

# **The Municipal Authority of the Borough of Lewistown**

Financial Statements and  
Supplementary Information

December 31, 2021 and 2020

# The Municipal Authority of the Borough of Lewistown

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December 31, 2021 and 2020

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## Independent Auditors' Report

To the Board of Directors of  
The Municipal Authority of the Borough of Lewistown

### Opinions

We have audited the financial statements of the business-type activities and the fiduciary fund of The Municipal Authority of the Borough of Lewistown, Pennsylvania (Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

### Emphasis of Matter

As more fully disclosed in Note 1 to the financial statements, Disposal of Operations, on September 30, 2021, the Authority sold all of its assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising its water operations. Our opinions are not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and GAS 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 and GAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules to Statements of Revenue, Expenses and Changes in Net Position on pages 33 - 34 and the Schedule of Revenue, Expenses and Changes in Net Position - Budget to Actual - Budgetary Basis on page 35 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

State College, Pennsylvania  
March 16, 2022

# The Municipal Authority of the Borough of Lewistown

Management's Discussion and Analysis  
December 31, 2021 and 2020  
(Unaudited)



In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the following is presented as the Management's Discussion and Analysis (MD&A) to the financial statements that follow. The financial statements are based on an accrual basis of accounting.

On September 30, 2021, The Municipal Authority of the Borough of Lewistown (the Authority) disposed of all of its assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising its water operations to the Mifflin County Municipal Authority (MCMA). Part of the consideration for the acquisition of the Water System by the MCMA included payment and discharge of all remaining outstanding indebtedness of the Authority. As a result of the sale, the Authority recognized a loss of \$30,816,307 on the disposal of its water operations as a special item.

The Authority served residents in Mifflin County (the County), Pennsylvania by providing potable drinking water, through a complex maze of almost 300 miles of transmission and distribution mains; controlled in 17 different pressure zones by pressure reducing valves, pumps and elevated water storage tanks. The Authority provided fire protection through nearly 600 hydrants. During 2021, the Authority serviced approximately 30,000 residents in the County and maintained over 11,000 billable accounts. The Authority's revenue created through rates and fees is primarily used to fund day-to-day operations and used to make payments on long-term debt.

	<u>2021</u>	<u>2020</u>
Total Water Revenue Bonds, net of discount	\$ -	\$ 16,253,552

At December 31, 2021, no debt obligations remain outstanding as all outstanding debt was repaid in full in September 2021.

The Authority spent a considerable amount of time preparing an annual cash basis operating budget, as well as a capital budget for system and equipment improvements. These budgets were prepared so that rates and fees could be set to meet the expenses of the day-to-day operations, while also keeping the water provided affordable to the customers. On January 1, 2021, there was no water rate increase. The user rate for 2021 was \$4.92 per one thousand gallons of metered water. It is important to note that this rate is very reasonable when compared to other utility's fees in the state. With this rate, the Authority estimated the annual operating revenue to be \$5,660,182 and operating expenses to be \$3,408,892.

# The Municipal Authority of the Borough of Lewistown

Management's Discussion and Analysis  
December 31, 2021 and 2020  
(Unaudited)

The following is a summary of the Schedule of Revenue, Expenses and Changes in Net Position - Budget to Actual - Budgetary Basis, presented in its entirety later in the supplementary information, for the year ended December 31, 2021:

Description	Actual (Budgetary Basis)	Budget
Total operating revenue	\$ 4,206,294	\$ 5,660,182
Total operating expenses	(2,208,948)	(3,408,892)
Operating income	1,997,346	2,251,290
Nonoperating revenue (expense)	(7,015,339)	(1,871,684)
Capital expenditures	(799,139)	(900,186)
Net cash and investments used	\$ (5,817,132)	\$ (520,580)

During 2021, the operation provided operating income of \$1,997,346. The budget is being presented for the calendar year, or twelve months, where the actual results are for only nine months of activity prior to the disposal of operations. The detailed analysis below will provide supporting data to show that the operating revenue was within 26 percent of the budget expectations and expenses were 35.2 percent below budget. This resulted in operating income that was less than projected by \$253,944.

## Revenue

Metered revenue is based on historical consumption data and projection trends for the upcoming year.

- During 2021, water billing revenues, in general, were 26 percent less than the budget projection. Domestic metered consumption revenues, were less than budget by 26.6 percent. Overall revenue and consumption are at expected levels for nine months of activity. Domestic consumption decreased and commercial consumption increased in 2021, reversing the COVID shift noticed in 2020.

Unmetered revenue consists of other revenue sources not included in the scheduled billing cycles during the year.

- Due to the continued health emergency related to the COVID-19 pandemic, operational and collection budgets were adjusted for 2021. The health and safety issues associated with the pandemic magnified the importance of continuous water service to all customers. In response to the situation, the turn off moratorium was extended until May 31, 2021. Water turn offs and water penalties were waived for five months in 2021.

# The Municipal Authority of the Borough of Lewistown

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Management's Discussion and Analysis  
December 31, 2021 and 2020  
(Unaudited)

The Authority has seven categories for operating expense classifications. Total operating expenses for the year ended December 31, 2021 were under budget by \$1,199,944, or 35.2 percent. Some significant variances to point out when comparing the expense categories on the Schedule of Revenue, Expenses and Changes in Net Position - Budget to Actual - Budgetary Basis are as follows:

## General

- Medical benefit expenses came in approximately \$50,000 under budget for the nine months of activity. The primary contributors were medical insurance premiums were reduced due to employee participation premiums and the health reimbursement costs being lower than projected for 2021.
- Engineering expenses were approximately \$38,000 under budget for the nine months of activity. A portion of engineering expenses were assigned to capitalized projects.
- Legal expenses and office expenses were approximately \$49,000 and \$30,000 under budget, respectively, for the nine months of activity.

## Filter Plant

- Total Filter Plant expenses were \$137,000 under budget, or 21 percent for the nine months of activity.
- Filter Plant maintenance activities and the supporting labor were under budget projections by \$15,000. Funds are allocated each year for emergency maintenance related repairs.
- Succession planning new hires were delayed due to the Authority transition activity thus labor expenses were under budget.

## Purification

- Purification expenses were over budget by \$56,000, or 29 percent, for the nine months of activity.
- Purification chemicals and lab supply costs increased due to two weather events that increased turbidity of primary source water.

## Distribution

- Overall distribution expenses were \$89,000 under budget, or 22 percent for the nine months of activity.
- Variances in labor category projections for mains and services lines were realized due to the actual capital project work schedule. This resulted in a 23 percent decrease in projected labor.

## Control Stations

- The overall control station expenses were \$6,000 under budget, or 11 percent for the nine months of activity.

## Water Collection System

- The budget includes a provision for well operations as a primary supply water source. The wells were not utilized in this capacity in 2021. Well power was \$8,000 under budget projections.

# The Municipal Authority of the Borough of Lewistown

Management's Discussion and Analysis  
December 31, 2021 and 2020  
(Unaudited)

During 2021, net nonoperating expense was \$5,143,655 more than budgeted. Nonoperating revenue not budgeted included \$9,818,576 of cash received from the MCMA bond proceeds for the Authority assets and liabilities. Nonoperating expenses for principal paid on long-term debt was in excess of budgeted of \$14,717,366 as the budget did not include payment and discharge of all remaining outstanding indebtedness of the Authority from the bond proceeds.

