
OFFICIAL STATEMENT

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: S&P A (Stable Outlook) (Underlying)
S&P AA (Stable Outlook) (BAM Insured)**
(See “**BOND INSURANCE**” and “**Miscellaneous - Ratings**” herein)

*In the opinion of Bond Counsel, assuming compliance with certain covenants of the Authority, interest on the Bonds is excludable from gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds will not be an item of tax preference under the Internal Revenue Code of 1986, as amended (the “Code”), for purposes of determining the alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds may be indirectly subject to corporate alternative minimum tax for certain corporations as more fully described under the heading “**TAX MATTERS**” herein. Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.*

The Bonds are “qualified tax-exempt obligations”, for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

\$5,875,000
BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
Beaver County, Pennsylvania
Water Revenue Bonds, Series of 2020

Dated: Date of Delivery

Principal Due: July 15, as shown on inside cover

Denomination: Integral multiples of \$5,000

Interest Payable: January 15 and July 15

First Interest Payment: January 15, 2021

Form: Book-Entry Only

Payable: The Brighton Township Municipal Authority (the “Authority”) will issue its \$5,875,000 aggregate principal amount of water revenue bonds (the “2020 Bonds”). The Bonds will be issued as fully registered bonds and when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made only in book-entry form, and purchasers will not receive certificates representing their interests in the Bonds. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, having corporate trust offices located in Pittsburgh, Pennsylvania, directly to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants. See “**BOOK-ENTRY ONLY SYSTEM**” herein.

Security for the Bonds: The Bonds are payable from the Pledged Revenues as provided in the Trust Indenture from the Authority to the Trustee, dated as of August 13, 2020, as amended and supplemented from time to time (the “Indenture”). Under the Indenture, the Authority must establish rates and other charges which, together with other revenues received in connection with the operation of its water system (the “Water System”) and other available funds, shall be sufficient in each Fiscal Year to produce revenues in an amount equal to the Administrative Expenses of the Authority, plus 110 percent of the Debt Service Requirements on all water revenue bonds then outstanding under the Indenture including the Bonds, plus funds sufficient to cure any deficiency in the Debt Service Reserve Fund, plus all amounts due in such fiscal year on subordinate debt and other payment obligations of the Authority and the Water System. (See “**SECURITY OF THE BONDS**” and “**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**” herein.)

Optional Redemption: The Bonds maturing are subject to redemption prior to maturity (see “**REDEMPTION OF BONDS**” herein).

Use of Proceeds: Proceeds of the 2020 Bonds will be used to provide funds for and towards: (1) the acquisition, design, construction, furnishing and equipping of various capital improvements to the Authority’s water system, (2) restructure the Authority’s outstanding Water Revenue Bonds, Series A & B of 2014; and (3) paying the costs of issuing and insuring the 2020 Bonds.

The Bonds are limited obligations of the Authority payable solely from Pledged Revenues as provided in the Indenture. The Authority has no taxing power. Neither the credit nor the taxing power of the United States of America or the Commonwealth of Pennsylvania or the County of Beaver or the Township of Brighton or any political subdivision of the Commonwealth is pledged for the payment when due of the principal of, redemption premium, if any, or the interest on the Bonds; nor shall any of the Bonds be deemed to be obligations of the United States of America or the Commonwealth of Pennsylvania or the County of Beaver, or any political subdivision of the Commonwealth.

Authorization for Issuance: The Bonds are being issued in accordance with the Pennsylvania Municipality Authorities Act, as amended, 53 Pa. C.S.A. §5601 et seq. (the “Act”), and pursuant to both the Indenture and a Resolution duly adopted by the Authority on May 18, 2020 (the “Resolution”).

Bond Insurance: The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **Build America Mutual Assurance Company (“BAM”)**.



Continuing Disclosure Undertaking: The Authority has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities and Exchange Act of 1934, as amended and interpreted (the “Rule”). (See “**CONTINUING DISCLOSURE UNDERTAKING**” herein.)

Approvals: The Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriter and subject to the approval of certain legal matters by John F. Salopek, Esquire, Ambridge, Pennsylvania, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Solicitor, Samuel J. Orr, III, Esquire, Beaver, Pennsylvania and for the Underwriter by its Limited Scope Underwriter’s Counsel, Eckert Seamans Cherin & Mellott LLC, Harrisburg, Pennsylvania. It is expected that the Bonds in definitive form will be available for delivery in New York, New York on August 13, 2020.



**Capital
Markets**

\$5,875,000
Water Revenue Bonds, Series of 2020
BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
Beaver County, Pennsylvania

MATURITIES, AMOUNTS, RATES, YIELDS, PRICES & CUSIP NUMBERS ⁽¹⁾

Dated: Date of Delivery

Interest Payable: January 15 and July 15

Principal Due: July 15

First Interest Payment: January 15, 2021

<u>Maturity Date</u> <u>(July 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP⁽¹⁾</u>
2021	\$255,000	0.820 %	0.820 %	100.000 %	109457DM0
2022	250,000	1.000	0.880	100.228	109457DN8
2023	250,000	1.000	0.950	100.143	109457DP3
2024	255,000	1.250	1.000	100.959	109457DQ1
2025	255,000	1.500	1.110	101.862	109457DR9
2026	260,000	1.500	1.300	100.950 C	109457DS7
2027	265,000	1.500	1.450	100.236 C	109457DT5
2028	265,000	2.000	1.590	101.933 C	109457DU2
2029	275,000	2.000	1.680	101.505 C	109457DV0
2031*	560,000	2.000	1.980	100.092 C	109457DW8
2033*	585,000	2.000	2.070	99.209	109457DX6
2035*	610,000	2.100	2.180	98.984	109457DY4
2037*	630,000	2.200	2.300	98.603	109457DZ1
2039*	665,000	2.300	2.420	98.185	109457EA5
2041*	495,000	2.400	2.520	98.057	109457EB3

⁽¹⁾Registered trademark of the American Bankers Association, CUSIP numbers are provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of Bonds only at the time of issuance of the Bonds and the City and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

*Term Bonds.

