

**BEAVER FALLS MUNICIPAL AUTHORITY
BEAVER FALLS, PENNSYLVANIA**

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FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

**BEAVER FALLS  
MUNICIPAL AUTHORITY**  
BEAVER FALLS, PENNSYLVANIA

FINANCIAL STATEMENTS

WITH REPORT BY  
CERTIFIED PUBLIC ACCOUNTANT

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

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**BEAVER FALLS, PENNSYLVANIA**

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# **BEAVER FALLS MUNICIPAL AUTHORITY**

1425 Eighth Avenue  
Beaver Falls, PA 15010

## **AUTHORITY BOARD MEMBERS**

Jerry T. Ford, Chairman  
Rodney Austin, Vice Chairman  
Bethany Warren, Secretary  
John Sylvester, Treasurer  
Julie Quay, Assistant Secretary/Treasurer

James Riggio, General Manager

Christopher Shroads, Business Manager

## **AUTHORITY SOLICITOR**

J. Phillip Colavincenzo, Esquire  
Beaver, PA 15009

## **AUTHORITY CONSULTING ENGINEER**

Entech Engineers  
Pittsburgh, Pennsylvania

## **BOND COUNSEL**

John F. Salopek, Esquire  
Aliquippa, Pennsylvania

## **SPECIAL TAX COUNSEL**

Springer Bush & Perry, P.C.  
Pittsburgh, Pennsylvania

## **TRUSTEE, PAYING AGENT, REGISTRAR and ESCROW AGENT**

The Bank of New York  
New York, New York

## **UNDERWRITER**

Commonwealth Securities and Investments, Inc.  
Pittsburgh, Pennsylvania

## **INDEPENDENT AUDITOR**

Mark C. Turnley, CPA  
New Brighton, Pennsylvania

**Board of Directors  
Beaver Falls Municipal Authority  
Beaver Falls, Pennsylvania**

## **Independent Auditor's Report**

### **Opinion**

I have audited the accompanying financial statements of the Beaver Falls Municipal Authority, Beaver County, Pennsylvania as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Beaver Falls Municipal Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Beaver Falls Municipal Authority as of December 31, 2021, and 2020 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Beaver Falls Municipal Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **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 Beaver Falls Municipal 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.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, I:

- 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 Beaver Falls Municipal 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Beaver Falls Municipal Authority's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v-xii and the defined benefit pension plan information on pages 27-30 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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**

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Beaver Falls Municipal Authority's basic financial statements. The supplementary information (Schedules 1 and 2) is presented for purposes of additional analysis and is 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 use 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 my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Mark C. Turnley". The signature is written in a cursive style with a large, stylized initial "M".

Mark C. Turnley, CPA

September 20, 2022  
New Brighton, Pennsylvania

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

The management's discussion and analysis of the Beaver Falls Municipal Authority (BFMA) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

The management's discussion and analysis is presented to supplement the basic financial statements. This information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and such data is included within this report.

#### **FINANCIAL HIGHLIGHTS**

The Authority's revenue performance exceeded budget expectations for the year ended December 31, 2021. The Authority operated within its debt covenants and the more stringent financial policies and guidelines set by the Board. The following are key financial highlights:

- Net position at year-end totaled \$51,359,613, an increase of 5.4% over the prior year. The increase was mainly driven by the operating profit of the Authority which totaled approximately \$2.7 million. Of the total net position, \$46,975,176 was restricted or invested in capital assets. Unrestricted net position increased by 15% from 2020 to 2021.
- Operating revenues were \$13,159,322, a decrease of \$189,892 (1%) over calendar year 2020. Revenues decreased due to rate increases that were more than offset by decreased domestic consumption during the year – prior year had a Covid shutdown which had ramped up domestic consumption. The most notable changes in expenses between calendar years 2021 and 2020 were 1) general and administrative expenses which decreased by \$274,076 or 9%; 2) purifying system expenses which increased by \$426,176 or 19% and 3) distribution system expenses which increased by \$304,013 or 21%.
- Operating expenses before depreciation were under budget by \$381,642. Operating expenses excluding depreciation increased by \$498,662 or 7% over the prior year.
- Net operating income before depreciation for the year was \$5,283,100, a decrease of \$688,554 from the prior calendar year total of \$5,971,654. The change to Net Position before capital contributions decreased \$726,068 or 22% from calendar year 2020.
- Capital contributions decreased by \$42,700 from calendar year 2020.

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34)**

The Annual Financial Report consists of the Management Discussion and Analysis (this section), basic financial statements, notes to those statements and a supplementary information detailing operating expenses and comparison of budget to actual revenues and expenses. These statements present the financial position, results of operations and cash flows of BFMA for the years 2021 and 2020. The primary purpose of Beaver Falls Municipal Authority's basic financial statements are as follows:

- Exhibit A – Statement of Net Position – Provides a view of the financial condition of the Authority including its liquidity, capital assets, long-term debt obligations and net position. Over time, increases or decreases in the Authority's net position are an indication of whether its financial health is improving or deteriorating. To assess the overall health of the Authority, additional non-financial factors must be considered, such as changes in the Authority's customer base and the condition of the Authority's infrastructure (sanitary sewers, pump stations, and treatment plant).
- Exhibit B – Statement of Revenues, Expenses and Changes in Net Position – Provides information with regard to the types of revenues earned and expenses incurred by the Authority on an annual basis. In addition, this statement indicates whether charges for services to customers were sufficient to meet the current operating costs, and potentially certain capital costs, necessary to operate the Authority, or whether the Authority had to draw on prior net asset reserves to meet its obligations.
- Exhibit C – Statement of Cash Flows – Provides relevant information about the cash receipts and cash payments of BFMA during the year, specifically, how much cash was generated for operating needs, and the amount of cash required for capital needs and debt service obligations.

**SUMMARY OF ORGANIZATION AND BUSINESS**

The Beaver Falls Municipal Authority (the "Authority") is a body, politic and corporate, created pursuant to an ordinance of the Council of the City of Beaver Falls, Beaver County, Pennsylvania, under the Municipality Act of 1935, as amended (the "Act"). The certificate of incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on July 3, 1940. The charter was amended on April 26, 1966, February 23, 1993, and May 16, 2006, to extend the term of existence of the Authority from July 3, 1990, to July 3, 2010, from July 3, 2010, to July 3, 2015, and from July 3, 2015, to July 3, 2045, respectively.

The governing body of the Authority is a Board consisting of five members appointed by the City of Beaver Falls. The terms of the members of the Board have been staggered so that the term of one member expires annually. The Board is authorized to exercise any and all powers conferred by the aforementioned Act necessary for the acquisition, construction, improvement, extension, maintenance, and operation of the system facilities.

The Authority does not have taxing power; ongoing operations are funded from customer revenues. The acquisition and construction of capital assets are funded by capital contributions from customers, including developers, and customer revenues. The Authority's customer base as of December 31, 2021, consisted of approximately 15,804 domestic, 1,042 commercial, 70 public, and 51 industrial customers.

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

A breakdown of the assets, liabilities, and net position of the Authority for the years 2021 and 2020 is as follows:

|                                                                | <u>2021</u>                 | <u>2020</u>                 | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|----------------------------------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Current and Other Assets                                       | \$ 5,505,329                | \$ 5,445,623                | \$ 59,706                            |
| Restricted Assets                                              | 2,672,900                   | 4,302,862                   | (1,629,962)                          |
| Capital Assets, Net                                            | 56,542,081                  | 55,999,556                  | 542,525                              |
| Deferred Outflows of Resources                                 | <u>725,912</u>              | <u>1,062,519</u>            | <u>(336,607)</u>                     |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b><u>\$ 65,446,222</u></b> | <b><u>\$ 66,810,560</u></b> | <b><u>\$ (1,364,338)</u></b>         |
| Current Liabilities                                            | \$ 4,770,210                | \$ 4,449,106                | \$ 321,104                           |
| Long-term Liabilities                                          | 6,868,256                   | 11,495,113                  | (4,626,857)                          |
| Deferred Inflows of Resources                                  | <u>2,448,143</u>            | <u>2,143,575</u>            | <u>304,568</u>                       |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b><u>\$ 14,086,609</u></b> | <b><u>\$ 18,087,794</u></b> | <b><u>\$ (4,001,185)</u></b>         |
| Net Investment in Capital Assets                               | \$ 46,420,606               | \$ 44,343,079               | \$ 2,077,527                         |
| Restricted for Debt Service                                    | 554,570                     | 553,519                     | 1,051                                |
| Unrestricted                                                   | <u>4,384,437</u>            | <u>3,826,168</u>            | <u>558,269</u>                       |
| <b>TOTAL NET POSITION</b>                                      | <b><u>\$ 51,359,613</u></b> | <b><u>\$ 48,722,766</u></b> | <b><u>\$ 2,636,847</u></b>           |

The decrease in restricted assets, as well as the increase in capital assets, is directly related to disbursements made toward the Hydro Plant Rehabilitation project, 11<sup>th</sup> street pump station, West Mayfield pump station improvements and various extensions and improvements to the water lines throughout the system. The decrease in long-term liabilities is due to the continued paydown on long term debt obligations and the absence of any new debt financing in 2021. Deferred inflows and outflows were adjusted to reflect the results of the latest actuarial valuation of the Authority's pension plan as required by Governmental Accounting Standards Board (GASB) Statement No. 68.

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

**FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)**

A comparison of the Authority's revenues, expenses, and changes in net position for the years 2021 and 2020 is as follows:

|                                                     | <u>2021</u>          | <u>2020</u>          | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|-----------------------------------------------------|----------------------|----------------------|--------------------------------------|
| <b>Operating Revenues</b>                           | <u>\$ 13,159,322</u> | <u>\$ 13,349,214</u> | <u>\$ (189,892)</u>                  |
| <b>Operating Expenses:</b>                          |                      |                      |                                      |
| Purifying System                                    | \$ 2,676,583         | \$ 2,250,407         | \$ 426,176                           |
| Hydroelectric Plant                                 | 433,454              | 384,890              | 48,564                               |
| Pumping System                                      | 281,374              | 287,389              | (6,015)                              |
| Distribution System                                 | 1,785,453            | 1,481,440            | 304,013                              |
| General and Administrative                          | 2,699,358            | 2,973,434            | (274,076)                            |
| <b>Total Operating Expenses</b>                     | <u>\$ 7,876,222</u>  | <u>\$ 7,377,560</u>  | <u>\$ 498,662</u>                    |
| <b>NET OPERATING INCOME BEFORE<br/>DEPRECIATION</b> | <u>\$ 5,283,100</u>  | <u>\$ 5,971,654</u>  | <u>\$ (688,554)</u>                  |
| Depreciation Expense                                | 2,456,802            | 2,376,057            | 80,745                               |
| <b>INCOME FROM OPERATIONS</b>                       | <u>\$ 2,826,298</u>  | <u>\$ 3,595,597</u>  | <u>\$ (769,299)</u>                  |
| NonOperating Revenues                               | \$ 96,276            | \$ 130,006           | \$ (33,730)                          |
| NonOperating Expenses                               | 339,064              | 416,025              | (76,961)                             |
| <b>NET NONOPERATING (EXPENSE)</b>                   | <u>\$ (242,788)</u>  | <u>\$ (286,019)</u>  | <u>\$ 43,231</u>                     |
| Capital Contributions                               | \$ 98,400            | \$ 141,100           | \$ (42,700)                          |
| <b>CHANGE IN NET POSITION</b>                       | <u>\$ 2,681,910</u>  | <u>\$ 3,450,678</u>  | <u>\$ (768,768)</u>                  |

Operating revenues fall into several general categories. The Authority has four classes of water customers: residential, commercial, public, and industrial. The other operating revenues are derived from the hydro plant, fire protection, penalties, and other miscellaneous sources.