During 2021, the budget was approved for capital expenditures of \$900,186. The actual capital contributions and additions are listed below:

Account	Description	Total
Filtration Plant	Beck Actuators (14) & Rate Controller	\$ 79,252
	Cat Walk	21,320
	Sodium Hypo Upgrade	49,214
	Control Relay	1,413
	Filter Plant Roof	77,331
	Optiplex 3000 & HP Monitor	1,031
	SCADA Upgrade	24,500
	Turbidimeters (5)	14,395
	Liquid Chemical Feed Upgrade	17,548
	Hydrogeologist Analysis SRBC	16,350
Reservoirs, Water Supply & Tanks Control Facilities and Equipment	Mechanic Street Roof	41,535
	South Hills Pump Station	63,574
Distribution Mains	Auto Flushers (2)	5,832
	S Main St Bridge - Lewistown	10,648
	2nd St - Milroy 125028	19,352
	Oakland Ave - Lewistown 125030	14,256
Meters	New Meters 5/8 x 3/4"	15,312
	New Meters 1"	661
	New Meters Over 2" & Material	2,811
	Badger HRE Registers	12,033
	Itron ERTs	23,882
Fire Hydrants	New/Replaced System Hydrants	9,571
General Office Equipment	System Software Upgrade	55,283
Other General Equipment	2021 Ford 1350 Super Duty Truck	33,428
Construction in progress	2021 Construction in Progress	188,607
		\$ 799,139

The Authority maintained over \$60 million worth of capital assets. A detailed table of the capital assets is included in the financial statements as Note 3 to the financial statements. The following are summarized values at December 31:

	2021	2020
Capital assets	\$ -	\$ 66,582,030
Less accumulated depreciation	-	(27,600,972)
Net book value	\$ -	\$ 38,981,058

During September, 2021, the Authority's disposed of all of its capital assets with other assets and liabilities. See Note 1 to the financial statements regarding the disposal of operations.

# The Municipal Authority of the Borough of Lewistown

Management's Discussion and Analysis  
December 31, 2021 and 2020  
(Unaudited)

The following is a summary of the Statements of Net Position at December 31:

	<u>2021</u>	<u>2020</u>
Capital assets, net of depreciation	\$ -	\$ 38,981,058
Cash and investments	-	5,818,132
Other assets	-	1,708,244
Total assets	-	46,507,434
Deferred outflows of resources	-	822,627
Total assets and deferred outflows of resources	<u>\$ -</u>	<u>\$ 47,330,061</u>
Current liabilities	\$ -	\$ 1,833,482
Long-term liabilities	-	14,739,943
Total liabilities	-	16,573,425
Deferred inflows of resources	-	351,002
Net investment in capital assets	-	23,152,794
Restricted	-	4,436,190
Unrestricted	-	2,816,650
Total net position	-	30,405,634
Total liabilities, deferred inflows of resources, and net position	<u>\$ -</u>	<u>\$ 47,330,061</u>

The summary of the Statements of Net Position at December 31, 2021, compared to December 31, 2020 reflects the disposal of water operations in September 2021. The water operations will continue with MCMA on September 30, 2021 and forward.

The following is a summary of the Statements of Revenue, Expenses and Changes in Net Position for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Total operating revenue	\$ 4,298,823	\$ 5,835,660
Total operating expenses	(1,994,294)	(2,787,419)
Operating income before depreciation	2,304,529	3,048,241
Depreciation	(1,194,756)	(1,536,932)
Operating income	1,109,773	1,511,309
Total nonoperating expenses	(710,803)	(1,371,313)
Capital contributions	11,703	59,775
Special item, loss on disposal of operations (see Note 1)	(30,816,307)	-
Change in net position	<u>\$ (30,405,634)</u>	<u>\$ 199,771</u>

# The Municipal Authority of the Borough of Lewistown

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Management's Discussion and Analysis  
December 31, 2021 and 2020  
(Unaudited)

## **Fiduciary Funds**

The Authority accounts for the assets held under trust or in a custodial capacity in fiduciary funds. Assets held in trust in the Authority retirement plan are accounted for in the Pension Trust Fund. Fiduciary funds are not reported in the Enterprise Fund financial statements since they are not available to support the Authority operations.

The basic Fiduciary Fund financial statements can be found on pages 13-14 of this report.

On September 30, 2021, the Authority also transferred to MCMA the fiduciary net position related to its Municipal Authority of the Borough of Lewistown Pension Plan at September 30, 2021 of \$4,066,889.

If you would like to hear more about Mifflin County and the opportunities here or would like more details about the Authority and its operations, feel free to contact our office at (717) 248-0165, view our website [www.lewistownwater.com](http://www.lewistownwater.com), or write to: The Municipal Authority of the Borough of Lewistown, 70 Chestnut Street, Lewistown, Pennsylvania 17044.

This report has been prepared in accordance with GASB Statement No. 34 to provide useful information to anyone interested in an overview of the operations of the Authority, as well as to demonstrate accountability for the business the Authority conducts.

# The Municipal Authority of the Borough of Lewistown

Statements of Net Position  
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ -	\$ 1,381,942
Accounts receivable, billed	-	503,340
Accounts receivable, unbilled	-	708,442
Prepaid insurance	-	34,095
Inventory	-	269,857
	<u>-</u>	<u>2,897,676</u>
Total current assets	-	2,897,676
<b>Noncurrent Assets</b>		
Restricted investments held with trustee	-	4,436,190
Net pension asset	-	192,510
Capital assets, not subject to depreciation	-	447,670
Capital assets, net of depreciation	-	38,533,388
	<u>-</u>	<u>43,609,758</u>
Total noncurrent assets	-	43,609,758
Total assets	<u>-</u>	<u>46,507,434</u>
<b>Deferred Outflows of Resources</b>		
Pension	-	397,339
Deferred loss on refunding	-	425,288
	<u>-</u>	<u>822,627</u>
Total deferred outflows of resources	-	822,627
Total assets and deferred outflows of resources	<u>\$ -</u>	<u>\$ 47,330,061</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 56,172
Accrued payroll	-	20,861
Consumer deposits	-	24,973
Accrued interest	-	166,862
Unearned revenue	-	24,330
Current portion of Water Revenue Bonds	-	1,540,284
	<u>-</u>	<u>1,833,482</u>
Total current liabilities	-	1,833,482
<b>Long-Term Liabilities</b>		
Compensated absences	-	26,675
Water Revenue Bonds	-	14,713,268
	<u>-</u>	<u>14,739,943</u>
Total long-term liabilities	-	14,739,943
Total liabilities	<u>-</u>	<u>16,573,425</u>
<b>Deferred Inflows of Resources, Pension</b>	<u>-</u>	<u>351,002</u>
<b>Net Position</b>		
Net investment in capital assets	-	23,152,794
Restricted for capital projects	-	1,030,995
Restricted for debt service	-	3,405,195
Unrestricted	-	2,816,650
	<u>-</u>	<u>30,405,634</u>
Total net position	-	30,405,634
Total liabilities, deferred inflows of resources and net position	<u>\$ -</u>	<u>\$ 47,330,061</u>