C: Priced to the first optional redemption date of July 15, 2025.

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriter to give any information or to make any representation, other than that given or made in this Official Statement, and if given or made, any such other information or representation may not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been approved by the Authority and, while the information set forth in this Official Statement has been furnished by the Authority and other sources which are believed to be reliable, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or, as to information obtained from other sources, by the Authority. The information and expressions of opinion set forth in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that the affairs of the Authority have remained unchanged since the date of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY THE MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix F - Specimen Municipal Bond Insurance Policy”.

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BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

(Beaver County, Pennsylvania)

1300 Brighton Road

Beaver, Pennsylvania 15009

MEMBERS OF THE AUTHORITY BOARD

Jeffrey S. Maze.....	Chairman
Michael Keeliher.....	Vice Chairman
Gordon R. Sheffer.....	Assistant Secretary/Treasurer
Kerien Fitzpatrick.....	Secretary
Jack E. Erath.....	Treasurer

AUTHORITY MANAGER
Bryan K. Dehart

AUTHORITY SOLICITOR
Samuel J. Orr, III, Esquire
Beaver, Pennsylvania

AUTHORITY CONSULTING ENGINEER
Lennon, Smith, Souleret Engineering, Inc.
Coraopolis, Pennsylvania

BOND COUNSEL
John F. Salopek, Esquire
Ambridge, Pennsylvania

TRUSTEE
U.S. Bank National Association
Pittsburgh, Pennsylvania

UNDERWRITER
RBC Capital Markets, LLC
Pittsburgh, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL
Eckert Seamans Cherin & Mellott LLC
Harrisburg, Pennsylvania

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OFFICIAL STATEMENT

\$5,875,000

**Water Revenue Bonds, Series of 2020
BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
Beaver County, Pennsylvania**

INTRODUCTION

This Official Statement, including the cover and inside cover pages hereof and Appendices hereto, is furnished by the Brighton Township Municipal Authority (the "Authority") will issue its \$5,875,000 aggregate principal amount of Water Revenue Bonds, Series of 2020 (the "2020 Bonds"), proposed to be issued by the Authority, pursuant to and secured by a Trust Indenture entered into between the Authority and U.S. Bank National Association (the "Trustee"), dated as of August 13, 2020 ("Indenture").

The Bonds are being issued pursuant to the Pennsylvania Municipality Authorities Act 53, Pa.C.S. § 5601 e. seq. (the "Act"), and a Resolution adopted by the Authority on May 18, 2020.

The Bonds are secured pursuant to the provisions of the Indenture and are deemed to be, limited obligations of the Authority. The prompt payment when due of the principal of, redemption premium, if any, and the interest on the Bonds is payable solely from the Pledged Revenues derived by the Authority from the operation of its water system (the "Water System") and certain funds held under the Indenture, to the extent and in the manner provided in the Indenture. (See "SECURITY OF THE BONDS" and "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE" herein.)

The Authority has no taxing power. Neither the credit nor the taxing power of the United States of America or the Commonwealth of Pennsylvania or the County of Beaver or the Township of Brighton (the "Township") or any political subdivision of the Commonwealth is pledged for the payment when due of the principal of, redemption premium, if any, or the interest on the Bonds; nor shall any of the Bonds be deemed to be obligations of the United States of America or the Commonwealth of Pennsylvania or the County of Beaver, or any political subdivision of the Commonwealth, other than limited revenue obligations of the Authority, as described herein.

Neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create an implication that thereafter there have been no changes in the affairs of the Authority since the date of this Official Statement or the earliest date as of which certain information contained herein is given.

PURPOSE OF THE ISSUE

Proceeds of the 2020 Bonds will be used to provide funds for and towards: (1) the acquisition, design, construction, furnishing and equipping of various capital improvements to the Authority's water system, (2) restructure the Authority's outstanding Water Revenue Bonds, Series A & B of 2014; and (3) paying the costs of issuing and insuring the 2020 Bonds.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds shall be applied substantially in the following manner:

<u>Sources of Funds:</u>	<u>Total</u>
Par Amount of the Bonds.....	\$5,875,000.00
Net Original Issue Discount.....	20,320.80
Total Sources of Funds	\$ 5,854,679.20
<u>Uses of Funds:</u>	
Project Fund Deposits.....	\$ 1,600,000.00
Refunding Escrow Deposits.....	4,104,312.43
Costs of Issuance ⁽¹⁾	145,453.02
Other Uses of Funds	4,913.75
Total Use of Funds	\$ 5,854,679.20

⁽¹⁾Includes bond discount, legal, printing, rating, municipal bond insurance premium, CUSIP, trustee fee and miscellaneous fees.

Future Financing

The Authority does not anticipate future financing for capital projects in the near future.

DESCRIPTION OF THE BONDS

The Bonds are issued as fully registered bonds, without coupons, in the denominations of \$5,000 principal amount or any integral multiple thereof. Principal and interest are payable as set forth below.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “**BOOK-ENTRY ONLY SYSTEM**” herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of and interest on the Bonds, when due, are to be made to DTC, and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the Authority with respect to, and to the extent of, principal and interest so paid. If the use of the book-entry only system for the Bonds is discontinued for any reason, bond certificates will be issued and payment of principal and interest on the Bonds shall be made as described in the following paragraphs.

