

**MUNHALL SANITARY SEWER
MUNICIPAL AUTHORITY**

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

Independent Auditor's Report

To the Board of Directors
Munhall Sanitary Sewer Municipal Authority
Munhall, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Munhall Sanitary Sewer Municipal Authority ("the Authority"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Munhall Sanitary Sewer Municipal Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Munhall Sanitary Sewer Municipal Authority, as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

Munhall Sanitary Sewer Municipal Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Munhall Sanitary Sewer Municipal Authority's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Munhall Sanitary Sewer 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Munhall Sanitary Sewer Municipal Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Munhall Sanitary Sewer Municipal Authority's basic financial statements. The accompanying Statements of Operating Expenses - Sewer System ("the Schedule") is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Certified Public Accountants

Pittsburgh, PA 15236
June 24, 2024

CASE | SABATINI ▶ P.O. Box 10885 ▶ WHITEHALL TOWERS ▶ 470 STREETS RUN ROAD ▶ PITTSBURGH, PA 15236-2023
TELEPHONE: (412) 881-4411 ▶ FAX: (412) 881-4421 ▶ WEB: WWW.CASESABATINI.COM

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MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Munhall Sanitary Sewer Municipal Authority (the “Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2023.

Overview of Operations

For the 2023 year, the Authority went through several operational changes within our organization. First, the Authority moved into its permanent acquired location at 3311 Main Street, Munhall, PA 15120 in January 2023. This was due to the Authority making employee and operational changes and needing additional space. This is the only physical location for the Authority. It operates 100% out of the Main Street location.

The Authority also changed Engineering Firms in 2023, to bring a new perspective into Authority projects and goals. The Authority made the switch from HATCH to Lennon, Smith, Souleret Engineering (LSSE).

The Authority had conducted a rate study in 2022, which was to be implemented in 2023. This study had been completed by the former Authority Consulting Engineer, HATCH. This study was used to project whether the Authority would need to restructure rates in order to meet the Authority’s Consent Order Requirements, pay ALCOSAN for treatment services, and comply with our Operation and Maintenance Plan. The MSSMA rate increase would be 5% per year for the years 2023 through 2027. No other rate study is planned at this time.

In 2021, ALCOSAN had also set a new 5-year rate structure for the years of 2022 through 2026. This set a 7% increase on the sewage treatment of Munhall’s sewage. The Authority is currently still able to absorb 2% of the ALCOSAN fees for our residents, not extending the remaining 2% of the ALCOSAN rate increase to our rate payers.

PennVest I Loan – Repayment of this loan began in September 1, 2019 and is scheduled to be fully repaid on or before October 2034. PennVest II Loan – Repayment of this loan began in October 1, 2019 and is scheduled to be fully repaid on or before March 1, 2037.

There are no facts, conditions, or decisions known by management at this time that are expected to have a significant effect on the financial position or operations of the Authority.

The Authority has been preparing for the expansion of services for our rate payers. This would include time of sale dye testing and sewer camera inspections of our main sewers. All sewer camera work is currently subcontracted, but can be done on our own schedule with our own team. This would require the Authority to hire two new field employees, one being a working foreman and the second being a laborer. This would also require purchasing of equipment and supplies. The Authority currently has in grant applications for equipment and supplies through the LSA-Statewide Fund.

Financial Highlights

- The Authority’s net position increased by \$271,553 during the current year.
- The Authority’s net position as of December 31, 2023 was \$11,204,254. 17.2% of this amount, \$1,930,937, represents unrestricted net position which can be used by the Authority for any purpose.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *fund financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* provides information showing the status of the Authority's financial position at year-end. It reports the availability of assets for future use and is an important management tool in financial planning.

The *statement of revenues, expenses, and changes in fund net position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected water and sewer revenue, earned but unused vacation leave, accrued interest on long-term debt, accrued payroll, and intergovernmental receivables.

The *statement of cash flows* provides information showing the cash effects of the Authority's operations, its investing transactions, and its financing transactions. The statement allows users to assess the Authority's ability to generate positive future net cash flows; assess the Authority's ability to meet its obligations and its needs for external financing; and to assess the reasons for differences between net income and associated cash receipts and payments.

