726,177	\$ 16,537,194
Non-current Asset:			
Restricted	338,677	338,360	338,204
Capital Assets, Net	82,277,489	83,812,944	83,691,424
Other Assets, Net	6,200,367	8,830,906	11,192,589
Total Assets	<u>107,720,894</u>	<u>108,708,387</u>	<u>111,759,411</u>
Deferred Outflows	269,644	331,223	268,506
Total Assets & Deferred Outflows	<u>\$ 107,990,538</u>	<u>\$ 109,039,610</u>	<u>\$ 112,027,917</u>
Current Liabilities	\$ 2,495,932	\$ 2,516,100	\$ 2,942,341
Non-current Liabilities	5,420,433	6,081,672	6,710,149
Total Liabilities	<u>7,916,365</u>	<u>8,597,772</u>	<u>9,652,490</u>
Deferred Inflows	537,212	449,750	274,730
Total Liabilities & Deferred Inflows	<u>\$ 8,453,577</u>	<u>\$ 9,047,522</u>	<u>\$ 9,927,220</u>
Net Position:			
Net Investment in Capital Assets	\$ 76,055,630	\$ 76,926,452	\$ 76,391,823
Restricted	445,851	140,598	-
Unrestricted	23,035,480	22,925,038	25,708,874
Total Net Position	<u>\$ 99,536,961</u>	<u>\$ 99,992,088</u>	<u>\$ 102,100,697</u>

Again, as expected for a water/sewer authority, the largest part of the Suburban Division's total assets & deferred outflows are Capital Assets and Other Assets (82.1%). These categories reflect the Authority's total investment in the capital and other assets (e.g., infrastructure, buildings, machinery, and equipment), less any depreciation and amortization.

- Current and noncurrent assets other than capital assets and other assets in 2022 increased \$3,178,501, or 19.8%. This increase was primarily due to an increase in unrestricted cash balances and an increase in unrestricted investment balances.
- Capital assets, net and other assets, net in 2022 decreased \$4,165,994 or 4.5%. This was due to capital spending on projects being outpaced by higher depreciation.
- Current liabilities in 2022 decreased \$20,168 or 0.8% from 2021. This decrease was primarily due to decreases in lease liabilities.
- Noncurrent liabilities in 2022 decreased \$661,239 or 10.9% from 2021, due to a reduction in debt balances from principal payments.
- 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.

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 is presented as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
User Charges	\$ 46,293,205	\$ 41,949,921	\$ 37,748,826
Other Income & Rent	<u>464,040</u>	<u>326,513</u>	<u>234,849</u>
Total Operating Revenues	<u>46,757,245</u>	<u>42,276,434</u>	<u>37,983,675</u>
Operating Expenses:			
Salaries, Benefits & Administrative	11,922,755	11,658,011	12,466,218
Utilities, Supplies & Services	5,837,862	4,706,369	5,130,094
Treatment & Transportation	11,594	12,480	11,926
Depreciation & Amortization	<u>6,492,067</u>	<u>6,399,799</u>	<u>6,190,313</u>
Total Operating Expenses	<u>24,264,278</u>	<u>22,776,659</u>	<u>23,798,551</u>
Operating Income	<u>22,492,967</u>	<u>19,499,775</u>	<u>14,185,124</u>
Non-Operating Revenues (Expenses):			
Tapping & Capital Recovery Fees	2,491,962	2,173,581	1,901,863
Meter Sales	36,231	29,584	24,595
Inspection, Plan Reviews & Project Reimbursements	5,806,628	1,308,125	841,585
Interest Earnings	914,681	5,373	162,075
Other Income	214,812	113,357	51,620
Interest Expense	(19,703,642)	(19,452,114)	(17,257,071)
Other Expense	<u>(5,708,208)</u>	<u>(4,029,868)</u>	<u>(4,206,199)</u>
Total Net Non-Operating Revenues (Expenses)	<u>(15,947,536)</u>	<u>(19,851,962)</u>	<u>(18,481,532)</u>
Increase (Decrease) in Net Position	<u>6,545,431</u>	<u>(352,187)</u>	<u>(4,296,408)</u>
Beginning Net Position, as Restated	<u>(60,036,959)</u>	<u>(59,684,772)</u>	<u>(55,388,364)</u>
Ending Net Position	<u>\$ (53,491,528)</u>	<u>\$ (60,036,959)</u>	<u>\$ (59,684,772)</u>

Year over year changes are as follows:

- Operating Revenue for 2022 for the City Division was \$46,757,245, compared to \$42,276,434 in 2021 with most of the increase attributable to a rate increase and higher Signatory Revenues.
- Operating Expenses, net of depreciation and amortization were \$17,772,211 in 2022 compared to \$16,376,860 in 2021, an increase of \$1,395,351. The increase is due to higher employee costs, higher costs for materials and supplies, and higher costs for services.
- Operating Income, net of depreciation and amortization was \$28,985,034 in 2022 compared to \$25,899,574 in 2021, an increase of \$3,085,460 driven mostly by the increased operating revenues with a partial offset from higher operating expenses.
- 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 \$17,608,328 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 driven mostly by the reduction in operating expenses and higher operating revenues.

It should be noted that interest expense of \$19,703,642 in 2022 is comprised of actual interest paid (\$11,511,011), accretion (\$3,909,635), amortization of the SCA Payable (\$3,074,043), change in accrued interest payable (\$14,860), amortization of bond discount (\$165,941), interest on leases (\$8,236), 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:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
User Charges	\$ 15,642,798	\$ 12,399,103	\$ 10,834,135
Other Income & Rent	675,134	58,764	32,540
Total Operating Revenues	<u>16,317,932</u>	<u>12,457,867</u>	<u>10,866,675</u>
Operating Expenses:			
Salaries, Benefits & Administrative	3,574,441	3,221,208	2,877,277
Utilities, Supplies & Services	5,006,631	4,340,242	4,351,085
Treatment & Transportation	-	-	-
Depreciation & Amortization	3,665,828	3,373,864	2,942,067
Total Operating Expenses	<u>12,246,900</u>	<u>10,935,314</u>	<u>10,170,429</u>
Operating Income/(Loss)	<u>4,071,032</u>	<u>1,522,553</u>	<u>696,246</u>
Non-Operating Revenues/(Expenses):			
Tapping & Capital Recovery Fees	279,250	386,165	464,648
Meter Sales	140,444	150,087	77,685
Inspection, Plan Reviews & Project Reimbursements	233,338	1,022,771	318,263
Interest Earnings	64,387	34,284	84,958
Other Income	173,318	132,181	105,508
Interest Expense	(847,133)	(1,136,953)	(1,442,776)
Other Expense	(229,725)	(255,343)	(57,563)
Total Net Non-Operating Revenues/(Expenses)	<u>(186,121)</u>	<u>333,192</u>	<u>(449,277)</u>
Increase/(Decrease) in Net Position Before Capital Contributions	<u>3,884,911</u>	<u>1,855,745</u>	<u>246,969</u>
Capital Contributions			
Grants	-	34,523	-
Capital Assets Provided by Developers & Other	253,602	3,227,112	209,793
Total Capital Contributions	<u>253,602</u>	<u>3,261,635</u>	<u>209,793</u>
Increase/(Decrease) in Net Position	<u>4,138,513</u>	<u>5,117,380</u>	<u>456,762</u>
Beginning Net Position, as Restated	<u>106,684,683</u>	<u>101,567,303</u>	<u>101,110,541</u>
Ending Net Position	<u>\$ 110,823,196</u>	<u>\$ 106,684,683</u>	<u>\$ 101,567,303</u>

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

- Operating Revenue in 2022 for the Suburban Water Fund was \$16,317,932 compared to \$12,457,867 in 2021. The primary driver for the increase in Water Fund revenue was higher volumes along with increased rates.
- Operating expenses, net of depreciation & amortization was \$8,581,072 in 2022 compared to \$7,561,450 in 2021, an increase of \$1,019,622 over 2021. This increase was driven by higher employee costs, higher materials and supplies, and higher services costs.
- Operating Revenue in 2021 for the Suburban Water Fund was \$12,457,867 compared to \$10,866,675 in 2020. 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.

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>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
User Charges	\$ 14,684,737	\$ 15,606,887	\$ 15,980,601
Other Income & Rent	336,915	204,533	188,326
Total Operating Revenues	<u>15,021,652</u>	<u>15,811,420</u>	<u>16,168,927</u>
Operating Expenses:			
Salaries, Benefits & Administrative	1,470,168	1,437,400	1,364,707
Utilities, Supplies & Services	7,114,123	6,906,429	6,445,488
Treatment & Transportation	2,846,176	3,899,502	2,906,958
Depreciation & Amortization	7,090,828	6,671,362	6,295,598
Total Operating Expenses	<u>18,521,295</u>	<u>18,914,693</u>	<u>17,012,751</u>
Operating Income/(Loss)	<u>(3,499,643)</u>	<u>(3,103,273)</u>	<u>(843,824)</u>
Non-Operating Revenues/(Expenses):			
Tapping & Capital Recovery Fees	3,236,640	752,932	3,575,692
Meter Sales	-	-	-
Inspection, Plan Reviews & Project Reimbursements	82,529	4,108	8,655
Interest Earnings	(3,778)	25,019	193,926
Other Income	1,585	45,690	11,694
Interest Expense	(185,935)	(199,973)	(199,707)
Other Expense	(86,525)	(55,412)	(42,698)
Total Net Non-Operating Revenues/(Expenses)	<u>3,044,516</u>	<u>572,364</u>	<u>3,547,562</u>
Increase/(Decrease) in Net Position Before Capital Contributions	<u>(455,127)</u>	<u>(2,530,909)</u>	<u>2,703,738</u>
Capital Contributions			
Grants	-	-	-
Capital Assets Provided by Developers & Other	-	422,300	7,620
Total Capital Contributions	<u>-</u>	<u>422,300</u>	<u>7,620</u>
Increase/(Decrease) in Net Position	<u>(455,127)</u>	<u>(2,108,609)</u>	<u>2,711,358</u>
Beginning Net Position, as Restated	<u>99,992,088</u>	<u>102,100,697</u>	<u>99,389,339</u>
Ending Net Position	<u>\$ 99,536,961</u>	<u>\$ 99,992,088</u>	<u>\$ 102,100,697</u>

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

- Operating Revenue in 2022 for the Suburban Wastewater Fund was \$15,021,652 compared to \$15,811,420 in 2021. The primary driver for the decrease in Wastewater Fund revenue was lower flows and loads.
- Operating expenses, net of depreciation & amortization was \$11,430,467 in 2021, a decrease of \$812,864 compared to 2021 of \$12,243,331. The primary driver was lower treatment & transportation charges.
- Operating Revenue in 2021 for the Suburban Wastewater Fund was \$15,811,420 compared to \$16,168,927 in 2020. The primary driver for the decrease 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.

- As a sign 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>2022</u>	<u>2021</u>	<u>2020</u>
Water System # of Units Connected:			
Single Family Detached	175	162	90
Single Family Attached (Townhouses)	95	98	90
Apartments and Mobile Homes	274	9	140
Commercial	<u>9</u>	<u>15</u>	<u>18</u>
Total Water System Connections	<u>553</u>	<u>284</u>	<u>338</u>
Wastewater Capacity Sales in Gallons:			
Residential	71,806	63,555	49,952
Commercial	<u>182,559</u>	<u>1,150</u>	<u>244,921</u>
Total Sales	<u>254,365</u>	<u>64,705</u>	<u>294,873</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 higher in 2022 to previous year due to higher commercial activity.

