

Mifflin County Municipal Authority

Financial Statements and
Supplementary Information

December 31, 2022 and 2021

Mifflin County Municipal Authority

Table of Contents
December 31, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Enterprise Fund:	
Statements of Net Position	10
Statements of Revenue, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Fiduciary Fund:	
Statements of Fiduciary Net Position	14
Statements of Changes in Fiduciary Net Position	15
Notes to Financial Statements	16
Required Supplementary Information (Unaudited)	
Schedules of Changes in the Authority's Net Pension Asset and Related Ratios	34
Schedules of Employer Pension Contributions to Pension Plan	35
Schedules of Investment Returns for Fiduciary Fund	36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	37
Supplementary Information	
Schedules to Statements of Revenue, Expenses and Changes in Net Position	39
Schedules of Revenue, Expenses and Changes in Net Position - Budget to Actual - Budgetary Basis	41

Independent Auditors' Report

To the Board of Directors of
Mifflin County Municipal Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activity and the fiduciary fund of Mifflin County Municipal Authority (the Authority), as of and for the year ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021, 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 activity and the fiduciary fund of the Authority as of December 31, 2022 and 2021, and the changes in financial position and, where applicable, cash flows for year ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021 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 audits. 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 discussed in Note 1 to the financial statements, the water operations and related assets, deferred outflows of resources, liabilities and deferred inflows of resources were transferred from another government to the Authority on September 30, 2021. 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, including any currently known information that may raise substantial doubt shortly thereafter.

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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Authority's basic financial statements as a whole. The Schedules to Statements of Revenue, Expenses and Changes in Net Position on pages 39 - 40 and the Schedules of Revenue, Expenses and Changes in Net Position - Budget to Actual - Budgetary Basis on page 41 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 April 19, 2023 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.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

State College, Pennsylvania
April 19, 2023

Mifflin County Municipal Authority

Management's Discussion and Analysis
December 31, 2022 and 2021
(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.

Mifflin County Municipal Authority (the Authority) serves 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 provides fire protection through nearly 600 hydrants. During 2022, 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 will be used to make payments on its long-term debt.

On September 30, 2021, The Municipal Authority of the Borough of Lewistown (MABL) transferred all of its assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising its water operations to the Authority. Following GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the Authority received net position of \$30,816,307 and this is reflected as a special item, transfer of operations on the 2021 statement of revenue, expenses and changes in net position. The Authority issued \$24,605,000 of Water Revenue Bonds, Series of 2021 and in addition to providing funds for the purchase of the water treatment and distribution system of MABL, approximately \$13,750,000 of the Bonds were set aside to fund certain capital projects of the Authority including, but not limited to, the replacement or installation of water supply lines at numerous locations, repairs and improvements to fire suppression lines and facilities, plant upgrades, including the installation of settling basins and lagoons and meter replacements and also approximately \$1,300,000 for the funding of initial operating capital. Also related to the purchase of the water system, the Authority agreed to pay the Borough of Lewistown, Pennsylvania, \$1,000,000 together with the execution and delivery of a water revenue promissory note payable, representing the obligation of the Authority to make annual installment payments over the next thirty years.

Outstanding debt of the Authority at December 31, 2022 and 2021, and detailed more in Note 4 and 5, is as follows:

	<u>2022</u>	<u>2021</u>
Water Revenue Bonds, net of premium	\$ 26,730,092	\$ 26,826,687
Note payable to Borough of Lewistown, Pennsylvania	11,870,424	12,170,424

The Authority adopted the MABL 2021 annual budget as a part of the transaction. The Actual (Budgetary Basis) column below and on page 41 represents operations as of and for the year ended December 31, 2022. The Authority expects to spend 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 are prepared so that rates and fees can be set to meet the expenses of the day-to-day operations, while also keeping the water provided affordable to the customers. The user rate for 2022 and 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 \$5,645,605 and \$5,660,182 and operating expenses to be \$3,388,873 and \$3,408,892 for 2022 and 2021, respectively.

Mifflin County Municipal Authority

Management's Discussion and Analysis
December 31, 2022 and 2021
(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, as of and for the year ended December 31, 2022:

	Actual (Budgetary Basis) - For the Year Ended December 31, 2022	Budget - For the Year Ended December 31, 2022
Total operating revenue	\$ 5,760,123	\$ 5,645,605
Total operating expenses	(2,917,233)	(3,388,873)
Operating income	2,842,890	2,256,732
Nonoperating revenue (expense)	(654,097)	(2,151,326)
Capital expenditures	(3,566,142)	(6,035,925)
Net cash and investments provided (used)	<u>\$ (1,377,349)</u>	<u>\$ (5,930,519)</u>

During 2022 and 2021, the operation provided operating income of \$2,842,890 and \$654,062. The detailed analysis below will provide supporting data to show that the operating revenue was 2.0% over budget expectations and operating expenses were 13.9% below budget expectation. This resulted in operating income that was greater than the budget projection.

Revenue

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

- During 2022, water billing revenues, in general, were 2.0% over the budget projection. Industrial metered consumption was 5.0% over the projected budget.

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

Expenses

The Authority has seven categories for operating expense classifications. Total operating expenses for the year ended December 31, 2022 were under budget by \$471,640 or 13.9%. 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 were 18.0% lower than budget. The primary contributors were medical insurance premiums were reduced due to employee participation and the health reimbursement costs were lower than projected for 2022.
- Engineering expenses were 52.0% under budget. A portion of engineering expenses were assigned to capitalized projects.

Filter Plant

- Total Filter Plant expenses were 26.0% under budget. The hiring plan for open operator positions was not fulfilled during the year.

Mifflin County Municipal Authority

Management's Discussion and Analysis
 December 31, 2022 and 2021
 (Unaudited)

Purification

- Purification expenses were over budget by 8.0%. Purification chemicals were over budget by 45.0% due to weather influences to raw water properties during the year. This increase was partially offset by reduced lab expenses.

Distribution

- Overall distribution expenses were managed to 21.0% under budget. Variances in the labor category projections for mains can be attributed to minimal water main break activity throughout the season. This expense was offset by an increase to service line repairs.

Control Stations

- The overall control station expenses were managed 31.0% under the budget projections. Routine control valve preventative maintenance was completed across the system. The control valve rehabilitation in 2020 lowered maintenance expenses for the budget period.