The fund financial statements can be found on pages 10-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

The notes to the financial statements can be found on pages 15-23 of this report.

Other information. Other supplemental information concerning the operating expenses for the water and sewage systems makes up the last section of this report.

Other supplementary information can be found on page 24 of this report.

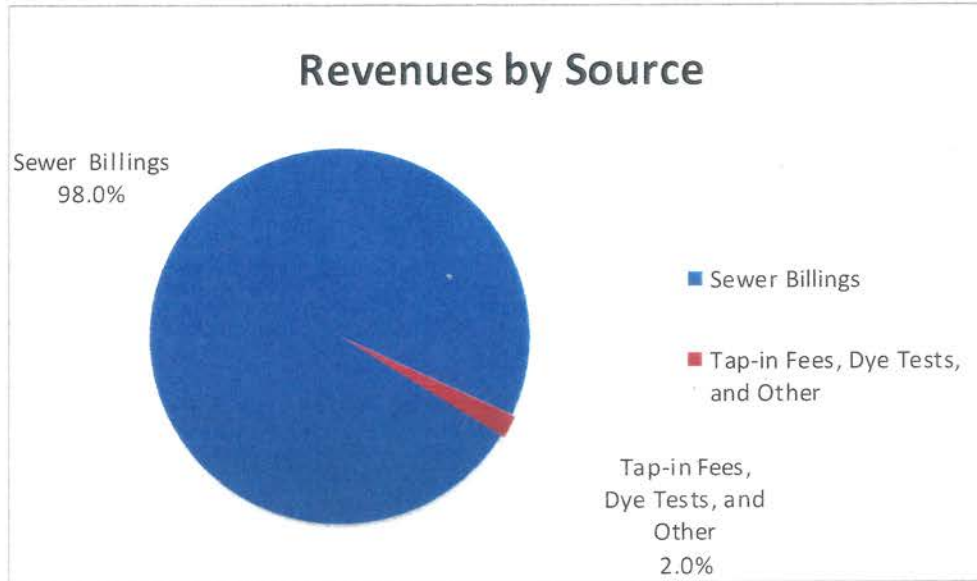
Projects

The Authority completes cleaning and televising of 1/5th of the sanitary system each year. This is part of the Authority's O&M Plan. MSSMA is currently in the process of transferring the Homestead Run and West Run trunk sewers to Alcosan as part of Regionalization and the Phase 2 Consent Order. See Note G to the financial statements for further disclosure.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

This analysis focuses on the fund financial statements (see below).



Analysis of Net Position

Net position is a useful indicator of a government's financial position. For the Authority, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,204,254 and \$10,932,701 at December 31, 2023 and 2022, respectively.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Net Position

The following is a summary of the Authority's Statement of Net Position as of December 31:

	<u>2023</u>	<u>2022</u>
Assets:		
Current and Other Assets	\$ 3,867,625	\$ 4,185,264
Capital Assets	<u>13,977,025</u>	<u>13,749,438</u>
Total Assets	17,844,650	17,934,702
Deferred Outflow of Resources	-	-
Liabilities:		
Long-Term Liabilities Outstanding	5,329,633	5,808,756
Other Liabilities	<u>1,310,763</u>	<u>1,193,245</u>
Total Liabilities	6,640,396	7,002,001
Deferred Inflow of Resources	-	-
Net Position:		
Net Investment in Capital Assets	9,273,317	8,504,068
Restricted	-	-
Unrestricted	<u>1,930,937</u>	<u>2,428,633</u>
Total Net Position	<u>\$ 11,204,254</u>	<u>\$ 10,932,701</u>

Changes in Net Position

The Authority's net position increased by \$271,553 and \$196,415 for the years ended December 31, 2023 and 2022, respectively.

A significant percentage of the Authority's net position, 82.8%, represents its net investment in capital assets. While the funds to retire the debt related to capital assets comes from other sources, the Authority's net investment in capital assets provides service capacity to fulfill the basic mission of the Authority.