- The Suburban Water System bought 7.34 million gallons per day (mgd) from the interconnection with its City Division in 2022. We expect to buy similar volume in 2023.
- The Suburban Division's Annual Water System Operating Coverage, which is figured out 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, 2022

	<u>Beginning Balance</u>	<u>Increased / (Decreased)</u>	<u>Ending Balance</u>
Net Investment in Capital			
Assets	\$ 169,333,072	\$ 4,036,558	\$ 173,369,630
Restricted Net Position	3,888,075	187,182	4,075,257
Unrestricted Net Position	<u>33,455,624</u>	<u>(540,354)</u>	<u>32,915,270</u>
Total Net Position	<u>\$ 206,676,771</u>	<u>\$ 3,683,386</u>	<u>\$ 210,360,157</u>

Other Selected Information:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Equivalent Fulltime Employees at Year-End	165	158	157
Units Served:			
<u>City Division:</u>			
Water:			
Water – Residential	42,249	41,998	41,742
Water – Industrial & Commercial	<u>5,462</u>	<u>5,184</u>	<u>5,179</u>
Total Water Billable Units	47,711	47,182	46,921
Wastewater:			
Wastewater – Residential	42,219	41,968	41,767
Wastewater – Commercial	<u>5,452</u>	<u>5,174</u>	<u>5,140</u>
Total Wastewater Billable Units	47,671	47,142	46,907
<u>Suburban Division:</u>			
Water – Residential	23,383	22,791	22,522
Water – Industrial & Commercial	<u>782</u>	<u>774</u>	<u>760</u>
Total Water Billable Units	24,165	23,565	23,282
Wastewater Collection – Residential	2,957	2,897	2,820
Wastewater Collection – Commercial	<u>133</u>	<u>132</u>	<u>128</u>
Total Wastewater Billable Units	3,090	3,029	2,948
Customers:	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>City Division:</u>			
Water – Residential	30,456	30,442	30,408
Water – Industrial & Commercial	<u>3,046</u>	<u>3,034</u>	<u>3,029</u>
Total Water Customers	33,502	33,476	33,437
Wastewater Collection – Residential	30,434	30,420	30,391
Wastewater Collection – Commercial	<u>3,036</u>	<u>3,024</u>	<u>3,014</u>
Total Wastewater Customers	33,470	33,444	33,405

Customers:	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Suburban Division:</u>			
Water – Residential	20,417	20,145	19,883
Water – Industrial & Commercial	<u>776</u>	<u>768</u>	<u>756</u>
Total Water Customers	21,193	20,913	20,639
Wastewater Collection – Residential	2,597	2,537	2,460
Wastewater Collection – Commercial	<u>127</u>	<u>126</u>	<u>124</u>
Total Wastewater Customers	2,724	2,663	2,584
Ratios:	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>City Division:</u>			
Ratio of Operating Revenue to:			
Operating Expenses, Net of Depreciation & Amortization	2.63	2.58	2.16
Total Assets (Annualized)	0.13	0.13	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)	3.51	2.65	2.48
<u>Suburban Water:</u>			
Ratio of Operating Revenue to:			
Operating Expenses, Net of Depreciation & Amortization	1.90	1.65	1.50
Total Assets	0.11	0.09	0.07
Total Net Position	0.15	0.12	0.11
Debt Related Ratios:			
Net Position to Long-Term Debt	3.44	3.19	3.02
Current Ratio (Current Assets/Current Liabilities)	2.28	3.24	3.14
<u>Suburban Wastewater:</u>			
Ratio of Operating Revenue to:			
Operating Expenses, Net of Depreciation & Amortization	1.31	1.29	1.51
Total Assets (Annualized)	0.14	0.15	0.14
Total Net Position	0.15	0.16	0.16
Debt Related Ratios:			
Net Position to Long-Term Debt	18.36	16.44	15.22
Current Ratio (Current Assets/Current Liabilities)	7.57	6.25	5.62

Capital Contributions

The Authority received no grants related to construction in 2022 and had \$34,523 in 2021. Another major source of capital contributions was derived from developer installed systems donated to the Authority. In 2022, \$253,602 was received compared to \$3,649,412 in 2021.

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 \$248,267,864 in 2021 to \$247,299,215 in 2022, and the City Divisions net capital assets increased from \$945,827 in 2021 to \$1,987,204 in 2022. 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 \$2,911,598 and decreased by \$1,535,455 in Suburban Wastewater. The changes from year to year are due to the relative changes in capital spending against depreciation & amortization. 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 part 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 part 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.

In 2022, there was \$12.2M of additional project financing activity 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 10% in January 2022 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:

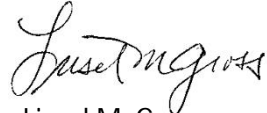
From the Suburban Division perspective, the Authority chose to increase water rates in 2022 to cover the funding of certain capital projects. The Suburban Division's rates continue to be among the lowest in the Lehigh Valley region.

With higher treatment and transportation costs from the former City of Allentown water and wastewater departments and significant maintenance needed 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 more information, contact Edward C. Klein, the Lehigh County Authority's Chief Financial Officer, P.O. Box 3348, Allentown, PA 18106.

Submitted by,



Liesel M. Gross
Chief Executive Officer



Edward C. Klein
Chief Financial Officer

LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA

STATEMENTS OF NET POSITION
December 31, 2022 AND 2021

- ASSETS AND DEFERRED OUTFLOWS OF RESOURCES-

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Current Assets:								
Cash and Cash Equivalents (Note 2)	\$ 5,505,549	\$ 4,546,072	\$ 7,753,178	\$ 6,335,679	\$ 11,937,407	\$ 9,707,253	\$ 25,196,134	\$ 20,589,004
Certificates of Deposit (Note 2)	2,945,069	2,975,124	8,866,269	6,977,547	-	-	11,811,338	9,952,671
Accounts Receivable:								
Customers	2,803,370	2,183,368	2,867,327	2,977,620	7,935,029	7,094,069	13,605,726	12,255,057
Financing Contracts (Note 4)	-	-	210,885	241,683	-	-	210,885	241,683
Others	323,672	1,019,043	652,299	601,489	7,485,033	2,768,144	8,461,004	4,388,676
Due from (to) Other Funds (Note 9)	1,577,517	1,561,765	(1,577,517)	(1,561,765)	-	-	-	-
Inventory	92,544	23,049	-	-	-	-	92,544	23,049
Accrued Interest Receivable	6,766	923	8,211	6,928	211,856	410	226,833	8,261
Prepaid Expenses	163,445	170,702	123,709	146,996	440,290	455,612	727,444	773,310
Total Current Assets	13,417,932	12,480,046	18,904,361	15,726,177	28,009,615	20,025,488	60,331,908	48,231,711
Noncurrent Assets:								
Restricted:								
Cash and Cash Equivalents (Note 2)	1,875,456	1,943,941	338,677	338,360	61,306,220	60,788,278	63,520,353	63,070,579
Total Restricted Assets	1,875,456	1,943,941	338,677	338,360	61,306,220	60,788,278	63,520,353	63,070,579
Capital Assets: (Notes 1 and 5)								
Land	3,334,473	3,295,901	1,896,050	1,896,050	-	-	5,230,523	5,191,951
Construction in progress	4,714,305	1,434,072	1,421,586	829,357	-	-	6,135,891	2,263,429
Wells & Reservoirs	11,702,311	11,069,710	3,494,643	3,494,643	-	-	15,196,954	14,564,353
Transmission & Distribution Mains	88,676,537	88,175,419	-	-	-	-	88,676,537	88,175,419
Services & Hydrants	18,511,665	18,461,760	-	-	-	-	18,511,665	18,461,760
Interceptor & Collector Systems	-	-	39,577,398	39,317,989	-	-	39,577,398	39,317,989
Building Structure & Appurtenances	30,639,526	30,349,884	71,847,880	70,916,999	-	-	102,487,406	101,266,883
Metering System	14,109,805	13,988,178	429,778	429,778	-	-	14,539,583	14,417,956
Equipment and Furnishings	10,619,945	9,552,072	24,113,872	23,887,742	3,784,342	3,346,802	38,518,159	36,786,616
Leased Equipment	8,829	8,829	8,829	8,829	54,217	54,217	71,875	71,875
Leased Vehicles	407,400	97,216	1,100,894	983,239	940,098	338,169	2,448,392	1,418,624
Capacity	1,207,901	1,207,901	248,561	579,587	-	-	1,456,462	1,787,488
Less accumulated depreciation & amortization	(52,406,831)	(49,026,674)	(61,862,002)	(58,531,269)	(2,791,453)	(2,793,361)	(117,060,286)	(110,351,304)
Total Capital Assets	131,525,866	128,614,268	82,277,489	83,812,944	1,987,204	945,827	215,790,559	213,373,039
Other Assets:								
Long-Term Portion of Receivables -								
Financing Contracts (Note 4)	-	-	749,038	960,693	-	-	749,038	960,693
Intangible Service Concession								
Arrangement (Note 6)	-	-	-	-	247,299,215	248,267,864	247,299,215	248,267,864
Net Pension Asset	885,694	279,300	445,851	140,598	3,288,666	1,037,068	4,620,211	1,456,966
Net OPEB Asset (Note 12)	1,164,309	1,897,911	-	-	-	-	1,164,309	1,897,911
Other Assets	-	-	-	-	5,221,469	4,079,011	5,221,469	4,079,011
Facilities Planning Costs								
(Net of Accumulated Amortization) (Note 7)	232,891	362,835	5,005,478	7,729,615	-	-	5,238,369	8,092,450
Total Other Assets	2,282,894	2,540,046	6,200,367	8,830,906	255,809,350	253,383,943	264,292,611	264,754,895
Total Noncurrent Assets	135,684,216	133,098,255	88,816,533	92,982,210	319,102,774	315,118,048	543,603,523	541,198,513
Total Assets	149,102,148	145,578,301	107,720,894	108,708,387	347,112,389	335,143,536	603,935,431	589,430,224
Deferred Outflows of Resources								
Pensions	535,658	657,983	269,644	331,223	1,988,935	2,443,204	2,794,237	3,432,410
OPEB	433,636	86,796	-	-	601,463	795,309	1,035,099	882,105
Refunding Loss on Bonds	-	-	-	-	25,412,905	26,432,821	25,412,905	26,432,821
Total Deferred Outflows	969,294	744,779	269,644	331,223	28,003,303	29,671,334	29,242,241	30,747,336
Total Assets and Deferred Outflows of Resources	\$ 150,071,442	\$ 146,323,080	\$ 107,990,538	\$ 109,039,610	\$ 375,115,692	\$ 364,814,870	\$ 633,177,672	\$ 620,177,560

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, 2022 AND 2021

- LIABILITIES AND NET POSITION -

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Current Liabilities:								
Accounts Payable - Trade	\$ 2,949,674	\$ 919,345	\$ 1,531,795	\$ 1,522,256	\$ 2,701,212	\$ 2,971,985	\$ 7,182,681	\$ 5,413,586
Accounts Payable - Capital	215,964	277,831	46,218	93,956	247,358	195,097	509,540	566,884
Accrued Interest Payable	186,518	200,039	-	3,346	974,111	959,251	1,160,629	1,162,636
Lease Payable	67,711	20,468	130,725	202,687	166,514	78,716	364,950	301,871
Notes Payable (Note 8)	75,541	74,410	453,376	443,724	-	-	528,917	518,134
Revenue Bonds Payable (Note 8)	1,935,000	1,850,767	241,714	177,473	3,441,583	3,023,568	5,618,297	5,051,808
Developer Deposits and Other (Note 10)	256,282	359,362	2,950	2,950	81,682	37,852	340,914	400,164
Accrued Payroll & Other	208,026	152,145	89,154	69,708	374,264	285,757	671,444	507,610
Total Current Liabilities	5,894,716	3,854,367	2,495,932	2,516,100	7,986,724	7,552,226	16,377,372	13,922,693
Noncurrent Liabilities:								
Developer Deposits and Other (Note 10)	118,018	160,360	24,389	19,064	-	10,000	142,407	189,424
SCA Payable (Note 6)	-	-	-	-	67,771,081	65,983,689	67,771,081	65,983,689
Lease Payable	234,993	70,709	233,387	263,627	452,776	173,760	921,156	508,096
Notes Payable (Note 8)	775,582	787,494	4,270,580	4,723,957	-	-	5,046,162	5,511,451
OPEB Liability	-	-	-	-	3,199,323	3,588,854	3,199,323	3,588,854
Revenue Bonds Payable (Net of Premium/Discount) (Note 8)	31,123,039	33,403,800	892,077	1,075,024	344,385,282	343,832,720	376,400,398	378,311,544
Total Noncurrent Liabilities	32,251,632	34,422,363	5,420,433	6,081,672	415,808,462	413,589,023	453,480,527	454,093,058
Total Liabilities	38,146,348	38,276,730	7,916,365	8,597,772	423,795,186	421,141,249	469,857,899	468,015,751
Deferred Inflows of Resources								
Pensions	1,067,188	893,441	537,212	449,750	3,962,567	3,317,431	5,566,967	4,660,622
OPEB	34,710	468,226	-	-	849,467	393,149	884,177	861,375
Total Deferred Inflows	1,101,898	1,361,667	537,212	449,750	4,812,034	3,710,580	6,451,144	5,521,997
Net Position: (Notes 1 and 13)								
Net Investment in Capital Assets	97,314,000	92,406,620	76,055,630	76,926,452	1,367,914	693,351	174,737,544	170,026,423
Restricted for Debt Service	1,579,403	1,570,266	-	-	-	-	1,579,403	1,570,266
Restricted for Net Pension Asset	885,694	279,300	445,851	140,598	3,288,666	1,037,068	4,620,211	1,456,966
Restricted for Net OPEB Asset	1,164,309	1,897,911	-	-	-	-	1,164,309	1,897,911
Unrestricted	9,879,790	10,530,586	23,035,480	22,925,038	(58,148,108)	(61,767,378)	(25,232,838)	(28,311,754)
Total Net Position	110,823,196	106,684,683	99,536,961	99,992,088	(53,491,528)	(60,036,959)	156,868,629	146,639,812
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 150,071,442	\$ 146,323,080	\$ 107,990,538	\$ 109,039,610	\$ 375,115,692	\$ 364,814,870	\$ 633,177,672	\$ 620,177,560