The aggregate principal amount of the Bonds is \$5,875,000. The Bonds are initially dated as of the date of delivery, bear interest at the rates per annum, and mature in the amounts and on the dates listed in the **BOND MATURITY SCHEDULE** shown on the inside of the Cover Page of this Official Statement. Interest on the Bonds shall be computed on the basis of a 30-day month and 360-day year and shall be payable semiannually on January 15 and July 15 of each year (“Interest Payment Dates”), commencing January 15, 2021. Interest on each Bond shall be payable from the Interest Payment Date next preceding the date of authentication of such bond unless (a) such Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from said Interest Payment Date, or (b) such Bond is registered and authenticated after a Record Date (as such term is hereinafter defined) and before the next succeeding Interest Payment Date, in which event such Bonds shall bear interest from such Interest Payment Date, or (c) such Bond is authenticated on or prior to the Record Date next preceding January 15, 2021, in which event such Bond will bear interest from the date of delivery, or (d) as shown on the records of the Trustee, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond, or, if no interest has been paid, from the date of delivery.

In case of an Event of Default, as defined in the Indenture, shall occur, the principal of all bonds, including the Bonds and any Additional Bonds then outstanding under the Indenture, may be declared or may become due and payable upon the conditions, in the manner with the effect provided in the Indenture. (See “**SECURITY FOR THE BONDS**” and “**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**” herein.)

The Bonds are issued only as fully registered bonds in the denomination of \$5,000 and integral multiples thereof. The principal of each of the Bonds is payable to the registered owner thereof, when due, upon surrender of such Bond at the designated trust office of the Trustee or its designee. Interest on each of the Bonds is payable by check mailed to the person in whose name such Bond is registered at the address of such person appearing on the registration books maintained by or on behalf of the Authority at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each Interest Payment Date (the “Record Date”), irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such Interest Payment Date, unless the Authority shall default in the payment of interest due on such Interest Payment Date. In the event of any such default, such defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest fixed by the Trustee, such date to be not more than fifteen (15), nor less than ten (10) days (whether or not a business day) prior to the date of proposed payment. The Trustee shall, at the expense of the Authority, cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each such Registered Owner, at his address as it appears in the Bond Register kept for such purposes by the Trustee on behalf of the Authority, not less than fifteen (15) days prior to such special record date.

Transfer, Exchange and Registration of Bonds

*Subject to the provisions described below under “**BOOK-ENTRY-ONLY SYSTEM**”, the Bonds may be transferred or exchanged only on the bond register of the Authority (the “Bond Register”) maintained at a designated office of the Trustee, or its duly authorized successor. No transfer or exchange of any Bond will be valid unless made at such office and registered on the Bond Register.*

The Authority and the Trustee shall not be required: (i) to issue or to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the last day of the month (whether or not a business day) next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is given, (ii) to register the transfer of or exchange any portion of any Bond selected for redemption, in whole or in part until after the date fixed for redemption, or (iii) during a period beginning at the close of business on the fifteenth (15th) day next preceding the date of maturity of the Bond and ending at the close of business on the date of maturity. Bonds may be exchanged for a like aggregate principal amount of Bonds or other authorized denominations of the same maturity and interest rate.

The Bonds shall be transferable or exchangeable by the registered owner thereof upon surrender thereof to the Trustee, at its designated trust office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Trustee, duly executed by the registered owner thereof or his attorney-in-fact or legal representative. The Trustee shall enter any transfer of ownership of the Bonds in the registration books of the Authority maintained by the Trustee and shall authenticate and deliver in the name of the transferee or transferees new fully registered Bonds or authorized denominations of the same maturity for the aggregate amount which the transferee or transferees are entitled to receive at the earliest practicable time.

The Bonds originally will be issued solely in book-entry form registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). So long as the Bonds are held in the book-entry only system, DTC or its nominee will be the registered owner of the Bonds for all purposes of the Resolution, the Indenture, the Bonds and this Official Statement. For purposes of this Official Statement, DTC or its nominee, and its successors and assigns, are referred to as the “Securities Depository.” See “**BOOK-ENTRY ONLY SYSTEM**” herein.

REDEMPTION PROVISIONS

Optional Redemption

The 2020 Bonds stated to mature on or after July 15, 2026, shall be subject to redemption prior to maturity, at the option of the Authority, as a whole, on July 15, 2025 or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the Authority and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such 2020 Bonds, together with accrued interest to the date fixed for redemption.

Mandatory Redemption

The 2020 Bonds maturing on July 15, 2031, July 15, 2033, July 15, 2035, July 15, 2037, July 15, 2039, and July 15, 2041 are subject to mandatory redemption by the Authority in part, by lot, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, on July 15, in the years and in amounts set forth below:

The Bonds Stated to Mature on July 15, 2031:

2030	\$ 280,000
2031*	280,000

The Bonds Stated to Mature on July 15, 2033:

2032	\$ 290,000
2033*	295,000

The Bonds Stated to Mature on July 15, 2035:

2034	\$ 300,000
2035*	310,000

The Bonds Stated to Mature on July 15, 2037:

2036	\$ 310,000
2037*	320,000

The Bonds Stated to Mature on July 15, 2039:

2038	\$ 330,000
2039*	335,000

The Bonds Stated to Mature on July 15, 2041:

2040	\$ 345,000
2041*	150,000

*Stated Maturity

Notice of Redemption

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Authority and the Trustee shall send redemption notices only to Cede & Co. See “**BOOK-ENTRY ONLY SYSTEM**” herein for further information regarding conveyance of notices and Beneficial Owners.*

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption, addressed to each of the registered owners of any certificated Bonds to be redeemed, at the addresses shown on the registration books kept by the Trustee as of the date such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and interest being held by the Trustee, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Indenture, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption.