The remaining net position, 22.2%, represents unrestricted net position. For the sake of comparison, the Authority's unrestricted net position at December 31, 2023 represents 55.9% of the current year's sewer operating expenses (excluding depreciation). The corresponding figure for the prior year was 73.9%.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Fund Net Position

The following summarizes the Authority's Statement of Revenues, Expenses and Changes in Fund Net Position for the years ended December 31:

	2023	2022
Operating Revenues:		
Fees – Sewer Service	\$ 4,114,888	\$ 3,806,815
Connection Fees and Dye Test Fees	8,410	138,820
Total Operating Revenues	4,123,298	3,945,635
Operating Expenses:		
Sewer Service	3,451,910	3,285,964
Other – Bad Debt Expense (Recovery)	(21,279)	(8,064)
Other - Depreciation	349,760	333,944
Total Operating Expenses	3,780,391	3,611,844
Operating Income	342,907	333,791
Non-Operating Income and Expense:		
Interest Expense	(148,719)	(155,427)
Interest Income	77,365	18,051
Total Non-Operating Income and Expense	(71,354)	(137,376)
Change in Net Position	271,553	196,415
Net Position – Beginning	10,932,701	10,736,286
Net Position – Ending	\$ 11,204,254	\$ 10,932,701

Analysis of Changes in Net Position

The Authority's operating revenues related to sewer service increased 5% from the prior year. The increase in sewer revenues was primarily driven by a 5% rate increase to partially offset an increase in Alcosan service fees. The increase in sewer expenses was primarily due to the increase in Alcosan service Fees, as well as an increase in engineering expenses, and billing and collection expenses. Additionally, during 2021 the pandemic era moratorium on liens and performing water shutoffs was lifted. As a result of the pandemic-related delinquent balances the Authority had increased its allowance for doubtful accounts in 2020 that resulted in an increase in bad debt expense in 2020. As collections were received, the allowance for doubtful accounts decreased in 2023 and 2022 resulting in a recovery of previously expensed bad debts. This recovery of previously expensed bad debts reduced total operating expenses during 2023 and 2022.

The Authority realized a decrease in revenues from connection fees and dye tests, as there were more sales of residential properties within the Authority's service area that are tied in to our sewer system in the prior year compared to the current year. For 2023, approximately 99.8% of the Authority's operating revenue came from fees for sewer service, and 0.2% from other sources, respectively. The corresponding figures for 2022 were 96.5%, and 3.5%, respectively.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Assets (Net of Depreciation)

The following is a summary of the Authority's capital assets as of December 31:

	<u>2023</u>	<u>2022</u>
Not Being Depreciated:		
Construction in Progress	\$ 32,280	\$ 138,811
Other Capital Assets:		
Building	434,897	182,676
Infrastructure	13,060,481	13,395,688
Machinery and Equipment	<u>449,367</u>	<u>32,263</u>
Total	<u>\$ 13,977,025</u>	<u>\$ 13,749,438</u>

Additional information on the Authority's capital assets can be found in Note B on page 20 of this report.

Outstanding Long-Term Debt at Year End

The Authority continued to make principal and interest payments on its existing long-term debt as scheduled. The following is a summary of the Authority's long-term debt as of December 31:

	<u>2023</u>	<u>2022</u>
Pennsylvania Infrastructure Investment Authority ("PIIA") Loans (Net of Current Portion)	<u>\$ 5,329,633</u>	<u>\$ 5,808,756</u>
Total	<u>\$ 5,329,633</u>	<u>\$ 5,808,756</u>

More detailed information about the Authority's long-term liabilities can be found in Note D on pages 20-21 of this report.

Economic Factors

The areas served by the Authority are primarily residential in nature. The Authority also serves several shopping centers, churches, and small businesses located within its geographical region.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Manager
Munhall Sanitary Sewer Municipal Authority
3311 Main Street, Munhall, Pennsylvania 15120

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 630,195	\$ 2,833,588
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$322,181 and \$343,460, respectively	427,925	313,967
Prepaid Expenses	4,457	7,331
Total Current Assets	<u>1,062,577</u>	<u>3,154,886</u>
Restricted Assets		
Cash - PLGIT Capital Project Fund	<u>2,805,048</u>	<u>1,030,377</u>
Total Restricted Assets	<u>2,805,048</u>	<u>1,030,377</u>
Capital Assets, Net of Accumulated Depreciation of \$3,339,824 and \$2,990,064, respectively	<u>13,977,025</u>	<u>13,749,438</u>
Total Assets	<u>\$ 17,844,650</u>	<u>\$ 17,934,701</u>
Deferred Outflow of Resources		
Total Deferred Outflow of Resources	<u>\$ -</u>	<u>\$ -</u>