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, 2022 and 2021**

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
OPERATING REVENUES:								
Charges for Services	\$ 15,642,798	\$ 12,399,103	\$ 14,684,737	\$ 15,606,887	\$ 46,293,205	\$ 41,949,921	\$ 76,620,740	\$ 69,955,911
Rent	-	-	-	-	-	-	-	-
Other Income	675,134	58,764	336,915	204,533	464,040	326,513	1,476,089	589,810
Total Operating Revenues	<u>16,317,932</u>	<u>12,457,867</u>	<u>15,021,652</u>	<u>15,811,420</u>	<u>46,757,245</u>	<u>42,276,434</u>	<u>78,096,829</u>	<u>70,545,721</u>
OPERATING EXPENSES								
Salaries and Wages	2,273,458	1,936,530	930,273	807,480	7,738,611	7,393,768	10,942,342	10,137,778
Employee Benefits	747,347	774,783	314,861	411,940	2,579,002	2,734,246	3,641,210	3,920,969
General and Administrative	553,636	509,895	225,034	217,980	1,605,142	1,529,997	2,383,812	2,257,872
Utilities	481,997	423,327	271,866	269,555	1,802,290	1,705,824	2,556,153	2,398,706
Materials and Supplies	860,080	472,436	339,120	231,857	2,227,856	1,486,678	3,427,056	2,190,971
Miscellaneous Services	3,664,554	3,444,479	6,503,137	6,405,017	1,807,716	1,513,867	11,975,407	11,363,363
Treatment and Transportation	-	-	2,846,176	3,899,502	11,594	12,480	2,857,770	3,911,982
Depreciation and Amortization	3,665,828	3,373,864	7,090,828	6,671,362	6,492,067	6,399,799	17,248,723	16,445,025
Total Operating Expenses	<u>12,246,900</u>	<u>10,935,314</u>	<u>18,521,295</u>	<u>18,914,693</u>	<u>24,264,278</u>	<u>22,776,659</u>	<u>55,032,473</u>	<u>52,626,666</u>
OPERATING INCOME (LOSS)	<u>4,071,032</u>	<u>1,522,553</u>	<u>(3,499,643)</u>	<u>(3,103,273)</u>	<u>22,492,967</u>	<u>19,499,775</u>	<u>23,064,356</u>	<u>17,919,055</u>
NONOPERATING REVENUES (EXPENSES):								
Tapping and Capital Recovery Fees	279,250	386,165	3,236,640	752,932	2,491,962	2,173,581	6,007,852	3,312,678
Meter Sales	140,444	150,087	-	-	36,231	29,584	176,675	179,671
Inspection, Plan Reviews, and Project Reimbursements	233,338	1,022,771	82,529	4,108	5,806,628	1,308,125	6,122,495	2,335,004
Investment Earnings	64,387	34,284	(3,778)	25,019	914,681	5,373	975,290	64,676
Interest Expense	(847,133)	(1,136,953)	(185,935)	(199,973)	(19,703,642)	(19,452,114)	(20,736,710)	(20,789,040)
Other Expense	(229,725)	(255,343)	(86,525)	(55,412)	(5,708,208)	(4,029,868)	(6,024,458)	(4,340,623)
Other Income	173,318	132,181	1,585	45,690	214,812	113,357	389,715	291,228
Total Nonoperating Revenues/(Expenses)	<u>(186,121)</u>	<u>333,192</u>	<u>3,044,516</u>	<u>572,364</u>	<u>(15,947,536)</u>	<u>(19,851,962)</u>	<u>(13,089,141)</u>	<u>(18,946,406)</u>
Increase (Decrease) in net position before capital contributions	<u>3,884,911</u>	<u>1,855,745</u>	<u>(455,127)</u>	<u>(2,530,909)</u>	<u>6,545,431</u>	<u>(352,187)</u>	<u>9,975,215</u>	<u>(1,027,351)</u>
Capital Contributions:								
Capital Grant	-	34,523	-	-	-	-	-	34,523
Capital Assets Provided by Developers and Others	253,602	3,227,112	-	422,300	-	-	253,602	3,649,412
Total Capital Contributions	<u>253,602</u>	<u>3,261,635</u>	<u>-</u>	<u>422,300</u>	<u>-</u>	<u>-</u>	<u>253,602</u>	<u>3,683,935</u>
Increase (Decrease) in Net Position	<u>4,138,513</u>	<u>5,117,380</u>	<u>(455,127)</u>	<u>(2,108,609)</u>	<u>6,545,431</u>	<u>(352,187)</u>	<u>10,228,817</u>	<u>2,656,584</u>
Net Position at Beginning of Year	<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>
Net Position at End of Year	<u>\$ 110,823,196</u>	<u>\$ 106,684,683</u>	<u>\$ 99,536,961</u>	<u>\$ 99,992,088</u>	<u>\$ (53,491,528)</u>	<u>\$ (60,036,959)</u>	<u>\$ 156,868,629</u>	<u>\$ 146,639,812</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, 2022 AND 2021

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Received From Customers	\$ 15,718,167	\$ 11,718,156	\$ 14,986,673	\$ 16,282,313	\$ 40,735,356	\$ 43,470,962	\$ 71,440,196	\$ 71,471,431
Cash Payments To Suppliers For Goods And Services	(3,038,540)	(4,653,099)	(9,927,473)	(11,142,933)	(6,104,907)	(3,301,143)	(19,070,920)	(19,097,175)
Cash Payments To Employees For Services	(3,875,636)	(3,696,003)	(1,606,934)	(1,581,866)	(12,725,808)	(12,149,916)	(18,208,378)	(17,427,785)
Other Operating Cash Receipts	675,134	58,764	336,915	204,533	464,040	326,513	1,476,089	589,810
Net Cash Provided By Operating Activities	9,479,125	3,427,818	3,789,181	3,762,047	22,368,681	28,346,416	35,636,987	35,536,281
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interest Paid on Revenue Bonds and Notes	-	-	-	-	(11,519,246)	(11,554,153)	(11,519,246)	(11,554,153)
Facility Improvement Payments	-	-	-	-	(6,279,961)	(3,228,132)	(6,279,961)	(3,228,132)
Payments to the City of Allentown	-	-	-	-	(1,286,651)	(1,243,524)	(1,286,651)	(1,243,524)
Transfers From Other Funds	(15,752)	57,441	-	-	-	-	(15,752)	57,441
Transfers To Other Funds	-	-	15,752	(21,230)	-	(36,211)	15,752	(57,441)
Net Cash Provided By (Used in) Noncapital Financing Activities	(15,752)	57,441	15,752	(21,230)	(19,085,858)	(16,062,020)	(19,085,858)	(16,025,809)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Receipts/(Release) of Developer Deposits	-	63,857	5,325	-	33,830	22,975	39,155	86,832
Payments of Developer Deposits	(145,422)	-	-	-	-	-	(145,422)	-
Payments of Facilities Planning Costs	(96,748)	(505,178)	(873,051)	(1,176,935)	-	-	(969,799)	(1,682,113)
Acquisition and Construction of Property and Equipment	(5,873,985)	(4,117,160)	(2,180,933)	(3,044,918)	(825,280)	(143,364)	(8,880,198)	(7,305,442)
Proceeds From Capacity Sales	-	-	331,026	298,290	-	-	331,026	298,290
Cash Received from Tapping and Capital Recovery Fees	279,250	386,165	3,236,640	752,932	2,491,962	2,173,581	6,007,852	3,312,678
Cash Received from Meter Sales	140,444	150,087	-	-	36,231	29,584	176,675	179,671
Cash Received from Inspection, Plan Reviews, and Project Reimbursemer	233,338	1,022,771	82,529	4,108	5,806,628	1,308,125	6,122,495	2,335,004
Other Capital Cash Receipts	173,318	166,704	(123,301)	(217,072)	214,812	113,357	264,829	62,989
Other Capital Cash Payments	(204,555)	(255,343)	-	-	(5,656,030)	(4,150,067)	(5,860,585)	(4,405,410)
Revenue Bond and Note Issuance Proceeds	63,629	21,066,942	-	-	-	-	63,629	21,066,942
Payments to Escrow Agents	-	-	-	-	-	-	-	-
Principal Paid On Leases	(98,657)	(11,219)	(219,857)	(177,926)	(235,115)	(74,050)	(553,629)	(263,195)
Principal Paid On Revenue Bonds	(1,850,767)	(21,146,465)	(118,706)	(114,595)	(3,105,000)	(2,570,000)	(5,074,473)	(23,831,060)
Principal Paid On Revenue Notes	(74,410)	(1,376,204)	(443,725)	(434,775)	-	-	(518,135)	(1,810,979)
Interest Paid On Revenue Bonds and Notes	(1,206,415)	(1,344,768)	(189,281)	(199,973)	-	-	(1,395,696)	(1,544,741)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(8,660,980)	(5,899,811)	(493,334)	(4,310,864)	(1,237,962)	(3,289,859)	(10,392,276)	(13,500,534)
CASH FLOWS FROM INVESTING ACTIVITIES								
Maturities of Certificates Of Deposit	990,000	1,493,682	2,906,000	3,439,000	-	-	3,896,000	4,932,682
Purchase of Certificates Of Deposit	(984,000)	(1,988,000)	(4,898,000)	(4,084,000)	-	-	(5,882,000)	(6,072,000)
Purchase of U.S. Treasury Obligations	-	-	-	-	-	-	-	-
Maturities of U.S. Treasury Obligations	-	245,000	-	-	-	-	-	245,000
Interest Received On Investments	82,599	51,918	98,217	95,878	703,235	5,454	884,051	153,250
Net Cash Provided by (Used in) Investing Activities	88,599	(197,400)	(1,893,783)	(549,122)	703,235	5,454	(1,101,949)	(741,068)
Net Increase (Decrease) in Cash	890,992	(2,611,952)	1,417,816	(1,119,169)	2,748,096	8,999,991	5,056,904	5,268,870
Cash:								
Beginning	6,490,013	9,101,965	6,674,039	7,793,208	70,495,531	61,495,540	83,659,583	78,390,713
Ending	<u>\$ 7,381,005</u>	<u>\$ 6,490,013</u>	<u>\$ 8,091,855</u>	<u>\$ 6,674,039</u>	<u>\$ 73,243,627</u>	<u>\$ 70,495,531</u>	<u>\$ 88,716,487</u>	<u>\$ 83,659,583</u>
Cash Consisted of the Following:								
Cash and Cash Equivalents	\$ 5,505,549	\$ 4,546,072	\$ 7,753,178	\$ 6,335,679	\$ 11,937,407	\$ 9,707,253	\$ 25,196,154	\$ 20,589,004
Restricted Cash and Cash Equivalents	1,875,456	1,943,941	338,677	338,360	61,306,220	60,788,278	63,520,353	63,070,579
Total Cash and Cash Equivalents	<u>\$ 7,381,005</u>	<u>\$ 6,490,013</u>	<u>\$ 8,091,855</u>	<u>\$ 6,674,039</u>	<u>\$ 73,243,627</u>	<u>\$ 70,495,531</u>	<u>\$ 88,716,487</u>	<u>\$ 83,659,583</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, 2022 AND 2021

	Suburban Water Fund		Suburban Wastewater Fund		City Division Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities								
Operating Income (Loss)	\$ 4,071,032	\$ 1,522,553	\$ (3,499,643)	\$ (3,103,273)	\$ 22,492,967	\$ 19,499,775	\$ 23,064,356	\$ 17,919,055
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by/(Used In) Operating Activities:								
Depreciation and Amortization	3,665,828	3,373,864	7,090,828	6,671,362	6,492,067	6,399,799	17,248,723	16,445,025
Change in Assets and Liabilities:								
(Increase)/Decrease in Accounts Receivable Custom	(620,002)	(53,878)	110,293	308,421	(840,960)	987,918	(1,350,669)	1,242,461
(Increase)/Decrease in Financing Contract Receivable	-	-	242,453	322,261	-	-	242,453	322,261
(Increase)/Decrease in Other Operating Receivable	695,371	(627,069)	(50,810)	44,744	(4,716,889)	533,123	(4,072,328)	(49,202)
(Increase)/Decrease in Inventory	(69,495)	1,548	-	-	-	-	(69,495)	1,548
(Increase)/Decrease in Prepaid Expense	7,257	25,216	23,287	(18,914)	15,322	(46,754)	45,866	(40,452)
Increase in OPEB Liability	-	-	-	-	(389,531)	(236,289)	(389,531)	(236,289)
Decrease in OPEB Asset	733,602	(508,812)	-	-	-	-	733,602	(508,812)
Increase/(Decrease) in Accounts Payable - Trade	2,030,329	(339,621)	9,539	(318,088)	(270,773)	1,464,460	1,769,095	806,751
Increase in Net Pension Liability	(606,394)	(466,603)	(305,253)	(234,884)	(2,251,598)	(1,732,541)	(3,163,245)	(2,434,028)
(Increase) in Pension Deferred Outflows	122,325	(124,588)	61,579	(62,717)	454,269	(462,660)	638,173	(649,965)
(Increase) in OPEB Deferred Outflows	(346,840)	(64,621)	-	-	193,846	193,946	(152,994)	129,325
Increase in OPEB Deferred Inflows	(433,516)	360,103	-	-	456,318	393,149	22,802	753,252
Increase in Pension Deferred Inflows	173,747	347,683	87,462	175,020	645,136	1,290,978	906,345	1,813,681
Increase/(Decrease) in Accrued Wages and Other	55,881	(17,957)	19,446	(21,885)	88,507	61,512	163,834	21,670
Net Cash Provided By Operating Activities	\$ 9,479,125	\$ 3,427,818	\$ 3,789,181	\$ 3,762,047	\$ 22,368,681	\$ 28,346,416	\$ 35,636,987	\$ 35,536,281
Noncash Investing, Capital, and Financing Activities								
Noncash Capital Activities, Contribution of Capital Assets From Developers and Others	\$ 253,602	\$ 3,227,112	\$ -	\$ 422,300	\$ -	\$ -	\$ 253,602	\$ 3,649,412
Noncash Noncapital Activities, Accretion on Bonds Payable	-	-	-	-	3,909,636	3,748,807	3,909,636	3,748,807
Noncash Noncapital Activities, Change in Present Value of SCA Asset	-	-	-	-	-	-	-	-
Noncash Noncapital Activities, Change in Present Value of SCA Payable	-	-	-	-	3,074,043	2,966,136	3,074,043	2,966,136
Change in Fair Value of Investments	24,055	16,943	103,278	55,199	-	-	127,333	72,142

