

GREATER HAZLETON JOINT SEWER AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JULY 31, 2020 AND 2019

AND
INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTARY INFORMATION

GREATER HAZLETON JOINT SEWER AUTHORITY

WEST HAZLETON, PA 18202

JULY 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Hazleton Joint Sewer Authority
West Hazleton, PA 18202

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Greater Hazleton Joint Sewer Authority (the "Authority") as of and for the years ended July 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Greater Hazleton Joint Sewer 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Greater Hazleton Joint Sewer Authority as of July 31, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 and the Defined Benefit Pension Trust Fund Schedule of Changes in Authority's Net Pension Liability and Related Ratios, the Schedule of Employer Contributions, the Schedule of Investment Returns, and the Other Post Employment Benefits (OPEB) Other Than Pensions Schedule of Changes in Authority's Net OPEB Liability and Related Ratios on pages 72 through 75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Greater Hazleton Joint Sewer Authority's basic financial statements. The Schedules of Sewer Treatment Revenues, Schedules of Sewer Transmission Revenues, and Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Sewer Treatment Revenues, Schedules of Sewer Transmission Revenues, and Schedules of Operating Expenses are the responsibility of management and were 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 Schedules of Sewer Treatment Revenues, Schedule of Sewer Transmission Revenues, and Schedules of Operating Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Sugarloaf, Pennsylvania
November 12, 2020

**GREATER HAZLETON JOINT SEWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JULY 31, 2020
(UNAUDITED)**

INTRODUCTION

The following discussion and analysis of the Greater Hazleton Joint Sewer Authority's (the "Authority") annual financial report provides an overview and analysis of their financial performance for the fiscal year ended July 31, 2020. This presentation is intended to further the readers' understanding of the financial statements that follow, and it is recommended that it be read in conjunction with the accompanying basic financial statements and notes to those statements in order to obtain a thorough understanding of the Authority's financial condition as of July 31, 2020.

Management's Discussion and Analysis is designed to focus on the current year's activities and resulting changes in the Authority's financial position and also includes currently known facts that may have a significant impact on the Authority's financial position now and in the foreseeable future.

FINANCIAL HIGHLIGHTS

At July 31, 2020 the Authority's total assets increased by \$6,839,637 from July 31, 2019. This net increase was the result of several changes, including an increase in cash and cash equivalents of \$2,386,663, increase in capital assets (net of accumulated depreciation) of \$4,385,078, which were offset by a decrease in restricted cash and cash equivalents of \$71,871.

Total liabilities decreased \$523,687, which was primarily caused by an decrease in current portion of long term debt and long-term debt, net of current portion of \$197,771, an increase in restricted accounts payable capital assets of \$326,170, a decrease of net pension liability of \$4,704, and a decrease of \$63,622 in OPEB liability.

Total net position of \$50,890,229 was \$7,156,721 higher than the prior year, reflecting the net effect of the Authority's profitable operations needed to fund ongoing capital projects. Net investment in capital assets increased by \$4,600,902, due to the Authority's acquisition and construction of capital assets and payment of the related debt. Consistent with the Authority's issuance of its Series 2020 Sewer Revenue Bonds, a portion of the Authority's total net position at July 31, 2020, \$1,727,930, was restricted for bond covenants. Unrestricted net position increased by \$2,616,538, the net effect of all of the changes as previously noted.

The Authority's total operating revenues decreased \$762,657 from the previous year, primarily due to a decrease in hauled waste revenue and a decrease in penalties as the sewer authority suspended water shutoffs and did not penalize customers due to COVID-19 as recommended by PMAA and state guidance.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED (UNAUDITED)

Total operating expenses of \$9,867,930 increased by \$256,247 from the prior year. The most significant increase was in depreciation expense.

Interest income decreased by \$21,831, as a result of lower rates of return. The Authority had realized gains on the sale of investments of \$0 for 2020 as compared to \$8,981 of realized gains on the sale of investments for 2019. Interest expense decreased by \$118,098. It should be noted that interest expense on the Authority's Sewer Revenue Bonds and a PennVest loan are being capitalized during construction of the related capital assets financed with the debt proceeds. These overall changes resulted in a net non-operating revenues (expenses) of (\$839,030) for 2020 as compared to (\$577,273) for 2019.

The Authority also received \$1,824,828 in the form of a capital contribution for 2020 compared to \$2,942,867 for 2019.

Overall, the Authority experienced an increase in net position of \$7,156,721 for the fiscal year ended July 31, 2020 as compared to a net increase of \$6,681,835 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's primary mission is to provide wastewater treatment service to the Greater Hazleton Area.

The Authority does not provide other general government types of services or programs. The Authority's operations, capital expenditures and debt payments are funded almost entirely through rates, fees and other charges for these wastewater treatment services. As such, the Authority is considered to be, and therefore presents its financial report as, a stand-alone enterprise fund.

The Authority's financial statements consist of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements and the related notes to the financial statements, and supplementary (both required and other) information. The MD&A serves as an introduction to the basic financial statements and provides analysis and overview of the Authority's financial activities.

As a stand-alone proprietary fund, the Authority's basic financial statements consist of *Statements of Net Position*, *Statements of Revenues, Expenses and Changes in Net Position* and *Statements of Cash Flows*. In addition, the basic financial statements also include *Statements of Fiduciary Net Position* and *Statements of Changes in Fiduciary Net Position*, both for the Authority's Pension Trust Fund. These statements, together with the *Management's Discussion and Analysis*, provide both short-term and long-term financial information and implications for the Authority's financial position. Presentation of comparative schedules further enhances the reader's ability to gauge the Authority's fiscal strength and provides useful trend information. To further illuminate the information contained in these statements, *Notes to Financial Statements* and certain supplementary

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED (UNAUDITED)

Information appear immediately following the basic financial statements. In addition to this discussion and analysis, other required supplementary information is presented.

The *Statements of Net Position*, similar to a balance sheet, presents the Authority's basic financial position through disclosure of information about the Authority's assets and liabilities. Net position represents the difference between total assets and total liabilities.

The *Statements of Revenues, Expenses and Changes in Net Position*, similar to private sector statements, provides information regarding the Authority's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represent the changes in net position, which links these statements to the *Statements of Net Position*.

The *Statements of Cash Flows* deals specifically with the flow of cash and cash equivalents arising from operating, capital and financing activities, non-capital activities, and investing activities. Because the Authority's *Statements of Revenues, Expenses and Changes in Net Position* are a measurement of the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of this difference, the *Statements of Cash Flows* also includes reconciliations between these two amounts. In accordance with accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in these statements.

The *Statements of Fiduciary Net Position – Pension Trust Fund*, also similar to a balance sheet, presents the basic financial position of the Authority's Pension Trust Fund. Net position held in trust for pension benefits represents the difference between total fiduciary assets and total fiduciary liabilities.

The *Statements of Changes in Fiduciary Net Position – Pension Trust Fund*, also similar to private sector statements, provides information regarding the Authority's total economic resource inflow and outflow (accrual method of accounting) for its Pension Trust Fund. The difference between these inflows and outflows represent the changes in fiduciary net position, which links these statements to the *Statements of Fiduciary Net Position*.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately after the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents important required supplementary information and other non-required supplementary information that provides further detail regarding the financial statements. These statements and schedules can be found immediately following the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

Major Features of the Greater Hazleton Joint Sewer Authority's Financial Statements

	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Activities the Authority operates similar to private businesses	Funds for which the Authority is the trustee or agent for someone else's resources, such as the employees' pension trust fund
Required Financial Statements	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows	Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

FINANCIAL ANALYSIS

Total Assets, Total Liabilities, and Total Net Position

Significant changes within the Authority's categories of assets and liabilities are as follows:

ASSETS

	<u>2020</u>	Increase <u>(Decrease)</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 10,252,836	\$ 2,386,663	\$ 7,866,173
Other Current Assets	3,297,902	264,145	3,033,757
Restricted Assets	1,727,930	(71,871)	1,799,801
Unamortized Bond Issuance Costs	-	(124,378)	124,378
Capital Assets (Net of Accumulated Depreciation)	<u>80,774,145</u>	<u>4,385,078</u>	<u>76,389,067</u>
TOTAL ASSETS	<u>\$ 96,052,813</u>	<u>\$ 6,839,637</u>	<u>\$ 89,213,176</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts Related to Pensions and OPEB	<u>262,355</u>	<u>118,009</u>	<u>144,346</u>
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LIABILITIES

	<u>2020</u>	Increase <u>(Decrease)</u>	<u>2019</u>
Current Liabilities (Payable from Current Assets)	\$ 2,314,757	\$ (607,269)	\$ 2,922,026
Current Liabilities (Payable from Restricted Assets)	<u>1,161,157</u>	<u>326,170</u>	<u>834,987</u>
Noncurrent Liabilities	<u>41,492,513</u>	<u>(242,588)</u>	<u>41,735,101</u>
TOTAL LIABILITIES	<u>\$ 44,968,427</u>	<u>\$ (523,687)</u>	<u>\$ 45,492,114</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Amounts Related to Pensions and OPEB	<u>456,512</u>	<u>324,612</u>	<u>131,900</u>
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NET POSITION

	<u>2020</u>	Increase <u>(Decrease)</u>	<u>2019</u>
Net Investment in Capital Assets	\$ 39,786,842	\$ 4,600,902	\$ 35,185,940
Restricted for Capital Projects	192,156	11,152	181,004
Restricted for Bond Covenants	1,727,930	(71,871)	1,799,801
Unrestricted	<u>9,183,301</u>	<u>2,616,538</u>	<u>6,566,763</u>
TOTAL NET POSITION	<u>\$ 50,890,229</u>	<u>\$ 7,156,721</u>	<u>\$ 43,733,508</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

At July 31, 2020 the Authority has classified certain assets as restricted with such restrictions commensurate with the related restrictions imposed by the Trust Indentures securing the Authority's Sewer Revenue Bonds. Similar funds established under the terms of the Trust Indenture, for the safety and security of the bondholders, were also classified as restricted, as was the accrued interest receivable on the investments in such funds.

During the fiscal year ended July 31, 2020 the Authority placed into service assets with a value of \$31,646,851 and continued construction of several capital construction projects. In addition, construction in progress had net decreases of \$25,041,980 as a result of ongoing projects that are now in service. The most significant of these were the incinerator installation, ash handling system, and sludge dewatering projects and the purchase of the vac truck. In the current year, the acquisitions were funded by the unspent proceeds of its Sewer Revenue Bonds, a new PennVest loan, and the H2O Grant money.

Total liabilities decreased by \$523,687 from 2019 to 2020, due to decrease in current portion of long term debt and long-term debt, net of current portion of \$815,202, a decrease in accounts payable - operating of \$116,555, and an increase of \$433,109 in restricted accounts payable capital assets.

Revenues

The Authority is not empowered to levy or collect taxes, nor does the Authority receive funding from the taxing authorities within its service area. The Authority's operations and debt service, as well as certain capital asset acquisitions and construction, are funded almost entirely from fees charged to its customers for wastewater treatment and transmission services. However, it should be noted that some debt is issued for the purpose of capital asset acquisition and construction. As such, the Authority's revenue stream is impacted by fluctuations in demand for its services and other economic factors.

Operating Revenue

Total sewage treatment and transmission revenue decreased by \$762,657 from 2019 to 2020 due to a decrease in the outside waste haulers revenue by \$580,254 from 2019 to 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

A summary of the Authority's sewer treatment revenues is as follows:

<u>SEWER TREATMENT REVENUES</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>2019</u>
Residential	\$ 6,354,073	(43,485)	\$ 6,397,558
Non-residential	950,289	(51,077)	1,001,366
Industrial	1,058,733	(25,964)	1,084,697
Independent Outside Haulers	2,010,088	(580,254)	2,590,342
Schools	237,432	485	236,947
Surcharge	341,698	5,155	336,543
Penalties	<u>99,862</u>	<u>(67,517)</u>	<u>167,379</u>
TOTAL SEWER TREATMENT REVENUES	<u>\$ 11,052,175</u>	<u>\$ (762,657)</u>	<u>\$ 11,814,832</u>

A summary of the Authority's sewer transmission revenues is as follows:

<u>SEWER TRANSMISSION REVENUES</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>2019</u>
Residential	\$ 1,571,125	(9,405)	\$ 1,580,530
Non-residential	255,794	(9,572)	265,366
Industrial	179,525	(8,965)	188,490
Schools	<u>36,076</u>	<u>(695)</u>	<u>36,771</u>
TOTAL SEWER TRANSMISSION REVENUES	<u>\$ 2,042,520</u>	<u>\$ (28,637)</u>	<u>\$ 2,071,157</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

Non-Operating Revenues (Expense)

From 2019 to 2020, interest income decreased by \$21,831 as a result of lower rates of return. Furthermore, realized gains on the sale of investments were \$0 for 2020 as compared to a gain of \$8,981 for 2019, reflecting the market values for the investments sold. Interest expense decreased from \$726,639 in 2019 to \$608,541 in 2020. It should be noted that current interest expense is being capitalized during construction of the related capital assets financed with the debt proceeds. These overall changes resulted in net non-operating revenues (expenses) of (\$839,030) for 2020 as compared to net non-operating revenues (expenses) of (\$577,273) for 2019.

A summary of the changes in the Authority's non-operating revenues and expenses are as follows:

<u>NONOPERATING REVENUES AND EXPENSES</u>	<u>2020</u>	<u>Net Change</u>	<u>2019</u>
Interest Income	\$ 118,554	\$ (21,831)	\$ 140,385
Realized Gains - Sale of Investments	-	(8,981)	8,981
Costs of Issuance-Series of 2020 Bonds	(219,059)	(219,059)	-
Unamortized Balances-Refunded Bonds	(291,984)	(291,984)	-
Loss from Sale of Capital Assets	162,000	162,000	-
Interest Expense	<u>(608,541)</u>	<u>118,098</u>	<u>(726,639)</u>
 TOTAL NONOPERATING REVENUES AND EXPENSES	 <u>\$ (839,030)</u>	 <u>\$ (261,757)</u>	 <u>\$ (577,273)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

Expenses

Operating Expenses

Total 2020 operating expenses of \$9,867,930 increased by \$256,247 from the prior year.