Water Collection System

- The budget included a provision for well operations as a secondary supply water source. The wells were not utilized in this capacity in 2022.

During 2022 and 2021, the budget was approved for capital expenditures of \$6,035,925 and \$900,186. The actual capital contributions and additions are listed below:

Account	Description	2022 Total
Filtration Plant	Ozone Room LED Lights (Lepley)	\$ 8,792
	Actuators With Mount Hdwr	96,666
	Steel Entrance Doors	7,863
	Fluoride Analyzer	17,826
	Clarifier Engineering Study	23,298
Distribution Mains	Henrietta St - Lewistown	6,012
	Cornell St - Lewistown	50,297
	Jewel St - Lewistown	13,709
	Valley St - Lewistown	1,490,883
	Shelly Dr - Reedsville	21,948
	Market St - Lewistown	2,428
	Hawstone	54,417
Service Lines 3/4"	Labor/Material & Supplies	10,370
Service Lines 1"	Labor/Material & Supplies	675
Service Lines > 1"	Labor/Material & Supplies	6,182
Meters	Meters, HR-E Registers	113,478
Fire Hydrants	New/Replaced System Hydrants	45,692
Office Equipment	Dell Laptop	842
	CN80 Handheld - 5 yr Service Plan	4,182
	Intrusion Monitoring Software	10,460
	MS Office Licenses (6)	1,830
	Mitsubishi Mini Splits (4)	12,800
Other General Equipment	Skid Steer Forks	770
	18' X 6' Trailer	7,145
	FCS Tricorr Correlator	25,500
	AED's (3)	4,311
Construction in progress	2022 Construction in Progress	611,452
		\$ 2,649,828

Mifflin County Municipal Authority

Management's Discussion and Analysis
December 31, 2022 and 2021
(Unaudited)

The Authority maintains over \$39.4 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Capital assets	\$ 69,173,857	\$ 67,499,811
Less accumulated depreciation	<u>(29,683,705)</u>	<u>(28,998,521)</u>
Net book value	<u>\$ 39,490,152</u>	<u>\$ 38,501,290</u>

The following is a summary of the Statements of Net Position at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Capital assets, net of depreciation	\$ 39,490,152	\$ 38,501,290
Cash and investments	14,379,463	15,756,812
Other assets	<u>2,662,977</u>	<u>2,181,156</u>
Total assets	56,532,592	56,439,258
Deferred outflows of resources	<u>690,144</u>	<u>325,662</u>
Total assets and deferred outflows of resources	<u>\$ 57,222,736</u>	<u>\$ 56,764,920</u>
Current liabilities	\$ 1,970,106	\$ 746,213
Long-term liabilities	<u>37,619,914</u>	<u>38,728,643</u>
Total liabilities	<u>39,590,020</u>	<u>39,474,856</u>
Deferred inflows of resources	<u>157,832</u>	<u>543,684</u>
Net investment in capital assets	16,889,063	15,668,177
Restricted	1,673,046	696,885
Unrestricted (deficit)	<u>(1,087,225)</u>	<u>381,318</u>
Total net position	<u>17,474,884</u>	<u>16,746,380</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 57,222,736</u>	<u>\$ 56,764,920</u>

The summary of the Statements of Net Position at December 31, 2022 and 2021 establish the baseline for comparison to the subsequent year's net position and reflects the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year end.

Mifflin County Municipal Authority

Management's Discussion and Analysis
December 31, 2022 and 2021
(Unaudited)

The following is a summary of the Statements of Revenue, Expenses and Changes in Net Position as of and for the year ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021, respectively:

	<u>2022</u>	<u>2021</u>
Total operating revenue	\$ 5,783,655	\$ 1,419,244
Total operating expenses	<u>(3,012,976)</u>	<u>(857,725)</u>
Operating income before depreciation	2,770,679	561,519
Depreciation	<u>(1,638,138)</u>	<u>(398,344)</u>
Operating income	1,132,541	163,175
Total nonoperating expenses	(473,454)	(14,305,102)
Special item, transfer of operations	54,417	30,816,307
Capital contributions	<u>15,000</u>	<u>72,000</u>
Change in net position	<u>\$ 728,504</u>	<u>\$ 16,746,380</u>

Net position increased \$728,504 and \$16,746,380 in 2022 and 2021, respectively. The Authority experienced an improvement in financial position as of and for the year ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021. Significant items of note in income and/or expenses include:

- Total operating revenue, expenses and depreciation all increased above in 2022 from 2021 and reflect the first full year of operations of the Authority; and
- Total nonoperating expenses include the acquired system rights to the water operations from the Borough of Lewistown (Borough) of \$13,170,424 in 2021; and
- The carrying value of the net position transferred from MABL was \$30,816,307 and is reported as a special item, transfer of operations in 2021.

Future Operating and Capital Plans

The Authority prepared and approved an Operating Budget with operating expenses of \$5,798,060 for 2023. The operating expenses include funding the Authority's defined benefit pension plan of \$52,855 for 2023. This budget was created factoring a 3.0% rate increase. The fee charged for each unit of metered water consumed (1,000 gallons) is \$5.06. It has been calculated that an average quarterly bill will increase \$3.35. In addition, \$9,330,300 has been approved for capital additions and improvements.

The Authority plans to install approximately 12,900 lineal feet of 6" and 8" water main during the year ending December 31, 2023. These capital projects will improve water quality, fire protection capabilities and replace aged infrastructure. In addition, a meter reading equipment upgrade to over 8,000 customer accounts is planned for 2023.

There are several capital improvement projects planned at Laurel Creek Filtration Plant for the year 2023. The SCADA operating system hardware will be updated to enhance reporting and operational efficiency. The security system will be upgraded to state-of-the-art monitoring equipment with improved digital monitoring capabilities. The Authority will also be adding/replacing important water quality monitoring equipment at the Laurel Creek Filtration Plant. Finally, engineering work will continue to optimize the filtration process related to sludge removal to reduce maintenance costs.

Mifflin County Municipal Authority

Management's Discussion and Analysis
December 31, 2022 and 2021
(Unaudited)

There are plans in the community for new housing developments and employment opportunities through the addition of commercial and industrial facilities within the County. Growth should be experienced during 2023 and beyond.