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, 2022 and 2021**

	Component Unit Suburban Post Employment Health Fund	
	2022	2021
Assets		
Investments:		
Cash Equivalents	\$ 146,523	\$ 156,984
Mutual Funds - Equity	1,767,807	2,224,550
Stocks	1,288,876	1,491,658
Corporate Bonds	154,422	155,695
Total Assets	<u>\$ 3,357,628</u>	<u>\$ 4,028,887</u>
Liabilities		
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
Net Position Restricted for Post Retirement Health Benefits	<u>\$ 3,357,628</u>	<u>\$ 4,028,887</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, 2022 and 2021**

	Component Unit Suburban Post Employment Health Fund	
	2022	2021
Additions:		
Contributions:		
Employer	\$ 12,008	\$ 11,831
Total Contributions	12,008	11,831
Investment Income:		
Net Increase/(Decrease) in Fair Value of Investments	(571,813)	540,405
Less Investment Expense	(20,674)	(22,863)
Net Investment Income/(Loss)	(592,487)	517,542
Total Additions	(580,479)	529,373
Deductions:		
Reimbursement of Benefits Expense	90,780	90,518
Total Deductions	90,780	90,518
Net Increase/(Decrease) in Net Position	(671,259)	438,855
Net Position Restricted for Post Retirement Health Benefits:		
Beginning of Year	4,028,887	3,590,032
End of Year	\$ 3,357,628	\$ 4,028,887

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) 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 3,090 customers as of December 31, 2022. 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, 2022 the Water System serves 24,165 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 supplying 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 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 because 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, and outlines.
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 may 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, 2022, there were no budget amendments that needed 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 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 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 CDs are valued at fair value while non-negotiable CDs 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 2022 and 2021 are as follows:

	<u>Amortization Period (Years)</u>	<u>2022 Amortization</u>	<u>2021 Amortization</u>
Suburban Water Fund:			
Facilities Planning Costs	3-10	\$ 226,692	\$ 202,179
Suburban Wastewater Fund:			
Facilities Planning Costs	3-7	<u>3,597,188</u>	<u>3,309,769</u>
Total Amortization		<u>\$ 3,823,880</u>	<u>\$ 3,511,948</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>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 244,820	\$ 319,277
Additions	296,276	244,820
Retirements	<u>(244,820)</u>	<u>(319,277)</u>
Balance at End of Year	<u>\$ 296,276</u>	<u>\$ 244,820</u>

Unused vacation days are used within 12 months and are reported in current liabilities as a part 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. 91, “*Conduit Debt Obligations*”, GASB Statement No. 92, “*Omnibus 2020*”, GASB Statement No. 98, “*The Annual Comprehensive Report*”, the remaining provisions of GASB Statement No. 93, “*Replacement of Interbank Offered Rates*”, and the remaining provisions of GASB 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 adoption of these statements had no effect on previously reported amounts.

O. Pending Changes in Accounting Principles

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 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>2022</u>	<u>2021</u>
Demand deposit, money market, and savings accounts	\$ 74,050,606	\$ 78,133,366
Certificates of deposit, nonnegotiable	3,045,962	1,000,184
Overnight repurchase	13,241,009	2,121,061
Certificates of deposit, negotiable	8,765,376	8,952,487
Pennsylvania School District Liquid Asset Fund	1,424,872	3,405,156
OPEB Investments:		
Cash Equivalents	146,523	156,984
Mutual Funds - Equity	1,767,807	2,224,550
Mutual Funds – Fixed Income	-	-
Stocks	1,288,876	1,491,658
U.S. Treasury Obligations	-	-
U.S. Agencies	-	-
Corporate Bonds	154,422	155,695
	<u>\$ 103,885,453</u>	<u>\$ 97,641,141</u>
Classification per statements of net position:		
Unrestricted current assets		
Cash and cash equivalents	\$ 25,196,134	\$ 20,589,004
Certificates of deposit	11,811,338	9,952,671
Restricted non-current assets		
Cash and cash equivalents	63,520,353	63,070,579
Certificates of deposit	-	-
Investment U.S. treasury obligations	-	-
OPEB Investments:		
Cash Equivalents	146,523	156,984
Mutual Funds - Equity	1,767,807	2,224,550
Mutual Funds – Fixed Income	-	-
Stocks	1,288,876	1,491,658
U.S. Treasury Obligations	-	-
U.S. Agencies	-	-
Corporate Bonds	154,422	155,695
	<u>\$ 103,885,453</u>	<u>\$ 97,641,141</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, 2022 and 2021, the carrying amounts of the Authority's bank deposits were \$23,679,148 and \$7,483,730 respectively, and the bank balance of \$24,543,946 and \$9,753,407, respectively. As of December 31, 2022 and 2021, \$20,747,985 and \$8,253,223 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, 2022 and 2021 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 take part 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, 2022, and 2021, the Authority had the following investments and maturities:

				<u>2022</u>			
				Investment Maturities (In Years)			
<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Less than One Year</u>	<u>One-to- Five Years</u>	<u>Six-to- Ten Years</u>	<u>More than 10 Years</u>
Certificates of Deposit, negotiable	\$8,954,000	\$8,765,376	74.21%	\$5,231,208	\$3,534,168	-	-
U.S. Treasury Obligations	-	-	-	-	-	-	-
Pennsylvania School District Liquid Asset Fund	<u>3,045,962</u>	<u>3,045,962</u>	<u>25.79%</u>	<u>3,045,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$11,999,962</u>	<u>\$11,811,338</u>	<u>100.00%</u>	<u>\$8,277,170</u>	<u>\$3,534,168</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Fiduciary Fund</u>							
U.S Government Agencies	-	-	-	-	-	-	-
U.S. Government Treasury Obligations	-	-	-	-	-	-	-
Corporate Bonds	163,788	154,422	100.00%	41,755	112,667	-	-
Fixed Income Mutual Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$163,788</u>	<u>\$154,422</u>	<u>100.00%</u>	<u>\$41,755</u>	<u>\$112,667</u>	<u>\$ -</u>	<u>\$ -</u>
				<u>2021</u>			
				Investment Maturities (In Years)			
<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Less than One Year</u>	<u>One-to- Five Years</u>	<u>Six-to- Ten Years</u>	<u>More than 10 Years</u>
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>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total</u>	2021 Investment Maturities (In Years)			
				<u>Less than One Year</u>	<u>One-to- Five Years</u>	<u>Six-to- Ten Years</u>	<u>More than 10 Years</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	-	-	-	-	-	-	-
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>

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. Allowed investments are defined above. The Authority's investment policy is consistent with these limitations.

As of December 31, 2022, the Authority's investments 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-	5.57%
Corporate Bonds	A+	11.68%
Corporate Bonds	A	7.25%
Corporate Bonds	A-	6.29%
Corporate Bonds	BBB	24.10%
Corporate Bonds	BBB+	34.14%
Corporate Bonds	NR	10.99%
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).

	<u>12/31/2022</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Debt securities				
Corporate Bonds	\$ 154,422	\$ -	\$ 154,422	\$ -
Total debt securities	<u>154,422</u>	<u>-</u>	<u>154,422</u>	<u>-</u>
Equity securities				
Negotiable Certificates of Deposit	8,765,376	8,765,376	-	-
Stocks	1,288,876	1,288,876	-	-
Equity Mutual Funds	1,767,807	1,767,807	-	-
Total equity securities	<u>11,822,059</u>	<u>11,822,059</u>	<u>-</u>	<u>-</u>
Total investments by fair value	<u>\$ 11,976,481</u>	<u>\$ 11,822,059</u>	<u>\$ 154,422</u>	<u>\$ -</u>

NOTE 3 – DEVELOPER ESCROW DEPOSIT

The Authority requires developers to supply improvement security for system extensions. To meet this requirement, developers supply such security in cash or a letter of credit. An offsetting liability for all developer deposits is shown as a current and non-current liability on the Statement of Net Position.

NOTE 4 – RECEIVABLES – DEVELOPER CONTRACTS

As of December 31, 2022, the Authority has two 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 (\$210,885) and long-term receivables (\$749,038). At year-end 2021, there were four agreements, and the unpaid fees were recorded as current (\$241,638) and long-term receivables (\$960,693). 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 2022 and 2021 consist of the following:

	Balance at 12/31/21	Additions	Retirements	Balance at 12/31/22
Suburban Water Fund				
Non-depreciable Assets:				
Land	\$ 3,295,901	\$ 38,572	\$ -	\$ 3,334,473
Construction in progress	1,434,072	6,053,338	(2,773,105)	4,714,305
Total Capital Assets Not Being Depreciated	4,729,973	6,091,910	(2,773,105)	8,048,778
Depreciable Assets:				
Wells & Reservoirs	11,069,710	632,601	-	11,702,311
Transmission & Distribution Mains	88,175,419	539,789	(38,671)	88,676,537
Service & Hydrants	18,461,760	49,905	-	18,511,665
Building Structure & Appurtenances	30,349,884	323,792	(34,150)	30,639,526
Metering System	13,988,178	121,627	-	14,109,805
Equipment	9,552,072	1,079,201	(11,328)	10,619,945
Right-To-Use Leased Equipment	8,829	-	-	8,829
Right-To-Use Leased Vehicles	97,216	310,184	-	407,400
Capacity	1,207,901	-	-	1,207,901
Total Capital Assets Being Depreciated	172,910,969	3,057,099	(84,149)	175,883,919
Less Accumulated Depreciation for:				
Wells & Reservoirs	(3,739,968)	(209,828)	-	(3,949,796)
Transmission & Distribution Mains	(15,417,409)	(884,469)	9,474	(16,292,404)
Service & Hydrants	(5,162,213)	(301,040)	-	(5,463,253)
Building Structure & Appurtenances	(10,729,898)	(808,788)	32,072	(11,506,614)
Metering System	(6,339,177)	(608,113)	-	(6,947,290)
Equipment	(6,807,833)	(546,697)	11,328	(7,343,202)
Right-To-Use Leased Equipment	(5,743)	(1,949)	-	(7,692)
Right-To-Use Leased Vehicles	(9,722)	(40,313)	-	(50,035)
Capacity	(814,711)	(31,834)	-	(846,545)
Total Accumulated Depreciation	(49,026,674)	(3,433,031)	52,874	(52,406,831)
Total Net Capital Assets Being Depreciated	123,884,295	(375,932)	(31,275)	123,477,088
Total Capital Assets, Net	<u>\$ 128,614,268</u>	<u>\$ 5,715,978</u>	<u>\$ (2,773,105)</u>	<u>\$ 131,525,866</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at 12/31/21	Additions	Retirements	Balance at 12/31/22
Suburban Wastewater Fund				
Non-depreciable Assets:				
Land	\$ 1,896,050	\$ -	\$ -	\$ 1,896,050
Capacity	579,587	-	(331,026)	248,561
Construction in progress	829,357	3,081,527	(2,489,298)	1,421,586
Total Capital Assets Not Being Depreciated	3,304,994	3,081,527	(2,820,324)	3,566,197
Depreciable Assets:				
Interceptor & Collector Systems	39,317,989	259,409	-	39,577,398
Wells & Reservoirs	3,494,643	-	-	3,494,643
Building Structure & Appurtenances	70,916,999	930,881	-	71,847,880
Metering System	429,778	-	-	429,778
Right-To-Use Leased Equipment	8,829	-	-	8,829
Right-To-Use Leased Vehicles	983,239	117,655	-	1,100,894
Equipment	23,887,742	398,414	(172,284)	24,113,872
Total Capital Assets Being Depreciated	139,039,219	1,706,359	(172,284)	140,573,294
Less Accumulated Depreciation for:				
Interceptor & Collector Systems	(12,025,413)	(363,878)	-	(12,389,291)
Wells & Reservoirs	(730,297)	(63,540)	-	(793,837)
Building Structure & Appurtenances	(24,114,938)	(2,266,002)	-	(26,380,940)
Metering System	(286,537)	(10,837)	-	(297,374)
Right-To-Use Leased Equipment	(5,743)	(1,949)	-	(7,692)
Right-To-Use Leased Vehicles	(532,530)	(203,364)	-	(735,894)
Equipment	(20,835,811)	(590,257)	169,094	(21,256,974)
Total Accumulated Depreciation	(58,531,269)	(3,499,827)	169,094	(61,862,002)
Total Net Capital Assets Being Depreciated	80,507,950	(1,793,468)	(3,190)	78,711,292
Total Capital Assets, Net	\$ 83,812,944	\$ 1,288,059	\$ (2,823,514)	\$ 82,277,489
	Balance at 12/31/21	Additions	Retirements	Balance at 12/31/22
City Division Fund				
Depreciable Assets:				
Transportation Equipment	\$ 3,074,705	\$ 839,241	\$ (401,701)	\$ 3,512,245
Miscellaneous Equipment & Computers	248,981	-	-	248,981
Right-To-Use Leased Equipment	54,217	-	-	54,217
Right-To-Use Leased Vehicles	338,169	601,929	-	940,098
Office Furniture & Equipment	23,116	-	-	23,116
Total Capital Assets Being Depreciated	3,739,188	1,441,170	(401,701)	4,778,657
Less Accumulated Depreciation for:				
Transportation Equipment	(2,376,252)	(282,957)	387,740	(2,271,469)
Miscellaneous Equipment & Computers	(248,007)	(974)	-	(248,981)
Right-To-Use Leased Equipment	(35,694)	(11,699)	-	(47,393)
Right-To-Use Leased Vehicles	(110,292)	(90,202)	-	(200,494)
Office Furniture & Equipment	(23,116)	-	-	(23,116)
Total Accumulated Depreciation	(2,793,361)	(385,832)	387,740	(2,791,453)
Total Net Capital Assets Being Depreciated	945,827	1,055,338	(13,961)	1,987,204
Total Capital Assets, Net	\$ 945,827	\$ 1,055,338	\$ (13,961)	\$ 1,987,204