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

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts Payable	\$ 807,300	\$ 724,280
Other Liabilities and Accrued Expenses	24,340	1,973
Current Portion of Long Term Debt	<u>479,123</u>	<u>466,991</u>
Total Current Liabilities	<u>1,310,763</u>	<u>1,193,244</u>
Current Liabilities (Payable from Restricted Assets)		
Total Current Liabilities (Payable from Restricted Assets)	<u>-</u>	<u>-</u>
Long-Term Liabilities		
Long Term Debt, Net of Current Portion	<u>5,329,633</u>	<u>5,808,756</u>
Total Long-Term Liabilities	<u>5,329,633</u>	<u>5,808,756</u>
Total Liabilities	<u>\$ 6,640,396</u>	<u>\$ 7,002,000</u>
Deferred Inflows of Resources		
Total Deferred Inflow of Resources	<u>\$ -</u>	<u>\$ -</u>
Net Position		
Net Investment in Capital Assets	9,273,317	8,504,068
Restricted for Capital Activity and Debt Service	-	-
Unrestricted	<u>1,930,937</u>	<u>2,428,633</u>
Total Net Position	<u>\$ 11,204,254</u>	<u>\$ 10,932,701</u>

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

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Sewer Billings	\$ 4,114,888	\$ 3,806,815
Connection and Dye Test Fees	8,410	138,820
	<u>4,123,298</u>	<u>3,945,635</u>
Total Revenues		
Operating Expenses		
Sewer System	3,451,910	3,285,964
Bad Debt Expense (recovery)	(21,279)	(8,064)
Depreciation	349,760	333,944
	<u>3,780,391</u>	<u>3,611,844</u>
Total Operating Expenses		
Operating Income	342,907	333,791
Non-Operating Revenues and Expenses		
Interest Income	77,365	18,051
Interest Expense	(148,719)	(155,427)
	<u>(71,354)</u>	<u>(137,376)</u>
Total Non-Operating Revenues and Expenses		
Change in Net Position	<u>271,553</u>	<u>196,415</u>
Net Position - Beginning of Year	<u>10,932,701</u>	<u>10,736,286</u>
Net Position - End of Year	<u>\$ 11,204,254</u>	<u>\$ 10,932,701</u>

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

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31**

	2023	2022
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 4,007,723	\$ 4,223,727
Cash Payments to Suppliers for Goods and Services	(3,232,813)	(3,207,347)
Cash Payments to Employees for Services	(87,940)	(92,396)
Net Cash Provided (Used) by Operating Activities	686,970	923,984
Cash Flows from Noncapital Financing Activities:		
Net Cash Provided (Used) by Noncapital Financing Activities	-	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(577,347)	(340,597)
Principal Payments on Water and Sewer Revenue Bonds	(466,991)	(457,496)
Interest Payments on Water and Sewer Revenue Bonds	(148,719)	(155,427)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (1,193,057)	\$ (953,520)
Cash Flows from Investing Activities:		
Interest Income	77,365	18,051
Net Cash Provided (Used) by Investing Activities	77,365	18,051
Net Increase (Decrease) in Cash and Cash Equivalents	(428,722)	(11,485)
Cash and Cash Equivalents, Beginning of Year	3,863,965	3,875,450
Cash and Cash Equivalents, End of Year	\$ 3,435,243	\$ 3,863,965

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

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	<u>2023</u>	<u>2022</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Cash in Current Assets	\$ 630,195	\$ 2,833,588
Restricted Assets:		
Cash - PLGIT Capital Project Fund	<u>2,805,048</u>	<u>1,030,377</u>
Total Cash and Cash Equivalents - Statement of Cash Flows	<u>\$ 3,435,243</u>	<u>\$ 3,863,965</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 342,907	\$ 333,791
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	349,760	333,944
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(113,958)	280,201
Prepaid Expenses	2,874	(978)
Increase (Decrease) in:		
Accounts Payable	83,020	(21,760)
Other Liabilities and Accrued Expenses	<u>22,367</u>	<u>(1,214)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 686,970</u>	<u>\$ 923,984</u>

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

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Note A – Summary of Significant Accounting Policies

The financial statements of the Munhall Sanitary Sewer Municipal Authority (“the Authority”), are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The significant accounting policies established under GAAP and used by the Authority are discussed below.