Fiduciary Fund

On September 30, 2021, the MABL also transferred to the Authority 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 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 14-15 of this report.

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 or write to: Mifflin County Municipal Authority, 70 Chestnut Street, Lewistown, Pennsylvania 17044.

Mifflin County Municipal Authority

Statements of Net Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 1,750,573	\$ 1,749,496
Accounts receivable, billed	564,616	542,175
Accounts receivable, unbilled	745,408	734,414
Other receivable	884,130	-
Prepaid insurance	24,200	22,746
Inventory	444,623	224,042
Total current assets	<u>4,413,550</u>	<u>3,272,873</u>
Noncurrent Assets		
Restricted investments held with trustee	12,628,890	14,007,316
Restricted net pension asset	-	657,779
Capital assets, not subject to depreciation	1,093,473	482,021
Capital assets, net of depreciation	38,396,679	38,019,269
Total noncurrent assets	<u>52,119,042</u>	<u>53,166,385</u>
Total assets	56,532,592	56,439,258
Deferred Outflows of Resources		
Pension	690,144	325,662
Total assets and deferred outflows of resources	<u>\$ 57,222,736</u>	<u>\$ 56,764,920</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 366,487	\$ 189,780
Accrued payroll	15,757	35,997
Consumer deposits	20,769	22,370
Accrued interest	360,250	182,126
Unearned revenue	25,843	15,940
Current portion of water revenue bonds	875,000	-
Current portion of note payable	306,000	300,000
Total current liabilities	<u>1,970,106</u>	<u>746,213</u>
Long-Term Liabilities		
Compensated absences	20,278	31,532
Net pension liability	180,120	-
Water revenue bonds	25,855,092	26,826,687
Note payable	11,564,424	11,870,424
Total long-term liabilities	<u>37,619,914</u>	<u>38,728,643</u>
Total liabilities	<u>39,590,020</u>	<u>39,474,856</u>
Deferred Inflows of Resources, Pension	<u>157,832</u>	<u>543,684</u>
Net Position		
Net investment in capital assets	16,889,063	15,668,177
Restricted for pension	352,192	439,757
Restricted for debt service	1,320,854	257,128
Unrestricted (deficit)	(1,087,225)	381,318
Total net position	<u>17,474,884</u>	<u>16,746,380</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 57,222,736</u>	<u>\$ 56,764,920</u>

See notes to financial statements

Mifflin County Municipal Authority

Statements of Revenue, Expenses and Changes in Net Position

Year Ended December 31, 2022 and Period From Inception (September 30, 2021)

to December 31, 2021

	<u>2022</u>	<u>2021</u>
Operating Revenue		
Metered revenue:		
Domestic	\$ 3,633,479	\$ 894,470
Commercial	1,047,787	257,106
Industrial	542,126	126,272
Public	216,993	54,883
Fire protection	136,225	33,953
Total metered revenue	5,576,610	1,366,684
Unmetered Revenue	207,045	52,560
Total operating revenue	<u>5,783,655</u>	<u>1,419,244</u>
Operating Expenses		
General	1,879,519	482,294
Filter plant	466,751	157,833
Distribution	302,797	121,601
Purification	308,067	81,274
Control stations	44,607	10,908
Water collection	11,235	3,815
Total operating expenses	<u>3,012,976</u>	<u>857,725</u>
Operating income before depreciation	2,770,679	561,519
Depreciation	1,638,138	398,344
Operating income	<u>1,132,541</u>	<u>163,175</u>
Nonoperating Revenue (Expenses)		
System rights obtained from Borough of Lewistown	-	(13,170,424)
Costs of issuance, long-term debt	-	(953,398)
Gain on disposal of capital assets	3,872	-
Interest expense	(623,905)	(182,127)
Interest income	17,224	657
Investment income	129,355	190
Total nonoperating expenses, net	<u>(473,454)</u>	<u>(14,305,102)</u>
Capital Contributions	15,000	72,000
Change in net position before special item	674,087	(14,069,927)
Special Item, Transfer of Operations	54,417	30,816,307
Change in net position	728,504	16,746,380
Net Position, Beginning	16,746,380	-
Net Position, Ending	<u>\$ 17,474,884</u>	<u>\$ 16,746,380</u>

See notes to financial statements

Mifflin County Municipal Authority

Statements of Cash Flows

Year Ended December 31, 2022 and Period From Inception (September 30, 2021)

to December 31, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 5,760,123	\$ 1,438,577
Cash payments to vendors	(1,490,863)	(413,066)
Cash payments to employees for services	(1,424,769)	(369,377)
Cash payments to customers	(1,601)	(2,072)
	<u>2,842,890</u>	<u>654,062</u>
Net cash provided by operating activities		
Cash Flows From Capital and Related Financing Activities		
Proceeds of Water Revenue Bonds	-	15,055,714
Capital grants received	15,000	-
Payments on note payable from Borough of Lewistown for system rights	(300,000)	-
Interest paid on long-term debt	(542,376)	-
Deposit to restricted investments held with trustee (construction fund)	-	(13,750,000)
Cash transferred on acquisition	(1)	677,157
Proceeds on sale of capital assets	26,701	-
Acquisition and construction of capital assets	(3,566,142)	(100,529)
	<u>(4,366,818)</u>	<u>1,882,342</u>
Net cash (used in) provided by capital and related financing activities		
Cash Flows From Investing Activities		
Arbitrage rebate payment	-	(530,439)
Net sales (purchases) of investment securities	1,378,426	(257,316)
Interest income	17,224	657
Investment income	129,355	190
	<u>1,525,005</u>	<u>(786,908)</u>
Net cash provided by (used in) investing activities		
Net change in cash and cash equivalents	1,077	1,749,496
Cash and Cash Equivalents, Beginning	<u>1,749,496</u>	<u>-</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,750,573</u>	<u>\$ 1,749,496</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,132,541	\$ 163,175
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,638,138	398,344
Changes in net pension asset (liability) (net of related deferred inflows/outflows of resources)	87,565	8,168
(Increase) decrease in:		
Accounts receivable	(33,435)	19,423
Prepaid insurance	(1,454)	23,656
Increase (decrease) in:		
Accounts payable	42,727	52,758
Accrued payroll	(20,240)	20,240
Consumer deposits	(1,601)	(2,072)
Unearned revenue	9,903	(90)
Compensated absences	(11,254)	(29,540)
	<u>\$ 2,842,890</u>	<u>\$ 654,062</u>
Net cash provided by operating activities		