If at the time of mailing the notice of redemption the Authority has not deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Manner of Redemption

While Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payment of the redemption price shall be made by Cede & Co. in accordance with the existing arrangements by and among the Authority, the Trustee and DTC and, if less than all of the Bonds in a particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner on such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a certificated Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for certificated Bonds of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

BOOK-ENTRY ONLY SYSTEM

The information under this heading has been obtained from materials provided by DTC for such purpose. The Authority and RBC Capital Markets, LLC (herein referred to as the "Underwriter") do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority or the Underwriter.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds of each separate maturity and interest rate, in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their

registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Authority believes to be reliable, but Authority takes no responsibility for the accuracy thereof.

Disclaimer of Liability for Failures of DTC

The Issuer and the Underwriter cannot and do not give any assurances that DTC, the Direct and Indirect Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the owner of Bonds, or will distribute any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Issuer and the Underwriter are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds, or any error or delay relating thereto.

SECURITY FOR THE BONDS

Pledge of Water System Revenues

The Bonds will be issued under and secured by the Indenture. Said Indenture provides for the issuance of bonds in addition to the Bonds under the limitations therein set forth, and defines the duties and responsibilities of the parties with respect to the expenditure of the proceeds of the Bonds, the maintenance and operation of the Water System, the conservation and application of all Funds of the Authority created pursuant to the Indenture, the security for moneys on deposit, the provisions relating to reserves, the provisions relating to the redemption of the Bonds, and the provisions for the payment of the principal of, maturity value of, redemption premium, if any, and the interest on the Bonds. The Bonds are equally and ratably secured, except as otherwise provided in the Indenture, with bonds of other series which may be issued and outstanding from time to time under the Indenture and with certain other outstanding obligations of the Authority (see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein).

The principal of, redemption premium, if any, and the interest on the Bonds, together with any other bonds outstanding under the Indenture and with certain other outstanding obligations of the Authority, shall be equally and ratably secured by a first lien on, together with a pledge and assignment under the Indenture, of the Pledged Revenues of the Authority derived from the operation of its Water System, as said terms are defined in the Indenture.

Debt Service Reserve Fund

The Indenture provides for a Debt Service Reserve Fund which is required to be funded at all times in an amount equal to the Debt Service Reserve Requirement. The Debt Service Reserve Requirement shall mean, at any time with respect to the Bonds Outstanding hereunder, the least of: (a) the aggregate Maximum Annual Debt Service Requirements with respect to the Outstanding Bonds hereunder; (b) 125% of the Average Annual Debt Service Requirements with respect to the Outstanding Bonds hereunder; or (c) 10% of the principal amount of all such

Outstanding Bonds (or of the issue price of all such Outstanding Bonds, if more than a de minimus amount of original issue discount or premium exists). The Debt Service Reserve Fund may be funded with any combination of cash, investments or a reserve policy or surety bond meeting the requirements of the Indenture. The Bonds will be funded through the Debt Service Reserve Fund with a surety bond issued by BAM, as the insurer of the Bonds.

Bondholder Rights and Remedies

The remedies available to holders of the Bonds upon failure to pay the principal of, redemption premium, if any, and the interest on the Bonds, when due, include those prescribed by the Act as set forth in the Indenture.

As provided in the Indenture, upon the happening and during continuance of any Event of Default, as defined in the Indenture, then and in every case the Trustee may declare, and upon written request of Holders of not less than 25% in aggregate principal amount of bonds outstanding under the Indenture, and the Bond Insurer, the Trustee shall declare, by notice in writing delivered to the Authority, the principal of all Bonds outstanding under the Indenture to be due and payable, and the interest accrued thereon to be due and payable immediately; and upon such declaration the same shall become and shall be due and payable immediately; provided, however, that the consent of BAM as the insurer of the Bonds, may be required for any acceleration of Bonds outstanding under the Indenture.

The foregoing provision, however, is subject to the condition that if, at any time, after the principal of Bonds so called shall have been declared to be due and payable, and all arrears of interest on all bonds outstanding under the Indenture, with interest on overdue installments of interest at the rate specified on the bonds, and the principal of all matured bonds then outstanding under the Indenture, all charges, compensation, disbursements, counsel fees, advances and liabilities of the Trustee, together with all other amounts then payable by the Authority under the Indenture, shall have been paid or shall have been duly provided for by the deposit with the Trustee of a sum sufficient to pay the same, and every other Event of Default known to the Trustee shall have been remedied or provision therefor satisfactory to the Trustee shall have been made, then the Trustee shall surrender possession to the Authority.

So long as the bonds are outstanding BAM, as the insurer of the Bonds, may have the rights to direct, or to give its prior consent to, any action or remedy upon default. For a complete statement of the rights of the bond insurer, reference is hereby made to the Indenture. (See “BOND INSURANCE” herein.)

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Bonds are to be issued under the Indenture. The Bonds are secured by an assignment and pledge under the Indenture to the Trustee of the Pledged Revenues (as defined in the Indenture) from the Water System and certain other funds held under the Indenture. The following summarizes certain provisions of the Indenture, but is not regarded as a full statement thereof.

Defined Terms

The Indenture contains the following definitions for each of the following respective terms used therein:

“Additional Bonds” shall mean additional bonds authorized and issued pursuant to the Indenture and shall, when issuing particular Additional Bonds pursuant to the Indenture, mean the particular Additional Bonds at the time being issued.

“Administrative Expenses” shall mean the expenses reasonably incurred or to be incurred by the Authority in connection with its operation and administration of the Water System and the Bonds including, without limitation, ordinary repairs and maintenance, insurance premiums, allocable labor costs, utilities, supplies, all taxes imposed upon the Authority or such assets or properties, auditing fees, legal fees, engineering fees, office expenses, general administrative expenses, compensation and expenses of the Trustee, the Rebate Amount and other costs and expenses which constitute costs of operation or administration of the Water System. Administrative Expenses shall include costs of goods and services (not comprising capital expenditures) purchased from other governmental entities. Administrative Expenses shall not include depreciation, amortization or any other non-cash charges.