The Authority collects water tap-in and main line extension fees in order to ensure that current customers do not bear the burden of growth. These fees are paid by new customers and represent the cost attributable to the new account. Generally accepted accounting standards define these fees as non-operating revenues and reporting is required in the Statement of Revenues, Expenses and Changes in Net Position. The Authority restricts the use of capacity fee revenue to capital investment in its system. The Authority receives additions to its collections and distribution systems from developers. These amounts are shown as capital contributions.

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

**FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)**

Operating revenues decreased \$189,892 or 1% from the previous calendar year. The decrease is primarily due hydroelectric revenues decreasing by \$183,691 given the impact of lesser river flows. A review of Schedule 1 shows that overall operating expenses increased by approximately \$579,407 or 6%. The most significant areas of fluctuation were 1) general and administrative expenses decreased by \$274,076 – primarily due to the impact of the GASB 68 reporting on the pension expense; 2) purifying system expenses increased by \$426,176 given increased supplies and repair expenses for the Eastvale and Sludge operations; and 3) distribution expenses increased by \$304,013 given increased activity for street related repairs.

A comparison of the Authority's individual operating expenses, including depreciation, as a percentage of total expenses for the years 2021 and 2020 is as follows:

|                                 | <u>2021</u>          | <u>%</u>      | <u>2020</u>         | <u>%</u>      |
|---------------------------------|----------------------|---------------|---------------------|---------------|
| Purifying System                | \$ 2,676,583         | 25.9%         | \$ 2,250,407        | 23.1%         |
| Hydroelectric Plant             | 433,454              | 4.2%          | 384,890             | 3.9%          |
| Pumping System                  | 281,374              | 2.7%          | 287,389             | 2.9%          |
| Distribution System             | 1,785,453            | 17.3%         | 1,481,440           | 15.2%         |
| General and Administrative      | 2,699,358            | 26.1%         | 2,973,434           | 30.5%         |
| Depreciation                    | 2,456,802            | 23.8%         | 2,376,057           | 24.4%         |
| <b>Total Operating Expenses</b> | <b>\$ 10,333,024</b> | <b>100.0%</b> | <b>\$ 9,753,617</b> | <b>100.0%</b> |

The following table indicates operating statistics for the Authority for the years ended December 31:

|                                                    | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------------------------|-------------|-------------|-------------|
| <b>Approximate number of customers at year-end</b> | 16,967      | 16,914      | 16,892      |
| <b>Customers per Class of Water:</b>               |             |             |             |
| Domestic                                           | 15,804      | 15,751      | 15,730      |
| Commercial                                         | 1,042       | 1,042       | 1,041       |
| Public                                             | 70          | 70          | 70          |
| Industrial                                         | 51          | 51          | 51          |
| <b>Ratio of Operating Revenue to:</b>              |             |             |             |
| Total operating expenses                           | 1.27        | 1.37        | 1.24        |
| Total assets and deferred outflows                 | 0.20        | 0.20        | 0.19        |
| Net position                                       | 0.26        | 0.27        | 0.28        |
| <b>Debt-Related Ratios:</b>                        |             |             |             |
| Debt to Net position                               | 0.24        | 0.32        | 0.41        |
| Debt to capital assets                             | 0.22        | 0.28        | 0.34        |

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At December 31, 2021, the Authority had \$56,542,081 invested in capital assets, including land, net of depreciation. This amount represents a net increase (including additions, deletions, and depreciation) of \$542,525 or 1% from 2020 (See Note 4 to the financial statements). The Authority had capital additions of \$3,037,702 in 2021 for numerous and varied capital projects.

A summary of the Authority's capital assets net of accumulated depreciation for the past two years, is as follows:

|                          | <u>2021</u>                 | <u>2020</u>                 | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|--------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Land                     | \$ 163,064                  | \$ 163,064                  | \$ -                                 |
| Buildings                | 38,748,927                  | 37,244,940                  | 1,503,987                            |
| Site Improvements        | 370,433                     | 370,433                     | -                                    |
| Infrastructure           | 50,083,483                  | 48,320,553                  | 1,762,930                            |
| Operating Equipment      | 14,330,580                  | 14,180,954                  | 149,626                              |
|                          | <u>\$ 103,696,487</u>       | <u>\$ 100,279,944</u>       | <u>\$ 3,416,543</u>                  |
| Accumulated Depreciation | <u>(50,772,137)</u>         | <u>(48,315,335)</u>         | <u>(2,456,802)</u>                   |
|                          | <u>\$ 52,924,350</u>        | <u>\$ 51,964,609</u>        | <u>\$ 959,741</u>                    |
| Construction in Progress | 3,617,731                   | 4,034,947                   | (417,216)                            |
|                          | <u><u>\$ 56,542,081</u></u> | <u><u>\$ 55,999,556</u></u> | <u><u>\$ 542,525</u></u>             |

**DEBT ADMINISTRATION**

As of December 31, 2021, the Authority had water revenue note and promissory note principal indebtedness outstanding of \$12,239,805. During 2021, the Authority made total principal and interest payments of approximately \$3,507,679 on their total combined debt. The Authority is scheduled to make principal and interest payments on their total debt of approximately \$3,507,679 during the 2021 calendar year.

The Authority's existing debt obligations are comprised of two promissory note issues with the Pennsylvania Infrastructure Investment Authority (PENNVEST) and Penn Works, a water revenue note with First National Bank, as well as a line of credit with First National Bank as follows:

**PENNVEST – 2009**

On April 20, 2009, the Pennsylvania Infrastructure Investment Authority (PENNVEST) approved a loan in the amount of \$9,167,940 to the Beaver Falls Municipal Authority for the purpose of providing financing for the Eastvale Intake Construction Project and other capital projects of the Authority. The terms of the note agreement call for the current monthly payment of \$44,206.64 at an interest rate of 1.274% through October 1, 2016, followed by monthly payments of \$48,201.03 for a period of 6 years at an interest rate of 2.547% effective November 1, 2016. The note is secured by the gross receipts of the Authority.

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**PENN WORKS**

On November 8, 2006, the Authority borrowed \$2,031,525 from the Commonwealth of Pennsylvania Penn Works in the form of a promissory note to provide funds for capital improvements to the Authority's water system. Construction draws on the note by the Authority totaled \$1,930,024. The terms of the note agreement call for current principal and interest payments of \$10,324.33 per month. The current interest rate on the note is 2.0% per annum, with the note scheduled to mature on September 1, 2026. The note is secured by the gross receipts of the Authority.

**FIRST NATIONAL BANK LINE OF CREDIT**

On October 21, 2011, the Authority entered into a \$1,000,000 commercial line of credit agreement with First National Bank to provide funds for general operations and capital improvements to the Authority's water system. The current interest rate on the line of credit is 2.18%. As of December 31, 2021, and 2020, there is no balance on this line of credit. The line of credit is secured by the gross receipts of the Authority.

**FIRST NATIONAL BANK WATER REVENUE NOTE – SERIES OF 2017**

On July 21, 2017, the Authority issued Water Revenue Note – Series of 2017 to First National Bank totaling \$18,000,000 for the purpose of 1) financing certain costs of designing and constructing repairs to its Eastvale water supply dam on the Beaver River, 2) refinance certain other debt obligations outstanding (Water Revenue Note – Series of 2014 and balance on commercial line of credit), and 3) completing various other capital improvement projects to the Authority's system. The terms of the Water Revenue Note – Series of 2017 call for monthly principal and interest payments of \$233,210 at an interest rate of 2.39% per annum, with the Note scheduled to mature on July 20, 2024. The Note is secured by the gross receipts of the Authority. In addition, a collateral assignment of the Authority's construction fund account in favor of First National Bank was made to further secure the Authority's indebtedness with regard to this Note obligation.

More detailed information regarding the Authority's long-term debt obligations is contained in Note 6 in the notes to the financial statements.

**RATE COVENANT**

In the Water Revenue Obligation Note – Series of 2017 issued to First National Bank, the Authority covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for water furnished by the Authority that will yield annual income from operations before depreciation in the calendar year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments. The Authority has adopted a more stringent internal policy of maintaining one hundred and twenty percent (120%) debt service coverage. The Authority's ratios for 2021 and 2020 (using total debt service obligations) were 1.54 and 1.74, respectively.

**FINAL COMMENTS**

The Authority has adopted a plan that guides Board and staff actions toward its mission of providing affordable, efficient, and reliable water services. Part of this plan is continued capital investment. The Authority is always examining its work practices to find more efficient and productive methods of service delivery in order to continue to strengthen its financial condition. Plans for 2022 include replacing 2+ miles of old waterline in our system.

**BEAVER FALLS MUNICIPAL AUTHORITY  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2021**

**CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT**

Our financial report is designed to provide our customers, investors, and creditors with a general overview of the Authority's finances and to show the Board of Directors' accountability for the money they administer on behalf of the communities served by the Beaver Falls Municipal Authority. If you have questions about this report or wish to request additional financial information, please contact the Beaver Falls Municipal Authority at 1425 Eighth Avenue, Beaver Falls, Pa. 15010, (724)-846-2400 or visit our website at [www.bfwater.net](http://www.bfwater.net).