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

	<u>Balance at</u> <u>12/31/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/22</u>
Total Funds				
Total Capital Assets Not Being				
Depreciated	\$ 8,034,967	\$ 9,173,437	\$ (5,593,429)	\$ 11,614,975
Total Capital Assets Being				
Depreciated	315,689,376	6,204,628	(658,134)	321,235,870
Total Accumulated Depreciation	(110,351,304)	(7,318,690)	609,708	(117,060,286)
Total Net Capital Assets Being				
Depreciated	222,522,656	(1,114,062)	(48,426)	204,175,584
Total Capital Assets, Net	<u>\$ 230,557,623</u>	<u>\$ 8,059,375</u>	<u>\$ (5,641,855)</u>	<u>\$ 215,790,559</u>
	<u>Balance at</u> <u>12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/21</u>
Suburban Water Fund				
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	<u>\$ 124,335,781</u>	<u>\$ 14,682,353</u>	<u>\$ (10,403,866)</u>	<u>\$ 128,614,268</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at <u>12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>12/31/21</u>
Suburban Wastewater Fund				
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	11,439,097	4,250,286	(12,384,389)	3,304,994
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	127,775,348	11,617,218	(353,347)	139,039,219
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	(55,523,021)	(3,361,595)	353,347	(58,531,269)
Total Net Capital Assets Being Depreciated	72,252,327	8,255,623	-	80,507,950
Total Capital Assets, Net	<u>\$ 83,691,424</u>	<u>\$ 12,505,909</u>	<u>\$ (12,384,389)</u>	<u>\$ 83,812,944</u>
	Balance at <u>12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>12/31/21</u>
City Division Fund				
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	3,625,961	167,668	(54,441)	3,739,188
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	(2,684,808)	(162,994)	54,441	(2,793,361)
Total Net Capital Assets Being Depreciated	941,153	4,674	-	945,827
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>
Total Funds				
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	\$ 208,968,358	\$ 27,192,936	\$ (22,788,255)	\$ 213,373,039

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 2022 and 2021 the total value of this capacity was \$248,561 and \$579,587, 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 must operate and maintain the systems in accordance with the Service Concession Arrangement. The LCA entered 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 must 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 \$5,137,503 and \$2,323,561 were recorded as increases to the intangible asset in 2022, and 2021, respectively. Amortization expense in the amount of \$6,106,153 and \$5,982,358 was recognized in 2022, and 2021, respectively related to the intangible asset. The net book value of the asset was \$247,299,215 and \$248,267,864 at December 31, 2022 and 2021, 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 \$3,074,043 and \$2,966,136 was recognized in 2022 and 2021, respectively. The liability was \$67,771,081 and \$65,983,689 at December 31, 2022, and 2021, 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 2022 and 2021 consist of the following:

	<u>As of 12/31/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>As of 12/31/22</u>
Suburban Water Fund				
Facilities Planning Costs	\$ 606,537	\$ 96,748	\$ (23,209)	\$ 680,076
Less Accumulated Amortization	<u>(243,702)</u>	<u>(226,692)</u>	<u>23,209</u>	<u>(447,185)</u>
Total Suburban Water Facilities Costs - Net	<u>362,835</u>	<u>(129,944)</u>	<u>-</u>	<u>232,891</u>
Suburban Wastewater Fund				
Facilities Planning Costs	13,960,439	873,051	(10,795)	14,822,695
Less Accumulated Amortization	<u>(6,230,824)</u>	<u>(3,597,188)</u>	<u>10,795</u>	<u>(9,817,217)</u>
Total Suburban Wastewater Facilities Planning Costs - Net	<u>7,729,615</u>	<u>(2,724,137)</u>	<u>-</u>	<u>5,005,478</u>
Total Facilities Planning Costs - Net	<u>\$ 8,092,450</u>	<u>\$ (2,854,081)</u>	<u>\$ -</u>	<u>\$5,238,369</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 7 – FACILITIES PLANNING COSTS (Continued)

	<u>As of 12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>As of 12/31/21</u>
Suburban Water Fund				
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 Planning Costs - Net	<u>59,838</u>	<u>302,997</u>	<u>-</u>	<u>362,835</u>
Suburban Wastewater Fund				
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 Planning Facilities Costs - Net	<u>9,862,447</u>	<u>(2,132,832)</u>	<u>-</u>	<u>7,729,615</u>
Total Planning Facilities Costs - Net	<u>\$ 9,922,285</u>	<u>\$ (1,829,835)</u>	<u>\$ -</u>	<u>\$ 8,092,450</u>

NOTE 8 – LONG-TERM DEBT

Long-term debt for 2022 and 2021 consists of the following:

	<u>Balance Outstanding As of 12/31/21</u>	<u>Additions / Accretions</u>	<u>Retirements</u>	<u>Balance Outstanding As of 12/31/22</u>	<u>Principal Due Within One Year</u>
Suburban Water Fund Bonds					
Water Revenue Bonds Series of 2011	\$ 65,767	\$ -	\$ (65,767)	\$ -	\$ -
Water Revenue Bonds Series of 2017	14,250,000	-	(340,000)	13,910,000	350,000
Water Revenue Bonds Series of 2021	17,445,000	-	(1,445,000)	16,000,000	1,585,000
Subtotal	<u>\$ 31,760,767</u>	<u>\$ -</u>	<u>\$ (1,850,767)</u>	<u>\$ 29,910,000</u>	<u>\$ 1,935,000</u>
Add Bond Premium	3,493,800	-	(345,761)	3,148,039	
Total Suburban Water Fund Bonds	<u>\$ 35,254,567</u>	<u>\$ -</u>	<u>\$ (2,196,528)</u>	<u>\$ 33,058,039</u>	
Less Current Maturities				<u>(1,935,000)</u>	
Net Suburban Water Fund Long-Term Bonds				<u>\$ 31,123,039</u>	
Notes from Direct Borrowings					
2011 Pennsylvania Infrastructure Investment Authority Note	\$ 861,904	\$ -	\$ (74,410)	\$ 787,494	\$ 75,541
Water Revenue Bonds Series of 2022	-	63,629	-	63,629	-
Total Suburban Water Fund Direct Borrowings	<u>\$ 861,904</u>	<u>\$ 63,629</u>	<u>\$ (74,410)</u>	<u>\$ 851,123</u>	<u>\$ 75,541</u>
Less Current Maturities				<u>(75,541)</u>	
Net Suburban Water Fund Long-Term Direct Borrowings				<u>\$ 775,582</u>	
Total Net Suburban Water Fund Long-Term				<u>\$ 31,898,621</u>	

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

	<u>Balance Outstanding As of 12/31/21</u>	<u>Additions / Accretions</u>	<u>Retirements</u>	<u>Balance Outstanding As of 12/31/22</u>	<u>Principal Due Within One Year</u>
Suburban Wastewater Fund Bonds					
2011 Sewer Revenue Bonds					
Series A	\$ 1,252,497	\$ -	\$ (118,706)	\$ 1,133,791	\$ 241,714
Less Current Maturities				(241,714)	
Net Suburban Wastewater Fund Long-Term Bonds				\$ 892,077	
Notes from Direct Borrowings					
2009 Pennsylvania Infrastructure Investment Authority Note	\$ 2,690,721	\$ -	\$ (266,694)	\$ 2,424,027	\$ 273,567
2013 Pennsylvania Infrastructure Investment Authority Note	1,884,953	-	(140,107)	1,744,846	142,238
2015 Pennsylvania Infrastructure Investment Authority Note	592,007	-	(36,924)	555,083	37,571
Total Suburban Wastewater Fund Direct Borrowing	\$ 5,167,681	\$ -	\$ (443,725)	\$ 4,723,956	\$ 453,376
Less Current Maturities				(453,376)	
Net Suburban Wastewater Fund Long-Term Direct Borrowings				\$ 4,270,580	
Total Net Suburban Wastewater Fund Long Term				<u>\$ 5,162,657</u>	
City Division Fund Bonds					
2013 Water and Sewer Revenue Bonds, Series A	\$ 107,615,000	\$ -	\$ -	\$ 107,615,000	\$ -
2013 Water and Sewer Capital Appreciation Revenue Bonds, Series B	66,656,927	3,909,636	(1,895,000)	68,671,563	2,196,583
2020 Water and Sewer Revenue Bonds	161,035,000	-	-	161,035,000	-
Subtotal	\$ 335,306,927	\$ 3,909,636	\$ (1,895,000)	\$ 337,321,563	\$ 2,196,583
Less Bond Discount	(4,300,639)	-	165,941	(4,134,698)	
Total City Division Fund Bonds	\$ 331,006,288	\$ 3,909,636	\$ (1,729,059)	333,186,865	
Less Current Maturities				(2,196,583)	
Net City Division Fund Long-Term Bonds				<u>\$ 330,990,282</u>	
Direct Borrowings					
2020 Series A Refunding Bonds	\$ 15,850,000	\$ -	\$ (1,210,000)	\$ 14,640,000	\$ 1,245,000
Less Current Maturities				(1,245,000)	
Net City Division Fund Long-Term Direct Borrowings				\$ 13,395,000	
Total Net City Division Fund Long Term				<u>\$ 344,385,282</u>	
Total Net Long-Term Debt				<u>\$ 381,446,560</u>	

	<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>
Suburban Water Fund Bonds					
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	-	(1,008,705)	80,000	-
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	\$ 35,167,232	\$ 17,740,000	\$ (21,066,465)	\$ 31,840,767	\$ 1,850,767
Add Bond Premium	346,272	3,326,942	(179,414)	3,493,800	
Total Suburban Water Fund Bonds	\$ 35,513,504	\$ 21,066,942	\$ (21,245,879)	\$ 35,334,567	
Less Current Maturities				(1,850,767)	
Net Suburban Water Fund Long-Term Bonds				<u>\$ 33,483,800</u>	

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

	Balance Outstanding As of <u>12/31/20</u>	Additions / <u>Accretions</u>	<u>Retirements</u>	Balance Outstanding As of <u>12/31/21</u>	Principal Due Within One <u>Year</u>
Suburban Water Fund					
Notes from Direct Borrowings					
2007 State Pennworks 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 Borrowings	\$ 2,238,108	\$ -	\$ (1,376,204)	\$ 861,904	\$ 74,410
Less Current Maturities				(74,410)	
Net Suburban Water Fund Long-Term Direct Borrowings				\$ 787,494	
Total Net Suburban Water Fund Long-Term				\$ 34,191,294	
Suburban Wastewater Fund					
Sewer Revenue Bonds					
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	
Direct Borrowings					
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	
Net Suburban Wastewater Fund Long Term				\$ 5,798,981	
City Division Fund					
Bonds					
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 Debt	\$ 328,486,540	\$ 3,748,807	\$ (1,229,059)	331,006,288	
Less Current Maturities				(1,813,568)	
Net City Division Fund Long-Term Debt				\$ 329,192,720	
Direct Borrowings					
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 Direct Borrowings				\$ 14,640,000	
Total Net City Division Fund Long Term				\$ 343,832,720	
Total Net Long Term Debt				\$ 383,822,995	

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

The Authority's direct borrowings hold 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 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 began 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 began on November 1, 2017, and are payable every May and November. Principal payments began on November 1, 2020, and end on November 1, 2047. The bonds carry fixed annual interest rates ranging from 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.

In August 2022, the Authority issued Water Revenue Bond, Series 2022 in the amount of \$12,255,000. The bond was issued to fund capital projects of the Suburban Water Fund and pay the cost related to issuance of the bond. Interest payments began on May 1, 2023, and are payable every May and November. Principal payments begin on November 1, 2028 and end on November 1, 2042. The bonds carry fixed annual interest of 4.04% through November 1, 2032, and thereafter variable interest of 80% of the Prime Rate with an interest rate cap of 5.75%. The Authority draws funds as needed. As of December 31, 2023, the Authority has drawn \$63,629 on the bond.