“Authorized Depository” shall mean any national banking association, incorporated bank or bank and trust company in good standing qualified and licensed to conduct business in the Commonwealth of Pennsylvania, subject to examination by federal or state authority, insured by the Federal Deposit Insurance Corporation (“FDIC”) or by any other agency of the United States of America performing functions similar to the FDIC, having a reported capital and surplus of not less than \$75,000,000, and which is not unsatisfactory to the Trustee.

“Average Annual Debt Service Requirements” shall mean, as to those Bonds under consideration, the sum of the debt service requirements for the fiscal years contained in the period under consideration with respect to such Bonds, divided by the number of fiscal years contained in such period. Unless specified otherwise, “Bonds under consideration” does not include any Subordinate Debt, or the debt service requirement on any Subordinate Debt. The term “period under consideration” means, as to a particular series of Bonds, the period beginning with the fiscal year within which the certificate containing such term shall be dated and ending with the fiscal year in which the final maturity of the Bonds of such series actually occurs.

“Bond” or “Bonds” shall mean: (a) the Bonds issued pursuant to the Indenture; and (b) Additional Bonds, all as issued and Outstanding from time to time under the Indenture.

“Capital Additions” shall mean new or additional property which is properly chargeable to fixed property accounts in accordance with generally accepted accounting principles (including, without limiting the generality of the foregoing, lands, rights-of-way, easements and similar interests in real property and all buildings, laboratories, improvements, tunnels, syphons, filters, flow meters, tanks, shops, structures, pumping stations, fixtures, ejector stations, engines, boilers, pumps, meters, other equipment, and any additions to existing transportation

equipment) and any and all permanent improvements, additions, extensions and betterments to real or fixed property of the Authority, which new or additional property, permanent improvements, additions, extensions and betterments shall be hereafter constructed or otherwise acquired by the Authority by the use of moneys deposited with the Trustee under the Indenture and which shall be used or useful in connection with the Water System.

“Consulting Engineer” shall mean such independent engineer or engineering firm as shall at the time be employed for the purpose of performing the functions and duties of the Consulting Engineer under the Indenture.

“Debt Service Requirements” shall mean, with respect to any period, the amounts required in said period to pay, or to be set aside for the payment of, the principal of, or interest on, Bonds, or required for sinking fund deposits or the restoration of the Debt Service Reserve Fund, or the reimbursement of any draws on a surety bond, insurance policy or letter of credit described in the Indenture, excepting amounts set aside out of proceeds of Bonds for payment of interest. For the purpose of ascertaining aggregate Debt Service Requirements, interest shall be computed to mandatory redemption dates to the extent that Bonds are required to be redeemed by mandatory redemption provisions, and otherwise computed to stated maturity dates.

“Debt Service Reserve Requirement” shall mean at any time with respect to the Bonds Outstanding under the Indenture, the least of: (a) the aggregate Maximum Annual Debt Service Requirements with respect to the Outstanding Bonds hereunder; (b) 125% of the Average Annual Debt Service Requirements with respect to the Outstanding Bonds hereunder; or (c) (i) with respect to a series of Tax-Exempt Bonds, ten (10%) percent of the proceeds of such series of Tax-Exempt Bonds minus original issue discount, if any, on such other amount equal to the maximum amount of proceeds derived from the sale of such Tax-Exempt Bonds which may be deposited in the Debt Service Reserve Fund pursuant to the then applicable provisions of the Code; or (ii) with respect to a series of Bonds that is not Tax-Exempt, ten (10%) percent of the proceeds of such series of Bonds, all as computed by the Authority. The initial Debt Service Reserve Requirement for the 2020 Bonds shall be \$357,545.

“Maximum Annual Debt Service Requirements” shall mean with respect to the Bonds at the time under consideration the maximum Debt Service Requirements payable for any one fiscal year of the Authority during the remaining life of such Bonds.

“Net Revenues” shall mean Receipts and Revenues, less Administrative Expenses, for the time period under consideration.

“Outstanding” shall mean, with reference to Bonds as of any particular time, all Bonds executed, authenticated, issued and delivered under this Indenture, except:

- (a) Bonds cancelled at or prior to such time;
- (b) Bonds for payment of which funds have been deposited with the Trustee or shall have been set aside by the Trustee as provided in the Indenture for that purpose and which shall have matured by their express terms but which shall not have been surrendered for payment;
- (c) Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture;
- (d) Bonds for redemption of which funds then shall be held, in trust, by the Trustee; provided, however, that such redemption shall be required by provisions hereof without further action of the Authority, or that notice of such redemption shall have been mailed to the owners of such Bonds; and
- (e) Bonds which shall have been purchased and paid for by the Authority or by the Trustee on behalf of the Authority, but which shall not have been delivered for cancellation.

“Pledged Revenues” shall mean (a) Receipts and Revenues, (b) amounts on deposit and available for payment of debt service on the Bonds in the Revenue Fund, Surplus Fund, Debt Service Reserve Fund, and General Fund, and (c) all income, interest and profits received from the investment of moneys held in any Fund established under the Indenture (except for moneys held in the Rebate Fund).

“Receipts and Revenues” shall mean all rates, receipts, fees, rents and charges established or to be established, levied and collected in connection with, and all other receipts, revenues and income of whatever kind and character (including, without limitation, all accounts, cell tower revenues, any insurance proceeds, condemnation or eminent domain awards, payments under performance bonds, grants and assessments not separately pledged) coming to, received by, collected by or otherwise owed or owing to, the Authority, arising from its use, employment, operation and ownership of the Water System, or any part thereof, including all of the Authority’s available unrestricted cash and investments on hand.