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31.**

|                                                                          | <u>2021</u>           | <u>2020</u>           |
|--------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>ASSETS:</b>                                                           |                       |                       |
| <b>CURRENT ASSETS:</b>                                                   |                       |                       |
| Cash and Cash Equivalents                                                | \$ 1,315,501          | \$ 1,123,440          |
| Accounts Receivable (Less allowance for Doubtful Accounts)               | 1,863,285             | 1,852,653             |
| Unbilled Water Service                                                   | 1,698,481             | 1,818,983             |
| Inventory - Materials and Supplies                                       | 557,693               | 575,354               |
| Prepaid Expenses                                                         | 70,369                | 75,193                |
| <b>TOTAL CURRENT ASSETS</b>                                              | <b>\$ 5,505,329</b>   | <b>\$ 5,445,623</b>   |
| <b>RESTRICTED ASSETS</b>                                                 |                       |                       |
| Cash and Cash Equivalents                                                | \$ 2,672,900          | \$ 4,302,862          |
| <b>TOTAL RESTRICTED ASSETS</b>                                           | <b>\$ 2,672,900</b>   | <b>\$ 4,302,862</b>   |
| <b>PROPERTY, PLANT AND EQUIPMENT:</b>                                    |                       |                       |
| Land                                                                     | \$ 163,064            | \$ 163,064            |
| Buildings/Site Improvements/Infrastructure                               | 89,202,843            | 85,935,926            |
| Operating Equipment                                                      | 14,330,580            | 14,180,954            |
|                                                                          | <u>\$ 103,696,487</u> | <u>\$ 100,279,944</u> |
| Less Accumulated Depreciation                                            | (50,772,137)          | (48,315,335)          |
|                                                                          | <u>52,924,350</u>     | <u>51,964,609</u>     |
| Construction in Progress                                                 | 3,617,731             | 4,034,947             |
| <b>NET PROPERTY, PLANT AND EQUIPMENT</b>                                 | <b>\$ 56,542,081</b>  | <b>\$ 55,999,556</b>  |
| <b>TOTAL ASSETS</b>                                                      | <b>\$ 64,720,310</b>  | <b>\$ 65,748,041</b>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                   |                       |                       |
| Deferred Outflows of Resources - Pension                                 | \$ 725,912            | \$ 1,062,519          |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                              | <b>\$ 725,912</b>     | <b>\$ 1,062,519</b>   |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                   | <b>\$ 65,446,222</b>  | <b>\$ 66,810,560</b>  |
| <b>LIABILITIES:</b>                                                      |                       |                       |
| <b>CURRENT LIABILITIES:</b>                                              |                       |                       |
| Accounts Payable                                                         | \$ 700,064            | \$ 449,409            |
| Due to Other Governmental Units                                          | 633,777               | 660,598               |
| Accrued Payroll and Taxes                                                | 78,840                | 49,731                |
| Accrued Interest Payable                                                 | 16,815                | 19,415                |
| Customer/Advance Deposits                                                | 96,965                | 103,849               |
| Notes Payable - Current Portion                                          | 3,243,749             | 3,166,104             |
| <b>TOTAL CURRENT LIABILITIES</b>                                         | <b>\$ 4,770,210</b>   | <b>\$ 4,449,106</b>   |
| <b>LONG-TERM LIABILITIES:</b>                                            |                       |                       |
| Notes Payable - Long-Term Portion                                        | \$ 8,996,056          | \$ 12,239,716         |
| Net Pension Liability (Asset)                                            | (2,127,800)           | (744,603)             |
| <b>TOTAL LONG-TERM LIABILITIES</b>                                       | <b>\$ 6,868,256</b>   | <b>\$ 11,495,113</b>  |
| <b>TOTAL LIABILITIES</b>                                                 | <b>\$ 11,638,466</b>  | <b>\$ 15,944,219</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                    |                       |                       |
| Deferred Inflows of Resources - Pension                                  | \$ 2,448,143          | \$ 2,143,575          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                               | <b>\$ 2,448,143</b>   | <b>\$ 2,143,575</b>   |
| <b>NET POSITION:</b>                                                     |                       |                       |
| Net Investment in Capital Assets                                         | \$ 46,420,606         | \$ 44,343,079         |
| Restricted for Debt Service                                              | 554,570               | 553,519               |
| Unrestricted                                                             | 4,384,437             | 3,826,168             |
| <b>TOTAL NET POSITION</b>                                                | <b>\$ 51,359,613</b>  | <b>\$ 48,722,766</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> | <b>\$ 65,446,222</b>  | <b>\$ 66,810,560</b>  |

The accompanying notes are an integral part of these financial statements

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31,**

|                                                                  | <u>2021</u>                        | <u>2020</u>                        |
|------------------------------------------------------------------|------------------------------------|------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>                                |                                    |                                    |
| Water Revenues                                                   | \$ 11,877,748                      | \$ 11,883,949                      |
| Hydroelectric Revenues                                           | 1,281,574                          | 1,465,265                          |
| <b>TOTAL OPERATING REVENUES</b>                                  | <b><u>\$ 13,159,322</u></b>        | <b><u>\$ 13,349,214</u></b>        |
| <b><u>OPERATING EXPENSES:</u></b>                                |                                    |                                    |
| Purifying System                                                 | \$ 2,676,583                       | \$ 2,250,407                       |
| Hydroelectric Plant System                                       | 433,454                            | 384,890                            |
| Pumping System                                                   | 281,374                            | 287,389                            |
| Distribution System                                              | 1,785,453                          | 1,481,440                          |
| General and Administrative                                       | 2,699,358                          | 2,973,434                          |
| Depreciation                                                     | 2,456,802                          | 2,376,057                          |
| <b>TOTAL OPERATING EXPENSES</b>                                  | <b><u>\$ 10,333,024</u></b>        | <b><u>\$ 9,753,617</u></b>         |
| <b>NET OPERATING INCOME</b>                                      | <b><u>\$ 2,826,298</u></b>         | <b><u>\$ 3,595,597</u></b>         |
| <b><u>NON-OPERATING REVENUES AND (EXPENSES)</u></b>              |                                    |                                    |
| Interest Income                                                  | \$ 5,249                           | \$ 50,854                          |
| Other Income                                                     | 91,027                             | 79,152                             |
| Interest Expense                                                 | (339,064)                          | (416,025)                          |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>                    | <b><u>\$ (242,788)</u></b>         | <b><u>\$ (286,019)</u></b>         |
| <b>INCREASE IN NET POSITION BEFORE<br/>CAPITAL CONTRIBUTIONS</b> | <b><u>\$ 2,583,510</u></b>         | <b><u>\$ 3,309,578</u></b>         |
| <b>CAPITAL CONTRIBUTIONS</b>                                     | <u>98,400</u>                      | <u>141,100</u>                     |
| <b>INCREASE IN NET POSITION</b>                                  | <b><u>\$ 2,681,910</u></b>         | <b><u>\$ 3,450,678</u></b>         |
| NET POSITION - JANUARY 1,                                        | 48,722,766                         | 45,272,088                         |
| Prior Period Adjustment                                          | <u>(45,063)</u>                    | <u>-</u>                           |
| <b>NET POSITION - DECEMBER 31,</b>                               | <b><u><u>\$ 51,359,613</u></u></b> | <b><u><u>\$ 48,722,766</u></u></b> |

The accompanying notes are an integral part of these financial statements

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

|                                                                                                    | <u>2021</u>                  | <u>2020</u>                  |
|----------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                 |                              |                              |
| Cash Received from Customers                                                                       | \$ 13,262,308                | \$ 13,108,305                |
| Cash Paid for Operating Activities                                                                 | (8,315,994)                  | (8,102,126)                  |
| <b>Net Cash Provided by Operating Activities</b>                                                   | <b><u>\$ 4,946,314</u></b>   | <b><u>\$ 5,006,179</u></b>   |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                             |                              |                              |
| Acquisition of Property and Equipment                                                              | \$ (3,037,701)               | \$ (4,351,735)               |
| Contributions in Aid of Construction                                                               | 98,400                       | 141,100                      |
| Principal Payments on Notes                                                                        | (3,166,014)                  | (3,089,518)                  |
| Interest Paid on Debt                                                                              | (341,664)                    | (418,610)                    |
| <b>Net Cash (Used In) Capital and Related Financing Activities</b>                                 | <b><u>\$ (6,446,979)</u></b> | <b><u>\$ (7,718,763)</u></b> |
| <b><u>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                          |                              |                              |
| Proceeds (Payments) from Other Non-Operating Financing Activities                                  | \$ 57,515                    | \$ 79,691                    |
| <b>Net Cash Provided by NonCapital and Related Financing Activities</b>                            | <b><u>\$ 57,515</u></b>      | <b><u>\$ 79,691</u></b>      |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                 |                              |                              |
| Interest Income                                                                                    | \$ 5,249                     | \$ 50,854                    |
| <b>Net Cash Provided by Investing Activities</b>                                                   | <b><u>\$ 5,249</u></b>       | <b><u>\$ 50,854</u></b>      |
| <b>Net Increase &lt;Decrease&gt; in Cash and Cash Equivalents</b>                                  | <b><u>\$ (1,437,901)</u></b> | <b><u>\$ (2,582,039)</u></b> |
| CASH AND CASH EQUIVALENTS - JANUARY 1                                                              | 5,426,302                    | 8,008,341                    |
| <b>CASH AND CASH EQUIVALENTS - DECEMBER 31</b>                                                     | <b><u>\$ 3,988,401</u></b>   | <b><u>\$ 5,426,302</u></b>   |
| <br>                                                                                               |                              |                              |
| <b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>     |                              |                              |
| Net Operating Income                                                                               | \$ 2,826,298                 | \$ 3,595,597                 |
| <b>Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:</b> |                              |                              |
| Depreciation                                                                                       | 2,456,802                    | 2,376,057                    |
| <b>Change in Current Assets and Liabilities:</b>                                                   |                              |                              |
| (Increase) Decrease in Accounts Receivable                                                         | (10,632)                     | 46,080                       |
| (Increase) Decrease in Unbilled Water Service                                                      | 120,502                      | (286,989)                    |
| (Increase) Decrease in Inventory                                                                   | 17,662                       | (80,284)                     |
| (Increase) Decrease in Prepaid Expenses                                                            | 4,824                        | (4,318)                      |
| (Increase) Decrease in Deferred Outflows of Resources                                              | 336,607                      | 493,743                      |
| Increase (Decrease) in Accounts Payable                                                            | 250,655                      | (17,876)                     |
| Increase (Decrease) in Accrued Payroll and Taxes                                                   | 29,109                       | (114,044)                    |
| Increase (Decrease) in Deferred Inflows of Resources                                               | 304,568                      | (31,816)                     |
| Increase (Decrease) in Net Pension Liability                                                       | (1,383,197)                  | (951,112)                    |
| Increase (Decrease) in Customer/Advance Deposits                                                   | (6,884)                      | (18,859)                     |
| <b>Net Cash Provided by Operating Activities</b>                                                   | <b><u>\$ 4,946,314</u></b>   | <b><u>\$ 5,006,179</u></b>   |

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

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Beaver Falls Municipal Authority was incorporated on July 3, 1940, for the term of fifty years, as a public corporation of the Commonwealth of Pennsylvania, organized and existing under the Municipality Authorities Act of 1945, as amended. The Articles of Incorporation were subsequently amended on February 26, 1966, February 23, 1993, and again on May 16, 2006, to extend the Authority's term of existence, most recently to July 3, 2045. The Authority was established with an ordinance enacted by the City of Beaver Falls, and City Council members are responsible for appointing the Authority's five (5) member Board of Directors. The Authority serves approximately 23 municipalities, including the City of Beaver Falls, the Boroughs of Big Beaver, Conway, Eastvale, East Rochester, Fallston, Freedom, Homewood, New Brighton, Patterson Heights, Rochester, Bridgewater, West Mayfield, and Zelienople, as well as the Townships of Chippewa, Daugherty, New Sewickley, North Sewickley, Patterson, Pulaski, Rochester, South Beaver, and White.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Beaver Falls Municipal Authority consists of all funds, departments, boards, and agencies that are not legally separate from the Authority. As defined by GASB, component units are legally separate entities that are included in the Authority's reporting entity because of the significance of their operating or financial relationships with the Authority. Based on the application of this criteria, the Beaver Falls Municipal Authority has no component units.