**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>	<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>
2023	\$ 1,935,000	\$ 1,119,114	\$ 75,541	\$ 13,941
2024	2,005,000	1,045,214	76,689	12,792
2025	2,090,000	961,414	77,856	11,626
2026	1,890,000	874,014	79,039	10,442
2027	2,200,000	794,414	80,241	9,241
2028-2032	10,125,000	2,611,020	413,593	18,181
2033-2037	2,710,000	1,438,492	-	-
2038-2042	3,185,000	965,924	-	-
2044-2047	3,770,000	390,149	-	-
	<u>\$ 29,910,000</u>	<u>\$ 10,199,755</u>	<u>\$ 851,123</u>	<u>\$ 76,223</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>
2023	\$ 241,714	\$ 59,840	\$ 453,376	\$ 93,303
2024	127,004	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	141,169	30,916	494,243	52,434
2027-2031	356,064	44,495	1,986,734	110,049
2032-2036	-	-	369,331	6,717
	<u>\$ 1,133,791</u>	<u>\$ 272,660</u>	<u>\$ 4,723,956</u>	<u>\$ 482,268</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 1) 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, 2) projected capital improvements to the Concessioned System, 3) deposits to certain reserve and other funds, and 4) 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. 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 (1) advance refund a portion of the Authority's Water and Sewer Revenue Bond (City of Allentown Concession), Series 2013A; (2) fund a debt service reserve fund with respect to the 2020 Bonds; and (3) 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:

Year	Bonds		Notes from Direct Borrowings	
	Principal Amount	Total Interest	Principal Amount	Total Interest
2023	\$ 2,196,583	\$ 11,160,551	\$ 1,245,000	\$ 424,560
2024	2,774,856	11,325,733	1,280,000	388,456
2025	3,000,505	11,545,856	1,320,000	351,336
2026	3,292,378	11,823,983	1,130,000	539,750
2027	3,550,688	12,155,673	1,185,000	483,250
2028-2032	20,564,138	67,567,668	6,885,000	1,465,000
2033-2037	26,878,823	88,042,983	1,595,000	79,750
2038-2042	53,293,592	61,784,964	-	-
2043-2047	60,735,000	37,207,056	-	-
2048-2052	59,235,000	24,329,231	-	-
2053-2057	70,115,000	13,446,290	-	-
2058-2059	31,685,000	1,736,459	-	-
	<u>\$ 337,321,563</u>	<u>\$ 352,126,447</u>	<u>\$ 14,640,000</u>	<u>\$ 3,732,102</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 9 – INTERFUND BALANCES

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

Fund	2022		2021	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Funds:				
City Division	\$ -	\$ -	\$ -	\$ -
Suburban Water	1,577,517	-	1,561,765	-
Suburban Wastewater	-	<u>1,577,517</u>	-	<u>1,561,765</u>
Total	<u>\$ 1,577,517</u>	<u>\$ 1,577,517</u>	<u>\$ 1,561,765</u>	<u>\$ 1,561,765</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 \$340,914 and \$400,164 as of December 31, 2022, and 2021, 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 \$142,407 and \$189,424 as of December 31, 2022, and 2021, 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, 2022, through contractual agreements, had construction commitments of \$4,017,405 for various capital projects as compared to \$6,087,090 at year-end 2021. 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 if 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, 2022, and 2021.

Investments: The Suburban Plan's policy regarding 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, 2022, and 2021:

2022			
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity			
Large Cap	31.6%	International Equity	16.0%
Small/Mid Cap	20.4%	Non-US Debt	6.0%
Bonds	22.0%	Cash	4.0%

2021			
<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%

**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 -14.2% and 14.6%, for the years ended December 31, 2022, and 2021, 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, 2022, and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Total Plan OPEB Liability	\$ 2,193,319	\$ 2,130,976
Plan Fiduciary Net Position	<u>3,357,628</u>	<u>4,028,887</u>
Plan's Net OPEB Liability/(Asset)	<u><u>\$(1,164,309)</u></u>	<u><u>\$(1,897,911)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	153.1%	189.1%

Actuarial Assumptions: The Suburban Plan's net OPEB liability was measured as of December 31, 2022, and 2021, and the plan's total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of January 1, 2021. The actuary utilized update procedures to roll forward the Suburban Plan's total OPEB liability in the January actuarial valuations to the December 31, 2022, and 2021 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% for 2021 and 2.45% for 2022
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	For the December 31, 2021 Measurement Date: 7.75% during 2022 followed by a .25% decrease per year to an ultimate rate of 4.00% per year. For the December 31, 2022 Measurement Date: .29% in 2023 to an ultimate rate of 4.75% in 2024.
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:

2022			
<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity		International Equity	
Large Cap	5.37%	Non-US Debt	6.22%
Small/Mid Cap	6.53%	Blend	0.32%
Bonds	1.36%		-0.45%
2021			
<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity		International Equity	
Large Cap	5.72%	Non-US Debt	6.55%
Bonds	1.14%	Blend	0.29%
Cash	-0.33%		5.41%

Discount Rate: The discount rate used to measure the Suburban Plan's total OPEB liability was 6.79% at December 31, 2022, and 2021. 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, 2022, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(asset) (a) - (b)
Balances as of 12/31/21	\$ 2,130,976	\$ 4,028,887	\$ (1,897,911)
Service cost	10,732	-	10,732
Interest cost	142,391	-	142,391
Differences between expected and actual experience	-	-	-
Changes in Assumptions	-	-	-
Contributions - employer	-	12,008	(12,008)
Contributions - members	-	-	-
Net investment income	-	(571,813)	571,813
Benefit payments	(90,780)	(90,780)	-
Plan administrative expenses	-	(20,674)	20,674
Other changes	-	-	-
Net Changes	62,343	(671,259)	733,602
Balances as of 12/31/22	<u>\$ 2,193,319</u>	<u>\$ 3,357,628</u>	<u>\$ (1,164,309)</u>

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>

**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, 2022 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) 12/31/22	\$ (938,221)	\$ (1,164,309)	\$ (1,359,317)

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 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 ((.71%) increasing to 3.75%) or 1-percentage-point higher (1.29% increasing to 5.75%) than the current healthcare cost trend rates:

	<u>1 % Decrease ((.71%) decreasing to 3.75%)</u>	<u>Discount Rate (.29% decreasing to 4.75%)</u>	<u>1% Increase (1.29% decreasing to 5.75%)</u>
Net OPEB Liability (Asset) 12/31/22	\$ (1,401,711)	\$ (1,164,309)	\$ (886,957)

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 ((7.75%) decreasing to 5%)</u>
Net OPEB Liability (Asset) 12/31/21	\$ (2,119,754)	\$ (1,897,911)	\$ (1,639,036)

**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, 2022, and 2021, the Authority recognized OPEB expense of (\$34,746), and (\$201,499), respectively for the plan. At December 31, 2022, and 2021, the Authority reported deferred outflows and inflows of resources related to the OPEB plan from the following sources:

	12/31/2022		12/31/2021	
	Outflow	(Inflow)	Outflow	(Inflow)
Differences between expected and actual experience	\$ -	\$ (34,710)	\$ -	\$ (158,673)
Net difference between projected and actual earnings on OPEB plan investments	414,649	-	-	(309,553)
Changes of assumptions	18,987	-	86,796	-
Total	<u>\$ 433,636</u>	<u>\$ (34,710)</u>	<u>\$ 86,796</u>	<u>\$ (468,226)</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>	
2023	\$ 8,610
2024	108,808
2025	113,110
2026	168,398
2027	-
Total	<u>\$ 398,926</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, 2022, and 2021, and were determined by an actuarial valuations as of January 1, 2021. The actuary utilized update procedures to roll forward the total OPEB liability for the City Plan in the January 1, 2021 actuarial valuation to the December 31, 2022, and 2021 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% for 2021 and 2.45% for 2022
Salary Increases	5.0%, average, including inflation.
Discount Rate	2.25% for 2021 and 4.31 for 2022
Healthcare Cost Trend Rates	For 2021 Measurement Date: 7.75% during 2022 followed by a .25% decrease per year to an ultimate rate of 4.00% per year. For 2022 Measurement Date: (.8%) during 2023 to an ultimate rate of 4.00%
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, 2022, were as follows:

	<u>Increase (Decrease)</u> Total OPEB Liability (a)
Balances as of 12/31/21	\$ 3,588,854
Service cost	231,050
Interest cost	85,577
Change in Benefit Terms	-
Differences between expected and actual experience	-
Change in Assumptions *	(672,953)
Benefit payments	(33,205)
Other changes	-
Net Changes	(389,531)
Balances as of 12/31/22	<u>\$ 3,199,323</u>

*- The December 31, 2022, 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, 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.

**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, 2022 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 (3.31%) or 1-percentage-point higher (5.31%) than the current discount rate:

	<u>1 % Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total OPEB Liability 12/31/22	\$ 3,514,287	\$ 3,199,323	\$ 2,908,888

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 12/31/21	\$ 3,934,251	\$ 3,588,854	\$ 3,262,273

Sensitivity of the City Plan Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the December 31, 2022 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 ((1.8%) increasing to 3%) or 1-percentage-point higher (.2% increasing to 5%) than the current healthcare cost trend rates:

	<u>1 % Decrease ((1.8%) decreasing to 3%)</u>	<u>Discount Rate ((.8%) decreasing to 4%)</u>	<u>1% Increase (.2% decreasing to 5%)</u>
Total OPEB Liability 12/31/22	\$ 2,743,942	\$ 3,199,323	\$ 3,750,206

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

**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:

	12/31/2022		12/31/2021	
	Outflow	(Inflow)	Outflow	(Inflow)
Differences between expected and actual experience	\$ 152,865	\$ (99,907)	\$ 210,563	\$ (129,825)
Changes of assumptions	448,598	(749,560)	584,796	\$(263,324)
Total	<u>\$ 601,463</u>	<u>\$(849,467)</u>	<u>\$ 795,359</u>	<u>\$(393,149)</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>	
2023	\$ (22,739)
2024	(22,739)
2025	(59,952)
2026	(99,796)
2027	(42,778)
Thereafter	<u>-</u>
Total	<u>\$ (248,004)</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, 2022, and 2021, the average active employee contribution rate was 1.0% of annual pay, and the Authority's average contribution rate was 15.6% and 13.10%, respectively, of covered annual payroll.

B. Net Pension Liability

The Authority's net pension liability was measured as of December 31, 2021, and 2020, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of December 31, 2020. The actuary utilized update procedures to roll forward the total pension liability in the December 31, 2020 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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2021(based on 12/31/2020 measurement date)	\$ 36,584,251	\$ 38,041,217	\$ (1,456,966)
Changes for the year:			
Service cost	1,959,422	-	1,959,422
Interest	1,939,928	-	1,939,928
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,684,763	(1,684,763)
Contributions - member	-	674,887	(674,887)
Net investment income/(loss)	-	4,808,310	(4,808,310)
Benefit payments, including refunds of employee contributions	(2,649,981)	(2,649,981)	-
Administrative expense	-	(105,365)	105,365
Net changes	1,249,369	4,412,614	(3,163,245)
Balances at 12/31/22 (based on a 12/31/21 measurement date)	<u>\$ 37,833,620</u>	<u>\$ 42,453,831</u>	<u>\$ (4,620,211)</u>

**LEHIGH COUNTY AUTHORITY
ALLENTOWN, PENNSYLVANIA**

Notes to Financial Statements

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Changes in the Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability (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.

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, 2020 actuarial valuation:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Authority's net pension liability 12/31/21	\$(342,787)	\$(4,620,211)	\$(8,184,812)
Authority's net pension liability 12/31/20	\$2,679,206	\$(1,456,966)	\$(4,903,854)

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, 2022, the Authority recognized pension expense of \$(1,627), \$(819), and \$(6,040) in the Suburban Water Fund, Suburban Wastewater Fund, and City Fund, respectively.

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.

At December 31, 2022, and 2021 the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	12/31/2022		12/31/2021	
	Outflow	(Inflow)	Outflow	(Inflow)
Difference between expected and actual experience	\$ 666,139	\$ -	\$ 1,007,791	\$ -
Changes in assumptions	517,807	-	735,606	-
Net difference between projected and actual earnings on pension plan investments	-	(5,566,967)	-	(4,660,622)
Contributions subsequent to the measurement date	1,610,291	-	1,688,963	-
Total	<u>\$ 2,794,237</u>	<u>\$ (5,566,967)</u>	<u>\$ 3,432,360</u>	<u>\$ (4,660,622)</u>

The \$1,610,291 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:	
2023	\$ (1,071,429)
2024	(1,833,315)
2025	(1,040,928)
2026	(437,349)

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 2022 and 2021, 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 612 Pennsylvania municipal entities as of December 31, 2022. 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 Markel 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 2022 and 2021 the Authority paid \$346,969 and \$325,582 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 105 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 \$244,997 in 2021 and a deposit premium \$179,472 in 2022 before payroll audit. As of January 1, 2022, the Authority had accrued \$88,585 in Rate Stabilization Fund (RSF) credits which were available to reduce the Authority's 2022 premium. Any unused RSF credits will be rolled over to 2023, and the Trust will add investment income to the unused balance. The Authority also received dividends from the Trust of \$12,370 in 2021 and \$7,822 in 2022.

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 288 municipal entities as of October 1, 2022, 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, 2022 and December 31, 2021 totaled \$1,019,289 and \$864,611 respectively.