“Subordinate Debt” shall mean any and all notes, bonds, loans or other similar certificates or warrants of indebtedness executed and delivered by the Authority which represent an obligation for the repayment of money borrowed or credit extended, which may be payable from the Receipts and Revenues of the Water System, but which have not obtained a first lien on such Receipts and Revenues in the manner of, or on a parity with, the Bonds, but which are payable on a subordinate basis, following current payment of the Bonds.

“Tax-Exempt”, when used in reference to bonds, notes or other debt instruments, shall mean and refer to the exclusion from gross income for the interest payable in respect of such obligations to the holder thereof, pursuant to Section 103 and related sections of the Code.

“Water System” shall mean and include as of any particular time (i) all tangible property, fixed or movable, real or personal, then owned or operated by the Authority and used in the water treatment and distribution services by the Authority which was so owned or operated

and used at the time of the execution of this Indenture, (ii) all Capital Additions constructed or otherwise acquired by the Authority, (iii) all other tangible property, fixed or movable, real or personal, then owned or operated by the Authority and used in the rendering of water treatment and distribution services by the Authority and (iv) all franchises used or useful to the Authority at such particular time in the rendering of water treatment and distribution services by the Authority.

“Bond Insurance Policy” shall mean the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of the principal of, and interest on, the Bonds when due, as provided therein.

“Bond Insurer” shall mean Build America Mutual Assurance Company (“BAM”), or any successor thereto or assignee thereof.

Application of Bond Proceeds

The proceeds of the sale of the Bonds, including interest thereon accrued to the Date of Delivery, if any, shall be paid over to the Trustee and deposited by the Trustee in a Clearing Fund. From the Clearing Fund the Trustee shall make the payments, disbursements and deposits as set forth in an Authority settlement certificate associated with the prior bonds being refunding; including deposits to the Construction Fund which are to be applied to the acquisition and construction of the capital improvements portion of the Project. Any reserves which shall be established in the Clearing Fund shall be disbursed from time to time by the Trustee pursuant to further written directions of the Authorized Official of the Authority.

Construction Fund

The Indenture establishes a Construction Fund to be held in trust by the Trustee. The portion of the proceeds of the Bonds which are to be applied to the capital improvements portion of the Project shall be held on deposit therein until disbursed pursuant to the terms of the Indenture.

Rate Covenant

The Authority covenants that it has adopted and will charge, maintain and collect throughout its service area in each fiscal year so long as any Bonds remain Outstanding and funds for their payment have not been provided, rates, rents and other charges with respect to the Water System which shall result in the collection of Receipts and Revenues in each fiscal year, together with amounts transferred to the Revenue Fund from the Surplus Fund under the Indenture and amounts representing Receipts and Revenues received in prior fiscal years, currently on hand and not required for any other purpose, such as an undesignated fund balance, at the beginning of the applicable fiscal year being at least sufficient to provide in such fiscal year the sum of

- (i) funds to pay the Administrative Expenses of the Authority,
- (ii) an amount equal to 110% of the Debt Service Requirements in such fiscal year with respect to its Outstanding Bonds,
- (iii) funds sufficient to cure any deficiency in the Debt Service Reserve Fund, and
- (iv) funds sufficient to pay the amount due in such fiscal year on all Subordinate Debt and other payment obligations of the Water System.

Revenue Fund

The Authority covenants to deposit to the Revenue Fund, immediately upon receipt thereof, all Receipts and Revenues from the Water System received by the Authority. The Revenue Fund is maintained by the Authority with an Authorized Depository, which may or may not be the Trustee and initially shall not be the Trustee.

The moneys at any time on deposit in the Revenue Fund shall be applied by the Authority to the following purposes in the following order of priority:

- (i) on or before the first day of each month, to the payment of Administrative Expenses, including amounts budgeted by the Authority with respect to such month;
- (ii) to the Debt Service Fund at the times required under the Indenture for the payment of debt service on the Bonds;
- (iii) if necessary to restore the Debt Service Reserve Fund;
- (iv) to the payment of Subordinate Debt;
- (v) to the cost of constructing or acquiring Capital Additions or making extraordinary repairs or expenditures for extraordinary maintenance or the payment of indebtedness incurred by the Authority for such purposes;
- (vi) the payment of any liabilities of the Authority arising out of its ownership of the Water System which are not properly payable out of any other Fund established by this Indenture; and
- (vii) no later than the last Business Day of each fiscal year to the Surplus Fund, all remaining amounts on deposit in the Revenue Fund other than an amount equal to 3/12 of the estimated annual current expenses of the Authority based upon the budget of current expenses of the Authority plus any excess amount that the Authority determines to use to redeem Bonds pursuant to the provisions of this Indenture.

Debt Service Fund

Subject to the provisions contained in the Indenture, the Authority shall (as stated in (ii) above) transfer from the Operating Fund on or before the fourth business day prior to January 15 and July 15 of each year beginning January 15, 2021, to the Debt Service Fund with the Trustee, moneys which shall be sufficient to meet the current interest and principal requirements on the Bonds.

Debt Service Reserve Fund

The Indenture creates a special fund known as the “Debt Service Reserve Fund” which shall be held in trust by the Trustee until applied as therein provided. On the date of issuance of the Bonds, the Authority shall deposit a surety policy with a value of \$357,545, as set forth in the Authority’s settlement certificate.