**FINANCIAL STATEMENT PRESENTATION**

The financial statements of the Beaver Falls Municipal Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 'enterprise (proprietary) funds'. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Authority are discussed below.

**BUDGETARY ACCOUNTING**

Management submits a proposed budget to the Authority Board of Directors prior to the November board meeting annually. The Authority adopts, by resolution, annual operating and capital budgets prior to January 1, consistent with accounting principles generally accepted in the United States of America. All unexpended and unencumbered appropriations in the operating budget lapse at year-end. No appropriation for a capital project in the capital budget lapses until the purpose for which the funds were appropriated have been accomplished or abandoned. Management is authorized to transfer budgeted amounts between line items within the Authority's expense categories.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**BASIS OF ACCOUNTING**

The Authority is considered a proprietary (enterprise) fund type. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges. Accordingly, the Authority utilizes the accrual method of accounting. Under this method, revenues are recognized when earned rather than when cash is received, and expenses are recognized when an obligation is incurred rather than when cash is actually paid.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts, and any other short-term highly liquid assets with original maturity terms of less than three months.

**INVESTMENTS**

The Municipal Authorities Act authorizes the Authority to invest in the following:

- I. Obligations of (a) the United States of American or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (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.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investment of the Authority's restricted assets for 2021 and 2020 are made pursuant to and restricted by the terms of the loan agreement securing the current Water Revenue Note – Series of 2017 with First National Bank, a portion of the proceeds of which refunded the Water Revenue Note – Series of 2014 with First National Bank. Investments are stated at fair value.

**RESTRICTED ASSETS**

In accordance with provisions of the Water Revenue Note – Series of 2017, the Authority is obligated to restrict certain funds received from these Notes to meet debt service requirements and construction related expenditures. The total of these funds is reflected in Exhibit A as 'restricted assets'. The debt service component is reflected as a restriction to net position. The balance of restricted construction funds is included as part of 'Net Investment in Capital Assets'.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**RESTRICTED ASSETS (Continued)**

The Authority's restricted assets as of December 31, 2021, and 2020 are comprised of the following:

|                    | <b>2021</b>         | <b>2020</b>         |
|--------------------|---------------------|---------------------|
| Debt Service Funds | \$ 554,570          | \$ 553,519          |
| Construction Funds | 2,118,330           | 3,749,343           |
|                    | <b>\$ 2,672,900</b> | <b>\$ 4,302,862</b> |

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at net realizable value. The Authority established an allowance for doubtful accounts for certain charges incurred by the Authority for services performed, deemed uncollectible by management using the specific identification method, which totaled \$24,896. The uncollectible balance did not change in calendar year 2021. Accounts receivable for customer water and sewer billings deemed uncollectible by management are charged to operations (expense) as incurred. Management estimates that the result of this method materially approximates the allowance method.

**INVENTORY – MATERIALS AND SUPPLIES**

Inventory of materials and supplies is stated at a combination of cost and/or average cost.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows related to the Authority's pension are reported on the statement of net position (Exhibit A).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Deferred outflows related to the Authority's pension are reported on the statement of net position (Exhibit A).

**PROPERTY, PLANT, AND EQUIPMENT**

All assets are recorded at cost and include betterments that extend the physical or economic life of the asset. Maintenance and repair costs are charged to operations as incurred. Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2021, and 2020 was \$2,456,802 and \$2,376,057 respectively.

**CAPITAL CONTRIBUTIONS**

Capital contributions represent funds received from customers, developers, and contractors for water main pipe extensions. Tap-in connection and customer facilities fees are also considered capital contributions.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**UNEARNED REVENUE**

Unearned revenue arises when the Authority receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the unearned revenue liability is removed, and revenue is recognized.

**NET POSITION**

Net position is classified into three categories, as follows, according to external donor or legal restrictions or availability of assets to satisfy Authority obligations.

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. Restricted net position at December 31, 2021, and 2020 totaled \$554,570 and \$553,519 respectively and was restricted for future debt service requirements.
- Unrestricted – Consists of net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans (Plans), and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Beaver Falls Municipal Authority, these revenues are water sales to customers, tap-in fees for water service, and other miscellaneous revenues directly related to the operations of the Authority. Operating expenses are the necessary costs incurred to operate the Authority. Non-operating revenues of the Authority consist of investment earnings, grant revenues, and other miscellaneous non-operating revenues. Non-operating expenses consist of interest expense on loan obligations and loan issue costs.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the Authority's 2021 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the Authority's financial statements.

**GASB Statement No. 89**, *'Accounting for Interest Cost Incurred before the end of a Construction Period'*. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs.

**GASB Statement No. 92**, *'Omnibus 2020'*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of GASB Statement Nos. 73, 74, 84, and 87. In addition the Statement addresses various topics and includes specific provisions concerning the following:

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (ARO) in a government acquisition – effective December 31, 2022.
- Reporting by entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature – effective December 31, 2022
- Terminology used to refer to derivative instruments

**GASB Statement No. 93**, *'Replacement of Interbank Offered Rates'*. The primary objectives of this Statement are to address the accounting and financial reporting implications that result from the replacement of an interbank offering rate (IBOR). Paragraphs 13 and 14 from this Statement are effective for the Authority's December 31, 2022 financial statements.

**PENDING GASB PRONOUNCEMENTS**

**GASB Statement No. 87**, *'Leases'*. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**PENDING GASB PRONOUNCEMENTS (Continued)**

**GASB Statement No. 91, 'Conduit Debt Obligations'.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

**GASB Statement No. 94, 'Public-Private and Public-Public Partnerships and Availability Payment Arrangements'.** The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The provisions of this Statement are effective for the Authority's December 31, 2023 financial statements.

**GASB Statement No. 96, 'Subscription-Based Information Technology Arrangements (SBITA)'.** The primary objectives of this Statement are as follows:

- Defines a SBITA.
- Establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability.
- Provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA.
- Requires note disclosures regarding a SBITA.

The provisions of this Statement are effective for the Authority's December 31, 2023 financial statements.

**GASB Statement No. 97, 'Certain Component Unit Criteria and Accounting and Financial Report for Internal Revenue Code Section 457 Deferred Compensation Plans'.** The primary objectives of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

**GASB Statement No. 98, 'The Annual Comprehensive Financial Report'.** The statement establishes the term *annual comprehensive financial report* and its acronym *ACFS*. The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements.

The effects of implementing these Statements on the Authority's financial statements have not yet been determined.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 2 - CASH DEPOSITS**

At December 31, 2021, and 2020, the Authority had the following bank balance and carrying value on its' cash and cash equivalent accounts:

|                      | --- December 31, 2021 ---  |                            | --- December 31, 2020 ---  |                            |
|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                      | <u>Bank<br/>Balance</u>    | <u>Carrying<br/>Value</u>  | <u>Bank<br/>Balance</u>    | <u>Carrying<br/>Value</u>  |
| Revenue Fund         | \$ 1,598,751               | \$ 1,311,851               | \$ 1,701,189               | \$ 1,119,790               |
| Change Fund          | 1,630                      | 3,650                      | 2,294                      | 3,650                      |
| Debt Service Reserve | 554,570                    | 554,570                    | 553,519                    | 553,519                    |
| Construction Fund    | 2,118,330                  | 2,118,330                  | 3,749,343                  | 3,749,343                  |
|                      | <u><u>\$ 4,273,281</u></u> | <u><u>\$ 3,988,401</u></u> | <u><u>\$ 6,006,345</u></u> | <u><u>\$ 5,426,302</u></u> |

The difference between the bank balance and the carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of December 31, 2021, and 2020, \$4,021,734 and \$5,754,775 respectively of the Authority's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Authority's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable, as reflected in Exhibit A, is comprised of the following:

|                              | <u>2021</u>                | <u>2020</u>                |
|------------------------------|----------------------------|----------------------------|
| Hydroplant                   | \$ 355,940                 | \$ 264,366                 |
| Consumers (Net of Allowance) | 1,107,147                  | 1,184,453                  |
| Sewer                        | 400,198                    | 403,834                    |
|                              | <u><u>\$ 1,863,285</u></u> | <u><u>\$ 1,852,653</u></u> |

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT**

The following comprises the changes to the Authority's property, plant, and equipment account during 2021 and 2020

|                                | <b><u>Balance 1/1/21</u></b> | <b><u>Additions</u></b>    | <b><u>Transfers/<br/>Deletions</u></b> | <b><u>Balance 12/31/21</u></b> |
|--------------------------------|------------------------------|----------------------------|----------------------------------------|--------------------------------|
| Land                           | \$ 163,064                   | \$ -                       | \$ -                                   | \$ 163,064                     |
| Buildings                      | 37,244,939                   | -                          | 1,503,988                              | 38,748,927                     |
| Site Improvements              | 370,433                      | -                          | -                                      | 370,433                        |
| Infrastructure                 | 48,320,554                   | -                          | 1,762,929                              | 50,083,483                     |
| Operating Equipment            | 14,180,954                   | -                          | 149,626                                | 14,330,580                     |
| Construction in Progress       | 4,034,947                    | 3,037,702                  | (3,454,918)                            | 3,617,731                      |
|                                | <b><u>\$ 104,314,891</u></b> | <b><u>\$ 3,037,702</u></b> | <b><u>\$ (38,375)</u></b>              | <b><u>\$ 107,314,218</u></b>   |
| Less: Accumulated Depreciation | (48,315,335)                 | (2,232,488)                | (224,314)                              | (50,772,137)                   |
|                                | <b><u>\$ 55,999,556</u></b>  | <b><u>\$ 805,214</u></b>   | <b><u>\$ (262,689)</u></b>             | <b><u>\$ 56,542,081</u></b>    |

|                                | <b><u>Balance 1/1/20</u></b> | <b><u>Additions</u></b>    | <b><u>Transfers/<br/>Deletions</u></b> | <b><u>Balance 12/31/20</u></b> |
|--------------------------------|------------------------------|----------------------------|----------------------------------------|--------------------------------|
| Land                           | \$ 163,064                   | \$ -                       | \$ -                                   | \$ 163,064                     |
| Buildings                      | 37,017,882                   | 227,057                    | -                                      | 37,244,939                     |
| Site Improvements              | 370,433                      | -                          | -                                      | 370,433                        |
| Infrastructure                 | 46,170,152                   | 2,150,402                  | -                                      | 48,320,554                     |
| Operating Equipment            | 14,055,484                   | 306,596                    | (181,126)                              | 14,180,954                     |
| Construction in Progress       | 2,367,268                    | 4,351,734                  | (2,684,055)                            | 4,034,947                      |
|                                | <b><u>\$ 100,144,283</u></b> | <b><u>\$ 7,035,789</u></b> | <b><u>\$ (2,865,181)</u></b>           | <b><u>\$ 104,314,891</u></b>   |
| Less: Accumulated Depreciation | (46,120,404)                 | (2,385,473)                | 190,542                                | (48,315,335)                   |
|                                | <b><u>\$ 54,023,879</u></b>  | <b><u>\$ 4,650,316</u></b> | <b><u>\$ (2,674,639)</u></b>           | <b><u>\$ 55,999,556</u></b>    |