See notes to financial statements

Mifflin County Municipal Authority

Statements of Cash Flows

Year Ended December 31, 2022 and Period From Inception (September 30, 2021)

	<u>2022</u>	<u>2021</u>
Supplemental Disclosures		
Noncash investing and capital and related financing activities:		
Accepted dedication of capital assets	\$ -	\$ 72,000
Capital assets in accounts payable	\$ 236,860	\$ 102,880
Financing of system rights with note payable from Borough of Lewistown	\$ -	\$ (13,170,424)
Payments on note payable from Borough of Lewistown for system rights	\$ -	\$ 1,000,000
Repayment of debt of Municipal Authority of Borough of Lewistown	\$ -	\$ 9,818,576
Proceeds of Water Revenue Bonds	\$ -	\$ (11,770,973)
System rights obtained from Borough of Lewistown	\$ -	\$ 13,170,424
Payments of costs of issuance	\$ -	\$ 953,398
Assets and liabilities transferred:		
Capital assets	\$ 54,417	\$ 38,508,868
Accounts receivable	\$ -	\$ 1,296,011
Inventory	\$ -	\$ 339,401
Prepaid insurance	\$ -	\$ 46,402
Accounts payable	\$ -	\$ (564,581)
Accrued payroll	\$ -	\$ (15,757)
Compensated absences	\$ -	\$ (61,072)
Consumer deposits	\$ -	\$ (24,442)
Unearned revenue	\$ -	\$ (16,030)
Long-term debt of The Municipal Authority of Borough of Lewistown	\$ -	\$ (9,818,576)
Net pension asset (net of related deferred inflows/outflows of resources)	\$ -	\$ 448,926

See notes to financial statements

Mifflin County Municipal Authority

Statements of Fiduciary Net Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 6,496	\$ 137,300
Investments at fair value:		
Mutual funds	<u>3,383,823</u>	<u>4,063,076</u>
Total	<u>\$ 3,390,319</u>	<u>\$ 4,200,376</u>
Net Position, Held in Trust for Pension Benefits	<u>\$ 3,390,319</u>	<u>\$ 4,200,376</u>

See notes to financial statements

Mifflin County Municipal Authority

Statements of Changes in Fiduciary Net Position

Year Ended December 31, 2022 and Period From Inception (September 30, 2021)

to December 31, 2021

	<u>2022</u>	<u>2021</u>
Additions		
Employer contributions	\$ 48,250	\$ 35,704
Member contributions	24,894	6,056
Net investment (loss) income	<u>(599,769)</u>	<u>131,560</u>
Total additions	(526,625)	173,320
Deductions		
Benefits paid to participants	<u>283,432</u>	<u>39,833</u>
Change in net position held in trust before special item	(810,057)	133,487
Special Item, Transfer	<u>-</u>	<u>4,066,889</u>
Change in net position held in trust	(810,057)	4,200,376
Net Position Held in Trust for Pension Benefits, Beginning	<u>4,200,376</u>	<u>-</u>
Net Position Held in Trust for Pension Benefits, Ending	<u>\$ 3,390,319</u>	<u>\$ 4,200,376</u>

See notes to financial statements

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies

Description of Operations

Mifflin County Municipal Authority (the Authority) is a municipal authority incorporated in November 2020, organized and existing under the Pennsylvania Municipality Authorities Act, as amended. The Authority was created to 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 assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising all of its water operations were transferred to the Authority from another government. See Transfer of Operations section of Note 1 for more details.

Financial Reporting Entity

The reporting entity has been defined in accordance with the criteria established by the Governmental Accounting Standards Board (GASB) Statement 14, as amended. The specific criteria used in determining whether other organizations should be included in the Authority's financial reporting entity are financial accountability, fiscal dependency and legal separation. Pursuant to such criteria, the Authority does not meet the definition of a "component unit" of the County of Mifflin, Pennsylvania at December 31, 2022 and 2021, as the County's accountability for the Authority does not extend beyond making appointments to the Authority's Board of Directors. However, this determination must be made on an annual basis.

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

Basis of Presentation

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. 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. The following is a description of the Authority's proprietary fund:

Enterprise Fund

Enterprise funds are used for activities that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing services to the public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has determined that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The Authority's enterprise fund type consists of its water operations.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

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.

Depreciation and amortization of assets are recognized on the statement 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

Cash consists of currency on hand and demand deposits. 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 statement 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

Accounts receivable are reported at net realizable value. 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 emergency repair parts and system maintenance material, 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 Mifflin County Municipal Authority 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.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

Deferred Inflows/Outflows of Resources

Pursuant to the 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 statement of net position.

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).

Restricted Investments Held With Trustee

In accordance with the terms of the trust indenture 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Debt service fund	\$ 1,243,069	\$ 182,128
Lewistown Borough note fund	77,785	75,000
Bond redemption/improvement fund	285,532	-
Construction fund	<u>11,022,504</u>	<u>13,750,188</u>
Total restricted investments held with trustee	<u>\$ 12,628,890</u>	<u>\$ 14,007,316</u>

The Authority's restricted 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.

	<u>Years</u>
Dam and reservoirs	10-100
Water treatment plant	5-50
Distribution system	7-50
Office building	10-25
Equipment	5-50

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.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

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.

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 \$20,278 and \$31,532 at December 31, 2022 and 2021.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (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.

Transfers of Operations

On September 30, 2021, the Municipal Authority of the Borough of Lewistown's (MABL) assets, deferred outflows of resources, liabilities and deferred inflows of resources and water operations were transferred to the Authority. Under an intergovernmental agreement between the Authority and MABL, this transfer was the result of local community concerns regarding the ownership and operation of the Water System by MABL, whose board members were appointed solely by the Borough Council of the Borough of Lewistown, Pennsylvania (the Borough), while the Water System itself had, over time, grown well beyond the geopolitical borders of the Borough and served residents throughout several different adjacent municipalities, representing a significant geographic portion of the County of Mifflin. Members of the Board of the Authority are, in contrast, appointed by the Board of County Commissioners of the County and are required, under the Authority's Articles of Incorporation, to be resident within, or to represent, each of the eight different municipalities served by the Water System.