See notes to financial statements

# The Municipal Authority of the Borough of Lewistown

Statements of Revenue, Expenses and Changes in Net Position  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Revenue</b>		
Metered revenue:		
Domestic	\$ 2,742,835	\$ 3,629,044
Commercial	773,920	1,018,668
Industrial	385,519	503,639
Public	160,897	227,799
Fire protection	101,262	133,412
Capital component collections	-	130,003
	<u>4,164,433</u>	<u>5,642,565</u>
<b>Unmetered Revenue</b>	<u>134,390</u>	<u>193,095</u>
Total operating revenue	<u>4,298,823</u>	<u>5,835,660</u>
<b>Operating Expenses</b>		
General	1,194,734	1,732,155
Filter plant	341,484	418,979
Distribution	213,523	415,161
Purification	200,683	152,398
Control stations	36,267	54,791
Water collection	7,603	12,385
Timber management	-	1,550
	<u>1,994,294</u>	<u>2,787,419</u>
Total operating expenses	<u>1,994,294</u>	<u>2,787,419</u>
Operating income before depreciation	2,304,529	3,048,241
<b>Depreciation</b>	<u>1,194,756</u>	<u>1,536,932</u>
Operating income	<u>1,109,773</u>	<u>1,511,309</u>
<b>Nonoperating Revenue (Expenses)</b>		
Interest expense	(700,553)	(462,337)
Loss on disposal of assets	(18,731)	(1,034)
Investment income (loss)	7,210	(112,286)
Interest income	1,271	11,577
Legal expenses	-	(807,233)
	<u>(710,803)</u>	<u>(1,371,313)</u>
Total nonoperating expenses, net	<u>(710,803)</u>	<u>(1,371,313)</u>
<b>Capital Contributions</b>	<u>11,703</u>	<u>59,775</u>
Change in net position before special item	410,673	199,771
<b>Special Item, Loss on Disposal of Operations (See Note 1)</b>	<u>(30,816,307)</u>	<u>-</u>
Change in net position	<u>(30,405,634)</u>	<u>199,771</u>
<b>Net Position, Beginning</b>	<u>30,405,634</u>	<u>30,205,863</u>
<b>Net Position, Ending</b>	<u>\$ -</u>	<u>\$ 30,405,634</u>

See notes to financial statements

## The Municipal Authority of the Borough of Lewistown

### Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers	\$ 4,206,294	\$ 5,836,051
Cash payments to vendors	(1,515,644)	(1,668,847)
Cash payments to employees for services	(692,773)	(1,266,308)
Cash payments to customers	(531)	(549)
	<u>1,997,346</u>	<u>2,900,347</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal paid on Water Revenue Bonds	(16,287,650)	(1,514,957)
Cash receipts from sale of operations	9,818,576	-
Acquisition and construction of capital assets	(799,139)	(2,623,058)
Cash transferred on disposal of operations	(677,157)	-
Interest paid on debt service	(408,028)	(367,424)
	<u>(8,353,398)</u>	<u>(4,505,439)</u>
<b>Cash Flows Used in Noncapital Financing Activities</b>		
Payment of nonoperating legal costs	-	(807,233)
<b>Cash Flows From Investing Activities</b>		
Net proceeds from the sale of investment securities	4,435,190	459,438
Debt termination receipts (arbitrage rebate payment)	436,587	(272,784)
Investment income	101,062	115,267
Interest income	1,271	11,577
	<u>4,974,110</u>	<u>313,498</u>
Net decrease in cash and cash equivalents	(1,381,942)	(2,098,827)
<b>Cash and Cash Equivalents, Beginning</b>	<u>1,381,942</u>	<u>3,480,769</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ -</u>	<u>\$ 1,381,942</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 1,109,773	\$ 1,511,309
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,194,756	1,536,932
Changes in net pension liability (asset) (net of related deferred inflows/outflows of resources)	(209,078)	(79,471)
(Increase) decrease in:		
Accounts receivable	(84,229)	(9,219)
Prepaid insurance	(12,307)	(474)
Increase (decrease) in:		
Accounts payable	(22,030)	(45,955)
Accrued payroll	(5,104)	(14,634)
Consumer deposits	(531)	(549)
Unearned revenue	(8,300)	9,610
Compensated absences	34,396	(7,202)
	<u>\$ 1,997,346</u>	<u>\$ 2,900,347</u>
<b>Supplemental Disclosures</b>		
Noncash operating activities:		
Loss on disposal of operations	<u>\$ (30,816,307)</u>	<u>\$ -</u>
Noncash investing and financing activities:		
Accepted dedication of capital assets	<u>\$ 11,703</u>	<u>\$ 59,775</u>
Deferred interest expense on bond obligations	<u>\$ 459,387</u>	<u>\$ 110,444</u>

See notes to financial statements

# The Municipal Authority of the Borough of Lewistown

## Statements of Fiduciary Net Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 122,906
Investments at fair value:		
Mutual funds	-	<u>3,655,030</u>
Total	<u>\$ -</u>	<u>\$ 3,777,936</u>
<b>Net Position, Held in Trust for Pension Benefits</b>	<u>\$ -</u>	<u>\$ 3,777,936</u>

See notes to financial statements

## The Municipal Authority of the Borough of Lewistown

Statements of Changes in Fiduciary Net Position  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Additions</b>		
Employer contributions	\$ 107,113	\$ 107,738
Member contributions	17,524	25,348
Net investment income	<u>328,563</u>	<u>470,010</u>
Total additions	453,200	603,096
<b>Deductions</b>		
Benefits paid to participants	<u>164,247</u>	<u>138,345</u>
Change in net position held in trust before special item	288,953	464,751
<b>Special Item, Transfer on Disposal of Operations (See Note 1)</b>	<u>(4,066,889)</u>	<u>-</u>
Change in net position held in trust	(3,777,936)	464,751
<b>Net Position Held in Trust for Pension Benefits, Beginning</b>	<u>3,777,936</u>	<u>3,313,185</u>
<b>Net Position Held in Trust for Pension Benefits, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ 3,777,936</u></u>

See notes to financial statements

# The Municipal Authority of the Borough of Lewistown

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Notes to Financial Statements

December 31, 2021 and 2020

## 1. Summary of Significant Accounting Policies

### Description of Operations

The Municipal Authority of the Borough of Lewistown (the Authority) is a municipal authority incorporated during March 1944, organized and existing under the Pennsylvania Municipality Authorities Act, as amended. The Authority was created to construct and operate a complete water system, including all related and necessary facilities for providing public water service to customers throughout Mifflin County, Pennsylvania.

In accordance with the terms of the trust indentures securing the Authority's debt, an annual operating budget is adopted for accounting control and internal reporting purposes. There is no legal requirement for the adoption of an annual appropriated budget.

On September 30, 2021, the Authority sold all of its assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising its water operations. See Disposal of Operations section of Note 1 for more details.

### Financial Reporting Entity

Accounting principles generally accepted in the United States of America (GAAP) provide criteria for determining the nature of certain intergovernmental relationships. Pursuant to such criteria, the Authority meets the definition of a related-party of the Borough of Lewistown, Pennsylvania (the Borough), as the accountability of Borough Council does not extend beyond appointing all Authority board members at certain times during 2021 and 2020. Accordingly, the financial reporting entity will consist solely of the accounts and funds of the Authority.

The fiduciary financial statements include a component unit, fiduciary in nature, related to the Municipal Authority of the Borough of Lewistown Pension Plan (the Pension Plan). The financial results of the Pension Plan are reported and included in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The Pension Plan is not separately audited. Additional disclosures in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27*, are presented for the Pension Plan in Note 6 - Pension and in Required Supplementary Information (RSI).

### Fund Accounting

The Authority uses a proprietary fund to report its activities. A proprietary fund is used to account for operations, which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a propriety fund, the Authority records both operating revenue and expenses and nonoperating revenue and expenses. Operating revenue and expenses result from the ongoing principal operations of the Authority. Operating revenue consists primarily of consumption charges or other charges and fees for services, whereas operating expenses represent the cost of operations, which includes depreciation. Nonoperating revenue and expenses do not result from operations and relate to financing and investing types of activities, as well as nonexchange transactions. This includes investment income, interest income, interest expense and the gain or loss resulting from the disposal of assets, if any.

### Basis of Accounting

The financial statements of the Authority, including the fiduciary financial statements, are reported using the economic resources measurement focus and the accrual basis of accounting, whereby all revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

# The Municipal Authority of the Borough of Lewistown

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Notes to Financial Statements

December 31, 2021 and 2020

Depreciation and amortization of assets are recognized on the statements of revenue, expenses and changes in net position. All assets, deferred outflows of resources, liabilities or deferred inflows of resources associated with the operation of the Authority are included on the statements of net position.