**NOTE 5 - DUE TO OTHER GOVERNMENTAL UNITS**

The Beaver Falls Municipal Authority, in addition to its water billings, bills and collects sewage charges for certain municipalities. Uncollected sewer billings and related cash collections received by the Authority as of December 31, 2021, and 2020, not yet remitted to these municipalities as of year-end, are reflected in the accompanying financial statements as 'Due to Other Governmental Units'.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6 – LONG-TERM DEBT OBLIGATIONS**

**DIRECT BORROWINGS**

**PENNVEST NOTE – 2009**

On April 20, 2009, the Pennsylvania Infrastructure Investment Authority (PENNVEST) approved a loan in the amount of \$9,167,940 to the Beaver Falls Municipal Authority for the purpose of providing financing for the Eastvale Intake Construction Project and other capital projects of the Authority. The terms of the note agreement call for the current monthly payment of \$44,206.64 at an interest rate of 1.274% through October 1, 2016, followed by monthly payments of \$48,201.03 for a period of 6 years at an interest rate of 2.547% effective November 1, 2016. The note is secured by the gross receipts of the Authority.

The following summarizes the remaining debt service obligation of the Authority on this Note as of December 31, 2020:

| <u>Dec 31</u> | <u>Principal</u>           | <u>Interest</u>          | <u>Total</u>               |
|---------------|----------------------------|--------------------------|----------------------------|
| 2022          | \$ 465,442                 | \$ 112,970               | \$ 578,412                 |
| 2023          | 477,437                    | 100,975                  | 578,412                    |
| 2024          | 489,740                    | 88,672                   | 578,412                    |
| 2025          | 502,360                    | 76,052                   | 578,412                    |
| 2026          | 515,306                    | 63,107                   | 578,413                    |
| 2027-2030     | 2,197,479                  | 116,169                  | 2,313,648                  |
|               | <b><u>\$ 4,647,764</u></b> | <b><u>\$ 557,945</u></b> | <b><u>\$ 5,205,709</u></b> |

**DEFAULT PROVISIONS – PENNVEST**

The Notes are secured by a pledge of all of the gross revenues and receipts generated from or by the Water System and all other gross revenues and receipts (security and collateral pledged) as more fully set forth in the Note Purchase Agreement between the Authority and PENNVEST subject to the prior liens of PENNVEST.

In the event of default, the entire unpaid principal sum, plus all interest accrued, plus all other sums due and payable to PENNVEST under the debt obligation documents shall become payable immediately at the option of PENNVEST. In addition, upon the occurrence of any event of default by the Authority, PENNVEST may exercise singly, concurrently, successively, or otherwise any and all rights and remedies available under any of the debt obligation documents or with respect to any collateral, or available to PENNVEST by law, equity, statute or otherwise.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6 – LONG-TERM DEBT OBLIGATIONS (Continued)**

**DIRECT BORROWINGS (Continued)**

**PENN WORKS NOTE - 2006**

On November 8, 2006, the Authority borrowed \$2,128,515 from the Commonwealth of Pennsylvania Penn Works in the form of a promissory note to provide funds for capital improvements to the Authority's water system. The terms of the note agreement call for current principal and interest payments of \$10,895.31 per month. The current interest rate on the note is 2.0% per annum, with the note scheduled to mature on September 1, 2026. The note is secured by the gross receipts of the Authority.

The following summarizes the Penn Works debt service obligations of the Authority as of December 31, 2020:

| <u>Dec 31</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------|-------------------|------------------|-------------------|
| 2022          | \$ 120,000        | \$ 10,744        | \$ 130,744        |
| 2023          | 122,422           | 8,322            | 130,744           |
| 2024          | 124,893           | 5,851            | 130,744           |
| 2025          | 127,414           | 3,330            | 130,744           |
| 2026          | 97,246            | 811              | 98,057            |
|               | <u>\$ 591,975</u> | <u>\$ 29,058</u> | <u>\$ 621,033</u> |

**DEFAULT PROVISIONS – PENNWORKS**

The Penn Works Program of the Commonwealth of Pennsylvania is administered by the Commonwealth Financing Authority (CFA). The promissory note is secured by a pledge of all of the gross revenues and receipts generated from or by the Water System and all other gross revenues and receipts (security and collateral pledged) as more fully set forth in the Loan Agreement between the Authority and the CFA. In the event of default, the entire unpaid principal sum, plus all interest accrued, plus all other sums due and payable shall become payable immediately at the option of the CFA.

**FIRST NATIONAL BANK WATER REVENUE NOTE – SERIES OF 2017**

On July 21, 2017, the Authority issued Water Revenue Note – Series of 2017 to First National Bank totaling \$18,000,000 for the purpose of 1) financing certain costs of designing and constructing repairs to its Eastvale water supply dam on the Beaver River, 2) refinance certain other debt obligations outstanding (Water Revenue Note – Series of 2014 and balance on commercial line of credit), and 3) completing various other capital improvement projects to the Authority's system. The terms of the Water Revenue Note – Series of 2017 call for monthly principal and interest payments of \$233,210.24 at an interest rate of 2.39% per annum, with the Note scheduled to mature on July 20, 2024.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6 – LONG-TERM DEBT OBLIGATIONS (Continued)**

**DIRECT BORROWINGS (Continued)**

The following summarizes the remaining debt service obligations of the Authority on this Note as of December 31, 2021:

| <u>Dec 31</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|---------------|---------------------|-------------------|---------------------|
| 2022          | \$ 2,658,307        | \$ 140,216        | \$ 2,798,523        |
| 2023          | 2,723,443           | 75,080            | 2,798,523           |
| 2024          | 1,618,316           | 13,142            | 1,631,458           |
|               | <u>\$ 7,000,066</u> | <u>\$ 228,438</u> | <u>\$ 7,228,504</u> |

**DEFAULT PROVISIONS – FIRST NATIONAL BANK WATER REVENUE NOTE**

The Note is secured by the gross receipts of the Authority. In addition, a collateral assignment of the Authority's construction fund account in favor of First National Bank was made to further secure the Authority's indebtedness about this Note obligation.

In the event of default, the entire unpaid principal sum, plus all interest accrued, plus all other sums due and payable to First National Bank under the debt obligation documents shall become payable promptly as specified in the loan agreement. In addition, upon the occurrence of any event of default by the Authority, First National Bank may exercise any and all rights and remedies available under any of the debt obligation documents or with respect to any collateral, or available to First National Bank by law, equity, statute or otherwise. In addition, upon default, the interest rate shall increase by 2%. The interest rate shall convert to the Taxable Rate in the event of a final determination of taxability on the interest payments made on the note.

**FIRST NATIONAL BANK LINE OF CREDIT**

On October 21, 2011, the Authority entered into a \$1,000,000 commercial line of credit agreement with First National Bank to provide funds for general operations and capital improvements to the Authority's water system. The current interest rate on the line of credit is 3.1825%. As of December 31, 2021, and 2020, there is no balance on this line of credit. The line of credit is secured by the gross receipts of the Authority.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6 – LONG-TERM DEBT OBLIGATIONS (Continued)**

**DIRECT BORROWINGS (Continued)**

The following represents the changes in the Authority's direct borrowing debt obligations during 2021 and 2020:

|                     | <b>Balance 1/1/21</b>       | <b>Additions</b>   | <b>Principal Payments</b>    | <b>Balance 12/31/21</b>     | <b>Due Within One Year</b> |
|---------------------|-----------------------------|--------------------|------------------------------|-----------------------------|----------------------------|
| PENNVEST Notes      | \$ 5,101,513                | \$ -               | \$ (453,749)                 | \$ 4,647,764                | \$ 465,442                 |
| Penn Works Note     | 709,601                     | -                  | (117,626)                    | 591,975                     | 120,000                    |
| First National Bank | 9,594,706                   | -                  | (2,594,640)                  | 7,000,066                   | 2,658,307                  |
|                     | <b><u>\$ 15,405,820</u></b> | <b><u>\$ -</u></b> | <b><u>\$ (3,166,015)</u></b> | <b><u>\$ 12,239,805</u></b> | <b><u>\$ 3,243,749</u></b> |

|                     | <b>Balance 1/1/20</b>       | <b>Additions</b>   | <b>Principal Payments</b>    | <b>Balance 12/31/20</b>     | <b>Due Within One Year</b> |
|---------------------|-----------------------------|--------------------|------------------------------|-----------------------------|----------------------------|
| PENNVEST Notes      | \$ 5,543,863                | \$ -               | \$ (442,350)                 | \$ 5,101,513                | \$ 453,749                 |
| Penn Works Note     | 824,900                     | -                  | (115,299)                    | 709,601                     | 117,626                    |
| First National Bank | 12,126,575                  | -                  | (2,531,869)                  | 9,594,706                   | 2,594,729                  |
|                     | <b><u>\$ 18,495,338</u></b> | <b><u>\$ -</u></b> | <b><u>\$ (3,089,518)</u></b> | <b><u>\$ 15,405,820</u></b> | <b><u>\$ 3,166,104</u></b> |

**NOTE 7 – AUTHORITY PENSION PLAN**

**Plan Administration**

The Beaver Falls Municipal Authority Pension Plan is a single-employer defined benefit pension plan. The Plan was established February 1, 1955. The Plan was amended and restated effective January 1, 2014. The Plan is governed by the Board of Directors of the Beaver Falls Municipal Authority which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Directors has delegated the authority to manage certain Plan assets to Wells Fargo Bank. The plan is required to file Form PC-203C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2021.