Mifflin County Municipal Authority

Notes to Financial Statements

December 31, 2022 and 2021

The Authority issued \$24,605,000 of Water Revenue Bonds, Series of 2021 (Note 4) in September 2021 and the proceeds of the bonds were used in part to repay the existing outstanding debt of MABL in full of \$9,818,576. The Authority will operate and maintain the water operations and account for its operations in an enterprise fund. The transfer included all of the assets of the MABL, consisting of cash and cash equivalents (\$677,157); billed and unbilled accounts receivable (\$1,296,011); prepaid insurance (\$46,402); inventory (\$339,401); capital assets (\$38,508,868). In addition, the Authority assumed the liability for the accounts payable (\$564,581) and accrued payroll (\$15,757) and other compensated absence liabilities (\$61,072) as well as consumer deposits (\$24,442) and unearned revenue (\$16,030) of the MABL. Also included in the transfer were the net pension asset and certain pension related deferred outflows and inflows of resources (\$448,926). The carrying value of the net position transferred was \$30,816,307 and is reported as a special item, transfer of operations on the statement of revenue, expenses and changes in net position for the year ended December 31, 2021.

In 2022, there was an insignificant transfer of capital assets and net position of \$54,717 to the Authority reported as a special item transfer of operations on the statement of revenue, expenses and changes in net position for the year ended December 31, 2022 for which the Authority paid \$1.

2. Cash Deposits and Investments

Pennsylvania statutes and the Authority's trust indenture 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Insured (FDIC)	\$ 250,389	\$ 263,843
Collateralized held by institution's trust department not in the Authority's name	<u>1,506,771</u>	<u>1,487,475</u>
Total cash deposits and certificates of deposit	<u>\$ 1,757,160</u>	<u>\$ 1,751,318</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 \$1,506,771 and \$1,487,475 exposed to custodial credit risk at December 31, 2022 and 2021, respectively. The Authority does not have a formal investment policy for custodial credit risk specific to cash and cash equivalents.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

Investments

The following is a summary of investments at December 31:

Investment Type	Reported on the Statements of Net Position	Maturity	2022 Fair Value	2021 Fair Value
Money market mutual funds	Investments held with trustee	January 1, 2022	\$ 12,628,890	\$ 14,007,316

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, 2022 and 2021:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 12,628,890	\$ -	\$ -	\$ 12,628,890
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 14,007,316	\$ -	\$ -	\$ 14,007,316

The money market mutual funds are valued based on unadjusted quoted prices in active markets and are measured using Level 1 inputs. There have been no changes in the methodologies at December 31, 2022 and 2021.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

Credit risk for investments is the risk that an issuer or counterparty will not fulfill its obligations. At December 31, 2022 and 2021, 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.

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, 2022 and 2021, 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% of more of the fair value of the investment portfolio. At December 31, 2022 and 2021, 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.

Fiduciary Fund Investments

The deposits and investments of the Fiduciary Fund are administered by Mifflin County Municipal Authority 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 tables present the investments measured at fair value as of December 31, 2022 and 2021 by caption on the statements of fiduciary net position by the valuation hierarchy defined below:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,496	\$ -	\$ -	\$ 6,496
Investments:				
Mutual funds	3,383,823	-	-	3,383,823
Total	<u>\$ 3,390,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,390,319</u>
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 137,300	\$ -	\$ -	\$ 137,300
Investments:				
Mutual funds	4,063,076	-	-	4,063,076
Total	<u>\$ 4,200,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,200,376</u>

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

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 Mifflin County Municipal Authority 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, 2022 and 2021; 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% Equity, 33% Fixed Income and 3% 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.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

3. Capital Assets

The following is a summary of the Authority's capital assets activity for the year ended December 31, 2022:

	Beginning Balance	Additions	Transfers	Dispositions	Ending Balance
Capital assets not depreciated:					
Construction-in-progress	\$ 101,960	\$ 2,255,565	\$ (1,644,113)	\$ -	\$ 713,412
Land and right-of-ways	380,061	-	-	-	380,061
Total capital assets not depreciated	482,021	2,255,565	(1,644,113)	-	1,093,473
Capital assets depreciated:					
Dam and reservoirs	17,553,872	-	-	-	17,553,872
Water treatment plant	13,721,040	131,147	23,300	(899,958)	12,975,529
Distribution system	33,934,530	195,276	1,620,813	-	35,750,619
Office building	213,169	-	-	-	213,169
Equipment	1,595,179	67,840	-	(75,824)	1,587,195
Total capital assets depreciated	67,017,790	394,263	1,644,113	(975,782)	68,080,384
Less accumulated depreciation for:					
Dam and reservoirs	(5,753,884)	(315,531)	-	-	(6,069,415)
Water treatment plant	(6,580,310)	(406,265)	-	899,811	(6,086,764)
Distribution system	(15,624,958)	(782,050)	-	-	(16,407,008)
Office building	(127,732)	(24,245)	-	-	(151,977)
Equipment	(911,637)	(110,047)	-	53,143	(968,541)
Total accumulated depreciation	(28,998,521)	(1,638,138)	-	952,954	(29,683,705)
Total assets being depreciated, net	38,019,269	(1,243,875)	1,644,113	(22,828)	38,396,679
Total	<u>\$ 38,501,290</u>	<u>\$ 1,011,690</u>	<u>\$ -</u>	<u>\$ (22,828)</u>	<u>\$ 39,490,152</u>

Depreciation for the year ended December 31, 2022 was \$1,638,138.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

The following is a summary of the Authority's capital assets activity for the period from inception (September 30, 2021) to December 31, 2021:

	Beginning Balance (Includes Transferred Assets, Note 1)	Additions	Transfers	Dispositions	Ending Balance
Capital assets not depreciated:					
Construction-in-progress	\$ 192,336	\$ 125,257	\$ (215,633)	\$ -	\$ 101,960
Land and right-of-ways	380,061	-	-	-	380,061
Total capital assets not depreciated	<u>572,397</u>	<u>125,257</u>	<u>(215,633)</u>	<u>-</u>	<u>482,021</u>
Capital assets depreciated:					
Dam and reservoirs	17,553,872	-	-	-	17,553,872
Water treatment plant	13,714,012	7,028	-	-	13,721,040
Distribution system	33,603,812	115,085	215,633	-	33,934,530
Office building	213,169	-	-	-	213,169
Equipment	1,451,783	143,396	-	-	1,595,179
Total capital assets depreciated	<u>66,536,648</u>	<u>265,509</u>	<u>215,633</u>	<u>-</u>	<u>67,017,790</u>
Less accumulated depreciation for:					
Dam and reservoirs	(5,675,410)	(78,474)	-	-	(5,753,884)
Water treatment plant	(6,475,864)	(99,674)	(4,772)	-	(6,580,310)
Distribution system	(15,427,476)	(193,069)	(4,413)	-	(15,624,958)
Office building	(125,298)	(2,434)	-	-	(127,732)
Equipment	(896,129)	(24,693)	9,185	-	(911,637)
Total accumulated depreciation	<u>(28,600,177)</u>	<u>(398,344)</u>	<u>-</u>	<u>-</u>	<u>(28,998,521)</u>
Total assets being depreciated, net	<u>37,936,471</u>	<u>(132,835)</u>	<u>215,633</u>	<u>-</u>	<u>38,019,269</u>
Total	<u>\$ 38,508,868</u>	<u>\$ (7,578)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,501,290</u>

Depreciation for the period from inception (September 30, 2021) to December 31, 2021 was \$398,344.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

4. Long-Term Debt

Water Revenue Bonds consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Water Revenue Bonds:		
a. Water Revenue Bonds, Series of 2021	\$ 24,605,000	\$ 24,605,000
Total	24,605,000	24,605,000
Less current portion	875,000	-
Plus unamortized bond premium	<u>2,125,092</u>	<u>2,221,687</u>
Total Water Revenue Bonds	<u>\$ 25,855,092</u>	<u>\$ 26,826,687</u>

- a. On September 30, 2021, the Authority issued \$24,605,000 of Water Revenue Bonds, Series of 2021 (2021 Bonds). The 2021 Bonds were issued to provide funds to: (1) refund the existing long-term debt of MABL (see Note 1, Transfer of Operations); (2) fund certain capital projects of the Authority including, but not limited to, the replacement or installation of water supply lines at numerous locations within the System, repairs and improvements to fire suppression lines and facilities, plant upgrades, including the installation of settling basins and lagoons and meter replacements; (3) the funding of initial operating capital; (4) pay the premium on a surety policy for deposit to the Debt Service Reserve Fund; and (5) pay the costs of insuring and issuing the Bonds. The 2021 Bonds mature at various times through 2044 and bear interest rates from 2.00% to 3.00%.

The following is a summary of Authority's Bonds activity for the year ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021:

	<u>2021 Bonds</u>
Balance, September 30, 2021 (inception)	\$ -
Bond issuance	24,605,000
Retirements	<u>-</u>
Balance, December 31, 2021	24,605,000
Bond issuance	-
Retirements	<u>-</u>
Balance, December 31, 2022	<u>\$ 24,605,000</u>

Investment income from the investment of tax-exempt bonds' proceeds is offset against interest expense. Net interest expense on the bonds was \$494,550 and \$181,937 for year ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021, respectively.

Through its trust indenture, the Authority has pledged all of its water revenue as security to the Water Revenue Bonds.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

Debt service requirements for the Water Revenue Bonds are as follows at December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 875,000	\$ 711,750	\$ 1,586,750
2024	890,000	694,100	1,584,100
2025	910,000	671,550	1,581,550
2026	930,000	643,950	1,573,950
2027	950,000	615,750	1,565,750
2028-2032	5,100,000	2,631,900	7,731,900
2033-2037	5,725,000	1,821,225	7,546,225
2038-2042	6,430,000	910,800	7,340,800
2043-2044	2,795,000	84,375	2,879,375
Total	<u>\$ 24,605,000</u>	<u>\$ 8,785,400</u>	<u>\$ 33,390,400</u>

Note payable consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Note payable:		
a. Note payable to Borough of Lewistown, Pennsylvania	\$ 11,870,424	\$ 12,170,424
Total	11,870,424	12,170,424
Less current portion	<u>(306,000)</u>	<u>(300,000)</u>
Total note payable	<u>\$ 11,564,424</u>	<u>\$ 11,870,424</u>

- a. The Authority is one of three parties that negotiated, executed and delivered an Asset Purchase Agreement, dated August 31, 2021 by, between and among the Authority, the Borough and MABL (the Asset Purchase Agreement). The Authority acquired the system rights to the water operations from the Borough of Lewistown (Borough) for \$13,170,424, reported as nonoperating expense on the statement of revenue, expenses and changes in net position. The Authority agreed on the closing date (September 30, 2021), to pay the Borough \$1,000,000 together with the execution and delivery of a water revenue promissory note, payable to the Borough, representing the obligation of the Authority to make annual installment payments on each anniversary of the Closing Date, for a term of thirty years to the Borough in the (initial) sum of \$300,000, increased each year thereafter by a 2% inflation factor, compounded annually. Part of the proceeds of the 2021 Bonds (Note 4) were used for the initial payment owed to the Borough for its interest in the Water System while the subsequent, periodic payments will be made from current revenues of the Authority.

The following is a summary of Authority's Note activity for the years ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021:

Balance, January 1, 2021	-
Note issuance	\$ 13,170,424
Retirements	<u>(1,000,000)</u>
Balance, December 31, 2021	12,170,424
Note issuance	-
Retirements	<u>(300,000)</u>
Balance, December 31, 2022	<u>\$ 11,870,424</u>

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

Debt service requirements for the note payable is as follows at December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 306,000	\$ -	\$ 306,000
2024	312,120	-	312,120
2025	318,362	-	318,362
2026	324,730	-	324,730
2027	331,224	-	331,224
2028-2032	1,758,179	-	1,758,179
2033-2037	1,941,172	-	1,941,172
2038-2042	2,143,209	-	2,143,209
2043-2047	2,366,277	-	2,366,277
2048-2051	2,069,151	-	2,069,151
Total	<u>\$ 11,870,424</u>	<u>\$ -</u>	<u>\$ 11,870,424</u>

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 schedules of revenue, expenses and changes in net position - budget to actual - budgetary basis on page 41 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	\$ (1,377,349)
Add:	
Acquisition and construction of capital assets	3,566,142
Special item, transfer of operations	54,417
Net decrease in certain current assets	34,889
Cash transferred on acquisition	1
Gain on disposal of capital assets	3,872
Principal paid on long-term debt	300,000
Net increase in accrued interest	(178,124)
Change in net pension liability (asset) (net of related deferred inflows/outflows of resources)	(87,565)
Net increase in certain current liabilities	(19,535)
Less:	
Depreciation	(1,638,138)
Amortization of bond premium	96,595
Proceeds on sale of capital assets	(26,701)
Change in net position	<u>\$ 728,504</u>

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

6. Pension

General Information About the Pension Plan

The Authority has 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% after two years of service, plus 20.0% each year, thereafter, up to 100.0% 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% of their compensation.