The Debt Service Reserve Fund will be available to pay the interest and principal on the Bonds in case there is a deficiency in the Debt Service Fund in any year. Investments in the Debt Service Reserve Fund shall be valued by the Trustee on the last business day of each fiscal year of the Authority (which fiscal year shall be deemed to end on December 31 of each year, until the Authority shall notify the Trustee in writing of any change in the Authority’s fiscal year) and at the time of any withdrawal from the Debt Service Reserve Fund, at the lesser of the face amount or the market value thereof. If the amount on deposit in the Debt Service Reserve Fund at any such time is less than the Debt Service Reserve Requirement, the Trustee shall notify the Authority that it is required to make up such deficiency by making payment of such deficiency immediately in the case of a valuation deficiency, and in twelve (12) equal monthly installments in the case of a withdrawal, directly to the Trustee for deposit in the Debt Service Reserve Fund; provided, however, that if the Bond Insurer shall approve a longer schedule of periodic payment, the amount of such deficiency shall be paid to the Trustee in accordance with such schedule. If the Trustee has determined that the funds are in excess of the Debt Service Reserve Requirement then it shall transfer, without direction from the Authority, such excess to the Debt Service Fund.

Notwithstanding anything to the contrary set forth in the Indenture, such amounts on deposit in the Debt Service Reserve Fund applicable to the Bonds shall be applied solely to the payment of debt service due on the Bonds.

Surplus Fund

The Indenture creates a special fund known as the “Surplus Fund” which shall be held by the Trustee until applied as therein provided. To the extent not paid out of any other Fund, the moneys at any time on deposit in the Surplus Fund shall be applied by the Trustee or paid to the Authority (as applicable), so long as no event of default under the Indenture has occurred and is outstanding, to any one or more of the following purposes as the Authority shall direct in writing:

- (i) the cost of constructing or acquiring Capital Additions or making extraordinary repairs or expenditures for extraordinary maintenance or the payment of indebtedness incurred by the Authority for such purposes;
- (ii) the payment of any liabilities of the Authority arising out of its ownership of the Water System (including any liabilities arising out of collective bargaining agreements or employment agreements) which are not properly payable out of any other Fund established by the Indenture including, without limitation, Subordinate Debt;
- (iii) the transfer to the Operating Fund to satisfy the rate covenant requirements; or
- (iv) the redemption or purchase of Bonds.

The Trustee is authorized, without any direction from the Authority, to transfer moneys from the Surplus Fund to the Debt Service Fund to the extent that the moneys in the Debt Service Fund may at any time be insufficient to pay the Bonds as the same shall become due.

General Fund

If the Authority shall have made all payments then and theretofore required to be made from the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Surplus Fund and to pay accrued Administrative Expenses for such month and no Event of Default has occurred and is continuing, the Authority shall requisition on or about December 31 of each year, beginning December 31, 2021, from the Surplus Fund all remaining moneys then in the Surplus Fund and deposit said moneys in an account with an Authorized Depository entitled the General Fund (or such other name as the Authority may choose). Amounts on deposit in the General Fund may be used by the Authority for any lawful purpose including payment of Subordinate Debt and are not subject to the lien of the Indenture.

Rebate Fund

The Indenture creates a special fund known as the “Rebate Fund” for the deposit and management of excess investment proceeds which may be subject to arbitrage rebate pursuant to applicable provisions of the Internal Revenue Code.

Issuance of Additional Bonds

The Authority may issue from time to time, and the Trustee shall authenticate, Additional Bonds for the purpose of providing (a) all or part of the funds necessary to refund Bonds, including accrued and unpaid interest and redemption premium, if any, and all costs and expenses incidental to redemption, (b) all or part of the funds required to complete a project or to construct or acquire Capital Additions, including the costs and the expenses of the financing.

The issuance of Additional Bonds is subject to various and certain tests and requirements, as set forth in the Indenture, to which reference is hereby made. In particular, in the case of Additional Bonds to be issued to construct or acquire Capital Additions, such Additional Bonds may only be issued upon, among other things, the production of a certificate of the Consulting Engineer stating as follows:

(1) (A) his estimate as to the cost of constructing, acquiring or completing Capital Additions, as the case may be, (B) that the Capital Additions are necessary or advisable to preserve, develop or improve the Water System, (C) his estimate as to the amount and sources of the moneys to be deposited with the Trustee for credit to the Construction Fund or a special construction fund established under the Indenture, including, if any, any tapping fees, grants, connection fees, assessments or capital contributions to be received, (D) his estimate of the amount, if any, of said cost that is to be assessed against the properties benefited, improved or accommodated by reason of the construction of such Capital Additions, (E) his estimate as to the annual net revenues, if any, which will be derived by the Authority from the Capital Additions, which estimate shall be based upon a period of twenty-four consecutive calendar months immediately following the date of completion of such Capital Additions; and

The Authority shall also deliver a Consulting Engineer's Certificate stating (A) the forecast as to the Net Revenues of the Water System (including the Capital Additions) for the 12 month period following the completion of the Capital Additions, (B) the percentage derived by dividing the amount shown pursuant to clause (A) by Maximum Annual Debt Service Requirements on all Bonds which shall be Outstanding immediately after the issuance of such Additional Bonds, including debt service payable on the Existing Indebtedness, which percentage shall not be less than 110%, and (C) that the Authority's Net Revenues as determined under clause (A) as forecasted for the 12 months following the issuance of Additional Bonds equals at least one times the sum of debt service requirements for the next 12 consecutive months on (i) all Bonds, (ii) all Existing Indebtedness; and (ii) all Subordinate Debt obligations of the Authority.

Scope of the Indenture – Separate Financing

Nothing in the Indenture shall limit the power of the Authority to issue other bonds under another indenture for the purpose of financing other projects (which may be secured by excess moneys transferred to the Authority pursuant to the terms hereof) or from pledging the revenues of such other projects for the payment of the bonds issued to finance such other projects so long as such projects do not fall within the definition of Water System and are not secured by Receipts and Revenues or any amounts held by the Trustee pursuant to the Indenture other than liens on Receipts and Revenues which secure Subordinate Debt. The Administrative Expenses of the Authority shall be allocated equitably among the various projects of the Authority which are so financed.