**Plan Membership**

Plan membership as of December 31, 2021, was comprised of:

|                                                                         |           |
|-------------------------------------------------------------------------|-----------|
| Active employees                                                        | 40        |
| Retirees and beneficiaries currently receiving benefits                 | 27        |
| Terminated employees entitled to benefits<br>but not yet receiving them | -         |
| Total                                                                   | <u>67</u> |

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7 – AUTHORITY PENSION PLAN (Continued)**

**Plan Provisions**

A summary of the plan's provisions is as follows:

|                               |                                                                                                                                                                                                                                                                                                           |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>PARTICIPANTS</u></b> -  | All full-time employees of the Authority.                                                                                                                                                                                                                                                                 |
| <b><u>ELIGIBILITY</u></b> -   | All participants are eligible for retirement benefits provided that they have attained the age of 62 and have completed 15 years of credited service. Participants are eligible for early retirement at age 55 provided the sum of the participant's age and years of credited service total at least 70. |
| <b><u>VESTING</u></b> -       | Vesting occurs 100% after ten years of credited service.                                                                                                                                                                                                                                                  |
| <b><u>BENEFITS</u></b> -      | 1.8% of Average Monthly Earnings times credited service.                                                                                                                                                                                                                                                  |
| <b><u>DEATH BENEFIT</u></b> - | The plan provides for beneficiary benefits named by the participant under options as detailed in the retirement plan.                                                                                                                                                                                     |
| <b><u>FUNDING</u></b> -       | Members are neither required nor permitted to contribute to the plan.                                                                                                                                                                                                                                     |

**Contributions**

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability.

Employees are not required to contribute to the Plan.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan, and funded through the MMO and/or plan earnings.

**Deposits**

At December 31, 2021, the Plan held no deposits.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7 – AUTHORITY PENSION PLAN (Continued)**

**Investments**

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. According to an investment policy statement, the Plan’s target asset allocation is as follows:

| <u>Asset Class</u> | <u>Target Percentage</u> | <u>Range</u> |
|--------------------|--------------------------|--------------|
| Equity             | 50%                      | 40% to 60%   |
| Fixed Income       | 45%                      | 40% to 60%   |
| Cash Equivalents   | 5%                       | 0% to 20%    |

*Credit Risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the plan’s investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated as follows:

| <u>Investment Type</u>    | <u>Fair Value</u>   | <u>Credit Rating</u> |
|---------------------------|---------------------|----------------------|
| Money Market              | \$ 1,401,679        | Not Rated            |
| Fixed Income Mutual Funds | 5,359,308           | Not Rated            |
| Total                     | <u>\$ 6,760,987</u> |                      |

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2021, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position. (\$17,977,779 x 5% = \$898,889)

The plan has no investment policy for interest rate risk other than the 60 percent limit on fixed income securities. The maturities of the plan’s debt investments are as follows:

| <u>Investment Type</u>      | <u>Fair Value</u> | <u>Investment Maturities (In Years)</u> |                 |              |                     |
|-----------------------------|-------------------|-----------------------------------------|-----------------|--------------|---------------------|
|                             |                   | <u>Less Than 1</u>                      | <u>1 - 5.99</u> | <u>6-10</u>  | <u>More Than 10</u> |
| Fixed Income Mutual Funds * | \$5,359,308       |                                         | \$877,247       | \$ 3,277,022 | \$ 1,205,039        |

\*average portfolio duration

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7 – AUTHORITY PENSION PLAN (Continued)**

**Net Pension Liability (Asset)**

The components of the net pension liability (asset) at December 31, 2021, are as follows:

|                               |                       |
|-------------------------------|-----------------------|
| Total pension liability       | \$15,849,979          |
| Plan fiduciary net position   | <u>\$(17,977,779)</u> |
| Net pension liability (asset) | <u>\$ (2,127,800)</u> |

|                                                                               |        |
|-------------------------------------------------------------------------------|--------|
| Plan fiduciary net position as a percentage of<br>The total pension liability | 113.4% |
|-------------------------------------------------------------------------------|--------|

The total pension liability was determined by an actuarial valuation as of January 1, 2021, and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

**Actuarial assumptions**

|                                       |                                                                                                                                                                                            |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation:                            | 2.50%                                                                                                                                                                                      |
| Salary increases:                     | 4.25% including inflation                                                                                                                                                                  |
| Mortality:                            | PubG-2010 Mortality Table. Rates projected from base year 2020 with rates derived from the Long-Range Demographic Assumptions for the Social Security Administration's 2020 Trustee Report |
| Expected Long-Term<br>Rate of Return: | 6.50%, applied to all periods                                                                                                                                                              |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2021, are summarized as follows:

| <u>Asset Class</u>             | <u>Long Term<br/>Expected Real ROR</u> |
|--------------------------------|----------------------------------------|
| US Equity - Large Cap          | 4.09% to 7.34%                         |
| US Equity - Small Cap          | 5.01% to 9.06%                         |
| Non-US Equity - Developed      | 4.62% to 8.26%                         |
| Non-US Equity - Emerging       | 5.65% to 10.49%                        |
| US Corporate Bond - Core       | 0.88% to 2.02%                         |
| US Corporate Bond - High Yield | 2.80% to 4.96%                         |
| Non-US Debt - Developed        | 0.44% to 1.89%                         |
| Non-US Debt - Emerging         | 2.69% to 4.76%                         |
| US Treasuries / Cash           | 0.07% to 0.53%                         |

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7 – AUTHORITY PENSION PLAN (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

The following shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (fair value of plan assets), and the Net Pension Liability (Asset) (NPL) as of the Measurement date (12/31/2021):

|                                                       | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability (Asset)<br/>( c )</b> |
|-------------------------------------------------------|----------------------------------------------|--------------------------------------------------|----------------------------------------------------|
|                                                       | <u>          </u>                            | <u>          </u>                                | <u>          </u>                                  |
| <b>Balances at 12/31/20</b>                           | \$ 15,494,266                                | \$ 16,238,869                                    | \$ (744,603)                                       |
| Changes for the year:                                 |                                              |                                                  |                                                    |
| Service cost                                          | 318,828                                      | -                                                | 318,828                                            |
| Interest                                              | 984,169                                      | -                                                | 984,169                                            |
| Changes of benefits                                   | -                                            | -                                                | -                                                  |
| Changes of assumptions                                | 187,355                                      | -                                                | 187,355                                            |
| Differences between expected<br>and actual experience | (592,654)                                    |                                                  | (592,654)                                          |
| Contributions - employer                              | -                                            | 546,720                                          | (546,720)                                          |
| Contributions - employee                              | -                                            | -                                                | -                                                  |
| Net investment income                                 | -                                            | 1,743,990                                        | (1,743,990)                                        |
| Market value investment income                        | -                                            | -                                                | -                                                  |
| Transfers                                             | -                                            | -                                                | -                                                  |
| Benefit payments                                      | (541,985)                                    | (541,985)                                        | -                                                  |
| Administrative expense                                | -                                            | (9,815)                                          | 9,815                                              |
| Net changes                                           | <u>355,713</u>                               | <u>1,738,910</u>                                 | <u>(1,383,197)</u>                                 |
| <b>Balances at 12/31/21</b>                           | <b><u>\$ 15,849,979</u></b>                  | <b><u>\$ 17,977,779</u></b>                      | <b><u>\$ (2,127,800)</u></b>                       |

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7 – AUTHORITY PENSION PLAN (Continued)**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL, and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The following shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for the disclosure.

|                               | 1% Decrease<br>(5.50%) | Current<br>Discount Rate<br>(6.50%) | 1% Increase<br>(7.50%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability (Asset) | \$ (448,309)           | \$ (2,127,800)                      | \$ (3,566,286)         |

**Payable to the Pension Plan**

At December 31, 2021, the Authority did not owe any contributions to the Plan.

**Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions**

**Components of Pension Expenses for the Year Ended December 31, 2021:**

|                                                                                         |                     |
|-----------------------------------------------------------------------------------------|---------------------|
| Service Cost                                                                            | \$ 318,828          |
| Interest on the total pension liability                                                 | 984,169             |
| Recognition of differences between expected and actual experience                       | (240,923)           |
| Changes in benefit terms                                                                | -                   |
| Recognition of changes of assumptions                                                   | 193,270             |
| Employee contributions                                                                  | -                   |
| Projected earnings on pension plan investments                                          | (1,044,732)         |
| Recognition of differences between projected and actual earnings on<br>plan investments | (415,729)           |
| Pension plan administrative expense                                                     | 9,815               |
| Other changes in fiduciary net position                                                 | -                   |
| <b>Total pension expense</b>                                                            | <b>\$ (195,302)</b> |

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7 – AUTHORITY PENSION PLAN (Continued)**

**Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At December 31, 2021, the Plan reported the following deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

|                                                                                  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                               | \$ 21,091                                     | \$ 867,934                                   |
| Changes of assumptions                                                           | 386,537                                       | -                                            |
| Net difference between projected and actual earnings on pension plan investments | <u>318,284</u>                                | <u>1,580,209</u>                             |
| TOTAL                                                                            | <u><u>\$ 725,912</u></u>                      | <u><u>\$ 2,448,143</u></u>                   |

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

| <u>Year ended<br/>December 31,</u> |              |
|------------------------------------|--------------|
| 2022                               | \$ (331,083) |
| 2023                               | (691,384)    |
| 2024                               | (386,840)    |
| 2025                               | (228,414)    |
| 2026                               | (71,431)     |
| Thereafter                         | (13,079)     |

**NOTE 8 - RISK MANAGEMENT**

The Beaver Falls Municipal Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES**

**CONSTRUCTION COMMITMENTS**

The Beaver Falls Municipal Authority, as part of its overall capital improvement projects, enters into construction commitments with various third-party contractors. As of December 31, 2021, and 2020, the Authority had various commitments outstanding on these projects.

**LEGAL MATTERS**

The Beaver Falls Municipal Authority, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2021, the Authority is unaware of any pending litigation that would be material to the financial position of the Beaver Falls Municipal Authority.

**FEDERAL AND STATE FUNDING**

The Beaver Falls Municipal Authority's state and federally funded programs, if any, are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The Authority is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**PANDEMIC IMPACT**

The impact of the coronavirus (COVID-19) is on-going and varies from region to region and from day to day, and any significant additional spreading of the virus could adversely affect the Authority's operations and finances. The virus is likely to have a negative impact in 2022 on the global and local economy and, might impact the Authority's financial results in 2022 and beyond. Given the dynamic nature of this pandemic, however, the extent to which the COVID-19 virus impacts the Authority's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

**NOTE 10 - PRIOR PERIOD ADJUSTMENT**

The prior period adjustment to the December 31, 2020 net position as reflected on the Statement of Revenues, Expenses and Changes in Net Position (Exhibit B), totaling \$(45,063), represents the adjustment of prior year Authority payroll withholding liabilities to actual.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11 – SUBSEQUENT EVENTS**

On January 31 of 2022, the Authority borrowed \$18,000,000 from First National Bank in the form of a water revenue note to 1) provide funds for capital improvements to the Authority's water system and 2) to refund the outstanding principal balance on the Water Revenue Note, Series of 2017. The terms of the note agreement call for current principal and interest payments of \$228,235 per month. The current interest rate on the note is 1.88% per annum, with the note scheduled to mature on February 1, 2029. The note is secured by the gross receipts of the Authority.