At December 31, 2022 and 2021, the following employees were covered by the benefit terms:

	<u>2022</u>	<u>2021</u>
Active employees	20	21
Inactive employees entitled to, but not yet receiving benefits	5	3
Inactive employees or beneficiaries currently receiving benefits	<u>18</u>	<u>17</u>
Total	<u><u>43</u></u>	<u><u>41</u></u>

Net Pension Liability (Asset)

The Authority's net pension liability (asset) was measured at December 31, 2022, 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%
Salary increases	4.50% (average, including inflation)
Investment rate of return	7.00% (including inflation)

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.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

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%. 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.

Changes in the net pension liability (asset) for the year ended December 31, 2022 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances, December 31, 2021	\$ 3,542,597	\$ 4,200,376	\$ (657,779)
Service cost	68,423	-	68,423
Interest cost	242,851	-	242,851
Changes for experience	-	-	-
Administrative expense	-	-	-
Contributions, employer	-	48,250	(48,250)
Contributions, member	-	24,894	(24,894)
Net investment loss	-	(599,769)	599,769
Benefit payments, including refunds of member contributions	(283,432)	(283,432)	-
Net changes	27,842	(810,057)	837,899
Balances, December 31, 2022	\$ 3,570,439	\$ 3,390,319	\$ 180,120

The following presents the net pension liability of the plan, calculated using the discount rate of 7.00%, 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:

	1.0% Decrease (6.0%)	Current Discount Rate (7.0%)	1.0% Increase (8.0%)
Plan's net pension liability (asset)	\$ 618,711	\$ 180,120	\$ (191,814)

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

Changes in the net pension asset for the period from inception (September 30, 2021) to December 31, 2021 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balances, September 30, 2021	\$ -	\$ -	\$ -
Service cost	14,157	-	14,157
Interest cost	51,460	-	51,460
Changes for experience	(148,489)	-	(148,489)
Administrative expense	-	-	-
Contributions, employer	-	35,704	(35,704)
Contributions, member	-	6,056	(6,056)
Net investment income	-	131,560	(131,560)
Benefit payments, including refunds of member contributions	(39,833)	(39,833)	-
Net changes before special item	(122,705)	133,487	(256,192)
Special item, transfer on government acquisition (Note 1)	3,665,302	4,066,889	(401,587)
Balances, December 31, 2021	<u>\$ 3,542,597</u>	<u>\$ 4,200,376</u>	<u>\$ (657,779)</u>

The following presents the net pension asset of the plan, calculated using the discount rate of 7.00%, 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:

	1.0% Decrease (6.0%)	Current Discount Rate (7.0%)	1.0% Increase (8.0%)
Plan's net pension asset	\$ (232,689)	\$ (657,779)	\$ (1,018,042)

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

For the year ended December 31, 2022 and for the period from inception (September 30, 2021) to December 31, 2021, the Authority recognized pension expense of \$135,815 and \$43,872, respectively. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,556	\$ 157,832
Changes of assumptions	218,425	-
Net difference between projected and actual investment earnings	436,163	-
Total	<u>\$ 690,144</u>	<u>\$ 157,832</u>

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,404	\$ 201,723
Changes of assumptions	278,258	-
Net difference between projected and actual investment earnings	-	341,961
Total	<u>\$ 325,662</u>	<u>\$ 543,684</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at December 31, 2022 will be recognized in pension expense as follows:

Years ending December 31:	
2023	\$ 68,367
2024	131,594
2025	179,250
2026	165,194
2027	<u>(12,093)</u>
Total	<u>\$ 532,312</u>

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

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 \$405,000 in 2022 and \$101,000 for the period from inception (September 30, 2021) to December 31, 2021.

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.

Mifflin County Municipal Authority

Notes to Financial Statements
December 31, 2022 and 2021

9. Pending Changes in Accounting Principles

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

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*;
- Statement No. 96, *Subscription-Based Information Technology Arrangements*;
- Statement No. 99, *Omnibus 2022*;
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*;
- Statement No. 101, *Compensated Absences*

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.

Mifflin County Municipal Authority

Schedules of Changes in the Authority's Net Pension Asset and Related Ratios

Last Ten Years*

(Unaudited)

	Year Ended December 31, 2022	Period From Inception (September 30, 2021) to December 31, 2021
Total Pension Liability		
Service cost	\$ 68,423	\$ 14,157
Interest cost	242,851	51,460
Changes for experience	-	(148,489)
Benefit payments, including refunds of member contributions	(283,432)	(39,833)
Net change in total pension liability before special item	27,842	(122,705)
Special Item, Transfer	-	3,665,302
Net change in total pension liability	27,842	3,542,597
Total Pension Liability, Beginning	3,542,597	-
Total Pension Liability, Ending (a)	3,570,439	3,542,597
Plan Fiduciary Net Position		
Contributions, employer	48,250	35,704
Contributions, member	24,894	6,056
Net investment income (loss)	(599,769)	131,560
Benefit payments, including refunds of member contributions	(283,432)	(39,833)
Administrative expenses	-	-
Net change in plan fiduciary net position before special item	(810,057)	133,487
Special Item, Transfer	-	4,066,889
Net change in plan fiduciary net position	(810,057)	4,200,376
Plan Fiduciary Net Position, Beginning	4,200,376	-
Plan Fiduciary Net Position, Ending (b)	3,390,319	4,200,376
Authority's net pension liability (asset), ending (a) - (b)	\$ 180,120	\$ (657,779)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.96%	118.57%
Covered-Employee Payroll	\$ 1,082,447	\$ 300,602
Authority's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	16.64%	(218.82)%

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.