## **Cash and Cash Equivalents and Certificates of Deposit**

Cash consists of currency on hand, demand deposits and negotiable certificates of deposit. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As a result, the Authority classifies its interest in an external investment pool as cash and cash equivalents on the statements of net position, but is classified as investments for purposes of the disclosures in Note 2, *Cash Deposits and Investments*.

## **Accounts Receivable and Bad Debt**

The Authority writes-off any accounts receivable determined to be uncollectible. Potential bad debt at the end of the period is generally immaterial in relation to the total accounts receivable. Therefore, a reserve for doubtful accounts has not been established.

## **Accounts Receivable, Unbilled**

During the year, customers' water meters are read and bills are rendered throughout monthly or quarterly periods. Because not every meter is read on the same date and not all customers are billed through December 31st, revenue for water distributed is estimated and accrued at fiscal year-end to match revenue with related expenses.

## **Inventory**

Inventory consists principally of spare parts, which are recorded when purchased and expensed or capitalized when used. Inventory is recorded using the first-in, first-out (FIFO) method of accounting.

## **Pension**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position of The Municipal Authority of the Borough of Lewistown Pension Plan (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan.

## **Deferred Inflows/Outflows of Resources**

Pursuant to the Governmental Accounting Standards Board (GASB) Concepts Statement No. 4, *Elements of Financial Statements*, the "deferred outflow of resources" is a consumption of net position (assets minus liabilities) by the government that is applicable to a future period, while an "asset" is a resource with present service capacity that the government presently controls. The "deferred inflow of resources" are an acquisition of net position (assets minus liabilities) by the government that is applicable to a future reporting period, while a "liability" is a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred outflows and inflows of resources are reported separate from assets and liabilities on the statements of net position.

When debt is refunded, any difference between the reacquisition price and the net carrying amount of the extinguished debt is recognized as deferred outflows of resources. The amount is amortized as a component of interest expense over the shorter of the new debt's life or the remaining life of the old debt.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements  
December 31, 2021 and 2020

Changes in the net pension liability (asset) not included in pension expense are also required to be reported as deferred outflows or inflows of resources (see Note 6 for additional information).

## Investments Held With Trustee

In accordance with the terms of the trust indentures securing the Water Revenue Bonds, moneys are held in various funds, segregated for specific use and for the security of the bondholders, and maintained by an independent trustee. Investments held with trustee consist of the following funds at December 31:

	<u>2021</u>	<u>2020</u>
Debt service fund	\$ -	\$ 1,641,220
Debt service reserve fund	-	1,763,975
Bond redemption and improvement fund	-	1,030,995
Total investments held with trustee	<u>\$ -</u>	<u>\$ 4,436,190</u>

The Authority's investments held with trustee are carried at fair value, which approximates cost. Any differences between the fair values and costs of investments are reflected in investment income.

## Capital Assets

Capital assets are stated at cost. Depreciation is provided using the straight-line method of accounting over the expected economic useful lives of the assets. The expected economic useful lives of the assets are listed below.

Dam and reservoirs	10-100 years
Water treatment plant	5-50 years
Distribution system	7-50 years
Office building	10-25 years
Equipment	5-50 years

When assets are retired or otherwise disposed of, the applicable cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized as income or loss for the period. Routine expenditures for maintenance and repairs are charged against income as incurred. Expenditures, which significantly increase the value or extend the useful lives of the assets, are capitalized.

## Consumer Deposits

Consumer deposits covering water billings to tenants (in lieu of property owners), at the Authority's discretion, may be refunded after two years of timely payments by the consumer or after service is discontinued.

## Components of Net Position

Proprietary fund financial statements are required to report net position in three components:

*Net Investment in Capital Assets* - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings and deferred outflows of resources, which are attributable to the acquisition, construction or improvement of those assets.

# The Municipal Authority of the Borough of Lewistown

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## Notes to Financial Statements

December 31, 2021 and 2020

*Restricted* - This consists of net resources, which are legally restricted by outside parties, or by law, through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first and then unrestricted resources when they are needed.

*Unrestricted* - This consists of net assets, which do not meet the definition of "Net Investment in Capital Assets" or "Restricted."

### **Compensated Absences**

Accumulated compensated absences consist of pooled leave (vacation time) attributable to substantially all full-time employees. Employees are not allowed to carry over unused leave from year to year. Vacation time for staff employees renews on January 1 each year and should be used by the December 31 of the same year. Vacation time for union employee renews each year on the employee's anniversary date and should be used by the following year anniversary date. Any unused vacation time is forfeited. Accumulated compensated absences amounted to \$0 and \$26,675 at December 31, 2021 and 2020, respectively.

### **Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **Government Acquisition**

On September 30, 2021, the Mifflin County Municipal Authority (MCMA) acquired the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources in exchange for \$9,818,576 and acquired the system rights to the water operations from the Borough for \$13,170,424, which included an upfront payment of \$1,000,000 and a note payable to the Borough for \$12,170,424 for a total purchase price of \$22,989,000. The MCMA issued \$24,605,000 of Water Revenue Bonds, Series of 2021 in September 2021 and the proceeds of the bonds were used in part to fund the purchase and acquisition of the Water System of the Authority of \$10,818,576 and to repay the existing outstanding debt of the Authority in full. The MCMA will operate and maintain the water operations and account for its operations in an enterprise fund. The acquisition included all of the assets of the Authority, consisting of cash and cash equivalents; billed and unbilled accounts receivable; prepaid expenses; inventory; capital assets; and net pension asset. In addition, the MCMA assumed the liability for the accounts payable and accrued payroll and other compensated absence liabilities as well as consumer deposits and unearned revenue of the Authority. Also included in the acquisition were certain pension related deferred outflows and inflows of resources.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements

December 31, 2021 and 2020

## Disposal of Operations

On September 30, 2021, the Authority sold all of its assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising its water operations to the MCMA which was incorporated and the result of local community concerns regarding the ownership and operation of the water system by the Authority, whose board members were appointed solely by the Borough, while the water system itself had, over time, grown well beyond the geopolitical borders of the Borough and presently serves residents throughout seven different adjacent municipalities, representing a significant geographic portion of the County of Mifflin. Part of the consideration for the acquisition of the Water System by the MCMA included payment and discharge of all remaining outstanding indebtedness of the Authority of \$9,818,576, from the proceeds of the MCMA Bonds. As a result of the sale, the Authority recognized a loss of \$30,816,307 on the disposal of its water operations as a special item. The Authority also recognized a special item for the transfer of fiduciary net position related to its Municipal Authority of the Borough of Lewistown Pension Plan at September 30, 2021 of \$4,066,889. The Authority's 2021 expense related to its water operations totaled approximately \$3,189,000. 2021 revenues associated with the Authority's water operations, consisting of both operating and nonoperating revenues, totaled approximately \$4,312,000.

## 2. Cash Deposits and Investments

Pennsylvania statutes and the Authority's trust indentures provide for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term obligations of the U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits, however, they do allow pooling of government funds for investment purposes. The deposit and investment policy of the Authority is to adhere to state statutes and the trust indentures.

### Cash Deposits

Custodial credit risk for cash deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover deposits, which are in the possession of the institution.