During 2020, collection system expenses decreased by \$51,734 primarily because of the decrease in maintenance and repairs. Plant expense remained relatively unchanged in total, with an increase of \$104,795 in salaries and wages and a decrease of \$151,874 in bio solids removal and disposal.

During 2020 total administrative expenses remained relatively unchanged in total, with increases and decreases in certain functional expenses, most materially the increase of \$85,000 in bad debt expense, decrease in group insurance of \$38,264 and a decrease in OPEB of \$56,403.

A summary of the changes in the Authority's operating expenses is as follows:

<u>OPERATING EXPENSES</u>	<u>2020</u>	Increase (Decrease)	<u>2019</u>
Plant	\$ 4,786,417	\$ (1,425)	\$ 4,787,842
Depreciation	2,219,793	289,426	1,930,367
Pumping Stations	515,726	24,011	491,715
Collection System	791,954	(51,734)	843,688
Administrative	<u>1,554,040</u>	<u>(4,031)</u>	<u>1,558,071</u>
 TOTAL OPERATING EXPENSES	 <u>\$ 9,867,930</u>	 <u>\$ 256,247</u>	 <u>\$ 9,611,683</u>

Increase in Net Position

During 2020 the Authority's total operating revenues exceeded total operating expenses by \$3,228,056. After considering the non-operating revenues (expense) and the capital contribution, the Authority experienced a net increase in net position of \$7,156,721. It should be noted that although the capital contribution is included in the increase in net position, such funds are restricted to capital expenditures as more fully detailed in the related grant agreements.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)

Acquisition and Construction of Capital Assets

Major capital assets placed into service during fiscal year ended July 31, 2020 include the following:

<u>July 31, 2020</u>	
Sewer Treatment Plant Incinerator	31,143,117
Office Equipment Laptop Computers and New Firewall Equipment	18,810
Vehicles - Vac Truck	451,644
Equipment - Rock Trap	<u>33,280</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u><u>\$ 31,646,851</u></u>

The Fluidized Bed Incinerator for solids disposal was placed in service in June 2020. It was initially expected to reduce the overall solids production at the WWTP by 90% to 95%. Early indications are that the reduction will be closer to 95%, which correlates to a savings in the Biosolids Removal & Disposal line item of over \$1,000,000 annually. Due to the nature of the process and the addition of digested grease as a fuel source, incineration occurs autogenously (the sludge acts as fuel); therefore, addition of natural gas is only needed during startup of the process. Only slight increases to the natural gas, chemicals, and electricity line items are anticipated.

The \$6,101,137 of construction in progress additions include the Wastewater Treatment Plant Improvements Project and the Incinerator. A summary of the changes in construction in progress is as follows:

\$ 25,825,428	Balance 7/31/2019
6,101,137	Additions
<u>(31,143,117)</u>	Placed into Service
<u>\$ 783,448</u>	Balance 7/31/2020

Debt Administration

At July 31, 2020 the Authority had \$38,365,073 in notes and bonds outstanding, versus \$40,809,011 in notes and bonds outstanding at July 31, 2019.

More detailed information about the Authority's outstanding debt is presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED (UNAUDITED)

The Authority and their financial advisor had been monitoring the financial markets to assess the potential savings by refunding the Series of 2012 Bonds with either a bank loan or a bond issue. In early 2020, conditions in the Bond market were such that refunding the bonds with a new bond issue (Series of 2020) would yield the highest savings for the Authority. On March 17, 2020, the Authority closed on the Series of 2020 Bonds, which yielded a \$1,569,792.76 debt service savings without extending the term of the payments.

Economic Factors

Although the Authority is not required to have legally adopted budgets, the Authority prepares a budget for use as a management control device during the fiscal year. The Authority's management and Board of Directors considered many factors when preparing the July 31, 2021 budget and the fees that will be charged for supplying wastewater treatment services to its customers. Among the factors considered were the following:

- Operating revenues from customer accounts are expected to remain relatively unchanged.
- Anticipated salary and wage increases of 3.0%, for Maintenance CBA employees.
- Expenditures related to the ongoing construction and completion of projects currently classified as Construction in Progress.
- Adjustments to various chemical expense line items that correspond to the history of usage in the new treatment process over the previous year and changes to the chemical cost from the prior year and the addition of two new chemicals used in the new incineration process.
- A projected increase in repairs and maintenance expenses to increase inventory of spare parts for some of the new equipment installed during the WWTP upgrade and to repair newer equipment that has been in service since the 2008 WWTP upgrade was completed.
- Undertaking ACT-537 and Long-Term Control Planning to reduce inflow/infiltration to the WWTP and Combine Sewer Overflow (CSO) discharges in the collection system through future capital projects.
- Anticipated increases/decreases to budget line items due to the start-up of a fluidized bed incinerator and ancillary air quality equipment with a significant decrease to the Biosolids removal and disposal line item.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

**CONTACTING
GREATER HAZLETON JOINT SEWER AUTHORITY'S
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Greater Hazleton Joint Sewer Authority and to demonstrate the Authority's accountability for the money it receives. Questions regarding this report or requests for additional financial information should be directed to Christopher Carsia, Director of Operations or Gregory Olander, Director of Administration at P.O. Box 651, Hazleton, PA 18201-0651.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF NET POSITION
JULY 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,252,836	\$ 7,866,173
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	2,076,826	1,728,074
Unbilled Revenue	1,122,500	1,213,341
Prepaid Expenses	<u>98,576</u>	<u>92,342</u>
TOTAL CURRENT ASSETS	<u>13,550,738</u>	<u>10,899,930</u>
RESTRICTED ASSETS		
Cash and Cash Equivalents	<u>1,727,930</u>	<u>1,799,801</u>
TOTAL RESTRICTED ASSETS	<u>1,727,930</u>	<u>1,799,801</u>
UNAMORTIZED BOND ISSUANCE COSTS, NET OF ACCUMULATED AMORTIZATION	<u>-</u>	<u>124,378</u>
CAPITAL ASSETS		
Non-Depreciable	991,613	26,033,593
Depreciable, Net of Accumulated Depreciation	<u>79,782,532</u>	<u>50,355,474</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>80,774,145</u>	<u>76,389,067</u>
TOTAL ASSETS	<u>96,052,813</u>	<u>89,213,176</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	143,600	144,346
Deferred Amounts Related to OPEB	<u>118,755</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>262,355</u>	<u>144,346</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 96,315,168</u>	<u>\$ 89,357,522</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF NET POSITION
JULY 31, 2020 AND 2019

	<u>LIABILITIES</u>	
	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Payable from Current Assets:		
Current Portion of Long-Term Debt	\$ 1,817,732	\$ 2,435,163
Accounts Payable - Operating	208,299	324,854
Accrued Payroll and Compensated Absences	127,159	112,898
Accrued and Withheld Payroll Taxes	1,059	1,273
Accrued Interest	160,508	47,838
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	<u>2,314,757</u>	<u>2,922,026</u>
Payable from Restricted Assets:		
Accounts Payable - Capital Assets	1,161,157	728,048
Accrued Interest Payable	-	106,939
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>1,161,157</u>	<u>834,987</u>
TOTAL CURRENT LIABILITIES	<u>3,475,914</u>	<u>3,757,013</u>
NON CURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	37,968,226	38,165,997
OPEB Liability	2,885,624	2,949,246
Net Pension Liability	521,875	526,579
Compensated Absences	116,788	93,279
TOTAL NONCURRENT LIABILITIES	<u>41,492,513</u>	<u>41,735,101</u>
TOTAL LIABILITIES	<u>44,968,427</u>	<u>45,492,114</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	113,783	131,900
Deferred Amounts Related to OPEB	342,729	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>456,512</u>	<u>131,900</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>45,424,939</u>	<u>45,624,014</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	39,786,842	35,185,940
Restricted for Bond Covenants	1,727,930	1,799,801
Restricted for Capital Assets	192,156	181,004
Unrestricted	9,183,301	6,566,763
TOTAL NET POSITION	<u>\$ 50,890,229</u>	<u>\$ 43,733,508</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Sewage Treatment Revenues	\$ 11,052,175	\$ 11,814,832
Sewage Transmission Revenues	2,042,520	2,071,157
Other Operating Revenues	1,291	41,931
TOTAL OPERATING REVENUES	<u>13,095,986</u>	<u>13,927,920</u>
OPERATING EXPENSES		
Plant	4,786,417	4,787,842
Administrative	1,554,040	1,558,067
Depreciation	2,219,793	1,930,367
Pumping Station	515,726	491,715
Collection System	791,954	843,688
TOTAL OPERATING EXPENSES	<u>9,867,930</u>	<u>9,611,679</u>
OPERATING INCOME	<u>3,228,056</u>	<u>4,316,241</u>
NONOPERATING REVENUES (EXPENSES)		
Gain from Sale of Capital Assets	162,000	-
Interest Income	118,554	140,385
Realized Gains - Sale of Investments	-	8,981
Costs of Issuance - Series of 2020 Bonds	(219,059)	-
Unamortized Balances - Refunded Bonds	(291,984)	-
Interest Expense	(608,541)	(726,639)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(839,030)</u>	<u>(577,273)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,389,026	3,738,968
CAPITAL CONTRIBUTIONS	<u>4,767,695</u>	<u>2,942,867</u>
INCREASE IN NET POSITION	7,156,721	6,681,835
NET POSITION - BEGINNING	<u>43,733,508</u>	<u>37,051,673</u>
NET POSITION - ENDING	<u>\$ 50,890,229</u>	<u>\$ 43,733,508</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 12,753,075	\$ 13,852,952
Cash Payments to Suppliers for Goods and Services	(5,308,278)	(6,207,235)
Cash Payments to Employees for Services	(2,201,815)	(1,758,747)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,242,982</u>	<u>5,886,970</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grant Received	4,767,695	2,942,867
Advances on Long-Term Debt	14,623,571	732,830
Principal Paid on Long-Term Debt	(15,865,683)	(2,319,068)
Interest Expense	(533,780)	(730,609)
Proceeds from the Sale of Capital Assets	162,000	-
Acquisition and Construction of Capital Assets	(6,200,547)	(8,516,067)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,046,744)</u>	<u>(7,890,047)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investment Securities	-	1,258,020
Purchase of Investment Securities	-	(103,977)
Investment Income	118,554	140,524
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>118,554</u>	<u>1,294,567</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 2,314,792	 (708,510)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>9,665,974</u>	 <u>10,374,484</u>
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	 <u>\$ 11,980,766</u>	 <u>\$ 9,665,974</u>
 CASH AND CASH EQUIVALENTS ARE REPORTED IN THE STATEMENT OF NET POSITION AS FOLLOWS:		
Current Assets:		
Cash and Cash Equivalents	10,252,836	7,866,173
Restricted Assets:		
Cash and Cash Equivalents	<u>1,727,930</u>	<u>1,799,801</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u>\$ 11,980,766</u>	 <u>\$ 9,665,974</u>

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Income	\$ 3,228,056	\$ 4,316,241
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	2,219,793	1,930,367
Changes in Assets and Liabilities:		
(Increase) Decrease In:		
Accounts Receivable	(433,752)	(8,648)
Unbilled Revenue	90,841	(66,328)
Prepaid Expenses	(6,234)	(4,758)
Deferred Outflows of Resources Related to Pensions	(118,755)	(43,669)
Deferred Outflows of Resources Related to OPEB	746	-
Bad Debt Expense	85,000	-
Increase (Decrease) In:		
Accounts Payable	(116,555)	22,035
Accrued Payroll and Compensated Absences	37,770	(37,291)
Accrued Pension Contribution	-	(250,000)
OPEB Liability	(63,622)	249,968
Net Pension Liability	(4,704)	(304,702)
Accrued and Withheld Payroll Taxes	(214)	(139)
Deferred Inflows of Resources Related to Pensions	(18,117)	83,894
Deferred Inflows of Resources Related to OPEB	342,729	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,242,982</u>	<u>\$ 5,886,970</u>

SUPPLEMENTAL DISCLOSURES OF CASH INFORMATION

Reconciliation of Cash Paid for Acquisition and Construction
of Capital Assets

Acquisition and Construction of Capital Assets

Cost of Property and Equipment	\$ (6,567,062)	\$ (8,372,444)
Accrual of Capitalized Interest	(106,939)	(4,158)
Amortization of Underwriter Discount on Bonds (Capitalized), Original Issue Discount/(Premium) (Capitalized), and Bond Issuance Costs (Capitalized)	40,345	44,610
Accounts Payable - Used to Finance Acquisition and Construction of Capital Assets:		
Current Year	1,161,157	728,048
Prior Year	(728,048)	(912,123)

CASH PAID FOR ACQUISITION AND CONSTRUCTION
OF CAPITAL ASSETS

<u>\$ (6,200,547)</u>	<u>\$ (8,516,067)</u>
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See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST FUND
JULY 31, 2020 AND 2019

<u>ASSETS</u>		<u>December 31</u>	
		<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents		\$ 133,254	\$ 139,906
Investments			
Stocks		1,089,348	846,354
Mutual Funds		874,273	518,991
Exchange Traded Funds and Closed-End Funds		264,062	119,473
Corporate Bonds		80,417	92,952
Government Securities		107,743	119,398
Total Investments		<u>2,415,843</u>	<u>1,697,168</u>
Interest Receivable		<u>1,224</u>	<u>1,330</u>
TOTAL ASSETS		<u>2,550,321</u>	<u>1,838,404</u>
<u>LIABILITIES</u>			
LIABILITIES		<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
NET POSITION - RESTRICTED FOR PENSION BENEFITS		<u>\$ 2,550,321</u>	<u>\$ 1,838,404</u>

Note: The Plan's financial statements are for the calendar years 2019 and 2018.