The Authority also purchases property coverage through CNA, brokered through Murray Securus. For 2022 and 2021, insurance costs amounted to \$304,500 and \$269,150, 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 2022 and 2021, 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, 2022, were as follows:

Year	Suburban Water		Suburban Wastewater		City Division	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	1,208	13	1,208	13	7,262	79
	<u>\$ 1,208</u>	<u>\$ 13</u>	<u>\$ 1,208</u>	<u>\$ 13</u>	<u>\$ 7,262</u>	<u>\$ 79</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 \$283 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, 2022, were as follows:

Year	Suburban Water		Suburban Wastewater		City Division	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 66,503	\$ 8,896	\$ 129,517	\$ 9,372	\$ 159,252	\$ 18,918
2024	67,423	6,677	84,801	6,333	163,341	13,905
2025	71,818	4,385	87,789	3,529	119,751	8,716
2026	63,601	2,085	44,934	1,066	101,802	4,901
2027	32,151	435	15,863	209	67,882	1,347
	<u>\$301,496</u>	<u>\$22,478</u>	<u>\$362,904</u>	<u>\$20,509</u>	<u>\$612,028</u>	<u>\$47,787</u>

The future principal and interest lease payments on all of the Authority's leases as of December 31, 2022, were as follows:

Year	Suburban Water		Suburban Wastewater		City Division	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 67,711	\$ 8,909	\$ 130,725	\$ 9,385	\$ 166,514	\$ 18,997
2024	67,423	6,677	84,801	6,333	163,341	13,905
2025	71,818	4,385	87,789	3,529	119,751	8,716
2026	63,601	2,085	44,934	1,066	101,802	4,901
2027	32,151	435	15,863	209	67,882	1,347
	<u>\$302,704</u>	<u>\$ 22,491</u>	<u>\$364,112</u>	<u>\$ 20,522</u>	<u>\$619,290</u>	<u>\$ 47,866</u>

**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**

	*	*	*	*	*	*	*	*
	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Costs	\$ 1,959,422	\$ 1,949,152	\$ 1,779,213	\$ 1,688,127	\$ 1,543,865	\$ 1,452,861	\$ 1,488,350	\$ 677,165
Interest	1,939,928	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	(2,649,981)	(1,000,961)	(999,402)	(1,073,743)	(1,166,011)	(915,177)	(600,285)	(544,982)
Net Change in Total Pension Liability	1,249,369	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	36,584,251	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>\$ 37,833,620</u>	<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	\$ 1,684,763	\$ 1,484,790	\$ 1,410,695	\$ 1,141,302	\$ 1,106,875	\$ 972,122	\$ 978,336	\$ 365,907
Contributions - Member	674,887	713,435	648,390	602,779	543,474	526,823	507,893	473,935
Net Investment Income	4,808,310	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	(2,649,981)	(1,000,961)	(999,402)	(1,073,743)	(1,166,011)	(915,177)	(600,285)	(544,982)
Administrative Expense	(105,365)	(75,315)	(55,136)	(62,006)	(60,172)	(63,095)	(52,516)	(41,411)
Net Change in Plan Fiduciary Net Position	4,412,614	6,176,230	6,440,659	(549,182)	4,310,792	2,191,032	733,911	1,200,827
Plan Fiduciary Net Position - beginning	38,041,217	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>\$ 42,453,831</u>	<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>\$ (4,620,211)</u>	<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	112.21%	103.98%	97.02%	83.60%	93.66%	83.47%	86.79%	92.88%
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
Authority's Net Pension Liability as a Percentage of Covered Payroll	-42.66%	-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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 1,610,291	\$ 1,688,963	\$ 1,488,850	\$ 1,414,635	\$ 1,145,082	\$ 1,110,595	\$ 972,122	\$ 978,336	\$ 361,607	\$ 190,996
Contribution in Relation to the Actuarially Determined Contribution	1,610,291	1,688,963	1,488,850	1,414,635	1,145,082	1,110,595	972,122	978,736	365,907	190,996
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (400)	\$ (4,300)	\$ -
Covered Payroll	\$ 11,291,117	\$ 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
Contribution as a percentage of Covered Payroll	14.26%	15.59%	13.13%	13.63%	11.56%	12.16%	11.04%	11.17%	15.81%	8.60%

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	7 years
Asset Valuation Method	Based Upon Municipal Reserves in PMRS (Fair Value)
Inflation	2.8%
Salary Increases	Age/Merit Scale including inflation ranging from 2.79% to 6.22%.
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:	RP-2000 Sex-Distinct Mortality Table projected 15 years with scale AA for males and projected 10 years with scale AA for females

* - 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**

	*	*	*	*	*	*
	2022	2021	2020	2019	2018	2017
Total OPEB Liability Suburban Plan						
Service Cost	\$ 10,732	\$ 10,221	\$ 7,418	\$ 7,065	\$ 7,960	\$ 7,580
Interest	142,391	138,371	167,315	162,742	158,365	151,765
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	(282,636)	-	90,059	-	-
Changes of Assumptions	-	154,605	-	(99,162)	-	-
Benefit Payments	(90,780)	(90,518)	(115,648)	(110,336)	(92,904)	(61,525)
Net Change in Suburban Plan Total OPEB Liability	62,343	(69,957)	59,085	50,368	73,421	97,820
Suburban Plan Total OPEB Liability - Beginning	2,130,976	2,200,933	2,141,848	2,091,480	2,018,059	1,920,239
Suburban Plan Total OPEB Liability - Ending (a)	<u>\$ 2,193,319</u>	<u>\$ 2,130,976</u>	<u>\$ 2,200,933</u>	<u>\$ 2,141,848</u>	<u>\$ 2,091,480</u>	<u>\$ 2,018,059</u>
Suburban Plan Fiduciary Net Position						
Contributions - Employer	\$ 12,008	\$ 11,831	\$ 27,393	\$ 22,928	\$ 13,376	\$ -
Net Investment Income	(571,813)	517,542	292,386	645,121	(220,248)	485,937
Benefit Payments	(90,780)	(90,518)	(115,648)	(110,336)	(92,904)	(61,526)
Administrative Expense	(20,674)	-	-	-	-	-
Net Change in Suburban Plan Fiduciary Net Position	(671,259)	438,855	204,131	557,713	(299,776)	424,411
Suburban Plan Fiduciary Net Position - Beginning	4,028,887	3,590,032	3,385,901	2,828,188	3,127,964	2,703,553
Suburban Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,357,628</u>	<u>\$ 4,028,887</u>	<u>\$ 3,590,032</u>	<u>\$ 3,385,901</u>	<u>\$ 2,828,188</u>	<u>\$ 3,127,964</u>
Suburban Plan Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ (1,164,309)</u>	<u>\$ (1,897,911)</u>	<u>\$ (1,389,099)</u>	<u>\$ (1,244,053)</u>	<u>\$ (736,708)</u>	<u>\$ (1,109,905)</u>
Suburban Plan Fiduciary Net Position as a Percentage of the Total Suburban Plan OPEB Liability	153.08%	189.06%	163.11%	158.08%	135.22%	155.00%
Covered Payroll Suburban Plan	\$ 1,133,552	\$ 1,079,573	\$ 1,209,753	\$ 1,152,146	\$ 1,098,115	\$ 1,045,824
Suburban Plan Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	-102.71%	-175.80%	-114.83%	-107.98%	-67.09%	-106.13%

* - Information only available for six 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

	*	*	*	*	*	*
	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution	12,008	11,831	27,393	22,928	13,376	-
Contribution Deficiency (Excess)	<u>\$ (12,008)</u>	<u>\$ (11,831)</u>	<u>\$ (27,393)</u>	<u>\$ (22,928)</u>	<u>\$ (13,376)</u>	<u>\$ -</u>
Suburban Plan Covered Payroll	\$ 1,133,552	\$ 1,079,573	\$ 1,209,753	\$ 1,152,146	\$ 1,098,115	\$ 1,045,824
Contributions as a Percentage of Covered Payroll	1.06%	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	2.45%
Healthcare Cost Trend Rates	.29% during 2023 to an ultimate rate of 4.75% per year.
Salary Increases	5.00%
Investment Rate of Return	6.79%
Retirement Age	65
Mortality	2010 Public General Amount Weighted Mortality Tables projected to 2026 usings Scale MP-2020

* - Information only available for six 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

	[*] 2022	[*] 2021	[*] 2020	[*] 2019	[*] 2018	[*] 2017
Annual money-weighted rate of return, net of investment expense	-14.20%	14.60%	8.60%	23.20%	-7.13%	18.18%

* - Information only available for six 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**

	*	*	*	*	*
	2022	2021	2020	2019	2018
Total OPEB Liability City Division Plan					
Service Cost	\$ 231,050	\$ 220,048	\$ 269,018	\$ 184,957	\$ 142,941
Interest	85,577	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	(672,953)	(324,006)	583,524	322,110	-
Benefit Payments	(33,205)	(33,473)	(45,177)	(17,530)	(24,498)
Net Change in City Division Plan Total OPEB Liability	(389,531)	(236,289)	880,220	924,844	191,901
City Division Plan Total OPEB Liability - Beginning	3,588,854	3,825,143	2,944,923	2,020,079	1,828,178
City Division Plan Total OPEB Liability - Ending (a)	<u>\$ 3,199,323</u>	<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	\$ 5,191,401	\$ 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	61.63%	72.59%	84.28%	68.13%	61.60%

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

** - The 12/31/2022 measurement date had a change in assumptions related to the Healthcare Cost Trend Rate, and a change in the discount rate compared to 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, 2022**

	Western Lehigh Interceptor System	West. Weisenberg Wastewater	Common Rate Wastewater Fund	Other Wastewater Funds	Total Wastewater Fund
Operating Revenues					
Charges for Services	\$ 6,675,408	\$ 400,810	\$ 921,630	\$ 6,686,889	\$ 14,684,737
Other Income	87,835	29	31,924	217,127	336,915
Total Operating Revenues	6,763,243	400,839	953,554	6,904,016	15,021,652
Operating Expenses					
Salaries and Wages	356,877	79,497	255,004	238,895	930,273
Employee Benefits	24,374	40,320	129,576	120,591	314,861
General and Administrative	86,258	19,215	61,634	57,927	225,034
Utilities	72,511	16,096	38,957	144,302	271,866
Materials and Supplies	92,430	39,858	92,593	114,239	339,120
Miscellaneous Services	292,046	123,794	234,324	5,852,973	6,503,137
Treatment and Transportation	2,808,414	-	37,762	-	2,846,176
Depreciation and Amortization	3,707,788	135,369	825,576	2,422,095	7,090,828
Total Operating Expenses	7,440,698	454,149	1,675,426	8,951,022	18,521,295
Operating Income (Loss)	(677,455)	(53,310)	(721,872)	(2,047,006)	(3,499,643)
Nonoperating Revenues (Expenses)					
Tapping and Capital Recovery Fees	2,709,948	-	58,971	467,721	3,236,640
Inspection and Plan Reviews	-	-	82,029	500	82,529
Interest Earnings	(4,410)	317	-	315	(3,778)
Interest Expense	(74,424)	(27,496)	(68,879)	(15,136)	(185,935)
Other Expense	(67,585)	-	(1,988)	(16,952)	(86,525)
Other Income	1,165	-	255	165	1,585
Total Nonoperating Revenues (Expenses)	2,564,694	(27,179)	70,388	436,613	3,044,516
Increase (Decrease) in net position before capital contributions	1,887,239	(80,489)	(651,484)	(1,610,393)	(455,127)
Capital Contributions					
Capital Assets Provided by Developers and Others	-	-	-	-	-
Total Capital Contributions	-	-	-	-	-
Increase (Decrease) in Net Position	1,887,239	(80,489)	(651,484)	(1,610,393)	(455,127)
Net Position at Beginning of Year, as restated	39,296,755	2,763,144	9,795,275	48,136,914	99,992,088
Net Position at End of Year	\$ 41,183,994	\$ 2,682,655	\$ 9,143,791	\$ 46,526,521	\$ 99,536,961

Lehigh County Authority – Monthly Report to Board of Directors

Upcoming Board Agenda Items & Project Updates – September 2023

Published: September 5, 2023

PART 1 – Upcoming Agenda Items – Action & Discussion Items

FINANCE & ADMINISTRATION

Project Title: 2024 Budget: Preliminary Review

Division / Funding: All Divisions

Status or Action Desired: Discussion

Board Action Date: 9/11/2023 & 9/18/2023

Project Phase: n/a

Project Notes: Staff will present the budget timeline, key assumptions, strategic initiatives, and economic factors that will be included in the 2024 Budget on September 11. At the meeting on September 18, a preliminary budget will be presented for Board review. Additional details will be presented and discussed in October, with Board adoption expected by the end of October 2023. Staff Responsibility: Liesel Gross & Ed Klein

Project Title: 2022 Audit & Financial Statements

Division / Funding: n/a

Status or Action Desired: Acceptance

Board Action Date: 9/11/2023

Project Phase: n/a

Project Notes: The 2022 Audit & Financial Statements are complete and will be presented to the Board for review and acceptance. Staff Responsibility: Ed Klein

Project Title: Monthly Financial Review

Division / Funding: n/a

Status or Action Desired: Discussion

Board Action Date: 9/18/2023

Project Phase: n/a

Project Notes: The August 2023 monthly financial report will be presented. Staff Responsibility: Ed Klein

SYSTEM OPERATIONS

Project Title: Monthly Operations Report

Division / Funding: n/a

Status or Action Desired: Discussion

Board Action Date: 9/18/2023

Project Phase: n/a

Project Notes: The August 2023 monthly operations report will be presented. Staff Responsibility: Andrew Moore & Chris Moughan

WASTEWATER PROJECTS – ALLENTOWN DIVISION

Project Title: Kline's Island WWTP: 2023-2024 Architectural and Structural Upgrades

Division / Funding: Allentown Division

Board Action Date: 9/18/2023

Status or Action Desired: Approval

Project Phase: Construction Phase

Project Notes: As a condition of the financing of LCA's up-front concession payment to the City, LCA entered into a Trust Indenture that requires the preparation of an annual Consulting Engineer's Report. The Report identifies physical plant repairs and upgrades required, and reflects progress made in addressing deficiencies. This is an annual project that consists of addressing structural deficiencies at KIWWTP. Authorization is to be requested at the 9/18/2023 LCA Board meeting for a two-year construction contract. Staff Responsibility: Amy Rohrbach

PART 2 – Project Updates – Information Items

FINANCE & ADMINISTRATION

Project Title: 2024-2028 Capital Plan - Preliminary Plan PresentationsDivision / Funding: All DivisionsStatus or Action Desired: UpdatedBoard Action Date: 10/9/2023Project Phase: n/a