The following is a summary of the Authority's cash deposits (bank balances) at December 31:

	<u>2021</u>	<u>2020</u>
Insured (FDIC)	\$ -	\$ 263,692
Collateralized held by institution's trust department not in the Authority's name	-	1,341,591
Total cash deposits and certificates of deposit	<u>\$ -</u>	<u>\$ 1,605,283</u>

The Federal Deposit Insurance Corporation (FDIC) insures the Authority's deposits. Those deposits exceeding the FDIC limit of \$250,000 are collateralized in accordance with the Commonwealth of Pennsylvania Act 72, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name, not the Authority's name. Therefore, the Authority had \$0 and \$1,341,591, respectively, exposed to custodial credit risk at December 31, 2021 and 2020. The Authority does not have a formal investment policy for custodial credit risk specific to cash and cash equivalents.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements

December 31, 2021 and 2020

## Investments

The following is a summary of investments at December 31:

Investment Type	Reported on the Statements of Net Position	Maturity	2020 Fair Value
External investment pool	Cash and cash equivalents	January 1, 2021	\$ 255,687
Money market mutual funds	Investments held with trustee	January 1, 2021	\$ 4,436,190

The Authority measures its investments at fair value on a recurring basis in accordance with GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Authority for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The valuation methods for recurring fair value measurements are as follows at December 31:

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
External investment pool	\$ -	\$ 255,687	\$ -	\$ 255,687
Money market mutual funds	4,436,190	-	-	4,436,190
<b>Total</b>	<b>\$ 4,436,190</b>	<b>\$ 255,687</b>	<b>\$ -</b>	<b>\$ 4,691,877</b>

The money market mutual funds are valued based on unadjusted quoted prices in active markets and are measured using Level 1 inputs. The external investment pool are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs. There have been no changes in the methodologies at December 31, 2021 and 2020.

Credit risk for investments is the risk that an issuer or counterparty will not fulfill its obligations. At December 31, 2021 and 2020, the external investment pool and the money market mutual funds received an AAAM rating from Standard and Poor's, an independent credit rating agency. The Authority does not have a formal investment policy, which would limit its investment choices, based on the credit ratings by nationally recognized statistical rating organizations.

# The Municipal Authority of the Borough of Lewistown

## Notes to Financial Statements

December 31, 2021 and 2020

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover investments, which are in the possession of an outside entity. At December 31, 2021 and 2020, the Authority's investments had no exposure to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, which is identified when the fair value of an investment, by one issuer, represents 5.0 percent or more of the fair value of the investment portfolio. At December 31, 2021 and 2020, the Authority's investments had no exposure to concentration of credit risk. The Authority does not have a formal investment policy, which limits the amount it may invest with any one issuer.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment in debt securities. The Authority does not have a formal investment policy, which limits investment maturities as a means of exposure to the fair value losses arising from increasing interest rates. All investments of the Authority mature in less than one year.

The Pennsylvania Local Government Investment Trust (PLGIT) is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase shares in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by FDIC to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time. PLGIT/PLGIT PLUS have received an AAAM rating from Standard & Poor's. At December 31, 2021 and 2020, the carrying amount and bank balance of the Authority's deposits with PLGIT was \$0 and \$255,687, respectively. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost.

### Fiduciary Fund Investments

The deposits and investments of the Fiduciary Fund are administered by The Municipal Authority of the Borough of Lewistown Pension Plan Trustees (trustees) and are held separately from those of other Authority funds.

Investments in the fiduciary fund are stated at fair value for both reporting and actuarial purposes. Investment purchases are recorded as of the trade date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are generally reported at cost, which is not expected to be materially different from fair value.

The following table presents the investments measured at fair value as of December 31, 2020 by caption on the statements of fiduciary net position by the valuation hierarchy defined below:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 122,906	\$ -	\$ -	\$ 122,906
Investments:				
Mutual funds	3,655,030	-	-	3,655,030
Total	<u>\$ 3,777,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,777,936</u>

# The Municipal Authority of the Borough of Lewistown

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Notes to Financial Statements

December 31, 2021 and 2020

## Valuation Methodologies

The following is a description of the valuation methodologies used for investments measured at fair value.

*Cash and cash equivalents* - The carrying amounts approximate fair value because of the short maturity of those financial instruments.

*Investment* - The valuation methodology of utilizing closing prices in an active exchange market was applied to mutual funds.

The following summarize the investment philosophy of the trustees:

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a formal deposit policy for custodial credit risk. The Plan investments are held with Charles Schwab in the accounts separate and apart from the assets of the Authority. According to the brokerage, customer securities are legally the property of customers - they are not on Charles Schwab's balance sheet and are not exposed to Charles Schwab's creditors. Under the SEC's customer protection rule, customers' securities must be segregated from Charles Schwab's proprietary securities. The securities are held in central depositories with the record of ownership reflected on a book entry basis. The brokerage account is held in the Municipal Authority of the Borough of Lewistown Pension Plan name.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Plan does not have a formal deposit policy for credit risk. The Plan held only mutual funds at December 31, 2020; mutual funds are not rated for purposes of credit risk.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Pension Fund investment policy requires that investments meet asset allocation formulas prevalent in balanced portfolios using a strategic allocation of 64 percent Equity, 33 percent Fixed Income and 3 percent Real Estate.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The trustees do not have a formal policy for foreign currency risk.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements

December 31, 2021 and 2020

## 3. Capital Assets

The following is a summary of the Authority's capital assets activity for the years ended December 31:

	2021				Ending Balance
	Beginning Balance	Additions	Transfers/ Dispositions	Disposal of Operations	
Capital assets not depreciated:					
Construction-in-progress	\$ 67,609	\$ 124,727	\$ -	\$ (192,336)	\$ -
Land and right-of-ways	380,061	-	-	(380,061)	-
Total capital assets not depreciated	<u>447,670</u>	<u>124,727</u>	<u>-</u>	<u>(572,397)</u>	<u>-</u>
Capital assets depreciated:					
Dam and reservoirs	17,537,522	16,350	-	(17,553,872)	-
Water treatment plant	13,591,179	292,043	(169,210)	(13,714,012)	-
Distribution system	33,425,880	219,467	(41,535)	(33,603,812)	-
Office building	213,169	-	-	(213,169)	-
Equipment	1,366,610	88,710	(3,537)	(1,451,783)	-
Total capital assets depreciated	<u>66,134,360</u>	<u>616,570</u>	<u>(214,282)</u>	<u>(66,536,648)</u>	<u>-</u>
Less accumulated depreciation for:					
Dam and reservoirs	(5,439,988)	(235,422)	-	5,675,410	-
Water treatment plant	(6,372,462)	(298,953)	195,551	6,475,864	-
Distribution system	(14,848,477)	(578,999)	-	15,427,476	-
Office building	(117,997)	(7,301)	-	125,298	-
Equipment	(822,048)	(74,081)	-	896,129	-
Total accumulated depreciation	<u>(27,600,972)</u>	<u>(1,194,756)</u>	<u>195,551</u>	<u>28,600,177</u>	<u>-</u>
Total assets being depreciated, net	<u>38,533,388</u>	<u>(578,186)</u>	<u>(18,731)</u>	<u>(37,936,471)</u>	<u>-</u>
Total	<u>\$ 38,981,058</u>	<u>\$ (453,459)</u>	<u>\$ (18,731)</u>	<u>\$ (38,508,868)</u>	<u>\$ -</u>