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST FUND
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Pension Contributions - Employer	\$ 473,000	\$ 473,000
Investment Income		
Net Appreciation in Fair Value of Investments:		
Realized Gains	540	31,665
Unrealized Gains (Losses)	328,428	(240,351)
Interest	5,008	4,422
Dividends	49,378	45,586
TOTAL INVESTMENT INCOME (LOSS)	<u>383,354</u>	<u>(158,678)</u>
TOTAL ADDITIONS	<u>856,354</u>	<u>314,322</u>
OPERATING EXPENSES		
Retiree Benefits Paid	109,435	127,868
Administrative Expenses:		
Investment Fees	27,028	26,955
Actuary Fees	6,200	3,600
Accounting Fees	1,774	1,203
TOTAL OPERATING EXPENSES	<u>144,437</u>	<u>159,626</u>
NET INCREASE IN NET POSITION FOR THE YEAR	711,917	154,696
NET POSITION RESTRICTED FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>1,838,404</u>	<u>1,683,708</u>
END OF YEAR	<u>\$ 2,550,321</u>	<u>\$ 1,838,404</u>

Note: The Plan's financial statements are for the calendar years 2019 and 2018.

See Notes to Financial Statements.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

1. NATURE OF OPERATIONS, ORGANIZATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Greater Hazleton Joint Sewer Authority (the "Authority") is a municipal authority incorporated under the Pennsylvania Municipality Authorities Act of 1945, approved May 2, 1945 P.L. 382, as amended and supplemented. The Authority is a separate governmental unit granted independent authority by the Commonwealth of Pennsylvania to allow the Authority's Board of Directors to set rates, fees and charges without oversight, supervision, or direction from any other state or local entity or agency.

The Authority collects and treats residential, commercial, and industrial sewage originating in the municipalities of Hazleton City, Hazle Township, West Hazleton Borough, and a small portion of Sugarloaf Township, and the Authority also accepts hauled waste from outside independent contractors. The Authority operates under the direction of a nine member Board of Directors representing Hazleton City (six members), Hazle Township (one member), and West Hazleton Borough (two members).

The Governmental Accounting Standards Board (GASB) established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. The Authority reports related organizations under the guidance of Statement No. 14 of the Governmental Accounting Standards Board. Statement No. 14 defines the primary government, and establishes the criteria for which potential component units are included in the reporting entity. The criteria used in determining whether such organizations should be included in the Authority's financial reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Authority reviews the applicability of the following criteria.

The Authority is financially accountable for:

1. Organizations that make up the legal Authority entity.
 2. Legally separate organizations of Authority officials appoint a voting majority of the organization's governing body and the Authority is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
- a. Impose its Will – If the Authority can significantly influence programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden – Exists if the Authority (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

- c. Organizations that are Fiscally Dependent on the Authority – Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the Authority.

The Authority is not a component unit for financial statements purposes. The Authority has determined that it has no potential component unit which should be evaluated.

B. Basis of Presentation

The accounting policies of the Greater Hazleton Joint Sewer Authority conform to generally accepted accounting principles for local government units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

The Authority does not provide other general government types of services or programs. The Authority's operations, capital expenditures and debt payments are funded almost entirely through rates, fees and other charges for these services. As such, the Authority is considered to be, and therefore presents its financial report as, a stand-alone enterprise fund. Accordingly, there are no government-wide financial statements that are typically presented when an entity is to provide other general governmental types of services or programs.

The Authority's financial statements consist of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements and the related notes to the financial statements, and supplementary information. The MD&A serves as an introduction to the basic financial statements and provides analysis and overview of the Authority's financial activities.

As a stand-alone enterprise fund, the Authority's basic financial statements consist of *Statements of Net Position*, *Statements of Revenues, Expenses and Changes in Net Position*, and *Statements of Cash Flows*. These statements, together with the *Management's Discussion and Analysis*, provides both short-term and long-term financial information and implications for the Authority's financial position.

C. Fund Accounting

The Authority is operated as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

Trust and Agency Fund – Pension – the plan’s financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

D. Measurement Focus

The proprietary fund type is accounted for on a cost of service measurement focus. All assets and liabilities (current and non-current) associated with the activity of the fund are included on its balance sheet. The proprietary fund operating statements present increases and decreases in total net position.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The Authority utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized in the accounting period in which the liability is incurred.

F. Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessments of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. At July 31, 2020 and 2019, the balance of the allowance account was \$450,000 and \$365,000, respectively.

G. Capital Assets

Capital assets are stated at cost. Significant additions, renewals, or betterments which extend the useful life of the assets are capitalized. Expenditures for normal maintenance and repairs are charged to operating expenses. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Sewer Treatment Plant, Pumps, and Transmission Mains	20 to 50 Years
Storage Buildings	20 Years
Vehicles	5 Years
Equipment	8 to 20 Years
Office Equipment	3 to 5 Years

The Authority reviews the carrying value of capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of such capital assets may be impaired.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

H. Budget and Budgetary Accounting

Since the Authority operates under the Pennsylvania Municipality Authorities Act it is not required to legally adopt budgets. However, the Authority employs an operating budget for use as a management control device and to comply with the requirements of the trust indentures securing its Sewer Revenue Bonds.

I. Interest Capitalized

The Authority follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use. For the years ended July 31, 2020 and 2019, the Authority capitalized interest in the amount of \$598,158 and \$505,192, respectively.

J. Cash Equivalents

The Authority considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

K. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates affecting the financial statements were:

Management's estimate of the useful lives of the capital assets is based on historical useful lives of similar assets as well as an analysis of individual assets.

Management's estimate of the allowance for doubtful accounts is based on historical collection rates, the aging of the accounts, and an analysis of individual accounts.

Management's estimate of the net pension liability and related expenses is based upon estimates and assumptions about the probability of events far into the future, including future employment, employee mortality, and investment income and the related discount rate.

Management's estimate of the other postemployment benefit liability is based upon estimates and assumptions about the probability of events far into the future, including future employment, employee mortality, and investment income and the related discount rate.

L. Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation and 1) reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets and 2) increased by the unspent portion of the proceeds of the related bonds, mortgages, notes or other borrowings.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

Restricted for capital assets consists of net position restricted for the acquisition and construction of capital assets other than those classified as "restricted for bond covenants".

Restricted for bond covenants consist of net position restricted by the terms of the Authority's bonded debt.

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

M. Operating Revenues and Expenses

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations which is the collection and treatment of residential, commercial, and industrial sewage. The Authority also recognizes as operating revenue other miscellaneous cash receipts not arising from investing or financing activities. Operating expenses for the Authority include the cost of collecting, pumping, and treating sewage, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses. Nonoperating revenues result from nonexchange transactions or ancillary activities.

N. Unbilled Revenues

The Authority provides continuous service to its customers and renders billings on cycle dates on a quarterly basis. As a result, revenues earned for service provided, but not billed, are accrued on a pro-rata basis at the end of the fiscal year.

O. Long-Term Obligations

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable unamortized bond premium and discount. Unamortized bond issuance costs are reported as an asset in the statements of net position.

P. Advertising

The Authority expenses all advertising costs as they are incurred. Total advertising costs for the years ended July 31, 2020 and 2019 were \$4,141 and \$4,427, respectively.

Q. Use of Restricted/Unrestricted Net Position

When an expense is incurred for which both restricted and unrestricted resources are available, the Authority's policy is to apply restricted resources first.

R. Subsequent Events

The Authority has evaluated events subsequent to the balance sheet date of July 31, 2020, through November 12, 2020 which is the date these financial statements were available to be issued.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

During the fiscal year ended July 31, 2020, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." Since the initial declaration, the COVID-19 outbreak has continued to disrupt supply chains and affect production across a range of industries. The Authority's management is continually evaluating the impact of COVID-19 on the operational and financial performance of the Authority, particularly with certain developments that include the duration and spread of the outbreak, the impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

2. CONCENTRATIONS

Credit Risk – Accounts Receivable:

As noted previously, the Authority collects fees from residents of various municipalities. Accounts receivable related to these fees are uncollateralized although the Authority can have liens applied against the property of residents who are delinquent in paying the fees.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

A summary of cash and cash equivalents is as follows:

	7/31/2020	12/31/2019	7/31/2019	12/31/2018
	Proprietary	Pension	Proprietary	Pension
	<u>Fund</u>	<u>Trust</u>	<u>Fund</u>	<u>Trust</u>
Operating Checking Accounts	\$ 3,144,312	\$ -	\$ 1,082,202	\$ -
Pennsylvania Treasury's INVEST				
Program for Local Governments	3,848,518	-	3,653,153	-
Money Market Accounts	4,987,436	133,254	4,930,119	139,906
Petty Cash and Cash on Hand	500	-	500	-
	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
 TOTAL CASH AND CASH				
EQUIVALENTS	<u>\$ 11,980,766</u>	<u>\$ 133,254</u>	<u>\$ 9,665,974</u>	<u>\$ 139,906</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

These amounts have been reported in the financial statements as follows:

	7/31/2020 Proprietary Fund	12/31/2019 Pension Trust	7/31/2019 Proprietary Fund	12/31/2018 Pension Trust
Current Assets:				
Cash and Cash Equivalents	\$ 10,252,836	\$ 133,254	\$ 7,866,173	\$ 139,906
Restricted Assets:				
Cash and Cash Equivalents	<u>1,724,520</u>	<u>-</u>	<u>1,799,801</u>	<u>-</u>
TOTAL	<u>\$ 11,977,356</u>	<u>\$ 133,254</u>	<u>\$ 9,665,974</u>	<u>\$ 139,906</u>

Custodial Credit Risk – Bank Deposits – July 31, 2020

Custodial credit risk is the risk that in the event of a bank failure, the Authority's bank deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of July 31, 2020, \$11,882,076 of the Authority's proprietary fund bank balance of \$12,132,076 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Authority's name in accordance with Pennsylvania Act 72 of 1971

\$ 11,882,076

Custodial Credit Risk – Bank Deposits – July 31, 2019

Custodial credit risk is the risk that in the event of a bank failure, the Authority's bank deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of July 31, 2019, \$9,520,699 of the Authority's proprietary fund bank balance of \$9,770,699 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Authority's name in accordance with Pennsylvania Act 72 of 1971

\$ 9,520,699

Restricted Assets – Trustee Accounts – Sewer Revenue Bonds

Certain proceeds of the Authority's Sewer Revenue Bonds, and certain resources set aside for their repayment, are classified as Restricted Assets on the Statement of Net Position because they are maintained in separate bank accounts by a trustee, and their use is limited by applicable bond covenants. The "Clearing Fund" account is used to report resources set aside to pay or reimburse the Authority for certain administrative and operating expenses. The "Construction Fund" account is used to report resources set aside to pay costs of acquisition or construction relating to capital projects financed by the bonds. The "Debt Service Fund" account is used to report resources set aside to pay scheduled interest and principal due on the bonds. The "Debt Service Reserve Fund" account is used to report resources set aside to make up potential future deficiencies in the "Debt Service Fund" account. The "Bond Redemption and Improvement Fund" account is used to report resources set aside to meet unexpected contingencies or to pay extraordinary repairs and completion of project costs.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Pennsylvania Treasury's INVEST Program for Local Governments:

The Authority has an account with the Pennsylvania Treasury's INVEST Program for Local Governments ("INVEST"), an external investment pool. Although not registered with the Securities and Exchange Commission, the program permits the Pennsylvania State Treasurer to service as an investment manager and invest the funds of the Authority with the objective of safety of principal, liquidity, and high yield consistent with sound investment strategy. The Authority is permitted to purchase and redeem shares at \$1.00 per share; they in turn are pooled with other local government shares to acquire and sell certain investment securities. Dividends are paid monthly.

Since INVEST is not a bank, the related deposits are not insured by FDIC and are not collateralized on an individual or pooled basis under PA Act 72 or 1971.

The Fund is subject to an annual audit. A copy of the audit and more information concerning the program can be obtained from:

Treasury Department
Commonwealth of Pennsylvania
Invest Program
Room 123
Finance Building
Harrisburg, PA 17120
(866) 300-4603

Investments

To the extent available, investments are recorded at fair value based on quoted market prices in active markets at the date of valuation. Additional information regarding the fair value measurement of investments is disclosed in Note 4. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

	December 31, 2019		December 31, 2018	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Pension Trust Fund:				
Common Stocks	\$ 816,184	\$ 1,089,348	\$ 820,808	\$ 846,354
Exchange Traded Funds and Closed-End Funds	257,043	264,062	570,060	518,991
Mutual Funds	860,814	874,273	124,931	119,473
Corporate Bonds	78,400	80,417	93,572	92,952
U.S. Government Securities	104,811	107,743	120,074	119,398
TOTAL PENSION TRUST FUND	\$ 2,117,252	\$ 2,415,843	\$ 1,729,445	\$ 1,697,168

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Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended July 31, 2019, the Authority's proprietary fund realized a net gain of \$8,981, from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation or depreciation in the fair value of investments held at year-end. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year includes the net appreciation (depreciation) of these investments reported in the prior year.

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practices.

The deposits and investments of the Pension Trust Fund are administered by trustees and are held separately from those of other Authority funds. The investments are captioned as "Investments" in the Statement of Fiduciary Net Position – Pension Trust Fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of July 31, 2020 the Authority's investment balances exposed to interest rate risk was as follows:

Investment Type	<u>Investment Maturities (in Years)</u>				
	Market Value	Less Than 1	1 - 5	6 - 10	More Than 10
Pension Trust Fund:					
U.S. Government Securities	107,743	24,081	68,386	15,276	-
Corporate Bonds	80,417	29,271	51,146	-	-
Total	188,160	53,352	119,532	15,276	-

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt investment is measured by Nationally Recognized Statistical Rating Agencies (NRSRA) such as Moody's Investors Services (Moody's). The Authority does not have a formal investment policy that addresses credit risk.

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A summary of the credit risk of the fixed income investments (other than US Government and US government guaranteed) are as follows:

Pension Trust Fund - December 31, 2019

<u>Rating</u>	<u>Amount</u>
Moody's AAA	\$ 9,132
Moody's AA1	5,030
Moody's AA2	4,035
Moody's AA3	5,026
Moody's A1	31,395
Moody's A2	15,277
Moody's A3	15,504
Investments Exempt from Rating	<u>2,330,444</u>
Total Pension Trust Fund Investments	<u>\$ 2,415,843</u>

Custodial Credit Risk of Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, that Authority will not be able to recover that value of investment or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that addresses custodial credit risk. However, the Authority held no investments that were exposed to custodial credit risk at July 31, 2020.