Mifflin County Municipal Authority

Schedules of Employer Pension Contributions to Pension Plan
 December 31, 2022 and 2021
 (Unaudited)

	Year Ended December 31, 2022	Period From Inception (September 30, 2021) to December 31 2021
Actuarially determined contribution	\$ 8,250	\$ 22,704
Contributions in relation to the actuarially determined contribution	<u>48,250</u>	<u>35,704</u>
Contribution deficiency (excess)	<u>\$ (40,000)</u>	<u>\$ (13,000)</u>
Covered payroll	\$ 1,082,447	\$ 300,602
Contributions as a percentage of covered payroll	4.46%	11.88%

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	4.50%
Investment rate of return	7.0%
Retirement age	Normal Retirement Age
Mortality	PubG-2010

Mifflin County Municipal Authority

Schedules of Investment Returns for Fiduciary Fund

December 31, 2022 and 2021

(Unaudited)

	<u>2022</u>	<u>2021 (1)</u>
Annual money-weighted rate of return, net of investment expense	-14.7%	3.8%

(1) This rate is the rate from September 30, 2021 through December 31, 2021.

**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***

Independent Auditors' Report

To the Board of Directors of
Mifflin County Municipal Authority

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 Mifflin County Municipal Authority (the Authority), as of and for the year ended December 31, 2022, 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 April 19, 2023.

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 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 or significant deficiencies 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
April 19, 2023

Mifflin County Municipal Authority

Schedules to Statements of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2022 and Period From Inception (September 30, 2021)
to December 31, 2021

	<u>2022</u>	<u>2021</u>
General		
Employee insurance	\$ 467,603	\$ 127,097
Salaries	409,602	110,842
Pension	135,815	43,872
Office expense	186,347	39,469
General property expense	150,724	37,768
Payroll taxes	118,278	29,467
Insurance	57,502	23,662
Employee benefits	204,762	22,175
Legal	28,876	20,599
Auditing and consulting	66,150	16,660
Salaries, officers	17,350	4,650
Uncollectible accounts	(740)	3,457
Engineering	34,693	2,576
Security	2,557	-
	<u>1,879,519</u>	<u>482,294</u>
Total general	<u>\$ 1,879,519</u>	<u>\$ 482,294</u>
Filter Plant		
Labor	\$ 345,431	\$ 102,759
Maintenance	65,584	34,134
Power and heat	38,915	17,602
Supplies	16,821	3,338
	<u>466,751</u>	<u>157,833</u>
Total filter plant	<u>\$ 466,751</u>	<u>\$ 157,833</u>

Mifflin County Municipal Authority

Schedules to Statements of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2022 and Period From Inception (September 30, 2021)
to December 31, 2021

	<u>2022</u>	<u>2021</u>
Purification		
Chemicals	\$ 182,695	\$ 71,159
Regulatory monitoring	51,898	4,082
Labor	10,128	2,231
Supplies	44,478	2,122
Maintenance	18,868	1,680
	<u>308,067</u>	<u>81,274</u>
Total purification	<u>\$ 308,067</u>	<u>\$ 81,274</u>
Distribution		
Labor	\$ 202,427	\$ 84,776
Supplies	18,536	663
Maintenance:		
Mains	49,438	24,696
Service lines	16,887	7,411
Hydrants	4,688	2,008
Meters	9,005	1,620
Reservoirs	1,816	427
	<u>302,797</u>	<u>121,601</u>
Total distribution	<u>\$ 302,797</u>	<u>\$ 121,601</u>
Control Stations		
Supplies	\$ 16,763	\$ 4,489
Labor	15,332	3,140
Power	9,157	2,682
Maintenance	3,355	597
	<u>44,607</u>	<u>10,908</u>
Total control stations	<u>\$ 44,607</u>	<u>\$ 10,908</u>
Water Collection		
Power	\$ 7,156	\$ 2,539
Maintenance	4,079	1,276
	<u>11,235</u>	<u>3,815</u>
Total water collection	<u>\$ 11,235</u>	<u>\$ 3,815</u>

Mifflin County Municipal Authority

Schedules of Revenue, Expenses and Changes in Net Position - Budget to Actual - Budgetary Basis
Year Ended December 31, 2022

	Actual (Budgetary) Basis Year Ended December 31, 2022	Budget (Unaudited) Year Ended December 31, 2022	Over (Under) Budget
Operating Revenue			
Metered revenue:			
Domestic	\$ 3,600,044	\$ 3,612,353	\$ (12,309)
Commercial	1,047,787	1,031,894	15,893
Industrial	542,126	514,025	28,101
Public	216,993	214,529	2,464
Fire protection	136,225	73,304	62,921
Total metered revenue	5,543,175	5,446,105	97,070
Unmetered Revenue	216,948	199,500	17,448
Total operating revenue	5,760,123	5,645,605	114,518
Operating Expenses			
General	1,782,175	2,003,581	(221,406)
Filter plant	466,751	633,000	(166,249)
Distribution	302,797	381,000	(78,203)
Purification	308,067	285,692	22,375
Control stations	44,607	64,400	(19,793)
Water collection	11,235	21,200	(9,965)
Net customer deposits paid	1,601	-	1,601
Total operating expenses	2,917,233	3,388,873	(471,640)
Operating income	2,842,890	2,256,732	586,158
Nonoperating Revenue (Expenses)			
Interest income	17,224	2,000	15,224
Investment income	129,355	800	128,555
Capital grants received	15,000	-	15,000
Proceeds on sale of capital assets	26,701	-	26,701
Cash transferred on acquisition	(1)	-	(1)
Principal paid on long-term debt and revenue bonds	(300,000)	(1,251,500)	951,500
Interest paid on debt service	(542,376)	(902,626)	360,250
Total nonoperating revenue (expenses)	(654,097)	(2,151,326)	1,497,229
Net income before capital expenditures	2,188,793	105,406	2,083,387
Capital Expenditures			
Capital expenditures	(3,566,142)	(6,035,925)	(2,469,783)
Net cash and investments used	\$ (1,377,349)	\$ (5,930,519)	\$ 4,553,170