## The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements

December 31, 2021 and 2020

	2020			
	Beginning Balance	Additions	Transfers/ Dispositions	Ending Balance
Capital assets not depreciated:				
Construction-in-progress	\$ 6,316	\$ 2,057,008	\$ (1,995,715)	\$ 67,609
Land and right-of-ways	380,061	-	-	380,061
<b>Total capital assets not depreciated</b>	<b>386,377</b>	<b>2,057,008</b>	<b>(1,995,715)</b>	<b>447,670</b>
Capital assets depreciated:				
Dam and reservoirs	17,457,908	79,614	-	17,537,522
Water treatment plant	13,339,642	126,316	125,221	13,591,179
Distribution system	31,356,264	199,122	1,870,494	33,425,880
Office building	210,074	3,095	-	213,169
Equipment	1,259,368	151,203	(43,961)	1,366,610
<b>Total capital assets depreciated</b>	<b>63,623,256</b>	<b>559,350</b>	<b>1,951,754</b>	<b>66,134,360</b>
Less accumulated depreciation for:				
Dam and reservoirs	(5,137,339)	(302,649)	-	(5,439,988)
Water treatment plant	(5,968,357)	(404,105)	-	(6,372,462)
Distribution system	(14,119,986)	(728,491)	-	(14,848,477)
Office building	(108,209)	(9,788)	-	(117,997)
Equipment	(773,076)	(91,899)	42,927	(822,048)
<b>Total accumulated depreciation</b>	<b>(26,106,967)</b>	<b>(1,536,932)</b>	<b>42,927</b>	<b>(27,600,972)</b>
<b>Total assets being depreciated, net</b>	<b>37,516,289</b>	<b>(977,582)</b>	<b>1,994,681</b>	<b>38,533,388</b>
<b>Total</b>	<b>\$ 37,902,666</b>	<b>\$ 1,079,426</b>	<b>\$ (1,034)</b>	<b>\$ 38,981,058</b>

Depreciation for the years ended December 31, 2021 and 2020 was \$1,194,756 and \$1,536,932, respectively.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements  
December 31, 2021 and 2020

## 4. Water Revenue Bonds

Water Revenue Bonds consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Water Revenue Bonds:		
a. Water Revenue Bonds, Series of 2014	\$ -	\$ 3,270,000
b. Water Revenue Bonds, Series A of 2015	-	11,255,000
Water Revenue Bond from direct borrowing:		
c. Water Revenue Bond, Series of 2015 (PennVest 2015 Bond)	-	1,762,650
Total	-	16,287,650
Less current portion	-	(1,540,284)
Less unamortized bonds discount	-	(34,098)
Total Water Revenue Bonds	<u>\$ -</u>	<u>\$ 14,713,268</u>

- a. On October 16, 2014, the Authority issued \$4,300,000 of Water Revenue Bonds, Series of 2014 (2014 Bonds). The 2014 Bonds were issued to provide funds to (1) effect a current refunding of the remaining balance of all of the Authority's Water Revenue Bonds, Series of 2007 in the outstanding principal amount of \$4,045,000, plus accrued interest and (2) pay costs of issuance of the 2014 Bonds. The 2014 Bonds were repaid in full in September 2021. See Note 1, Disposal of Operations.
- b. On October 16, 2015, the Authority issued \$15,975,000 of Water Revenue Bonds, Series A of 2015 (2015A Bonds). The 2015A Bonds were issued to provide funds to (1) effect a current refunding of the remaining balance of all of the Authority's Water Revenue Bonds, Series of 2010 in the outstanding principal amount of \$15,450,000, plus accrued interest and (2) pay costs of issuance of the 2015A Bonds. The 2015A Bonds were repaid in full in September 2021. See Note 1, Disposal of Operations.
- c. On June 18, 2015, the Authority issued \$4,000,000 of Water Revenue Bond, Series of 2015 (PennVest 2015 Bond). The PennVest 2015 Bond was issued to finance the costs of construction projects of the Authority. The PennVest 2015 Bond was repaid in full in September 2021. See Note 1, Disposal of Operations.

The following is a summary of Authority's Bonds activity for the years ended December 31:

	<u>2014 Bonds</u>	<u>2015A Bonds</u>	<u>2015 Bond</u>	<u>Total</u>
Balance, January 1, 2020	\$ 3,525,000	\$ 12,415,000	\$ 1,862,607	\$ 17,802,607
Retirements	(255,000)	(1,160,000)	(99,957)	(1,514,957)
Bonds issuance	-	-	-	-
Balance, December 31, 2020	3,270,000	11,255,000	1,762,650	16,287,650
Retirements	(3,270,000)	(11,255,000)	(1,762,650)	(16,287,650)
Bonds issuance	-	-	-	-
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income from the investment of tax-exempt bonds' proceeds is offset against interest expense. Net interest expense on the bonds was \$693,343 and \$574,623 for the years ended December 31, 2021 and 2020, respectively, which includes a payment/accrual of \$530,439 and \$227,553 in 2021 and 2020, respectively, for an arbitrage rebate payment related to the Water Revenue Bonds, Series of 2014 and the Water Revenue Refunding Bonds, Series A of 2015 as well as debt termination receipts to be used towards the arbitrage payment of \$436,587 in 2021.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements  
December 31, 2021 and 2020

## 5. Reconciliation of Statements of Revenue, Expenses and Changes in Net Position - Accrual Basis to Budgetary Basis

The change in net position as presented on the statements of revenue, expenses and changes in net position on page 11 differs from the statement of revenue, expenses and changes in net position - budget to actual - budgetary basis on page 35 for the reason that in the current year, the budget for the Authority was prepared on the cash basis of accounting.

Reconciliation of the change in net position is as follows:

Net cash and investments used, budgetary basis	\$ (5,817,132)
Add:	
Acquisition and construction of capital assets	799,139
Principal paid on Water Revenue Bonds	16,287,650
Net increase in certain current assets	96,536
Noncash capital contributions	11,703
Cash transferred on disposal of operations	677,157
Net decrease in accrued interest	166,862
Change in net pension liability (asset) (net of related deferred inflows/outflows of resources)	209,078
Net decrease in certain current liabilities	1,569
Less:	
Depreciation	(1,194,756)
Deferred interest expense on bond obligations	(459,387)
Cash received from sale of operations	(9,818,576)
Arbitrage rebate payment accrued	(530,439)
Loss on disposal of assets	(18,731)
Loss on disposal of operations	<u>(30,816,307)</u>
Change in net position	<u>\$ (30,405,634)</u>

## 6. Pension

### General Information About the Pension Plan

The Authority had a single-employer defined benefit pension plan. All permanent, full-time employees, who have one year of service (defined as 1,000 hours of service) may participate in the Plan. The Municipal Pension Plan Funding and Recovery Act (Act 205) requires a full actuarial valuation once every two years. Benefits vest 20.0 percent after two years of service, plus 20.0 percent each year, thereafter, up to 100.0 percent of service. The Plan provides pension benefits for normal retirement, at age 65, based on a formula, including service factors and employees average compensation. Early retirement, at age 55, is available upon ten years of service. The Authority's employees, who terminate after ten years of credited service, will receive a deferred pension commencing at retirement age. The Plan also provides for death benefits. A minimum funding standard exists for the Plan, based on the current actuarial valuation report. Any obligation, with respect to the Plan, shall be paid by the Authority. Active members of the Plan are required to contribute 2.0 percent of their compensation.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements

December 31, 2021 and 2020

At December 31, the following employees were covered by the benefit terms:

	2021	2020
Active employees	-	20
Inactive employees entitled to, but not yet receiving benefits	-	5
Inactive employees or beneficiaries currently receiving benefits	-	14
Total	-	39

## Net Pension Liability (Asset)

The Authority's net pension liability (asset) was measured at September 29, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021.

The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.50 percent (average, including inflation)
Investment rate of return	7.00 percent (including inflation)
Postretirement cost of living increase	0.00 percent

Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	58.00 %	5.50% - 7.50%
International equity	6.00 %	4.50% - 6.50%
Fixed income	33.00 %	1.00% - 3.00%
Real estate	3.00 %	4.50% - 6.50%

The discount rate used to measure the total pension liability was 7.00 percent. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/asset. The Authority has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost, plus plan expenses, as well as amortization of the unfunded liability.