Investments in external investment pools or in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are not exposed to custodial credit risk because they are held by the buyer-lender. The term securities as used in this paragraph includes securities underlying repurchase agreements and investment securities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Authority does not have a formal investment policy that addresses concentration of credit risk.

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The following table summarizes the percentage of each investment type held by the Authority:

Pension Trust Fund - December 31, 2019		
	Amount	% of Total
U.S. Government Securities:		
U.S. Treasury Notes	\$ 102,762	4.25%
FNMA	4,981	0.21%
Total U.S. Government Securities	107,743	4.46%
Exchange Traded Funds and Closed-End Funds	264,062	10.93%
Mutual Funds	874,273	36.19%
Stocks	1,089,348	49.86%
Corporate Bonds	80,417	3.33%
TOTAL PENSION FUND INVESTMENTS	\$ 2,415,843	100.00%

Obligations of or guaranteed by the U.S. Government do not require disclosure of concentration of credit risk.

Investments in any one issuer (other than U.S. Government Securities) that represent 5% or more of total Pension Fund investments are as follows:

Pension Trust Fund			
Oakmark International Fund	Mutual Fund	\$ 236,062	9.77%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that addresses foreign currency risk, however, the Authority held no investments that were exposed to foreign currency risk as of July 31, 2020.

GREATER HAZLETON JOINT SEWER AUTHORITY
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4. FAIR VALUE MEASUREMENTS

To the extent available, the Authority's investments are recorded at fair value at July 31, 2020. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest, and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1- Investments whose values are based on quoted prices (unadjusted for identical assets in active markets that a government can access at the measurement date.

Level 2-Investments with inputs-other than quoted prices included in Level 1-that are observable for an asset, either directly or indirectly.

Level 3-Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

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The following table summarizes the Authority's investments within the fair value hierarchy as of July 31, 2020:

Pension Trust Fund - December 31, 2019

	Value	Level 1	Level 2	Level 3
Investment by Fair Value Level				
Debt Securities:				
U.S. Government Securities:				
U.S. Treasury Notes	102,762	102,762	-	-
U.S. Agency - FNMA	4,981	4,981	-	-
Corporate Bonds	80,417	80,417	-	-
Total Debt Securities	188,160	188,160	-	-
Other Securities:				
Exchange Traded Funds and				
Closed End Funds	264,062	264,062	-	-
Mutual Funds	874,273	874,273	-	-
Corporate Stocks	1,089,348	1,089,348	-	-
Total Investments by Fair Value Level	2,415,843	2,415,843	-	-

The following table summarizes the Authority's investments within the fair value hierarchy as of July 31, 2019:

Pension Trust Fund - December 31, 2018

	Value	Level 1	Level 2	Level 3
Investment by Fair Value Level				
Debt Securities:				
U.S. Government Securities:				
U.S. Treasury Notes	111,558	111,558	-	-
U.S. Agency - FNMA	2,990	2,990	-	-
U.S. Agency - FHLMC	4,850	4,850	-	-
Corporate Bonds	92,952	92,952	-	-
Total Debt Securities	212,350	212,350	-	-
Other Securities:				
Exchange Traded Funds and				
Closed End Funds	119,473	119,473	-	-
Mutual Funds	518,991	518,991	-	-
Corporate Stocks	846,354	846,354	-	-
Total Investments by Fair Value Level	1,697,168	1,697,168	-	-

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5. RESTRICTED ASSETS – TRUSTEE ACCOUNTS – SEWER REVENUE BONDS

A summary of restricted assets at July 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Series of 2012A:		
Clearing Fund	\$ 229	\$ 9,551
Bond Redemption and Improvement Fund Account	326,369	322,579
Debt Service Reserve Fund Account	<u>16,725</u>	<u>703,695</u>
Total Series of 2012A	<u>343,323</u>	<u>1,035,825</u>
Series of 2012B:		
Clearing Fund	239	15,980
Bond Redemption and Improvement Fund Account	3,789	3,745
Debt Service Fund Account	18,363	4
Debt Service Reserve Fund Account	<u>344</u>	<u>743,560</u>
Total Series of 2012B	<u>22,735</u>	<u>763,289</u>
Series of 2018:		
Construction Fund	-	618
Debt Service Fund	<u>719</u>	<u>70</u>
Total Series of 2018	<u>719</u>	<u>688</u>
Series of 2020:		
Debt Service Fund Account	6,557	-
Debt Service Reserve Fund Account	<u>1,354,596</u>	<u>-</u>
Total Series of 2020	<u>1,361,153</u>	<u>-</u>
Total Series of 2012A, 2012B, 2018, and 2020	<u>\$ 1,727,930</u>	<u>\$ 1,799,802</u>
Restricted Assets:		
Cash and Cash Equivalents	\$ 1,727,930	\$ 1,799,801
Investments	<u>-</u>	<u>140,000</u>
Total Restricted Assets	<u>\$ 1,727,930</u>	<u>\$ 1,939,801</u>

6. PREPAID EXPENSES

A summary of prepaid expenses at July 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Prepaid Insurance	93,776	\$ 87,542
Prepaid Legal Expense	<u>4,800</u>	<u>4,800</u>
TOTAL PREPAID EXPENSES	<u>\$ 98,576</u>	<u>\$ 92,342</u>

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7. CAPITAL ASSETS

Capital assets activity consists of the following for the years ended July 31, 2020 and 2019:

	August 1, 2019 Beginning Balance	Increases	Decreases	July 31, 2020 Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$ 208,165	\$ -	\$ -	\$ 208,165
Construction in Progress	25,825,428	6,101,137	31,143,117	783,448
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>26,033,593</u>	<u>6,101,137</u>	<u>31,143,117</u>	<u>991,613</u>
CAPITAL ASSETS BEING DEPRECIATED:				
Sewer Treatment Plant, Pumps and Transmission Mains	72,121,301	31,143,117	-	103,264,418
Storage Buildings	98,232	-	-	98,232
Vehicles	866,282	451,644	353,580	964,346
Collection Systems	1,256,887	-	-	1,256,887
Equipment	1,263,642	33,280	-	1,296,922
Office Equipment	186,474	18,810	-	205,284
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>75,792,818</u>	<u>31,646,851</u>	<u>353,580</u>	<u>107,086,089</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Sewer Treatment Plant, Pumps, and Transmission Mains	23,330,135	1,980,784	-	25,310,919
Storage Buildings	98,232	-	-	98,232
Vehicles	838,827	99,812	353,580	585,059
Collection Systems	153,793	25,138	-	178,931
Equipment	851,910	99,970	-	951,880
Office Equipment	164,447	14,089	-	178,536
TOTAL ACCUMULATED DEPRECIATION	<u>25,437,344</u>	<u>2,219,793</u>	<u>353,580</u>	<u>27,303,557</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>50,355,474</u>	<u>29,427,058</u>	<u>-</u>	<u>79,782,532</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 76,389,067</u>	<u>\$ 35,528,195</u>	<u>\$ 31,143,117</u>	<u>\$ 80,774,145</u>

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	August 1, 2018 Beginning Balance	Increases	Decreases	July 31, 2019 Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$ 208,165	\$ -	\$ -	\$ 208,165
Construction in Progress	21,009,158	8,340,087	3,523,817	25,825,428
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	21,217,323	8,340,087	3,523,817	26,033,593
CAPITAL ASSETS BEING DEPRECIATED:				
Sewer Treatment Plant, Pumps and Transmission Mains	68,597,484	3,523,817	-	72,121,301
Storage Buildings	98,232	-	-	98,232
Vehicles	866,282	-	-	866,282
Collection Systems	1,256,887	-	-	1,256,887
Equipment	1,241,885	21,757	-	1,263,642
Office Equipment	175,874	10,600	-	186,474
TOTAL CAPITAL ASSETS BEING DEPRECIATED	72,236,644	3,556,174	-	75,792,818
LESS ACCUMULATED DEPRECIATION FOR:				
Sewer Treatment Plant, Pumps, and Transmission Mains	21,567,420	1,762,715	-	23,330,135
Storage Buildings	98,232	-	-	98,232
Vehicles	821,816	17,011	-	838,827
Collection Systems	128,655	25,138	-	153,793
Equipment	743,871	108,039	-	851,910
Office Equipment	147,010	17,437	-	164,447
TOTAL ACCUMULATED DEPRECIATION	23,507,004	1,930,340	-	25,437,344
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	48,729,640	1,625,834	-	50,355,474
TOTAL CAPITAL ASSETS, NET	\$ 69,946,963	\$ 9,965,921	\$ 3,523,817	\$ 76,389,067

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8. ACCRUED PAYROLL AND COMPENSATED ABSENCES

A summary of accrued payroll and compensated absences at July 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Accrued Payroll	\$ 25,788	\$ 17,127
Accrued Compensated Absences	<u>218,159</u>	<u>189,048</u>
Total Accrued Payroll and Compensated Absences	<u>\$ 243,947</u>	<u>\$ 206,175</u>

These amounts have been reported in the financial statement as follows:

	<u>2020</u>	<u>2019</u>
Current Liabilities - Accrued Payroll and Compensated Absences	\$ 127,159	\$ 112,896
Long-Term Portion Noncurrent Liabilities - Compensated Absences	<u>116,788</u>	<u>93,279</u>
Total Accrued Payroll and Compensated Absences	<u>\$ 243,947</u>	<u>\$ 206,175</u>

Employees of the Authority are entitled to paid vacation, personal, and sick days depending on length of service, job classification and other factors. Vacation and personal days not used at the end of the calendar year can be carried forward.

A summary of the Authority's changes in its compensated absences for the years ended July 31, 2020 and 2019 is as follows:

	August 1, 2019 Beginning <u>Balance</u>	Net <u>Additions</u>	Net <u>Reductions</u>	July 31, 2020 Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Compensated Absences	<u>\$ 189,048</u>	<u>\$ 29,111</u>	<u>\$ -</u>	<u>\$ 218,159</u>	<u>\$ 116,788</u>

	August 1, 2018 Beginning <u>Balance</u>	Net <u>Additions</u>	Net <u>Reductions</u>	July 31, 2019 Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Compensated Absences	<u>\$ 193,658</u>	<u>\$ -</u>	<u>\$ 4,610</u>	<u>\$ 189,048</u>	<u>\$ 95,769</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
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9. LONG TERM DEBT

A. Sewer Revenue Bonds, Series of 2012A

On May 15, 2012 the Authority issues its sewer revenue bonds, series of 2012A (the "2012A Bonds"), in the principal amount of \$9,400,000. The net proceeds of these bonds were used to current refund the Authority's Sewer Revenue Bonds, Series of 2007.

The sources and uses of the funds relating to the issuance of the bonds, exclusive of accrued interest, were as follows:

Source of Funds:

Par Amount of Series 2012A Bonds	\$ 9,400,000
Reoffering Premium	169,724
Total Proceeds	9,569,724
Interest Earnings	647
Net Residual Balances - Series of 2008 Restricted Funds	184,910
TOTAL SOURCES OF FUNDS	\$ 9,755,281

Uses of Funds:

Current Refund Series 2007 Bonds:

Principal	\$ 9,190,000
Interest Due May 15, 2012	369,820
Total Series of 2007 Bonds	9,559,820

Series of 2012A Bonds:

Gross Bond Insurance Premium	72,769
Underwriter's Discount	65,800
Costs of Issuance	56,892

TOTAL USES OF FUNDS	\$ 9,755,281
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The bonds were issued as fully registered bonds in denominations of \$5,000 and multiple intervals thereof. The 2012A bonds were dated May 15, 2012 and accrue interest from that date thereof until maturity or, if redeemable and called for redemption, until the redemption date.

The bonds were issued by the Authority on a parity basis pursuant to and secured by a pledge of, lien upon, and security interest created from the Authority, as debtor, under the bond indenture to the bond trustee, as secured party, in and to all receipts and revenues from the sewage disposal system, as such phrase is defined and applied under the bond indenture. In addition, the bonds are secured by moneys held in the funds created under the indenture, including the debt service reserve fund.

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As noted previously, the Sewer Revenue Bonds, Series of 2012A, with an average interest rate of 3.491977%, were issued to current refund the Authority's Sewer Revenue Bonds, Series of 2007, with an average interest rate of 4.1061535%. Although no gain or loss resulted from the current refunding the Authority reduced its aggregate debt service payments by almost \$456,288 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$444,386.

As noted subsequently, the Authority issued its Sewer Revenue Bonds, Series of 2020 to current refund the Authority's Sewer Revenue Bonds, Series of 2012A and Series of 2012B.

Redemption Provisions

The 2012A Bonds were subject to optional and mandatory redemption as follows:

Optional Redemption:

The 2012A Bonds maturing on and after May 15, 2021, were subject to redemption prior to maturity at the option of the Authority, in whole or, from time to time, in part and, if in part of such maturity or maturities, as selected by the Authority for redemption, in Authorized Denominations, on May 15, 2020, or on any date thereafter. In the event that less than all 2012A Bonds of any particular maturity were to be redeemed, the 2012A Bonds of such maturity to be redeemed were to be chosen by lot by the Trustee. Any such redemption would be at a redemption price of 100% of the principal amount of such 2012A Bonds to be redeemed plus accrued but unpaid interest to the date fixed for redemption.