Project Notes: The preliminary 2024-2028 Allentown Division, Administration, and Suburban Division Capital Plans were presented to the Board for review and comment in August. Following these Board presentations, the draft Capital Plans have been distributed for a public comment period through the end of September, and Board approval will be requested at the October 9, 2023 meeting. Staff Responsibility: Chuck Volk & Ed Klein

WASTEWATER PROJECTS – KISS ACT 537

Project Title: Kline's Island WWTP - High-Rate Wet-Weather Treatment Pilot StudyDivision / Funding: Allentown DivisionStatus or Action Desired: UpdatedBoard Action Date: n/aProject Phase: Planning Phase

Project Notes: As part of the final Act 537 Plan that is due to DEP by March 2025, three separate alternatives are being evaluated to address current and future wet-weather events at the Kline's Island WWTP. One alternative involves construction of flow equalization tanks to store wet-weather flow. The second alternative involves constructing internal plumbing modifications and control systems to temporarily run plant treatment systems in parallel (vs. sequentially) during wet-weather scenarios. These first two alternatives are well understood and can be evaluated and costs estimated without further testing. The third alternative involves the construction of a high-rate wet-weather treatment system known as "BioActiflo," which is expected to be similar or lower in cost to other options being explored. Due to this being a newer technology, three rounds of bench scale testing for BioActiflo occurred in 2021 for proof-of-concept validation. The next step to determine if BioActiflo is a viable alternative is a full-scale pilot project, which would be required for permitting in the future if this option is selected. An authorization request for this pilot was granted at the November 14, 2022 Board meeting. The equipment arrived on site in late April of 2023 and the pilot study concluded in mid-July. Full results will be available by early September 2023. Staff Responsibility: Phil DePoe

Project Title: Sanitary Sewer Collection System: City of Allentown Interceptor InspectionsDivision / Funding: City of Allentown (AO)Status or Action Desired: UpdatedBoard Action Date: n/aProject Phase: Planning Phase

Project Notes: As part of the Act 537 planning process, the condition and rehabilitation needs for each major interceptor in the system needs to be detailed for inclusion in the plan. In the City of Allentown, the condition of each interceptor is not currently known. Since all sewage generated by the Kline's Island Sewer System flows through one or more of the City's main interceptors, the condition of each interceptor must be determined and a rehabilitation plan developed if needed. This interceptor inspection work will identify any needed rehabilitation, repairs, or modifications needed to suit the regional sewer needs that will be determined by the Act 537 Plan. Board authorization for this interceptor inspection work was granted at the December 12, 2022 meeting. The majority of the inspections occurred in the second quarter of 2023. Preparations for the remainder of the inspections, plus any additional interceptor evaluations, are under consideration. Staff Responsibility: Phil DePoe

Project Title: Regional Sewer Capacity & Wet-Weather Planning - Regional Act 537 Plan PreparationDivision / Funding: City of Allentown (AO)Board Action Date: n/aStatus or Action Desired: UpdatedProject Phase: Planning Phase

Project Notes: All municipalities flowing into the Kline's Island Wastewater Treatment Plant completed an Interim Act 537 Plan ("Interim Plan") in September 2020. This Interim Plan primarily consisted of projecting new connections to the regional sewer system from 2021 through 2025 and outlining steps to be taken during this timeframe to prepare a full Regional (Long-Term) Act 537 Plan ("Regional Plan"). This two-step planning process has been developed to allow all municipalities to work cooperatively toward a regional plan to meet future sewer capacity needs of the region, and to provide proper regulatory oversight and control of new connections to the system while the Interim Plan is in force from 2021 to 2025. To begin the process of compiling the Regional Act 537 Plan (due in March 2025), a Professional Service Authorization for ARRO to complete this work was approved at the February 28, 2022 Board meeting. Costs associated with the development of this Regional Act 537 Plan will be paid by the City of Allentown and reimbursed through existing intermunicipal agreements and by City customers through the use of the Administrative Order Fee. Preliminary writing of the Final Act 537 is under way. Staff Responsibility: Phil DePoe

WASTEWATER PROJECTS – SUBURBAN DIVISION**Project Title: Lynn Township WWTP Final Clarifier Project**Division / Funding: Suburban DivisionBoard Action Date: n/aStatus or Action Desired: NEWProject Phase: Design Phase

Project Notes: The Lynn Township wastewater treatment plant was constructed in the mid-1970s and acquired by LCA in 2012. The existing activated sludge plant has a single 20-foot diameter final clarifier, which was constructed in 2001 with provisions to add a future second clarifier. The existing clarifier has been in continuous service since 2001 and is in need of rehabilitation. The unit was undersized with respect to current plant flows, and redundancy is needed to facilitate maintenance and improve effluent quality. Design phase authorization is anticipated to be requested in the third quarter of 2023. Staff Responsibility: Chuck Volk

Project Title: Western Lehigh Manhole Rehabilitation Project - Phase 4Division / Funding: Suburban DivisionBoard Action Date: n/aStatus or Action Desired: NEWProject Phase: Design Phase

Project Notes: This project involves the rehabilitation of key manholes in the Western Lehigh Interceptor Service Area. The project includes flood-proofing and exterior concrete work and sealing of manholes, particularly those manholes in close proximity to the floodway, which experience floodwater inundation. The purpose of the project is to eliminate floodwater inflow into the system. The project scope for Phases 1 - 3 included approximately 150 manholes that were rehabilitated over the past 3 years. Design of Phase 4 of this project commenced with investigation efforts in fall 2022, and construction phase authorization is expected to be requested later in 2023. This project will be funded in part by a \$200,000 grant awarded to LCA through the Local Share Account program administered by the Commonwealth Financing Authority. Staff Responsibility: Jason Peters

Project Title: North Whitehall Township Act 537 Plan: Cost-Sharing AgreementDivision / Funding: Suburban DivisionBoard Action Date: n/aStatus or Action Desired: UpdatedProject Phase: Planning Phase

Project Notes: North Whitehall Township and LCA officials have been discussing the need for an updated Act 537 Plan to address long-term sewer service needs in the Township. Sewer service is currently provided via several small developer-built systems, many of which are aging and facing significant performance challenges. LCA owns and operates two of these facilities (Sand Spring and Wynnewood Terrace). The Township and LCA would like to pursue a partnership approach to completing the Act 537 Plan. At the June 12, 2023 meeting, a cost-sharing agreement to initiate and pay for the Act 537 Plan development work was approved by the Board. At the September 11, 2023 Township Board of Supervisors meeting, Barry Isett & Associates will be recommended for approval to complete this work. LCA staff have reviewed the proposals and agree with this recommendation. Staff Responsibility: Phil DePoe

PART 3 – Open Project List – No Updates

Project Category	Project Title	Division / Funding	Project Phase	Staff Responsibility
Finance & Administration	LCA Strategic Plan - 2023 Quarterly Progress Reporting	All Divisions	n/a	Liesel Gross
Finance & Administration	Asset Management Roadmap & Strategic Asset Management Plan (SAMP)	All Divisions	Planning Phase	Albert Capuzzi
Finance & Administration	LCA Munis ERP System Planning & Re-Implementation	All Divisions	Planning Phase	Brooke Neve
System Operations	Suburban Water Facilities - SCADA System Upgrade	Suburban Division	Construction Phase	Chris Moughan
System Operations	Watershed Monitoring Program	Suburban Division	Ongoing	Andrew Moore
Water - Suburban	Central Lehigh and North Whitehall Systems – Water Supply Study	Suburban Division	Planning Phase	Phil DePoe
Water - Suburban	2022 Commercial Meter Replacement Project	Suburban Division	Construction Phase	Amy Kunkel
Water - Suburban	Water Main Replacement Program Cycle 6	Suburban Division	Construction Phase	Jason Peters
Water - Suburban	Fixed Base Meter Reading Stations	Suburban Division	Planning Phase	Amy Kunkel
Water - Suburban	Upper System Pump Station and Main Extension	Suburban Division	Design Phase	Amy Kunkel
Water - Suburban	North Whitehall Meter Replacement	Suburban Division	Construction Phase	Amy Kunkel
Water - Suburban	Water Main Replacement Program Cycle 7 & 8	Suburban Division	Design Phase	Jason Peters
Water - Allentown	Large Meter Chamber Replacement	Allentown Division	Construction Phase	Amy Kunkel
Water - Allentown	Water Filtration Plant: PFAS Compliance Study	Allentown Division	Planning Phase	Albert Capuzzi
Water - Allentown	Water Main Replacement Program Cycles 7 & 8	Allentown Division	Design Phase	Jason Peters

Project Category	Project Title	Division / Funding	Project Phase	Staff Responsibility
Water - Allentown	Large Diameter Valve Rehabilitation & Replacement Program	Allentown Division	Design Phase	Chuck Volk
Water - Allentown	Lead Service Line Replacement Program Planning	Allentown Division	Planning Phase	Andrew Moore
Water - Allentown	Water Main Replacement Program Cycle 6	Allentown Division	Construction Phase	Jason Peters
Water - Allentown	Water Filtration Plant: Filter Upgrade Project	Allentown Division	Design Phase	Chuck Volk
Water - Allentown	Water Filtration Plant: 2022-2023 Indenture Upgrades	Allentown Division	Construction Phase	Chuck Volk
Sewer - Act 537	Sanitary Sewer Collection System: City of Allentown Manhole Inspections	Allentown Division	Planning Phase	Phil DePoe
Sewer - Act 537	KISS System Modeling - Final Alternatives Analysis (FAA)	City of Allentown (AO)	Planning Phase	Phil DePoe
Sewer - Act 537	KISS Act 537 Planning - Financial & Institutional Evaluation, Phase 2	City of Allentown (AO)	Planning Phase	Liesel Gross
Sewer - Act 537	KISS System Modeling - Preliminary Screening of Alternatives (PSOA)	City of Allentown (AO)	Planning Phase	Phil DePoe
Sewer - Act 537	Kline's Island WWTP: Phase 1 AO Design Improvements	City of Allentown (AO)	On Hold	Phil DePoe
Sewer - Act 537	KISS System Modeling - Sewage Billing Meter QA/QC Data Analytics and 2021 Flow Metering Preparation	City of Allentown (AO)	Planning Phase	Phil DePoe
Sewer - Act 537	Regional Sewer Capacity & Wet-Weather Planning: Engineering & Program Support	Suburban Division	Planning Phase	Phil DePoe
Sewer - Act 537	Industrial Pretreatment Plant Master Plan	Suburban Division	Planning Phase	Phil DePoe
Sewer - Act 537	Western Lehigh Interceptor Municipalities Test & Seal Lateral Grouting Project	Suburban Division	Construction Phase	Jason Peters
Sewer - Act 537	Upper Western Lehigh Pump Station and Force Main	Suburban Division	Design Phase	Amy Kunkel
Sewer - Act 537	Western Lehigh Service Area - Engineering & Program Support	Suburban Division	Planning Phase	Phil DePoe

Project Category	Project Title	Division / Funding	Project Phase	Staff Responsibility
Sewer - Suburban	Heidelberg Heights Sanitary Sewer Consent Order & Agreement	Suburban Division	Construction Phase	Jason Peters
Sewer - Suburban	Spring Creek Pump Station Upgrades	Suburban Division	Design Phase	Amy Kunkel
Sewer - Suburban	Pretreatment Plant (PTP) Electrical Study	Suburban Division	Planning Phase	Albert Capuzzi
Sewer - Suburban	Heidelberg Heights Wastewater Treatment Plant - Mechanical Screen Project	Suburban Division	Construction Phase	Chuck Volk
Sewer - Suburban	Spring Creek Force Main Relocation - PA Turnpike Commission	Suburban Division	Design Phase	Amy Kunkel
Sewer - Suburban	Lynn Township Corrective Action Plan	Suburban Division	Ongoing	Jason Peters
Sewer - Suburban	Park Pump Station Phase 2 Upgrade	Suburban Division	Construction Phase	Amy Kunkel
Sewer - Allentown	Kline's Island WWTP: Substation No. 1 and Switchgear Replacement	Allentown Division	Design Phase	Chuck Volk
Sewer - Allentown	Kline's Island WWTP: Main and Auxiliary Pump Station Improvements	Allentown Division	Preliminary Design	Chuck Volk
Sewer - Allentown	Kline's Island WWTP: Primary Digester No. 2 Cleaning and Rehabilitation Project	Allentown Division	Construction Phase	Chuck Volk
Sewer - Allentown	Sanitary Sewer Collection System: I&I Source Reduction Program (LCA Year 1)	Allentown Division	Design Phase	Albert Capuzzi
Sewer - Allentown	Kline's Island WWTP: Effluent Disinfection and Dechlorination System Improvements	Allentown Division	Construction Phase	Chuck Volk
Sewer - Allentown	Kline's Island WWTP: Solids Process Boiler and HVAC System Upgrade Project	Allentown Division	Construction Phase	Chuck Volk
Sewer - Allentown	Kline's Island WWTP: Wet Weather Capacity Enhancements	Allentown Division	Preliminary Design	Chuck Volk
Sewer - Allentown	Kline's Island WWTP: Intermediate Pump Station Improvements	Allentown Division	Preliminary Design	Chuck Volk
Sewer - Allentown	Lehigh Street (Rte. 145) Water and Sewer Main Relocation Project	Allentown Division	Construction Phase	Jason Peters

Project Category	Project Title	Division / Funding	Project Phase	Staff Responsibility
Sewer - Allentown	Sanitary Sewer Collection System: I&I Source Reduction Program (City Year 4)	City of Allentown (AO)	Construction Phase	Phil DePoe