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements

December 31, 2021 and 2020

Changes in the net pension liability (asset) for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Position Liability (Asset) (a) - (b)</b>
Balances, December 31, 2020	\$ 3,585,426	\$ 3,777,936	\$ (192,510)
Service cost	51,320	-	51,320
Interest cost	186,776	-	186,776
Changes for experience	-	-	-
Administrative expense	-	(6,027)	6,027
Contributions, employer	-	107,113	(107,113)
Contributions, member	-	17,524	(17,524)
Net investment income	-	328,563	(328,563)
Benefit payments, including refunds of member contributions	(158,220)	(158,220)	-
Net changes before special item	79,876	288,953	(209,077)
Special item, transfer on disposal of operations (Note 1)	(3,665,302)	(4,066,889)	401,587
Balances, December 31, 2021	\$ -	\$ -	\$ -
	<b>2020</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Position Liability (Asset) (a) - (b)</b>
Balances, December 31, 2019	\$ 3,413,178	\$ 3,313,185	\$ 99,993
Service cost	71,507	-	71,507
Interest cost	239,086	-	239,086
Changes for experience	-	-	-
Changes of assumptions	-	-	-
Contributions, employer	-	107,738	(107,738)
Contributions, member	-	25,348	(25,348)
Net investment income	-	470,010	(470,010)
Benefit payments, including refunds of member contributions	(138,345)	(138,345)	-
Net changes	172,248	464,751	(292,503)
Balances, December 31, 2020	\$ 3,585,426	\$ 3,777,936	\$ (192,510)

# The Municipal Authority of the Borough of Lewistown

Notes to Financial Statements

December 31, 2021 and 2020

The following presents the net pension liability of the plan, calculated using the discount rate of 7.00 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	2020		
	1.0% Decrease (6.0%)	Current Discount Rate (7.0%)	1.0% Increase (8.0%)
Plan's net pension liability (asset)	\$ 247,622	\$ (192,510)	\$ (564,502)

## Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

For the years ended December 31, 2021 and 2020, the Authority recognized pension (benefit) expense of \$(101,965) and \$28,267, respectively. At December 31, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,258	\$ 97,119
Changes of assumptions	338,081	-
Net difference between projected and actual investment earnings	-	253,883
Total	\$ 397,339	\$ 351,002

## 7. Federal and State Grants

In the normal course of operations, the Authority receives grant funds from various federal and state agencies. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement that may arise, as the result of these audits, is not believed to be material.

## 8. Risk Management

Effective January 1, 2017, the Authority elected to participate in the Delaware Valley Health Trust (Trust), an intergovernmental risk-sharing pool that provides comprehensive health benefits on a pooled basis, for a minimum of four years. The Trust is funded by its members through premium contributions. Rate-setting policies are established by the Trust in consultation with independent insurance and employee benefit consultants. The Trust may distribute returns of surplus to members in the form of rate stabilization fund credits. The Authority believes that it has adequately provided for all asserted claims and has no knowledge of unasserted claims for which it has not provided. The cost of medical coverage for employees was approximately \$304,000 and \$355,000 in 2021 and 2020, respectively.

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of asset, errors and omissions and natural disasters for which the Authority carries commercial insurance.

# The Municipal Authority of the Borough of Lewistown

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Notes to Financial Statements  
December 31, 2021 and 2020

## 9. Subsequent Events

Management of the Authority has evaluated subsequent events through March 16, 2022, which is the date the financial statements were available to be issued.

## 10. Pending Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*;
- Statement No. 91, *Conduit Debt Obligations*;
- Statement No. 92, *Omnibus*;
- Statement No. 93, *Replacement of Interbank Offered Rates*;
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*;
- Statement No. 96, *Subscription-Based Information Technology Arrangements*;
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

Authority management is in the process of analyzing these pending changes in accounting principles and the impact they may have on the financial reporting process.

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

To the Board of Directors of  
The Municipal Authority of the Borough of Lewistown

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Municipal Authority of the Borough of Lewistown (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed on the table of contents, and have issued our report thereon dated March 16, 2022. Our report disclosed that the Authority disposed of its water operations on September 30, 2021. Our opinion was not modified with respect to this matter.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Baker Tilly US, LLP*

State College, Pennsylvania  
March 16, 2022

# The Municipal Authority of the Borough of Lewistown

Schedules to Statements of Revenue, Expenses and Changes in Net Position  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>General</b>		
Employee insurance	\$ 366,553	\$ 435,881
Salaries	297,788	393,166
Employee benefits	194,307	242,591
Office expense	118,461	177,088
General property expense	89,956	129,117
Payroll taxes	86,046	114,300
Insurance	41,379	55,391
Legal	34,501	36,482
Auditing and consulting	30,669	54,939
Engineering	26,412	45,167
Salaries, officers	7,650	10,200
Security	2,977	2,256
Uncollectible accounts	-	7,310
Pension	(101,965)	28,267
	<u>                    </u>	<u>                    </u>
Total general	<u>\$ 1,194,734</u>	<u>\$ 1,732,155</u>
<b>Filter Plant</b>		
Labor	\$ 251,043	\$ 311,964
Maintenance	50,300	53,152
Power and heat	27,741	39,241
Supplies	12,400	14,622
	<u>                    </u>	<u>                    </u>
Total filter plant	<u>\$ 341,484</u>	<u>\$ 418,979</u>

# The Municipal Authority of the Borough of Lewistown

Schedules to Statements of Revenue, Expenses and Changes in Net Position  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Purification</b>		
Chemicals	\$ 151,106	\$ 91,139
Regulatory monitoring	36,423	42,257
Labor	8,350	10,560
Supplies	2,062	5,282
Maintenance	2,742	3,160
	<u>200,683</u>	<u>152,398</u>
Total purification	<u>\$ 200,683</u>	<u>\$ 152,398</u>
<b>Distribution</b>		
Labor	\$ 143,402	\$ 260,852
Supplies	17,792	24,049
Maintenance:		
Reservoirs	24,131	57,797
Mains	23,827	39,822
Meters	2,259	17,729
Service lines	1,467	12,371
Hydrants	645	2,541
	<u>213,523</u>	<u>415,161</u>
Total distribution	<u>\$ 213,523</u>	<u>\$ 415,161</u>
<b>Control Stations</b>		
Labor	\$ 14,734	\$ 22,736
Supplies	13,540	18,516
Power	6,559	9,273
Maintenance	1,434	4,266
	<u>36,267</u>	<u>54,791</u>
Total control stations	<u>\$ 36,267</u>	<u>\$ 54,791</u>
<b>Water Collection</b>		
Power	\$ 5,495	\$ 9,921
Maintenance	2,108	2,100
Labor	-	364
	<u>7,603</u>	<u>12,385</u>
Total water collection	<u>\$ 7,603</u>	<u>\$ 12,385</u>
<b>Timber Management</b>		
Timber management and maintenance	<u>\$ -</u>	<u>\$ 1,550</u>

## The Municipal Authority of the Borough of Lewistown

Schedule of Revenue, Expenses and Changes in Net Position - Budget to Actual - Budgetary Basis  
Year Ended December 31, 2021