Mandatory Redemption:

The 2012A Bonds maturing on May 15, 2026, May 15, 2029 and May 15, 2032 were subject to mandatory redemption prior to their stated maturity dates, in part, by lot or by any other method deemed fair and appropriate by the Paying Agent upon payment of a redemption price equal to the principal amount thereof, together with accrued interest thereon to the redemption date. The Authority would direct the Trustee to redeem the following principal amount of 2012A Bonds on May 15 of the following years:

The 2012A Bonds Stated to Mature on May 15, 2026		The 2012A Bonds Stated to Mature on May 15, 2029		The 2012A Bonds Stated to Mature on May 15, 2032	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2024	\$ 485,000	2027	\$ 530,000	2030	\$ 590,000
2025	500,000	2028	555,000	2031	615,000
2026	515,000 *	2029	570,000 *	2032	635,000 *

*At Maturity

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The stated interest rates, maturities, and yield on the 2012A Bonds, prior to be refunding, were as follows:

<u>Principal Amount</u>		<u>Interest Rate</u>	<u>Maturity</u>	<u>Yield</u>
\$ 415,000		4.000%	5/15/2020	2.55%
430,000		4.000%	5/15/2021	2.65%
450,000		4.000%	5/15/2022	2.75%
465,000		4.000%	5/15/2023	2.80%
1,500,000	Term Bonds	3.250%	5/15/2024 - 5/15/2026	3.40%
1,655,000	Term Bonds	3.500%	5/15/2027 - 5/15/2029	3.65%
<u>1,840,000</u>	Term Bonds	3.625%	5/15/2030 - 5/15/2032	3.81%
<u>\$ 6,755,000</u>				

Prior to the refunding, the following table sets forth, for each respective year ending July 31, the amount required to be made available in such year for the payment on principal (including mandatory redemption) and interest on the 2012A Bonds:

<u>Fiscal Year Ending July 31,</u>	<u>Principal Amount</u>	<u>Total Interest</u>
2020	\$ 415,000	\$ 243,776
2021	430,000	227,176
2022	450,000	209,975
2023	465,000	191,975
2024	485,000	173,374
2025 - 2029	2,670,000	616,326
2030 - 2032	<u>1,840,000</u>	<u>135,030</u>
	<u>\$ 6,755,000</u>	<u>\$ 1,797,632</u>

B. Sewer Revenue Bonds, Series of 2012B

On May 15, 2012 the Authority issued its Sewer Revenue Bonds, Series of 2012B (the 2012B Bonds"), in the principal amount of \$10,345,000. The net proceeds of these bonds were used to advance refund the Authority's Sewer Revenue Bonds, Series of 2008.

The bonds were issued by the Authority on a parity basis pursuant to and secured by a pledge of, lien upon, and security interest created from the Authority, as debtor, under the bond indenture to the bond trustee, as secured party, in and to all receipts and revenues from the sewage disposal system, as such phrase is defined and applied under the bond indenture. In addition, the bonds are secured by moneys held in the funds created under the indenture, including the debt service reserve fund.

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The Sources and uses of the funds relating to the issuance of the bonds, exclusive of accrued interest, were as follows:

Source of Funds:

Par Amount of Series 2012B Bonds	\$ 10,345,000
Reoffering Premium	<u>144,298</u>

TOTAL SOURCES OF FUNDS	\$ <u>10,489,298</u>
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Uses of Funds:

Current Refund Series 2008 Bonds - Deposit to Escrow Fund	\$ 10,272,570
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Series of 2012B Bonds:

Gross Bond Insurance Premium	81,253
Underwriter's Discount	72,415
Costs of Issuance	<u>63,060</u>

TOTAL USES OF FUNDS	\$ <u>10,489,298</u>
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The bonds were issued as fully registered bonds in denominations of \$5,000 and multiple intervals thereof. The 2012B Bonds were dated May 15, 2012 and accrue interest from that date thereof until maturity or, if redeemable and called for redemption, until the redemption date.

As noted previously, the Sewer Revenue Bonds, Series of 2012B, with an average interest rate of 3.53%, were issued to advance refund the Authority's Sewer Revenue Bonds, Series of 2008, with an average interest rate of 4.66%. Although no gain or loss resulted from the advance refunding the Authority in effect reduced its aggregate debt service payments by almost \$316,312 over the next 21 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$306,609.

As noted subsequently, the Authority issued its Sewer Revenue Bonds, Series of 2020 to current refund the Authority's Sewer Revenue Bonds, Series of 2012A and Series of 2012B.

Redemption Provisions

The 2012B Bonds were subject to optional and mandatory redemption as follows:

Optional Redemption:

The 2012B Bonds maturing on and after May 15, 2021, were subject to redemption prior to maturity at the option of the Authority, in whole or, from time to time, in part and, if in part of such maturity or maturities, as selected by the Authority for redemption, in Authorized Denominations, on May 15, 2020, or on any date thereafter. In the event that less than all 2012B Bonds of any particular maturity were to be redeemed, the 2012B Bonds of such maturity to be redeemed were to be chosen by lot by the Trustee. Any such redemption would be at a redemption price of 100% of the principal amount of such 2012B Bonds to be redeemed plus accrued but unpaid interest to the date fixed for redemption.

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Mandatory Redemption:

The 2012B Bonds maturing on May 15, 2026, May 15, 2029 and May 15, 2033 were subject to mandatory redemption prior to their stated maturity dates, in part, by lot or by any other method deemed fair and appropriate by the Paying Agent upon payment of a redemption price equal to the principal amount thereof, together with accrued interest thereon to the redemption date. The Authority would direct the Trustee to redeem the following principal amount of 2012B Bonds on May 15 of the following years:

<u>The 2012B Bonds Stated to Mature on May 15, 2026</u>		<u>The 2012B Bonds Stated to Mature on May 15, 2029</u>		<u>The 2012B Bonds Stated to Mature on May 15, 2033</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2024	\$ 485,000	2027	\$ 540,000	2030	\$ 600,000
2025	510,000	2028	560,000	2031	620,000
2026	525,000 *	2029	580,000 *	2032	640,000
				2033	670,000 *

*At Maturity

The stated interest rates, maturities, and yield on the 2012B Bonds, prior to refunding, were as follows:

<u>Principal Amount</u>		<u>Interest Rate</u>	<u>Maturity</u>	<u>Yield</u>
\$ 425,000		4.000%	5/15/2020	2.55%
440,000		4.000%	5/15/2021	2.65%
455,000		4.000%	5/15/2022	2.75%
475,000		2.875%	5/15/2023	3.00%
1,520,000	Term Bonds	3.400%	5/15/2024 - 5/15/2026	3.40%
1,680,000	Term Bonds	3.650%	5/15/2027 - 5/15/2029	3.65%
2,530,000	Term Bonds	3.910%	5/15/2030 - 5/15/2033	3.91%
<u>\$ 7,525,000</u>				

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Prior to refunding, the following table sets forth, for each respective year ending July 31, the amount required to be made available in such year for the payment on principal (including mandatory redemption) and interest on the 2012B Bonds.

Fiscal Year Ending <u>July 31,</u>	Principal <u>Amount</u>	Total <u>Interest</u>
2020	\$ 425,000	\$ 269,530
2021	440,000	252,532
2022	455,000	234,930
2023	475,000	216,732
2024	485,000	203,074
2025 - 2029	2,715,000	761,674
2030 - 2033	<u>2,530,000</u>	<u>241,504</u>
	<u>\$ 7,525,000</u>	<u>\$ 2,179,976</u>

C. PennVest Loan #27769

The Authority has a promissory note with PennVest in the total principal amount of \$33,600,000, the proceeds of which are being used to partially fund wastewater treatment plant improvements currently being constructed at the plant. Interest only at the rate of 1.274%, was being charged on the outstanding loan balance until May 1, 2012 at which time repayment of principal and interest commenced.

The loan provides for interest at 1.274% for the first five years and 2.547% for the subsequent fifteen years. Accordingly, based on the total principal amount of \$33,600,000 monthly payments are \$158,667 for the first five years and \$172,691 for the subsequent fifteen years.

The following table sets forth, for each respective year of the loan, the estimated amount required to be made available in such year for the payment of principal and interest on the loan:

Fiscal Year Ending <u>July 31,</u>	Maturing <u>Principal</u>	Total <u>Interest</u>
2021	\$ 1,554,728	\$ 517,383
2022	1,594,793	477,318
2023	1,635,889	436,222
2024	1,678,045	394,066
2025	1,721,288	350,823
2026 - 2030	9,295,095	1,065,460
2031 - 2032	<u>3,542,892</u>	<u>83,300</u>
	<u>\$ 21,022,730</u>	<u>\$ 3,324,572</u>

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D. PennVest Loan #58103

Consistent with the Authority's previous collection system acquisition, the Authority assumed the PennVest Loan #58103 in the principal amount of \$543,284. The note provided for interest at 1.27% through July 1, 2014 and 2.54% for the remaining period with monthly payments of \$3,128 through July 1, 2029.

The following table sets forth, for each respective year of the loan, the estimated amount required to be made available in such year for the payment of principal and interest on the loan:

Fiscal Year Ending July 31,	Maturing Principal	Total Interest
2021	\$ 33,113	\$ 8,011
2022	33,964	7,160
2023	34,837	6,287
2024	35,732	5,392
2025	36,650	4,474
2026 - 2029	<u>156,326</u>	<u>8,231</u>
	<u>\$ 330,622</u>	<u>\$ 39,555</u>

E. Sewer Revenue Bond, Series of 2018

On March 1, 2018 the Authority issued its Sewer Revenue Bond, Series of 2018 (the "2018 Bond"), in the principal amount of \$2,895,000. The net proceeds of this bond was for permanent financing, in part, for certain capital additions more commonly known as the "Incinerator Project".

The sources and users of the funds relative to the issuance of the bond, exclusive of accrued interest, was as follows:

Source of Funds:

Par Amount of Series 2018 Bond	\$ 2,895,000
TOTAL SOURCES OF FUNDS	<u>\$ 2,895,000</u>

Uses of Funds:

Deposit to Construction Fund	\$ 2,832,804
Costs of Issuance	<u>62,196</u>
TOTAL USES OF FUNDS	<u>\$ 2,895,000</u>

The 2018 Bond was dated March 1, 2018 and accrues interest from that date thereof until maturity or, if redeemable and called for redemption, until the redemption date.

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Redemption Provisions

The 2018 Bond is subject to optional redemption as follows:

Optional Redemptions:

The 2018 Bond is subject to a one-time redemption prior to maturity, at the option of the Authority, upon payment of that specific principal amount so determined for redemption by the Authority not to exceed \$1,447,500, such principal amount to be redeemed together with accrued interest thereon to the regular payment date determined by the Authority for redemption and without any premium or penalty. After such one-time partial prepayment, the remaining principal balance shall be re-amortized, in order to achieve equal monthly installments, through maturity. Other than the one-time partial redemption, the remaining principal balance shall not be subject to redemption prior to March 1, 2023. On March 1, 2023 or on any scheduled payment date thereafter, the 2018 Bond may be redeemed, in whole, but not in part, upon payment of the outstanding principal amount of this bond together with accrued interest thereon to the regular payment date determined by the Authority for redemption and without any premium or penalty.

Amount

The 2018 Bond bears interest at a fixed rate of 3.73%.

The following table sets forth, for each respective year ending July 31, the amount required to be made available in such year for the repayment of principal and interest on the 2018 Bond.

Fiscal Year Ending <u>July 31,</u>	Principal <u>Amount</u>	Total <u>Interest</u>
2021	\$ 115,733	\$ 104,615
2022	120,124	100,224
2023	124,682	95,666
2024	129,413	90,935
2025	134,324	86,024
2026 - 2030	752,051	349,689
2031 - 2035	905,977	195,763
2036 - 2038	575,066	30,881
	<u>\$ 2,857,370</u>	<u>\$ 1,053,797</u>

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F. PennVest Loan #27906

On May 1, 2018 the Authority issued a promissory note with PennVest in the total principal amount of \$2,425,000, the proceeds of which are being used to partially fund the Authority's incinerator installation, ash handling system, and sludge dewatering projects. Interest only at the rate of 1% was being charged on the outstanding principal balance until July 2020 at which time repayment of principal and interest will commence. The balance for the loan at July 31, 2020 was \$2,019,351 with an interest rate at 1.0% for twenty years.

Fiscal Year Ending <u>July 31,</u>	<u>Maturing Principal</u>	<u>Total Interest</u>
2021	\$ 114,158	\$ 19,671
2022	115,305	18,524
2023	116,463	17,366
2024	117,633	16,196
2025	118,815	15,014
2026 - 2030	612,221	56,924
2031 - 2035	643,596	25,549
2036 - 2037	181,160	1,315
	<u>\$ 2,019,351</u>	<u>\$ 170,559</u>

As the incinerator installation project was not fully completed at the end of 7/31/20, the Authority is expecting to incur additional expenses relating to the project in the 7/31/21 fiscal year. With that, the Authority will have further borrowings against the loan.

G. Sewer Revenue Bonds, Series of 2020

On May 15, 2020 the Authority issued its sewer revenue bonds, Series of 2020 (the "2020 Bonds"), in the principal amount of \$12,135,000. The net proceeds of these bonds were used to current refund the Authority's Sewer Revenue Bonds, Series of 2012.

SOURCES

Purchase Price for the Bonds

Par Amount	\$ 12,135,000	
Plus Net Original Issue Premium (OIP)	1,420,885	
Less Underwriter's Discount	<u>(60,675)</u>	13,495,210

Funds Under the Indenture

Existing Clearing Fund	1,097,442	
Existing Debt Service Reserve Fund	<u>1,463,240</u>	<u>2,560,682</u>

TOTAL SOURCES	<u>\$ 16,055,892</u>	
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GREATER HAZLETON JOINT SEWER AUTHORITY
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USES

Deposit to Debt Service Fund

(1) Bond Proceeds	\$ 13,330,271	
(2) Existing Clearing Fund	1,097,442	
(3) Existing Debt Service Reserve Fund	<u>108,940</u>	14,536,653
Deposit to Debt Service Reserve Fund		1,354,300
Municipal Bond Insurance Policy Premium		34,017
Costs of Issuance		124,367
Balance Deposited into the Debt Service Fund		<u>6,555</u>
 TOTAL USES		 <u>\$ 16,055,892</u>

The bonds were issued as fully registered bonds in denominations of \$5,000 and multiple intervals thereof. The 2020 bonds were dated May 15, 2020 and accrue interest from that date thereof until maturity or, if redeemable and called for redemption, until the redemption date.