Management has determined that there are no other events subsequent to December 31, 2021, through the September 20, 2022 date of the 'Independent Auditor's Report, which is the date the financial statements were available to be issued, that require disclosure in the financial statements.

***SUPPLEMENTARY***  
***INFORMATION***

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**SCHEDULE OF DETAIL OPERATING EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31,**

|                                             | <b><u>2021</u></b>         | <b><u>2020</u></b>         |
|---------------------------------------------|----------------------------|----------------------------|
| <b>PURIFYING SYSTEM:</b>                    |                            |                            |
| Eastvale - Operations Labor                 | \$ 506,154                 | \$ 473,275                 |
| Eastvale - Purification Supplies            | 731,246                    | 622,633                    |
| Eastvale - Maintenance Purification Labor   | 446,305                    | 312,497                    |
| Eastvale - Maintenance Purification Expense | 136,088                    | 76,646                     |
| Eastvale - Diesel Fuel Expense              | -                          | 1,482                      |
| Eastvale - Supplies and Expense             | 150,866                    | 131,990                    |
| Eastvale - Electric Expense                 | 308,103                    | 309,202                    |
| Eastvale - Maintenance Pump System          | 4,870                      | 2,974                      |
| Eastvale - Maintenance Pump Expense         | 32,687                     | 2,958                      |
| Sludge Operations - Labor                   | 71,131                     | 70,971                     |
| Sludge Operations - Expenses                | 140,365                    | 87,467                     |
| Sludge Operations - Maintenance Labor       | 24,898                     | 8,606                      |
| Eastvale Racks - Labor                      | 3,576                      | -                          |
| New Brighton - Supplies and Expenses        | 111                        | -                          |
| Laboratory - Labor                          | 28,560                     | 23,533                     |
| Laboratory - Supplies and Expenses          | 91,623                     | 126,173                    |
| <b>TOTAL PURIFYING SYSTEM</b>               | <b><u>\$ 2,676,583</u></b> | <b><u>\$ 2,250,407</u></b> |
| <b>HYDROELECTRIC PLANT SYSTEM:</b>          |                            |                            |
| Hydroplant - Labor                          | \$ 123,580                 | \$ 119,409                 |
| Hydro Extraordinary Expense                 | 79,944                     | -                          |
| Hydroplant - Electric Expense               | 13,133                     | 15,906                     |
| Hydroplant - Maintenance Expense            | 216,797                    | 249,575                    |
| <b>TOTAL HYDROELECTRIC PLANT SYSTEM</b>     | <b><u>\$ 433,454</u></b>   | <b><u>\$ 384,890</u></b>   |
| <b>PUMPING SYSTEM</b>                       |                            |                            |
| Labor                                       | \$ 59,887                  | \$ 41,073                  |
| Supplies and Expenses                       | 24,205                     | 40,071                     |
| Electric Expense                            | 197,282                    | 206,245                    |
| <b>TOTAL PUMPING SYSTEM</b>                 | <b><u>\$ 281,374</u></b>   | <b><u>\$ 287,389</u></b>   |

The accompanying notes are an integral part of these financial statements

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**SCHEDULE OF DETAIL OPERATING EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31,**

|                                              | <u>2021</u>                | <u>2020</u>                |
|----------------------------------------------|----------------------------|----------------------------|
| <b>DISTRIBUTION SYSTEM:</b>                  |                            |                            |
| Street Opening Inspections                   | \$ 477,287                 | \$ 298,639                 |
| Other Distribution - Labor                   | 2,087                      | -                          |
| Other Supplies and Expense                   | 36,124                     | 41,518                     |
| Maintenance of Distribution Mains - Labor    | 462,398                    | 541,302                    |
| Maintenance of Distribution Mains - Expense  | 552,690                    | 376,777                    |
| Maintenance of Services - Labor              | 61,095                     | 58,255                     |
| Maintenance of Services - Expenses           | 21,120                     | 15,124                     |
| Maintenance of Tanks and Std Pipes - Labor   | 33,307                     | 22,154                     |
| Maintenance of Tanks and Std Pipes - Expense | 64,222                     | 62,750                     |
| Maintenance of Meters - Expense              | 8,514                      | 14,107                     |
| Maintenance of Fire Hydrants - Labor         | 57,586                     | 44,351                     |
| Maintenance of Fire Hydrants - Expense       | 9,023                      | 6,463                      |
| <b>TOTAL DISTRIBUTION SYSTEM</b>             | <b><u>\$ 1,785,453</u></b> | <b><u>\$ 1,481,440</u></b> |
| <br><b>GENERAL AND ADMINISTRATIVE:</b>       |                            |                            |
| Service Work - Labor                         | \$ 279,504                 | \$ 262,246                 |
| Service Work - Mileage - Expense             | 39,551                     | 42,656                     |
| Meter Reading - Labor                        | 72,211                     | 61,253                     |
| Meter Reading - Expense                      | 11,253                     | 10,994                     |
| Employees Salary Expense                     | 628,763                    | 547,233                    |
| Office Supplies and Expense                  | 3,464                      | 2,337                      |
| General Officers Expense                     | 2,650                      | 2,950                      |
| Office Expense                               | 375,233                    | 349,805                    |
| Audit Fees                                   | 13,650                     | 13,650                     |
| Engineers Expense                            | 70,264                     | 168,308                    |
| Taxes Expense                                | 285,137                    | 274,691                    |
| General Law Expense                          | 168,160                    | 81,233                     |
| General & Administrative Expense             | 10,930                     | 3,877                      |
| Insurance Expense                            | 871,370                    | 812,551                    |
| Dental Expense                               | 35,825                     | 24,204                     |
| Vision Expense                               | 10,829                     | 8,201                      |
| Pension Expense (Revenue)                    | (195,302)                  | 40,297                     |
| Inventory Adjustment Expense                 | 6,098                      | 7,317                      |
| Property Maintenance Expense                 | 17,419                     | 11,810                     |
| Extraordinary Expense - COVID-19             | -                          | 263,027                    |
| Workers Comp Account                         |                            | 7,587                      |
| Merchandising and Jobbing - Labor            | 2,540                      | 10,356                     |
| Accrued Payable Expense                      | 55,882                     | 39,609                     |
| Transfers Out (Capitalized Overhead)         | (66,073)                   | (72,758)                   |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b>      | <b><u>\$ 2,699,358</u></b> | <b><u>\$ 2,973,434</u></b> |
| <br><b>DEPRECIATION:</b>                     |                            |                            |
| Other Deduction - Depreciation               | \$ 2,456,802               | \$ 2,376,057               |
| <b>TOTAL DEPRECIATION</b>                    | <b><u>\$ 2,456,802</u></b> | <b><u>\$ 2,376,057</u></b> |

The accompanying notes are an integral part of these financial statements

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEARS ENDED DECEMBER 31,**

|                                                              | 2021                  |                      |                       | 2020                  |                      |                     |
|--------------------------------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|---------------------|
|                                                              | Budget                | Actual               | Variance              | Budget                | Actual               | Variance            |
| <b>OPERATING REVENUES</b>                                    |                       |                      |                       |                       |                      |                     |
| Water Revenues                                               | \$ 11,875,943         | \$ 11,877,748        | \$ 1,805              | \$ 11,536,248         | \$ 11,883,949        | \$ 347,701          |
| Hydroelectric                                                | 1,175,000             | 1,281,574            | 106,574               | 1,025,000             | 1,465,265            | 440,265             |
| <b>Total Operating Revenues</b>                              | <b>\$ 13,050,943</b>  | <b>\$ 13,159,322</b> | <b>\$ 108,379</b>     | <b>\$ 12,561,248</b>  | <b>\$ 13,349,214</b> | <b>\$ 787,966</b>   |
| <b>OPERATING EXPENSES</b>                                    |                       |                      |                       |                       |                      |                     |
| Purifying System                                             | \$ 2,525,162          | \$ 2,676,583         | \$ 151,421            | \$ 2,526,368          | \$ 2,250,407         | \$ (275,961)        |
| Hydroelectric Plant System                                   | 422,000               | 433,454              | 11,454                | 436,500               | 384,890              | (51,610)            |
| Pumping System                                               | 348,950               | 281,374              | (67,576)              | 357,678               | 287,389              | (70,289)            |
| Distribution System                                          | 1,622,852             | 1,785,453            | 162,601               | 1,550,654             | 1,481,440            | (69,214)            |
| General and Administrative                                   | 3,338,900             | 2,699,358            | (639,542)             | 3,248,097             | 2,973,434            | (274,663)           |
|                                                              | \$ 8,257,864          | \$ 7,876,222         | \$ (381,642)          | \$ 8,119,297          | \$ 7,377,560         | \$ (741,737)        |
| Depreciation                                                 | -                     | 2,456,802            | 2,456,802             | -                     | 2,376,057            | 2,376,057           |
| <b>Total Operating Expenses</b>                              | <b>\$ 8,257,864</b>   | <b>\$ 10,333,024</b> | <b>\$ 2,075,160</b>   | <b>\$ 8,119,297</b>   | <b>\$ 9,753,617</b>  | <b>\$ 1,634,320</b> |
| <b>Income from Operations</b>                                | <b>\$ 4,793,079</b>   | <b>\$ 2,826,298</b>  | <b>\$ (1,966,781)</b> | <b>\$ 4,441,951</b>   | <b>\$ 3,595,597</b>  | <b>\$ (846,354)</b> |
| <b>NON-OPERATING INCOME (EXPENSE)</b>                        |                       |                      |                       |                       |                      |                     |
| Interest Income                                              | \$ 20,796             | \$ 5,249             | \$ (15,547)           | \$ 86,112             | \$ 50,854            | \$ (35,258)         |
| Other Income                                                 | 75,688                | 91,027               | 15,339                | 75,688                | 79,152               | 3,464               |
| Interest Expense                                             | (3,507,679)           | (339,064)            | 3,168,615             | (3,507,677)           | (416,025)            | 3,091,652           |
| <b>Total Non-Operating Income (Expenses)</b>                 | <b>\$ (3,411,195)</b> | <b>\$ (242,788)</b>  | <b>\$ 3,168,407</b>   | <b>\$ (3,345,877)</b> | <b>\$ (286,019)</b>  | <b>\$ 3,059,858</b> |
| <b>INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b> | <b>\$ 1,381,884</b>   | <b>\$ 2,583,510</b>  | <b>\$ 1,201,626</b>   | <b>\$ 1,096,074</b>   | <b>\$ 3,309,578</b>  | <b>\$ 2,213,504</b> |
| <b>CONTRIBUTIONS</b>                                         |                       |                      |                       |                       |                      |                     |
| Developer Contributions of Systems                           | -                     | 98,400               | 98,400                | -                     | 141,100              | 141,100             |
| <b>INCREASE IN NET POSITION</b>                              | <b>\$ 1,381,884</b>   | <b>\$ 2,681,910</b>  | <b>\$ 1,300,026</b>   | <b>\$ 1,096,074</b>   | <b>\$ 3,450,678</b>  | <b>\$ 2,354,604</b> |