	<b>Actual (Budgetary) Basis</b>	<b>Budget (Unaudited)</b>	<b>Over (Under) Budget</b>
<b>Operating Revenue</b>			
Metered revenue:			
Domestic	\$ 2,658,606	\$ 3,621,928	\$ (963,322)
Commercial	773,920	1,025,642	(251,722)
Industrial	385,519	514,566	(129,047)
Public	160,897	225,859	(64,962)
Fire protection	101,262	132,687	(31,425)
Total metered revenue	4,080,204	5,520,682	(1,440,478)
<b>Unmetered Revenue</b>	126,090	139,500	(13,410)
Total operating revenue	4,206,294	5,660,182	(1,453,888)
<b>Operating Expenses</b>			
General	1,408,857	2,096,692	(687,835)
Filter plant	341,484	638,100	(296,616)
Distribution	213,523	403,000	(189,477)
Purification	200,683	193,500	7,183
Control stations	36,267	56,400	(20,133)
Water collection	7,603	21,200	(13,597)
Net customer deposits paid	531	-	531
Total operating expenses	2,208,948	3,408,892	(1,199,944)
Operating income	1,997,346	2,251,290	(253,944)
<b>Nonoperating Revenue (Expenses)</b>			
Interest income	1,271	16,000	(14,729)
Investment income	101,062	5,000	96,062
Cash receipts from sale of operations	9,818,576	-	9,818,576
Cash received on termination of debt	436,587	-	436,587
Cash transferred on disposal of operations	(677,157)	-	(677,157)
Principal paid on long-term debt and revenue bonds	(16,287,650)	(1,570,284)	(14,717,366)
Interest paid on debt service	(408,028)	(322,400)	(85,628)
Total nonoperating revenue (expenses)	(7,015,339)	(1,871,684)	(5,143,655)
Net income before capital expenditures	(5,017,993)	379,606	(5,397,599)
<b>Capital Expenditures</b>			
Capital expenditures	(799,139)	(900,186)	101,047
Net cash and investments used	\$ (5,817,132)	\$ (520,580)	\$ (5,296,552)

**The Municipal Authority of the Borough of Lewistown**

Schedule of Changes in the Authority's Net Pension Liability (Asset) and Related Ratios  
Last Ten Fiscal Years\*  
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service cost	\$ 51,320	\$ 71,507	\$ 68,428	\$ 64,433	\$ 61,658	\$ 61,039	\$ 57,857	\$ 44,059
Interest cost	186,776	239,086	227,471	211,103	201,674	183,510	173,434	170,255
Changes for experience	-	-	(93,184)	-	106,662	-	(98,575)	-
Differences between expected and actual experience:								
Changes for assumptions	-	-	175,263	-	363,182	-	-	-
Benefit payments, including refunds of member contributions	(158,220)	(138,345)	(127,771)	(127,771)	(135,056)	(120,599)	(96,435)	(83,186)
Net change in total pension liability	79,876	172,248	250,207	147,765	598,120	123,950	36,281	131,128
<b>Special Item, Transfer on Disposal of Operations</b>	(3,665,302)	-	-	-	-	-	-	-
Net change in total pension liability after special item	(3,585,426)	172,248	250,207	147,765	598,120	123,950	36,281	131,128
<b>Total Pension Liability, Beginning</b>	<u>3,585,426</u>	<u>3,413,178</u>	<u>3,162,971</u>	<u>3,015,206</u>	<u>2,417,086</u>	<u>2,293,136</u>	<u>2,256,855</u>	<u>2,125,727</u>
<b>Total Pension Liability, Ending (a)</b>	<u>-</u>	<u>3,585,426</u>	<u>3,413,178</u>	<u>3,162,971</u>	<u>3,015,206</u>	<u>2,417,086</u>	<u>2,293,136</u>	<u>2,256,855</u>
<b>Plan Fiduciary Net Position</b>								
Contributions, employer	107,113	107,738	106,108	105,120	45,143	44,110	45,328	70,195
Contributions, member	17,524	25,348	25,012	24,004	23,454	23,796	23,969	21,308
Net investment income (loss)	328,563	470,010	512,103	(191,121)	355,083	246,865	(43,773)	129,176
Benefit payments, including refunds of member contributions	(158,220)	(138,345)	(127,771)	(127,771)	(135,056)	(120,599)	(96,435)	(83,186)
Administrative expenses	(6,027)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	288,953	464,751	515,452	(189,768)	288,624	194,172	(70,911)	137,493
<b>Special Item, Transfer on Disposal of Operations (See Note 1)</b>	(4,066,889)	-	-	-	-	-	-	-
Net change in plan fiduciary net position after special item	(3,777,936)	464,751	515,452	(189,768)	288,624	194,172	(70,911)	137,493
<b>Plan Fiduciary Net Position, Beginning</b>	<u>3,777,936</u>	<u>3,313,185</u>	<u>2,797,733</u>	<u>2,987,501</u>	<u>2,698,877</u>	<u>2,504,705</u>	<u>2,575,616</u>	<u>2,438,123</u>
<b>Plan Fiduciary Net Position, Ending (b)</b>	<u>-</u>	<u>3,777,936</u>	<u>3,313,185</u>	<u>2,797,733</u>	<u>2,987,501</u>	<u>2,698,877</u>	<u>2,504,705</u>	<u>2,575,616</u>
Authority's net pension liability (asset), ending (a) - (b)	<u>\$ -</u>	<u>\$ (192,510)</u>	<u>\$ 99,993</u>	<u>\$ 365,238</u>	<u>\$ 27,705</u>	<u>\$ (281,791)</u>	<u>\$ (211,569)</u>	<u>\$ (318,761)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>-</u>	<u>105.37%</u>	<u>97.07%</u>	<u>88.45%</u>	<u>99.08%</u>	<u>111.66%</u>	<u>109.23%</u>	<u>114.12%</u>
<b>Covered-Employee Payroll</b>	<u>\$ 862,138</u>	<u>\$ 1,141,648</u>	<u>\$ 1,227,533</u>	<u>\$ 1,249,210</u>	<u>\$ 1,165,411</u>	<u>\$ 1,176,493</u>	<u>\$ 1,185,907</u>	<u>\$ 1,112,000</u>
<b>Authority's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll</b>	<u>-</u>	<u>(16.86)%</u>	<u>8.15%</u>	<u>29.24%</u>	<u>2.38%</u>	<u>(23.95)%</u>	<u>(17.84)%</u>	<u>(28.67)%</u>

**Note to Schedule**

\* This schedule is required to show information for ten years, however, until a full ten-year trend is compiled, the Authority will present those years for which information is available.

**The Municipal Authority of the Borough of Lewistown**

Schedule of Employer Pension Contributions to Pension Plan  
Year Ended December 31, 2021  
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 92,759	\$ 93,389	\$ 22,195	\$ 33,328	\$ -	\$ -	\$ 57,120	\$ 58,108	\$ 59,738	\$ 90,817
Contributions in relation to the actuarially determined contribution	242,759	99,388	70,195	45,328	44,110	45,143	105,120	106,108	107,738	107,113
Contribution deficiency (excess)	\$ (150,000)	\$ (5,999)	\$ (48,000)	\$ (12,000)	\$ (44,110)	\$ (45,143)	\$ (48,000)	\$ (48,000)	\$ (48,000)	\$ (16,296)
Covered payroll	Not available	\$ 856,258	\$ 1,112,000	\$ 1,185,907	\$ 1,176,493	\$ 1,165,411	\$ 1,249,210	\$ 1,227,533	\$ 1,141,648	\$ 862,138
Contributions as a percentage of covered payroll	Not available	11.61%	6.31%	3.82%	3.75%	3.87%	8.41%	8.64%	9.44%	12.42%

**Notes to Schedule**

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	16 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3.0%
Salary increases	4.5%
Investment rate of return	7.0%
Retirement age	Normal Retirement Age
Mortality	PubG-2010 Mortality Table

The Authority implemented GASB Statement No. 68 during its year ended December 31, 2015.  
Certain information prior to calendar year 2015 is not available. This Schedule will be presented on a prospective basis.

**The Municipal Authority of the Borough of Lewistown**

Schedule of Investment Returns for Fiduciary Fund

Year December 31, 2021

(Unaudited)

	<u>2021 (1)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>7.8%</u>	<u>14.2%</u>	<u>18.3%</u>	<u>(6.4%)</u>	<u>13.4%</u>	<u>10.0%</u>	<u>(1.7%)</u>

**Notes to Schedule**

The Authority implemented GASB Statement No. 67 in 2015. Information prior to 2015 is not available; this Schedule will be presented on a prospective basis.

(1) This rate is the rate through September 29, 2021.