The Bonds are issued by the Authority on a parity basis pursuant to and secured by the Indenture. The Bonds are secured by a pledge of, lien upon, and security interest created from the Authority, as debtor, under the Indenture to the Trustee, as secured party, in and to all Receipts and Revenues from the Sewer System, as such phrase is defined and applied under the Indenture. In addition, the Bonds are secured by moneys held in the funds created under the Indenture, including the Debt Service Reserve Fund.

As noted previously, the Sewer Revenue Bonds, Series of 2020, with an interest rate ranging from 2.0% to 4.0%, was issued to current refund the Authority's Sewer Revenue Bonds, Series of 2012A and Series of 2012B, with average interest rates 2.875% to 4.0%. Although no gain or loss resulted from the current refunding the Authority reduced its aggregate debt service payments by approximately \$1,614,000 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,570,000.

Redemption Provisions

The 2020 Bonds are subject to optional redemption as follows:

Optional Redemption

The Bonds stated to mature on and after May 15, 2029, are subject to redemption prior to maturity, at the option of the Authority, as a whole on May 15, 2028, or on any date thereafter, upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption. In the event that less than all Bonds of any particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Trustee. Any such redemption shall be upon payment of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption.

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If less than all Bonds of any particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Trustee or DTC, as applicable.

In the event any Bonds are in a denomination greater than \$5,000, a portion of such Bonds may be redeemed, but portions of Bonds shall be redeemed only in the principal amount of \$5,000 or any whole multiple thereof. For purposes of redemption, a Bond shall be treated as representing that number of Bonds that is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for a Bond or Bonds of authorized denomination in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

The stated interest rates, maturities, and yield on the 2020 Bonds are as follows:

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
\$ 255,000	4.000%	5/15/2022
935,000	4.000%	5/15/2023
970,000	4.000%	5/15/2024
1,020,000	4.000%	5/15/2025
1,050,000	4.000%	5/15/2026
3,420,000	4.000%	5/15/2028 - 5/15/2029
2,500,000	3.000%	5/15/2030 - 5/15/2031
<u>1,985,000</u>	2.000%	5/15/2032 - 5/15/2033
<u>\$ 12,135,000</u>		

The following table sets forth, for each respective year ending July 31, the amount required to be made available in such year for the payment on principal (including mandatory redemption) and interest on the 2020 Bonds.

<u>Fiscal Year Ending July 31,</u>	<u>Principal Amount</u>	<u>Total Interest</u>
2021	\$ -	\$ 488,479
2022	255,000	420,700
2023	935,000	410,500
2024	970,000	373,100
2025	1,020,000	334,300
2026 - 2030	5,700,000	1,029,700
2031 - 2033	<u>3,255,000</u>	<u>131,100</u>
	<u>\$ 12,135,000</u>	<u>\$ 3,187,879</u>

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H. Total Estimated Annual Debt Service Requirements

A summary of the total estimated future debt service requirements is as follows:

<u>Fiscal Year Ending July 31,</u>	<u>Maturing Principal</u>	<u>Total Interest</u>
2021	\$ 1,817,732	\$ 1,138,159
2022	2,119,186	1,023,926
2023	2,846,871	966,041
2024	2,930,823	879,689
2025	3,031,077	790,635
2026 - 2030	16,515,693	2,510,004
2031 - 2035	8,347,465	435,712
2036 - 2038	<u>756,226</u>	<u>32,196</u>
	<u>\$ 38,365,073</u>	<u>\$ 7,776,362</u>

I. Bond and Loan Balance Activity

Bond and loan balance activity for the years ended July 31, 2020 and 2019 was as follows:

	<u>August 1, 2019 Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>July 31, 2020 Ending Balance</u>	<u>Amounts Due Within One Year</u>
Loan Payable:					
Sewer Revenue Bonds - Series of 2012A	\$ 6,755,000	\$ -	\$ 6,755,000	\$ -	\$ -
Sewer Revenue Bonds - Series of 2012B	7,525,000	-	7,525,000	-	-
Sewer Revenue Bonds- Series of 2018	2,895,000	-	37,630	2,857,370	115,733
PennVest Loan #58103	362,781	-	32,159	330,622	33,113
PennVest Loan #27769	22,538,400		1,515,670	21,022,730	1,554,728
PennVest Loan #27906	732,830	1,286,521	-	2,019,351	114,158
Sewer Revenue Bonds - Series of 2020	-	12,135,000	-	12,135,000	-
TOTAL	<u>\$ 40,809,011</u>	<u>\$ 13,421,521</u>	<u>\$ 15,865,459</u>	<u>\$ 38,365,073</u>	<u>\$ 1,817,732</u>

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	August 1, 2018 Beginning Balance	Additions	Reductions	July 31, 2019 Ending Balance	Amounts Due Within One Year
Loan Payable:					
Sewer Revenue Bonds - Series of 2012A	\$ 7,160,000	\$ -	\$ 405,000	\$ 6,755,000	\$ 415,000
Sewer Revenue Bonds - Series of 2012B	7,930,000	-	405,000	7,525,000	425,000
Sewer Revenue Bonds - Series of 2018	2,895,000	-	-	2,895,000	47,110
PennVest Loan #58103	394,256	-	31,475	362,781	32,383
PennVest Loan #27769	24,015,993	-	1,477,593	22,538,400	1,515,670
PennVest Loan #27906	-	732,830	-	732,830	-
TOTAL	\$ 42,395,249	\$ 732,830	\$ 2,319,068	\$ 40,809,011	\$ 2,435,163

GREATER HAZLETON JOINT SEWER AUTHORITY
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J. Net Long-Term Debt

	2020	2019
Sewer Revenue Bonds, Series of 2012A	\$ -	\$ 6,755,000
Less: Unamortized Refunding Balance	-	164,670
Unamortized Underwriter Discount on Bonds	-	30,144
Unamortized Original Issue Discount	-	(77,753)
Net Carrying Amount - Sewer Revenue Bonds, Series of 2012A	-	6,637,939
Sewer Revenue Bonds, Series of 2012B	-	7,525,000
Less: Unamortized Refunding Balance	-	125,476
Unamortized Underwriter Discount on Bonds	-	34,841
Unamortized Original Issue Discount	-	(69,527)
Net Carrying Amount - Sewer Revenue Bonds, Series of 2012B	-	7,434,210
Sewer Revenue Bonds, Series of 2020	12,135,000	-
Plus:		
Net Original Issue Premium	1,420,885	-
Net Carrying Amount - Sewer Revenue Bonds, Series of 2020	13,555,885	-
Sewer Revenue Bonds, Series 2018	2,857,370	2,895,000
PennVest Loan #58103	330,622	362,781
PennVest Loan #27769	21,022,730	22,538,400
PennVest Loan #27906	2,019,351	732,830
	39,785,958	40,601,160
Less: Amount Due in One Year	1,817,732	2,435,163
Total Long-Term Debt, Net	\$ 37,968,226	\$ 38,165,997

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10. OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS

A. General Information about the Authority's Plan

1. Plan Description

The Authority's Other Post Employment Benefits (OPEB) Other than Pensions offered to employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the provisions of a collective bargaining agreement between the Authority and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC, on behalf of Local Union 8567-13 for Clerical Employees as well as Maintenance Employees effective May 15, 2017 to May 14, 2022.

2. Employees Covered by the Plan

The following employees and retirees were covered by the plan:

	As of <u>8/1/2019</u>
Fully Eligible Active Employees	7
Other Active Employees Not Fully Eligible	26
Retirees and Beneficiaries Currently Receiving Benefits	<u>6</u>
Total	<u><u>39</u></u>

3. Plan Provisions

As of August 1, 2019 the OPEB plan provides the following benefits:

- a. Normal Retirement Eligibility - Minimum of age 62. A retiree must reach Normal Retirement in order to be eligible for retiree health benefits.
- b. Early Retirement Eligibility - Minimum of age 55 with 10 years of services. Individuals that retire early are eligible for life insurance only.
- c. Medical Benefits - Medical, prescription drug, and dental coverage same as active until eligible for Medicare. Upon Medicare eligibility, the Authority will reimburse the retiree 100% of the premium for a Medicare Supplement Plan.
- d. Retiree Contribution - Prior to Medicare eligibility, the retiree is responsible for paying 50% of the premium. Retiree is not required to contribute toward the cost of a Medicare Supplement plan.

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- e. Spousal Coverage - For Non-Management retirees, only until the retiree becomes eligible for Medicare, and provided the retiree contributes 50% of the premium for spousal coverage. For Management retirees, Non-Medicare coverage provided the retiree contributes 50% of the premium. Once Medicare eligible, the spouse is covered in full. For both Non-Management and Management retirees that become eligible for Medicare prior to their spouse, the spouse may continue in non-Medicare coverage for a maximum of 3 years by paying 100% of the cost of COBRA.
- f. Dependent Child Coverage - Yes, until the age of 26 or the retiree becomes eligible for Medicare, whichever occurs first.
- g. Survivor Benefits - No.

4. Contributions

The Authority is not currently making contributions to a qualified trust.

B. Investments

- 1. Investment Policy - The Authority does not have a GASB qualified trust, and therefore, there are not investments.
- 2. Rate of Return - There are no investments.

C. Actuarial Present Value of Projected Benefits as of the Valuation Date

Based on the actuarial calculations performed August 1, 2019, the actuarial present value of projected benefits is \$5,419,213.

D. OPEB Liability

1. Net OPEB Liability

The components of the Net OPEB liability of the Authority at July 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Total OPEB Liability (TOL)	\$ 2,885,624	\$ 2,949,246
Plan Fiduciary Net Position	-	-
Net OPEB Liability (NOL)	<u>\$ 2,885,624</u>	<u>\$ 2,949,246</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>

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2. Actuarial Assumptions

An actuarial valuation of the total OPEB liability is performed biennially. The total OPEB liability was determined as part of an actuarial valuation at August 1, 2019. Updated procedures were used to roll forward to the Authority's fiscal year ending July 31, 2020 and July 31, 2021. This report is based upon the following actuarial assumptions, asset valuation method, and cost method:

a. Actuarial Methods

1. Liabilities- All plan benefits are valued using the entry age normal cost valuation method as a level percent of pay.

b. Actuarial Assumptions

1. Economic Assumptions

- a. Investment Return- There are no invested assets.
- b. Salary Increases- 4.0% compounded annually.
- c. Discount Rate- 3.0%.

2. Healthcare Cost Trend Rate

- a. Non Medicare medical and prescription drug costs are assumed to increase by 7.5% in year 1 reduced by 0.25% per year thereafter to an ultimate level of 5% per year.
- b. Medicare supplement costs are assumed to increase by 5% per year.
- c. Dental costs are assumed to increase by 2% per year.

3. Demographic Assumptions

- a. Mortality- RP-2014 Mortality Tables for Males and Females projected back to 2006 and then projected forward using fully generational Scale MP-2017.
- b. Termination- None assumed.
- c. Disability- None assumed.
- d. Retirement is assumed to occur at normal retirement age of 62.
- e. Participation- 100% of eligible retirees are assumed to participate.
- f. Marital Status- 50% of future retirees are assumed to have a spouse participating in coverage. Female spouses are assumed to be 3 years younger than male spouses.
- g. Children- It is assumed that by the age of normal retirement (age 62), there will be no children in coverage.

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3. Long-Term Expected Rate of Return

Since there are no invested assets, there is no long-term expected rate of return.

4. Discount Rate

The discount rate is 3.0% and is based on the S&P 20 year AA municipal bond rate.

5. Net OPEB Liability Sensitivity- Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 3.0% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.0%) or 1 percent higher (4.0%) than the current rate:

	1% Decrease <u>2.00%</u>	Current Discount Rate <u>3.00%</u>	1% Increase <u>4.00%</u>
Net OPEB Liability	\$ 3,568,910	\$ 2,885,624	\$ 2,376,824

6. Net OPEB Liability Sensitivity- Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent higher and 1 percent lower than expected:

	1% Decrease <u>1%</u>	Current Trend Rates <u>2%</u>	1% Increase <u>3%</u>
Net OPEB Liability	\$ 2,405,563	\$ 2,885,624	\$ 3,516,125

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7. Changes in Net OPEB Liability

The following table shows the changes in net OPEB liability recognized for the years ended July 31, 2020 and 2019:

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 31, 2019	\$ 2,949,246	\$ -	\$ 2,949,246
Changes for the Year:			
Service Cost	181,630	-	181,630
Interest	85,246	-	85,246
Difference Between Expected and Actual Experience	(379,772)	-	(379,772)
Changes in Assumptions and Cost Method	131,591	-	131,591
Contributions - Employer	-	82,317	(82,317)
Benefit Payments*	(82,317)	(82,317)	-
Net Changes	(63,622)	-	(63,622)
Balances at July 31, 2020	\$ 2,885,624	\$ -	\$ 2,885,624

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at July 31, 2018	\$ 2,699,278	\$ -	\$ 2,699,278
Changes for the Year:			
Service Cost	205,466	-	205,466
Interest	93,606	-	93,606
Total OPEB Expense	299,072	-	299,072
Benefit Payments*	(49,104)	-	(49,104)
Net Changes	249,968	-	249,968
Balances at July 31, 2019	\$ 2,949,246	\$ -	\$ 2,949,246

*Payments are actuarially determined expected benefit payments, which may vary from actual benefit payments due to implied subsidy and experience that is different than expected.