Organization and Reporting Entity

The organization of the Authority and the basis of the reporting entity are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

The Authority was created in 2006 under the Municipality Authorities Act of 1945, as amended. The Authority provides sewage services to individual residents and businesses located in Munhall, Pennsylvania. The Authority operates under a five-person Board of Directors appointed by the Borough of Munhall (“the Borough”). Board members serve five-year terms.

The Authority is responsible for maintaining and operating sewers, sewer systems, or parts thereof, sewage treatment works, including works of treating and disposing of industrial waste for the Borough, and such other territory as the Authority may be authorized by law to serve. The Authority has the exclusive right and duty to provide collection, transportation, and disposal of sanitary sewage and industrial wastes (but not storm or surface drainage, except in existing combined sewers) within the Borough and elsewhere in accordance with the Borough’s existing agreements, all of which are expressly accepted and assumed by the Authority. Existing sewers in the Borough that are used for the combined transportation of sanitary wastes and surface drainage are operated by the Authority as part of the collection system. Stormwater collection systems remain the property of the Borough. If it becomes obligatory due to action by regulatory agencies to replace combined sewers with separate sanitary and storm sewers, the Borough and the Authority will negotiate a manner to divide the costs of such work. If at any time in the future the Authority ceases to operate the sewer system, all assets will revert to the Borough.

In accordance with GASB Statement No. 14, “*The Financial Reporting Entity*”, as amended, the Authority has evaluated all related entities (authorities, commissions, tax-exempt organizations and affiliates) for possible inclusion in the reporting entity.

In evaluating how to define the Authority for financial reporting purposes, all potential component units were considered. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic criterion, which is not the only criterion for including a potential component unit within the reporting entity, is the Authority’s ability to exercise oversight responsibility. The most significant part of this ability is financial interdependency. Other parts of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its residents, or whether the activity is conducted within the authority of the Authority and is generally available to its residents. A third criterion is the existence of special financing relationships, regardless of if the Authority is able to exercise oversight responsibility. Based upon the application of these criteria, the Authority has no component units.

Furthermore, the Authority is not considered a component unit of any other governmental units because the Authority’s Board of Directors has the right to set sewer rates, the power to designate management, and possesses primary accountability for fiscal matters.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)

Note A – Summary of Significant Accounting Policies (Continued)

Date of Management’s Review

The Authority’s management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 24, 2024, the date on which the financial statements were available to be issued.

Fund Financial Statements

Under GAAP, the Authority is classified as a special purpose government engaged in a single business-type activity. This classification means that the Authority is only required to issue fund financial statements as opposed to general governments which are required to issue both government-wide and fund financial statements. The Authority issues all financial statements required for enterprise funds.

Fund Types

In accordance with generally accepted accounting principles applicable to governmental units, the accounts of the Authority are organized and operated on the basis of individual funds. The operations of a fund are accounted for through providing a separate set of self-balancing accounts comprised of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses. A description of the purpose and function of the fund presented in the accompanying financial statements follows.

PROPRIETARY FUND TYPES

An Enterprise Fund is used to account for operations that are financed and operated in a manner similar to that found in the private sector, where the intent of the Authority is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues, expenditures, expenses and transfers, and the related assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are presented on the accrual basis of accounting. Under this method of accounting, all revenues are recorded when earned and expenses are recorded when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s ongoing revenues. The principal operating revenues of the Authority’s proprietary fund is discussed in the next section. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)

Note A – Summary of Significant Accounting Policies (Continued)

Revenues

Sewer rates are set by the Authority's Board of Directors. Residential and commercial billings are made to customers on a monthly basis. Revenues for sewage treatment services rendered to customers between the last billing date and the end of the year are estimated and included in the accompanying financial statements as receivables.