The accompanying notes are an integral part of these financial statements

***REQUIRED***

***SUPPLEMENTARY***

***INFORMATION***

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

|                                                                           | <u>2021</u>           | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          |
|---------------------------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total Pension Liability-Beginning</b>                                  | \$ 15,494,266         | \$ 14,892,679        | \$ 14,407,628        | \$ 13,718,221        | \$ 12,806,473        | \$ 12,301,686        | \$ 11,670,486        | \$ 11,141,966        |
| Service Cost                                                              | 318,828               | 312,360              | 289,585              | 259,374              | 246,372              | 264,606              | 260,587              | 265,144              |
| Interest                                                                  | 984,169               | 998,431              | 960,396              | 962,623              | 917,736              | 856,335              | 821,959              | 780,698              |
| Changes of Benefit Terms                                                  | -                     | -                    | -                    | -                    | -                    | -                    | 68,012               | -                    |
| Differences Between Expected and Actual Experience                        | (592,654)             | (127,237)            | (503,856)            | 70,723               | (260,995)            | (59,126)             | (2,993)              | -                    |
| Changes of Assumptions                                                    | 187,355               | -                    | 321,026              | -                    | 618,376              | -                    | -                    | -                    |
| Benefit payments, including Refunds of Members Contributions              | (541,985)             | (581,967)            | (582,100)            | (603,313)            | (609,741)            | (557,028)            | (516,365)            | (517,322)            |
| Net Change in Total Pension Liability                                     | <u>\$ 355,713</u>     | <u>\$ 601,587</u>    | <u>\$ 485,051</u>    | <u>\$ 689,407</u>    | <u>\$ 911,748</u>    | <u>\$ 504,787</u>    | <u>\$ 631,200</u>    | <u>\$ 528,520</u>    |
| <b>Total Pension Liability-Ending</b>                                     | <u>\$ 15,849,979</u>  | <u>\$ 15,494,266</u> | <u>\$ 14,892,679</u> | <u>\$ 14,407,628</u> | <u>\$ 13,718,221</u> | <u>\$ 12,806,473</u> | <u>\$ 12,301,686</u> | <u>\$ 11,670,486</u> |
| <br>                                                                      |                       |                      |                      |                      |                      |                      |                      |                      |
| <b>Plan Fiduciary Net Position-Beginning</b>                              | \$ 16,238,869         | \$ 14,686,170        | \$ 12,458,751        | \$ 13,336,642        | \$ 11,992,203        | \$ 11,072,201        | \$ 11,201,536        | \$ 10,622,778        |
| Contributions-employer                                                    | 546,720               | 529,482              | 463,049              | 438,789              | 398,398              | 417,283              | 471,406              | 466,706              |
| Contributions-employee                                                    | -                     | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Net Investment Income                                                     | 1,743,990             | 1,633,664            | 2,392,890            | (674,893)            | 1,572,475            | 1,072,320            | (72,033)             | 641,492              |
| Benefit payments, including Refunds of Employee Contributions             | (541,985)             | (581,967)            | (582,100)            | (603,313)            | (609,741)            | (557,028)            | (516,365)            | (517,322)            |
| Administrative Expense                                                    | (9,815)               | (28,480)             | (46,420)             | (38,474)             | (16,693)             | (12,573)             | (12,343)             | (12,117)             |
| Other                                                                     | -                     | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Change in Plan Fiduciary Net Position                                     | <u>\$ 1,738,910</u>   | <u>\$ 1,552,699</u>  | <u>\$ 2,227,419</u>  | <u>\$ (877,891)</u>  | <u>\$ 1,344,439</u>  | <u>\$ 920,002</u>    | <u>\$ (129,335)</u>  | <u>\$ 578,758</u>    |
| <b>Plan Fiduciary Net Position-Ending</b>                                 | <u>\$ 17,977,779</u>  | <u>\$ 16,238,869</u> | <u>\$ 14,686,170</u> | <u>\$ 12,458,751</u> | <u>\$ 13,336,642</u> | <u>\$ 11,992,203</u> | <u>\$ 11,072,201</u> | <u>\$ 11,201,536</u> |
| <br>                                                                      |                       |                      |                      |                      |                      |                      |                      |                      |
| <b>Net Pension Liability (Asset) -Ending</b>                              | <u>\$ (2,127,800)</u> | <u>\$ (744,603)</u>  | <u>\$ 206,509</u>    | <u>\$ 1,948,877</u>  | <u>\$ 381,579</u>    | <u>\$ 814,270</u>    | <u>\$ 1,229,485</u>  | <u>\$ 468,950</u>    |
| <br>                                                                      |                       |                      |                      |                      |                      |                      |                      |                      |
| <b>RATIOS:</b>                                                            |                       |                      |                      |                      |                      |                      |                      |                      |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability    | 113.4%                | 104.8%               | 98.6%                | 86.5%                | 97.2%                | 93.6%                | 90.01%               | 95.98%               |
| <br>                                                                      |                       |                      |                      |                      |                      |                      |                      |                      |
| Covered-employee Payroll                                                  | \$ 3,319,200          | \$ 3,246,000         | \$ 3,126,000         | \$ 2,952,728         | \$ 2,664,000         | \$ 2,552,414         | \$ 2,727,604         | \$ 2,888,773         |
| <br>                                                                      |                       |                      |                      |                      |                      |                      |                      |                      |
| Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll | -64.1%                | -22.9%               | 6.6%                 | 66.0%                | 14.3%                | 31.9%                | 45.1%                | 16.2%                |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar years 2014 through 2021 only.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

|                                                              | <u>12/31/2021</u> | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|--------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially Determined Contribution                          | \$ 546,720        | \$ 529,482        | \$ 463,049        | \$ 438,789        | \$ 398,398        | \$ 417,283        | \$ 471,406        | \$ 466,706        |
| Contributions                                                | <u>546,720</u>    | <u>529,482</u>    | <u>463,049</u>    | <u>438,789</u>    | <u>398,398</u>    | <u>417,283</u>    | <u>471,406</u>    | <u>466,706</u>    |
| Contribution Deficiency (Excess)                             | <u>\$ -</u>       |
| <b>RATIOS:</b>                                               |                   |                   |                   |                   |                   |                   |                   |                   |
| Covered-employee Payroll                                     | \$ 3,319,200      | \$ 3,246,000      | \$ 3,126,000      | \$ 2,940,600      | \$ 2,664,000      | \$ 2,552,414      | \$ 2,727,604      | \$ 2,888,773      |
| Contributions as a Percentage of<br>Covered-employee Payroll | 16.5%             | 16.3%             | 14.8%             | 14.9%             | 15.0%             | 16.3%             | 17.3%             | 16.2%             |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar years 2014 through 2021 only.

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**SCHEDULE OF INVESTMENT RETURNS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31,**

**Annual money-weighted rate of return, net of investment expense not funded through the MMO.**  
(Last 7 Fiscal Years)

|      |        |
|------|--------|
| 2015 | -0.65% |
| 2016 | 9.82%  |
| 2017 | 13.35% |
| 2018 | -5.16% |
| 2019 | 19.55% |
| 2020 | 11.28% |
| 2021 | 10.86% |

**BEAVER FALLS MUNICIPAL AUTHORITY**  
**NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN**  
**DECEMBER 31, 2021**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PENSION BENEFITS:**

**Changes in Benefit Terms:**

Effective 1/1/2015, Plan amended to provide early retirement window. Participants who were at least 58 with 20 years of service could retire by March 1, 2014 without a reduction for early retirement.

**Changes in Assumptions used in the Measurement of Total Pension Liability:**

Effective 1/1/2013, interest rate reduced from 7.5% to 7%, salary scale reduced from 5% to 4.5%. Mortality assumption updated to assume that rates are projected to improve at 75% of scale AA.

Effective 1/1/2017, Mortality assumption updated from RP-2000 Combined Healthy mortality with 75% Scale AA to RP-2014 mortality with mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumption updated from 60% of the rates from Advanced Pension Tables to rates based on the Social Security Administration's 2010 projections of disability incidence.

Effective 01-01-2019: Interest rate reduced from 7.0% to 6.75%. Salary scale reduced from 4.50% to 4.25%

**Actuarial Assumptions used in Calculation of Actuarially Determined Contributions:**

The following actuarial methods and assumptions were used in the calculation of the most recent actuarially determined contributions reported in the required supplementary information:

|                                       |                                                                                                                                                                                             |      |       |      |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------|------|
| <b>Actuarial Valuation date:</b>      | 1/1/2019                                                                                                                                                                                    |      |       |      |
| <b>Actuarial cost method:</b>         | Entry Age                                                                                                                                                                                   |      |       |      |
| <b>Amortization method:</b>           | Level Dollar Closed                                                                                                                                                                         |      |       |      |
| <b>Remaining amortization period:</b> | 8 year (aggregate)                                                                                                                                                                          |      |       |      |
| <b>Asset valuation method:</b>        | 4-year smoothing                                                                                                                                                                            |      |       |      |
| <b>Inflation:</b>                     | 2.75%                                                                                                                                                                                       |      |       |      |
| <b>Salary increases:</b>              | 4.5% including inflation                                                                                                                                                                    |      |       |      |
| <b>Investment rate of return:</b>     | 6.75% net of investment expenses<br>not funded through MMO and including inflation                                                                                                          |      |       |      |
| <b>Mortality:</b>                     | RP-2014 Mortality Table, with Rates set forward<br>5 years for disabled members. Improvement projected<br>based on Long-Range Demographic Assumptions<br>for the 2015 SSA's Trustee Report. |      |       |      |
| <b>Retirement Age:</b>                | If eligible for early or normal retirement.<br>annual rates of retirement are based on years of service:<br>----- Years of Service -----                                                    |      |       |      |
|                                       | Age Group                                                                                                                                                                                   | < 20 | 20-24 | 25+  |
|                                       | 55-59                                                                                                                                                                                       | 2%   | 3%    | 5%   |
|                                       | 60-61                                                                                                                                                                                       | 5%   | 10%   | 10%  |
|                                       | 62-64                                                                                                                                                                                       | 35%  | 35%   | 35%  |
|                                       | 65+                                                                                                                                                                                         | 100% | 100%  | 100% |