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E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The annual OPEB expense recognized can be calculated two different ways. First it is the change in the amounts reported on the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows plus employer contributions, as follows:

		Measurement Year Ended <u>July 31, 2020</u>
Change in OPEB Liability:		
July 31, 2020	2,885,624	
July 31, 2019	<u>2,949,246</u>	\$ (63,622)
Change in Deferred Outflows of Resources:		
July 31, 2020	<u>(118,755)</u>	(118,755)
Change in Deferred Inflows of Resources:		
July 31, 2020	<u>342,729</u>	342,729
Benefit Payments		<u>82,317</u>
NET OPEB EXPENSE		<u>\$ 242,669</u>

		Measurement Year Ended <u>July 31, 2019</u>
Change in Net OPEB Liability:		
July 31, 2019	2,949,246	
July 31, 2018	<u>2,699,278</u>	\$ 249,968
Contributions - Authority		<u>49,104</u>
NET OPEB EXPENSE		<u>\$ 299,072</u>

Alternatively, annual OPEB expense can be calculated by its individual components, as follows:

	<u>July 31, 2020</u>	<u>July 31, 2019</u>
Service Cost	\$ 181,630	\$ 205,466
Interest on Total OPEB Liability	85,246	93,606
Difference Between Expected and Actual Experience	(37,043)	-
Changes in Assumptions and Cost Method	<u>12,836</u>	<u>-</u>
Total OPEB Expense	<u>\$ 242,669</u>	<u>\$ 299,072</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

F. Deferred Outflows and Deferred Inflows of Resources

For the year ended July 31, 2020, Greater Hazleton Joint Sewer Authority recognized a OPEB expense of \$242,669. At July 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience*	\$ -	\$ (342,729)
Changes in Assumptions**	<u>118,755</u>	<u>-</u>
Total	<u>\$ 118,755</u>	<u>\$ (342,729)</u>

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

Year Ended July 31:

2021	(24,207)
2022	(24,207)
2023	(24,207)
2024	(24,207)
2025	(24,207)
Thereafter	(102,939)

*The majority of the difference is due to lower than expected increase in costs.

**The discount rate changed from 3.25% to 3.0%.

11. EMPLOYEES RETIREMENT PLAN

A. General Information about the Pension Plan

1. Plan Description

The Greater Hazleton Joint Sewer Authority Employees' Pension Plan (the "Plan") is a single-employer defined benefit pension plan controlled by the plan document. The Plan is governed by the Authority which may amend plan provisions, and which is responsible for the management of plan assets. The Authority has delegated the authority to manage certain plan assets to Morgan Stanley.

GREATER HAZLETON JOINT SEWER AUTHORITY
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The Authority filed actuarial valuation report Form 203c with the Public Employee Retirement Commission. The report dated January 1, 2019, was the most recent certified by the Authority's chief administrative officer. This report indicated the Authority maintains a pension plan to provide pension or retirement benefits for Non-Uniformed employees.

2. Employees Covered by The Plan

As of January 1, 2019 and 2020, the following employees were covered by the benefit terms:

	Actuarial Valuation Date	
	<u>1/1/19</u>	<u>1/1/20</u>
Active Employees	31	31
Retirees and Beneficiaries Currently Receiving Benefits	<u>11</u>	<u>10</u>
TOTAL	<u>42</u>	<u>41</u>

3. Benefit Provisions

As of January 1, 2019, the Plan provides for the following retirement and other benefits:

- a. Eligibility - All employees who have completed 1,000 hours of service within 12 months and not employed within 5 years of Normal Retirement Date. Effective May 15, 2017, participation in the Plan will be frozen. No new employees will enter the Plan after May 15, 2017.
- b. Retirement Dates:
 1. Normal Retirement Date - First day of month following the member's sixty-second (62nd) birthday.
 2. Early Retirement Date - Attainment of member's fifty-fifth (55th) birthday and completion of ten (10) years of credited service.
 3. Postponed Retirement Date - A member may continue to work past his Normal Retirement Date in accordance with the Age Discrimination Act.
 4. Disability Retirement Date - Qualified for Social Security Disability or demonstrates to the Committee that the member has a permanent and total disability.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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c. Retirement Benefits:

1. Normal Retirement Benefit - Shall be determined for each year of service in accordance with the following table:

For Participants Whose Date of Determination is On or After	Hours of Service Within Calendar Year		
	1000-1399	1400-1799	1800 or More
5/15/1987	\$ 8.00	\$ 12.00	\$ 15.00
5/15/1993	10.50	16.00	20.00
5/15/1994	11.00	17.00	21.25
5/15/1995	11.50	17.50	21.50
5/15/1996	12.03	18.04	22.55
5/15/1997	12.59	18.88	23.60
5/15/1998	13.15	19.72	24.65
5/15/1999	13.87	20.80	26.00
5/15/2000	14.93	22.40	28.00
5/15/2001	16.53	24.80	31.00
5/15/2002	17.60	26.40	33.00
5/15/2003	18.67	28.00	35.00
5/15/2006	21.33	32.00	40.00
5/15/2011	24.00	36.00	45.00
5/15/2014	26.67	40.00	50.00
5/15/2017	29.33	44.00	55.00

2. Early Retirement Benefit

- a. Early Deferred Benefit – Shall be equal to the employee's accrued benefit as of their date of early retirement payable at age 62.

- b. Early Immediate Benefit – Shall be equal to the equivalent actuarial value of the employee's early deferred benefit.

3. Postponed Retirement Benefit - Benefits shall increase in the normal manner as affected by continuing employment beyond age 62.

4. Disability Retirement Benefit - Shall be equal to the equivalent actuarial value of the employee's accrued benefit as of the date of disability.

d. Vested Benefits:

1. Accrued Benefit – Normal retirement benefit earned to date of termination of employment.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

2. Vested Benefit – Determined by multiplying the Accrued Benefit by the applicable percentage, as follows:

<u>Years of Credited Service at Date of Determination</u>	<u>Vesting Percent</u>
Less than 5	None
5 but less than 6	50%
6 but less than 7	60%
7 but less than 8	70%
8 but less than 9	80%
9 but less than 10	90%
10 or more	100%

- e. Death Benefits:
1. Pre-Retirement – Equal to the present value of the member's accrued benefit at date of death.
 2. Post-Retirement – None, unless the member chooses a Life with 10 Year Certain or Joint & Survivor Option.
- f. Retirement Benefit Payments:
1. Normal Retirement Benefit – Payable in equal monthly installments during the employee's lifetime.
 2. Qualified Joint & Survivor Options – Equivalent actuarial value of the Normal Retirement Benefit.
 - a. 100% Survivor – Spouse receives the same monthly benefit the member was receiving.
 - b. 50% Survivor – Spouse receives 50% of the monthly benefit the member was receiving.
 3. Ten Years Certain and Life Option – The equivalent actuarial value of the Normal Retirement Benefit. Payable in monthly installments during the employee's lifetime. If the employee dies before receiving 120 monthly payments, the balance of the 120 payments will be made to the member's beneficiary(ies).
- g. Plan Anniversary Date - January 1
- h. Administrative Committee - Committee has general responsibility for the administration and interpretation of the Plan. The Committee shall consist of at least three (3) persons appointed by the Board of Directors and three (3) employee representatives.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

- i. Investment Committee - Committee reviews the investment performance and methods of the Trustee and any other funding agencies. With approval of the Board of Directors, it may appoint and remove or change the Trustee and any such funding agency. The Committee shall consist of at least three (3) persons appointed by the Board of Directors and three (3) employee representatives.

- j. Plan Document:
 - A. Effective Date of Plan 5/15/75
 - B. Amendment #1 5/15/75
 - C. Amendment #2 Rewrite 5/15/78
 - D. Amendment #3 5/15/81
 - E. Amendment #4 5/15/84
 - F. Amendment #5 5/15/93
 - G. Amendment #6 2/10/97
 - H. Amendment #7 5/15/02
 - I. Amendment #8 2/19/03
 - J. Amendment #9 9/6/06
 - K. Amendment #10 8/21/12
 - L. Amendment #11 1/30/14
 - M. Amendment #12 5/15/17

4. Contributions

Act 205 requires that annual contributions to the plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. In accordance with the Plan's governing document, employees are not required to contribute to the Plan. Any funding requirements established by the MMO must be paid by the Authority in accordance with Act 205.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

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NOTES TO FINANCIAL STATEMENTS
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B. Summary of Significant Accounting Policies

1. Basis of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

2. Valuation of Investments

The Plan's assets are valued at fair market value.

C. Investments

1. Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

The Plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation:

<u>Asset Class</u>	<u>Target</u>	<u>Asset Class</u>	<u>Target</u>
Equities	42%	Governmental Securities	3%
Corporate Fixed	3%	Mutual Funds, ETFs & CEFs	42%
		Cash	10%

2. Rate of Return

For the year ended July 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Deferred Retirement Option Program (DROP)

The Plan does not provide a Deferred Retirement Option Program.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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E. Pension Liability

1. Net Pension Liability

The components of the net pension liability of the Authority as of July 31, 2020 were as follows:

Total Pension Liability (TOL)	\$ 3,191,830
Plan Fiduciary Net Position	<u>2,669,955</u>
Net Pension Liability (NOL)	<u>\$ 521,875</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>83.6%</u>

2. Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the Plan's fiscal year ending July 31, 2020. This report is based upon the following actuarial assumptions, asset valuation method, and cost method:

a. Actuarial Methods

1. Liabilities- All plan benefits are valued using the entry age normal cost valuation method.

b. Actuarial Assumptions

1. Economic Assumptions

- a. Investment Return- 7.5% per annum, net of investment expenses.

2. Demographic Assumptions

- a. Mortality- RP-2000 Mortality Table projected to 2017 using Scale AA.
- b. Termination- None assumed.
- c. Disability- None assumed.
- d. Retirement Age- Normal retirement age or age on valuation date if greater.
- e. Form of Annuity- Straight life.

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NOTES TO FINANCIAL STATEMENTS
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3. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%), 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 allocation percentage and by expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	6.68%	Governmental Securities	2.16%
Corporate Fixed	3.17%	Mutual Funds	
		ETFs & CEFs	6.68%
		Cash	0.75%

4. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Authority rate. Based on those assumptions, the Fund'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 payments to determine the total pension liability.

5. Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net Pension Liability	\$ 847,836	\$ 521,875	\$ 242,994

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

6. Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at July 31, 2019	\$ 3,000,603	\$ 2,474,024	\$ 526,579
Changes for the Year:			
Service Cost	76,474	-	76,474
Interest	226,587	-	226,587
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	223,000	(223,000)
Net Investment Income	-	125,579	(125,579)
Benefit Payments	(111,834)	(111,834)	-
Administrative Expense	-	(40,814)	40,814
Net Changes	191,227	195,931	(4,704)
Balance at July 31, 2020	\$ 3,191,830	\$ 2,669,955	\$ 521,875

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at July 31, 2018	\$ 2,919,891	\$ 2,088,610	\$ 831,281
Changes for the Year:			
Service Cost	76,474	-	76,474
Interest	220,445	-	220,445
Differences Between Expected and Actual Experience	(102,011)	-	(102,011)
Contributions - Employer	-	473,000	(473,000)
Net Investment Income	-	53,657	(53,657)
Benefit Payments	(114,196)	(114,196)	-
Administrative Expense	-	(27,047)	27,047
Net Changes	80,712	385,414	(304,702)
Balance at July 31, 2019	\$ 3,000,603	\$ 2,474,024	\$ 526,579

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

7. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The annual pension expense recognized can be calculated two different ways. First it is the change in the amounts reported on the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows plus employer contributions, as follows:

		Measurement Year Ended July 31, 2020
Change in Net Pension Liability:		
July 31, 2020	521,875	
July 31, 2019	<u>526,579</u>	\$ (4,704)
Change in Deferred Outflows of Resources:		
July 31, 2020	(143,600)	
July 31, 2019	<u>(144,346)</u>	746
Change in Deferred Inflows of Resources:		
July 31, 2020	113,783	
July 31, 2019	<u>131,900</u>	(18,117)
Contributions - Authority		223,000
Contributions - 457(b) Match		2,477
Actuarial Fees		<u>3,750</u>
NET PENSION EXPENSE		<u>\$ 207,152</u>
		Measurement Year Ended July 31, 2019
Change in Net Pension Liability:		
July 31, 2019	526,579	
July 31, 2018	<u>831,281</u>	\$ (304,702)
Change in Deferred Outflows of Resources:		
July 31, 2019	(144,346)	
July 31, 2018	<u>(100,677)</u>	(43,669)
Change in Deferred Inflows of Resources:		
July 31, 2019	131,900	
July 31, 2018	<u>48,006</u>	83,894
Contributions - Authority		473,000
Actuarial Fees		<u>6,150</u>
NET PENSION EXPENSE		<u>\$ 214,673</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Alternatively, annual pension expense can be calculated by its individual components, as follows:

	<u>July 31, 2020</u>	<u>July 31, 2019</u>
Service Cost	\$ 76,474	\$ 76,474
Interest on Total Pension Liability	226,587	220,445
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	(18,117)	(18,117)
Changes of Assumptions	6,696	6,696
Projected Earnings on Pension Plan Investments	(184,009)	(160,218)
Differences Between Projected and Actual Earnings on Investments	52,480	56,196
Administrative Expense	<u>40,814</u>	<u>27,047</u>
Total Pension Plan Expense	200,925	208,523
Contributions - 457(b) Match	2,477	-
Actuarial Fees	<u>3,750</u>	<u>6,150</u>
Total Pension Expense	<u>\$ 207,152</u>	<u>\$ 214,673</u>

8. Deferred Outflows and Deferred Inflows of Resources

For the year ended July 31, 2020, Greater Hazleton Joint Sewer Authority recognized a pension expense of \$207,152. At July 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ (113,783)
Changes in Assumptions	33,188	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>110,412</u>	<u>-</u>
Total	<u>\$ 143,600</u>	<u>\$ (113,783)</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year Ended July 31:

2021	17,848
2022	25,037
2023	21,578
2024	265
2025	(11,454)
Thereafter	(23,457)

12. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has property, general liability, workers' compensation, and employee health coverage. Claims have not exceeded coverage in any of the past three fiscal years.

13. COMMITMENTS AND CONTINGENCIES

Construction Contracts

The Authority has entered into various substantial construction contracts related to capital projects and major improvements to the Authority's treatment facilities, several of which are incomplete as of July 31, 2020. Complete details concerning the nature and amount of the contracts can be obtained from Authority management.

Union Agreements

The Authority has entered into employment agreements with the unions representing certain non-management groups of its employee workforce and, as such, such labor groups are considered concentrated as of the date of the financial statements. The agreements provide for certain compensation, benefits, and other working conditions, all as more fully detailed in those agreements. It should be noted that these benefits include certain post-employment benefits for retirees as previously noted. Complete details concerning the nature and duration of the contracts can be obtained from Authority management.