Receivables

Amounts presented as receivables on the accompanying statements of net position are from customer billings for water and sewer service. Receivables are recorded net of an allowance for doubtful accounts, which amounted to \$322,181 and \$343,460 at December 31, 2023 and 2022 respectively. The allowance is determined by the Authority based on an estimation of amounts that are deemed uncollectible at the fiscal year end.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of net position and statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition to its accounts held with banks, the Authority maintains an account with the Pennsylvania Local Government Investment Trust (PLGIT) which is restricted for future capital projects. The balance held with PLGIT is maintained in pooled investment accounts and are recorded at cost, which approximates fair value.

Capital Assets

All capital assets are recorded at cost, if known, or estimated historical cost. Donated capital assets are recorded at their fair market value on the date of donation. Depreciation on capital assets recorded in the fund financial statements is recorded using the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives for the Authority's classes of reported capital assets are as follows:

Infrastructure	50 years
Building	39 years
Machinery and Equipment	5-10 years

Public domain (infrastructure) capital assets (e.g. roads, bridges, sidewalks and other assets that are immovable and of value only to the government) and that were placed in service prior to July 1, 2003 are not required to be capitalized by the Authority. The Authority has chosen to capitalize all infrastructure assets currently in service.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's useful life are not capitalized in the fund financial statements. Major renewals or betterments are capitalized as additions.

Accrued Compensated Absences

The cost of vacation, sick leave, and other compensated absences are expensed as incurred. Other liabilities and accrued expenses on the accompanying financial statements includes the portion of these employee benefits which are earned but unused at the fiscal year end.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)

Note A – Summary of Significant Accounting Policies (Continued)

Net Position

Net position in the financial statements is disclosed in one of the three following components:

Net Investment in Capital Assets – consists of capital assets purchased by the Authority, net of accumulated depreciation, reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other net position that does not meet the two definitions above.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deferred Outflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that is applicable to a future reporting period(s) and so will not be recognized as an outflow of resources (expenditures) until that time. The Authority reported no such deferred outflows of resources as of December 31, 2023 and 2022.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Authority reported no such deferred inflows of resources as of December 31, 2023 and 2022.

Pending and Recently Effective Governmental Accounting Standards Board Pronouncements

In May 2020, the GASB adopted Statement 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. A SBITA is defined as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is required for fiscal years beginning after June 15, 2022. Implementation of Statement No. 96 did not have a material impact on the Authority's financial statements.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)

Note A – Summary of Significant Accounting Policies (Continued)

Pending and Recently Effective Governmental Accounting Standards Board Pronouncements
(Continued)

In December 2022, the GASB adopted Statement 99, *Omnibus 2022*. This statement addresses certain practice issues that have been identified during the implementation and application of certain GASB standards and contains standards for accounting and financial reporting for financial guarantees. Some requirements were effective upon issuance and did not have an impact on the Authority's financial statements. The portions of this related to financial guarantees are required for financial statements of periods beginning after June 15, 2023. The Authority has not determined the impact, if any, that the financial guarantees portion of GASB 99 will have on the financial statements.

In June 2022, the GASB adopted Statement 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement 62*. This statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period. In addition, the statement requires disclosures in the notes to the financial statements of descriptive information about accounting changes and error corrections. This statement is required for financial statements beginning after June 15, 2023. The Authority has not determined the impact, if any, that GASB 100 will have on the financial statements.

In June 2022, the GASB adopted Statement 101, *Compensated Absences*. This statement requires that a liability for leave should be recognized or leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the level is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also sets standards for calculating the liability and note disclosures. This statement is required for financial statements beginning after December 15, 2023. The Authority has not determined the impact, if any, that GASB 101 will have on the financial statements.

In December 2023, the GASB adopted Statement 102, *Certain Risk Disclosures*. This statement requires disclosures of a governmental entity's risks related to the entity's vulnerabilities due to certain concentrations and constraints. This statement is required for financial statements beginning after June 15, 2024. The Authority has not determined the impact, if any, that GASB 102 will have on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)**

Note B – Capital Assets

The following is a summary of changes in capital assets during 2023:

	* Balance at January 01, 2023	Additions	Completed Construction/ Disposals	Balance at December 31, 2023
Not Being Depreciated:				
Construction in Progress	\$ 138,811	\$ 198,081	\$ (304,612)	\$ 32,280
	<u>138,811</u>	<u>198,081</u>	<u>(304,612)</u>	<u>32,280</u>
Other Capital Assets:				
Building	185,450	-	260,878	446,328
Infrastructure	16,372,624	-	-	16,372,624
Machinery and Equipment	42,617	379,266	43,734	465,617
	<u>16,600,691</u>	<u>379,266</u>	<u>304,612</u>	<u>17,284,569</u>
Accumulated Depreciation:				
Building	(2,774)	(8,657)	-	(11,431)
Infrastructure	(2,976,936)	(335,207)	-	(3,312,143)
Machinery and Equipment	(10,354)	(5,896)	-	(16,250)
	<u>(2,990,064)</u>	<u>(349,760)</u>	<u>-</u>	<u>(3,339,824)</u>
Net Other Capital Assets	<u>13,610,627</u>	<u>29,506</u>	<u>304,612</u>	<u>13,944,745</u>
Net Capital Assets	<u>\$ 13,749,438</u>	<u>\$ 227,587</u>	<u>\$ -</u>	<u>\$ 13,977,025</u>

Note C – Deposits and Investments

Funds are invested pursuant to the Municipal Authorities Act. The Municipal Authorities Act states that authorized types of investments shall be United States Treasury Bills, short-term obligations of the United States Government or its agencies or instrumentalities, deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC, obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania, and shares of an investment company registered under the Investment Company Act of 1940 provided the only investments of that company are in the authorized investments for Authority funds listed above.

Pursuant to Act 72, a depository must pledge assets to secure state and municipal deposits in excess of federal depository insurance. The pledged assets must be at least equal to the total of such assets required to secure all of the public deposits at the depository and may be pledged on a pooled basis. All such pledged assets are held by the pledging financial institution's agent and not in the Authority's name.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)**

Note C – Deposits and Investments (Continued)

Credit Risk: The Authority invests in accordance with sound business practice and state law. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Authority places no limits on the amount the Authority may invest in any one issuer.

Custodial Credit Risk – Deposits. 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 feels no deposit policy for custodial credit risk is necessary because of the aforementioned restrictions on deposits and the collateralization requirements imposed by state law. As of December 31, 2023, \$303,661 of the Authority’s cash deposits of \$630,522 held with third-party bank(s) was exposed to custodial credit risk. The Authority’s funds managed by PLGIT are not exposed to credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Fair Value – Deposits. The Authority’s investment in PLGIT is measured at the net asset value (NAV) per share. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

Note D – Long-Term Debt

The following is a brief description of the outstanding debt of the Authority:

Loan payable to Pennsylvania Infrastructure Investment Authority (Pennvest) – Phase 1

The total amount of the loan of \$5,719,250 was approved on May 26, 2010 to be used to finance the construction costs to repair the existing sewer system. The interest rate is 3.051% and the loan matures in October 2031. The loan is secured by the Authority’s sewer revenues, including all receipts and revenues generated from all sanitary collection, transportation, treatment, and disposal system facilities owned, operated, or maintained by the Authority.

Loan payable to Pennvest – Phase 2

The total amount of the loan of \$5,835,000 was approved on September 30, 2014 to be used to finance the construction costs to repair the existing sewer system. The interest rate is 2.140% and the loan matures in March 2037. The loan is secured by the Authority’s sewer revenues, including all receipts and revenues generated from all sanitary collection, transportation, treatment, and disposal system facilities owned, operated, or maintained by the Authority.

The following is a summary of the changes in the Authority’s long-term debt for the year ended December 31, 2023:

	Balance January 01, 2023	Additions	Reductions	Balance December 31, 2023
Pennvest Loan - Phase 1	\$ 2,182,806	\$ -	\$ (218,658)	\$ 1,964,148
Pennvest Loan - Phase 2	4,092,941	-	(248,333)	3,844,608
	<u>\$ 6,275,747</u>	<u>\$ -</u>	<u>\$ (466,991)</u>	<u>\$ 5,808,756</u>

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)**

Note D – Long-Term Debt (Continued)

The following schedule presents the principal amount of each long-term debt issue due within one year of the date of these financial statements:

Pennvest – Phase 1	\$ 225,424
Pennvest – Phase 2	<u>253,699</u>
Total	<u>\$ 479,123</u>

The aggregate amount of debt service requirements during the next five years and thereafter is as follows:

	<u>Pennvest Loan - Phase 1</u>		<u>Pennvest Loan - Phase 2</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 225,424	\$ 56,791	\$ 253,699	\$ 79,796	\$ 479,123	\$ 136,587
2025	232,398	49,817	259,182	74,313	491,580	124,130
2026	239,589	42,626	264,783	68,712	504,372	111,338
2027	247,002	35,213	270,505	62,990	517,507	98,203
2028	254,644	27,571	276,351	57,144	530,995	84,715
2029-2033	765,091	34,517	1,473,963	193,511	2,239,054	228,028
2034-2037	-	-	1,046,125	37,729	1,046,125	37,729
Total	<u>\$ 1,964,148</u>	<u>\$ 246,535</u>	<u>\$ 3,844,608</u>	<u>\$ 574,195</u>	<u>\$ 5,808,756</u>	<u>\$ 820,730</u>
(Discount)						
Premium	-	-	-	-	-	-
	<u>\$ 1,964,148</u>	<u>\$ 246,535</u>	<u>\$ 3,844,608</u>	<u>\$ 574,195</u>	<u>\$ 5,808,756</u>	<u>\$ 820,730</u>

In the event of default, Pennvest may exercise any available rights and remedies deemed necessary and appropriate.

Note E – Agreement with Legal Tax Service, Inc.

The Authority entered into an agreement with Legal Tax Service, Inc. (LTS) on December 31, 2004 for the billing and collection of customer accounts and for the collection of delinquent customer accounts. In exchange for its services, LTS charges a fee of 2.85% of the total sewer fees collected. Commission fees paid to LTS as of December 31, 2023 and 2022 were \$149,676 and \$144,502, respectively.

Note F – Retirement Plan

The Authority offers its employees a deferred compensation plan (Plan) created in accordance with Section 457 of the Internal Revenue Service code. In accordance with the provisions of GASB Statement No. 32 *Accounting and financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Plan is not required to be included in the Authority’s financial statements. Contributions by the Authority to the Plan were approximately \$700 during the years ended December 31, 2023 and 2022, respectively.

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Continued)

Note G – Contingencies

During the normal course of business, the Authority can be subject to various small arbitration and litigation proceedings by customers, vendors, or other unrelated parties. There are no such proceedings that are material, individually or in the aggregate, with regard to the financial statements as a whole and accordingly, no provisions have been made in the accompanying financial statements.

The Authority's Consent Order and Agreement (COA) with the Pennsylvania Department of Environmental Protection (PADEP) and the Allegheny County Health Department originally expired in 2018 and has been renegotiated. The intent of the COA is to reduced Combined Sewer Outflow (CSO) frequency and volume and reduce hydraulic overload at the Alcosan CSO structures and Wastewater Treatment Plant. Since the project consists of repair of the sanitary sewer lines, it complies with the CSO, and the installation of new manhole covers will bring the Authority's sewer system into compliance with PADEP's design guidelines for sanitary sewers.

OTHER SUPPLEMENTARY INFORMATION

MUNHALL SANITARY SEWER MUNICIPAL AUTHORITY
STATEMENTS OF OPERATING EXPENSES – SEWER SYSTEM
FOR THE YEARS ENDED DECEMBER 31

	2023	2022
Treatment		
Alcosan Service Fees	\$ 2,591,216	\$ 2,463,279
Sewage Treatment Services	110,585	154,057
Maintenance	417	5,400
Supplies	8,050	71,951
Engineering	278,936	205,336
Utilities	3,978	3,150
Total Treatment	2,993,182	2,903,173
General and Administrative		
Office Salaries	100,815	83,084
Billing and Collections	235,821	194,447
Office	34,102	20,843
Insurance	7,898	7,500
Professional Services - Legal and Accounting	62,933	62,291
Payroll Taxes	9,492	8,097
Telephone	1,144	1,952
Utilities	5,867	1,595
Miscellaneous	656	2,982
Total General and Administrative	458,728	382,791
Total Sewer System Operating Expenses	\$ 3,451,910	\$ 3,285,964