State Assisted Grant Program

The Authority is participating in a state assisted grant program. This program is subject to financial and program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditures which may be disallowed pursuant to the terms of this grant program. Although the amount, if any, of the expenditures which may be disallowed cannot be determined as of the date of the financial statements, it is the opinion of Authority management that any such amounts would be immaterial and would not have a material adverse effect on the Authority's financial position.

GREATER HAZLETON JOINT SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Operating Regulations, Permits and Licenses

Because of the nature of the Authority's operations, it is subject to various federal, state and local regulations, permits, and licenses related to plant operations and discharges from the Authority's treatment facilities. Complete details concerning these regulations, permits, and licenses can be obtained from Authority management.

14. EFFECTS OF NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued the following statements with effective dates subsequent to July 31, 2020. The Authority has not evaluated the effects these statements will have on its financial statements.

<u>Statement</u>	<u>Effective for Reporting Periods Beginning After</u>	<u>Authority's Fiscal Year End Effective Date</u>
No. 96 Subscription-Based Information Technology Arrangements	June 15, 2022	July 31, 2023
No. 92 Omnibus 2020	June 15, 2021	July 31, 2022
No. 91 Conduit Debt Obligations	December 15, 2021	July 31, 2023
No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period	December 15, 2020	July 31, 2022
No. 87 Leases	June 15, 2021	July 31, 2022

GREATER HAZLETON JOINT SEWER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST FUND
SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION LIABILITY
AND RELATED RATIOS
FOUR YEARS
JULY 31, 2020
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability						
Service Cost	\$ 76,474	\$ 76,474	\$ 80,111	\$ 72,828	\$ 65,518	\$ 45,445
Interest	226,587	220,445	208,185	186,290	176,073	159,303
Changes of Benefit Terms	-	-	151,206	-	-	114,930
Differences Between Expected and Actual Experience	-	(102,011)	-	(14,850)	-	(57,436)
Changes of Assumptions	-	-	-	9,060	-	62,290
Benefit Payments, Including Refunds of Member Contributions	<u>(111,834)</u>	<u>(114,196)</u>	<u>(128,197)</u>	<u>(111,559)</u>	<u>(113,802)</u>	<u>(122,590)</u>
Net Change in Total Pension Liability	191,227	80,712	311,305	141,769	127,789	201,942
Total Pension Liability - Beginning	<u>3,000,603</u>	<u>2,919,891</u>	<u>2,608,586</u>	<u>2,466,817</u>	<u>2,339,028</u>	<u>2,137,086</u>
Total Pension Liability - Ending	<u>\$ 3,191,830</u>	<u>\$ 3,000,603</u>	<u>\$ 2,919,891</u>	<u>\$ 2,608,586</u>	<u>\$ 2,466,817</u>	<u>\$ 2,339,028</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 223,000	\$ 473,000	\$ 473,000	\$ 220,000	\$ 177,500	\$ 169,000
Net Investment Income (Loss)	125,579	53,657	110,394	142,262	(13,215)	28,675
Benefit Payments, Including Refunds of member Contributions	(111,834)	(114,196)	(128,197)	(111,559)	(113,802)	(122,590)
Administrative Expense	<u>(40,814)</u>	<u>(27,047)</u>	<u>(30,151)</u>	<u>(10,705)</u>	<u>(21,533)</u>	<u>(24,130)</u>
Net Change in Plan Fiduciary Net Position	195,931	385,414	425,046	239,998	28,950	50,955
Plan Net Position - Beginning	<u>2,474,024</u>	<u>2,088,610</u>	<u>1,663,564</u>	<u>1,423,566</u>	<u>1,394,616</u>	<u>1,343,661</u>
Plan Net Position - Ending	<u>\$ 2,669,955</u>	<u>\$ 2,474,024</u>	<u>\$ 2,088,610</u>	<u>\$ 1,663,564</u>	<u>\$ 1,423,566</u>	<u>\$ 1,394,616</u>
Authority's Net Pension Liability	<u>\$ 521,875</u>	<u>\$ 526,579</u>	<u>\$ 831,281</u>	<u>\$ 945,022</u>	<u>\$ 1,043,251</u>	<u>\$ 944,412</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>83.6%</u>	<u>82.5%</u>	<u>71.5%</u>	<u>63.8%</u>	<u>57.7%</u>	<u>59.6%</u>

Ultimately, this schedule will present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

Source: Valuations performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEN YEARS
JULY 31, 2020
(UNAUDITED)

	Schedule of Employer Contributions Last 10 Fiscal Years									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 110,285	\$ 109,783	\$ 123,723	\$ 123,723	\$ 150,839	\$ 146,835	\$ 177,335	\$ 177,335	\$ 195,238	\$ 195,238
Contributions in Relation to the Actuarially Determined Contribution	<u>111,000</u>	<u>111,000</u>	<u>142,500</u>	<u>153,500</u>	<u>169,000</u>	<u>169,000</u>	<u>177,500</u>	<u>220,000</u>	<u>473,000</u>	<u>473,000</u>
Contribution Excess	<u>\$ (715)</u>	<u>\$ (1,217)</u>	<u>\$ (18,777)</u>	<u>\$ (29,777)</u>	<u>\$ (18,161)</u>	<u>\$ (22,165)</u>	<u>\$ (165)</u>	<u>\$ (42,665)</u>	<u>\$ (277,762)</u>	<u>\$ (277,762)</u>

Source: Valuations performed by the Authority's actuary.

Notes to schedule:

Assumption Changes – In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 using Scale AA to the RP-2000 Table projected to 2017 using Scale AA.

Benefit Changes- In 2017, the normal retirement benefit was increased to \$55 per month for each calendar year the participant completes 1,800 hours of service, \$44 per month for each calendar year the participant completes 1,400 – 1,799 hours of service and \$29.33 per month for each calendar year the participant completes 1,000 – 1,399 hours of service.

GREATER HAZLETON JOINT SEWER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST FUND
SCHEDULE OF INVESTMENT RETURNS
FOUR YEARS
JULY 31, 2020
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	5.00%	2.38%	6.51%	12.55%	-0.93%	2.12%

Ultimately, this schedule will present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

Source: Valuations performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS
SCHEDULE OF CHANGES IN AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JULY 31, 2020
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 181,630	\$ 205,466	\$ 197,563
Interest	85,246	93,606	85,899
Difference Between Expected and Actual Expenses	(379,772)	-	-
Change in Assumptions and Cost Method	131,591	-	-
Benefit Payments	<u>(82,317)</u>	<u>(49,104)</u>	<u>(59,340)</u>
Net Change in Total OPEB Liability	(63,622)	249,968	224,122
Total OPEB Liability - Beginning	<u>2,949,246</u>	<u>2,699,278</u>	<u>2,475,156</u>
Total OPEB Liability - Ending	<u>\$ 2,885,624</u>	<u>\$ 2,949,246</u>	<u>\$ 2,699,278</u>
Plan Fiduciary Net Position			
Contributions - Employer	-	-	-
Plan Net Position - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Net OPEB Liability	<u>\$ 2,885,624</u>	<u>\$ 2,949,246</u>	<u>\$ 2,699,278</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Covered Employee Payroll	<u>\$ 2,195,915</u>	<u>\$ 2,151,537</u>	<u>\$ 2,068,786</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	<u>131.4%</u>	<u>130.5%</u>	<u>137.1%</u>

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

Source: Valuation performed by the Authority's actuary.

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF SEWER TREATMENT REVENUES
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	July 31, 2020				
	<u>Hazleton</u>	<u>West Hazleton</u>	<u>Hazle Township</u>	<u>Sugarloaf Township</u>	<u>Total</u>
Residential	\$ 3,965,632	\$ 720,317	\$ 1,615,869	\$ 52,255	\$ 6,354,073
Non-Residential	620,022	130,236	193,621	6,410	950,289
Industrial	367,316	166,626	409,872	114,919	1,058,733
Schools	<u>82,662</u>	<u>25,610</u>	<u>129,160</u>	<u>-</u>	<u>237,432</u>
	5,035,632	1,042,789	2,348,522	173,584	8,600,527
Penalties	<u>64,917</u>	<u>14,288</u>	<u>20,657</u>	<u>-</u>	<u>99,862</u>
TOTAL	<u>\$ 5,100,549</u>	<u>\$ 1,057,077</u>	<u>\$ 2,369,179</u>	<u>\$ 173,584</u>	8,700,389
Outside Independent Haulers Surcharge					2,010,088
					<u>341,698</u>
TOTAL SEWER TREATMENT REVENUES					<u>\$ 11,052,175</u>

	July 31, 2019				
	<u>Hazleton</u>	<u>West Hazleton</u>	<u>Hazle Township</u>	<u>Sugarloaf Township</u>	<u>Total</u>
Residential	\$ 3,941,950	\$ 719,856	\$ 1,683,507	\$ 52,245	\$ 6,397,558
Non-Residential	638,526	136,891	217,461	8,488	1,001,366
Industrial	356,979	177,635	425,502	124,581	1,084,697
Schools	<u>81,232</u>	<u>29,035</u>	<u>126,680</u>	<u>-</u>	<u>236,947</u>
	5,018,687	1,063,417	2,453,150	185,314	8,720,568
Penalties	<u>115,730</u>	<u>19,265</u>	<u>32,384</u>	<u>-</u>	<u>167,379</u>
TOTAL	<u>\$ 5,134,417</u>	<u>\$ 1,082,682</u>	<u>\$ 2,485,534</u>	<u>\$ 185,314</u>	8,887,947
Outside Independent Haulers Surcharge					2,590,342
					<u>336,543</u>
TOTAL SEWER TREATMENT REVENUES					<u>\$ 11,814,832</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF SEWER TRANSMISSION REVENUES
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	July 31, 2020		
	<u>Hazleton</u>	<u>West Hazleton</u>	<u>Total</u>
Residential	1,327,293	243,832	\$ 1,571,125
Non-Residential	211,494	44,300	255,794
Industrial	124,356	55,169	179,525
Schools	<u>27,565</u>	<u>8,511</u>	<u>36,076</u>
TOTAL SEWER TRANSMISSION REVENUES	<u>\$ 1,690,708</u>	<u>\$ 351,812</u>	<u>\$ 2,042,520</u>

	July 31, 2019		
	<u>Hazleton</u>	<u>West Hazleton</u>	<u>Total</u>
Residential	\$ 1,334,949	\$ 245,581	\$ 1,580,530
Non-Residential	218,621	46,745	265,366
Industrial	127,661	60,829	188,490
Schools	<u>27,122</u>	<u>9,649</u>	<u>36,771</u>
TOTAL SEWER TRANSMISSION REVENUES	<u>\$ 1,708,353</u>	<u>\$ 362,804</u>	<u>\$ 2,071,157</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
PLANT		
Salaries and Wages	\$ 1,415,930	\$ 1,311,135
Bio Solids Removal and Disposal	1,280,332	1,432,206
Chemicals, Chlorine, and Other Supplies	669,730	762,466
Repairs and Maintenance	552,914	502,503
Electricity	506,741	456,440
Payroll Taxes	124,511	113,234
Laboratory Supplies and Expense	48,747	52,058
General Supplies	46,303	39,714
Natural Gas	34,428	12,937
Odor Control	29,975	30,329
Small Tools and Parts	23,181	18,277
Water	17,271	22,896
Grease and Oils	13,146	11,280
Truck Expense	10,918	8,917
Employee Work Clothes	8,750	8,905
Miscellaneous Expense	1,890	143
Industrial Pretreatment Expenses	1,650	2,525
Oil	-	1,877
TOTAL PLANT	<u>\$ 4,786,417</u>	<u>\$ 4,787,842</u>
PUMPING STATION		
Salaries and Wages	\$ 289,367	\$ 292,127
Electricity	112,798	131,707
Repairs and Maintenance	73,640	28,118
Payroll Taxes	22,077	22,818
Water	16,768	16,070
Natural Gas	1,076	875
TOTAL PUMPING STATION	<u>\$ 515,726</u>	<u>\$ 491,715</u>
COLLECTION SYSTEM		
Salaries and Wages	\$ 416,430	\$ 409,578
Insurance- Group	96,568	86,892
Maintenance and Repairs	81,957	172,131
Equipment Maintenance	51,714	25,573
Truck Expense	48,625	42,308
Payroll Taxes	31,155	31,721
General Supplies	29,638	33,366
Miscellaneous	25,314	16,771
Engineering	9,664	23,603
PA One Call	889	1,745
TOTAL COLLECTION SYSTEM	<u>\$ 791,954</u>	<u>\$ 843,688</u>

GREATER HAZLETON JOINT SEWER AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ADMINISTRATIVE		
Insurance - Group	\$ 319,153	\$ 357,417
Other Post-Employment Benefits (OPEB)	242,669	299,072
Pension Plan Expense	207,152	214,673
Salaries and Wages	117,858	118,194
Legal Expense	91,558	82,713
Insurance - General	87,249	82,449
Bad Debt Expense	85,000	-
Consulting and Engineering	82,784	68,324
Insurance - Workers' Compensation	63,635	62,837
Repairs and Maintenance	44,229	35,087
Auditing Expense	31,500	23,000
Office Supplies and Expense	30,844	33,269
Postage Permit (Bills)	23,226	20,141
Billing and Collection Expense	20,599	23,886
Conferences, Seminars and Travel	16,143	34,115
Board Member Fees	15,050	16,000
Telephone	11,785	11,532
Payroll Taxes	9,365	9,449
Eye Glass Reimbursement	8,799	6,935
Payroll Preparation	6,987	6,656
Utilities-Administration Building	6,320	6,215
Insurance - Directors Life and Disability	5,995	12,694
Dues and Subscriptions	5,041	5,580
Trustee Fees	5,000	5,000
Bond Premium	4,732	4,732
Advertising	4,141	4,427
Postage and Freight	2,983	3,675
Miscellaneous Expense	2,880	1,086
General Supplies	1,363	5,599
Investment Management Fees	-	3,310
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE	<u>\$ 1,554,040</u>	<u>\$ 1,558,067</u>