Particular Covenants

Under the Indenture, the Authority makes a number of covenants regarding the operation of the Water System and its financial affairs, for the benefit and further security of the holders of the Bonds, including covenants to avoid the creation or imposition of liens on Pledged Revenues, to engage an accountant to perform an annual audit, to engage the Consulting Engineer to provide advice and reports on the operation of the Water System, to maintain public liability and property damage insurance, to maintain and repair the Water System, to comply with federal arbitrage laws related to investment and use of the proceeds of the Bonds and to undertake its continuing disclosure obligations under federal securities laws.

Defaults and Remedies

The Indenture sets forth remedies available to the Trustee and the Bondholders in the event of a default under the Indenture. Among other things, events of default are defined in the Indenture to be the failure to pay the principal and interest on the Bonds when the same shall become due.

Under the Indenture, upon the happening of an Event of Default as therein defined, the Trustee may enforce, and upon the written request of the holders of not less than 25% of principal amount of the Bonds then outstanding and the Bond Insurer, accompanied by indemnity as provided in the Indenture, shall enforce for the benefit of all Bondholders all their rights provided under the Indenture and the Act, including the right of entry, of bringing suit, action or proceeding at law or in equity, and of having a receiver appointed. For a more precise statement of the Events of Default and of the rights and remedies of the Trustee and Bondholders, reference is made to the Indenture.

No Personal Liability

No recourse shall be had for the payment of the principal of or the interest on any Bond, or for any claim based thereon or on the Indenture, against any member of the Authority, or any officer or agent or employee of the Authority, past, present or future or of any successor body, as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise.

LIMITED OBLIGATIONS

The Bonds are limited obligations of the Authority payable solely from the Pledged Revenues pledged under the Indenture. Neither the credit nor the taxing power of the United States of America, the County of Beaver, the City of Aliquippa, the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the Bonds. The Authority has no taxing power.

CERTAIN BONDHOLDERS' RISKS AND CONSIDERATIONS

Investment in the Bonds may involve certain risks and each investor should carefully consider the risks involved to determine whether to purchase any of the Bonds. Prospective investors should carefully examine this Official Statement and their individual financial condition (including the diversification of investment portfolio) in order to make a judgment as to whether the Bonds are an appropriate investment.

The Authority has identified and summarized below certain "bondholders' risks" that could adversely affect the finances of the Authority, the operation of the Water System and/or the funds available for payment of the Bonds, which should be considered by prospective

investors. The following discussion is not intended to be exhaustive, but includes certain major factors, which should be considered along with other factors set forth elsewhere in this Official Statement, including the Appendices hereto.

Geographic Concentration

The number of customers using the Water System may be adversely affected by regional and local economic conditions, competitive conditions, changes in population and general economic conditions. There can be no assurance that the Water System will be able to maintain the current number of existing users, if there are changes in the resident and/or commercial population of the service area.

Governmental Regulation

The federal and local government significantly regulates providers of water and sewer systems. Future regulations and conditions affecting the acquisition, development ownership and operation of the Water System could increase the operating expenses of the Water System or could otherwise have a material adverse effect on the financial condition of the Authority.

Bankruptcy

Although there is currently no statutory authority under Pennsylvania law for the Authority to file for bankruptcy under Chapter 9, there can be no assurance that the General Assembly will not in the future provide the Authority, or all similarly situated authorities in Pennsylvania, with the power to file for bankruptcy under Chapter 9.

Liquidity

The Bonds are subject to liquidity risks such as acceleration (in the event of default), surety bond provider downgrades, etc. These risks may result in a lack of access to capital.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the Bonds.

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily

accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Authority unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the money received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "Ratings" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission ("SEC"), and the Resolution authorizing issuance of the Bonds, the Authority will execute and deliver a written continuing disclosure undertaking with respect to the Bonds. See the form of the Continuing Disclosure Agreement (the "CDA") in Appendix D herein.

Under the terms of the CDA, the Authority will undertake to file with the MSRB financial and other information concerning the Authority. The Authority's obligations with respect to continuing disclosure relative to the Bonds shall terminate upon the prior redemption or payment in full of all of the Bonds.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The Authority reserves the right to terminate its obligation to provide annual financial and operating information and notices of material events, as set forth above, if and when the Authority no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule. The Authority acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders or beneficial owners of the Bonds and shall be enforceable by the holders or beneficial owners of such Bonds; provided that the

bondholders' right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement for the Authority's obligations hereunder and any failure by the Authority to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

The Authority may modify from time to time the specific types of information provided or the format of the presentation of such information, as a result of a change in legal requirements or change in the nature of the Authority; provided that any such modification will be done in a manner consistent with the SEC Rule 15c2-12 including amendments thereto and will not, in the opinion of nationally recognized bond counsel, violate the Rule, as amended.

In connection with previous issuances of debt, the Authority has entered into previous continuing disclosure undertakings ("Previous Undertakings"). In connection with these Previous Undertakings the Authority failed to file in a timely manner its 2015 Annual Consulting Engineer's Report and 2016 Budget, but subsequently filed to EMMA. Although filed, they were not timely filed.

The Authority has engaged the services of U.S. Bank National Association, as Dissemination Agent in order to assist the Authority with posting annual financial information and notice filings to facilitate future ongoing compliance with the Authority's continuing disclosure undertakings in accordance with the Rule.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the Commonwealth of Pennsylvania. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

Pennsylvania Governor Tom Wolf ordered all non-life-sustaining businesses in Pennsylvania to close their physical locations as of 8:00 p.m. March 19, 2020 to slow the spread of COVID-19. On April 1, 2020, the Governor issued a Stay at Home order effective for all Pennsylvania counties. The Governor's work, congregate setting and social restrictions in the County were lifted as of January 15, 2020, in place of following federal guidance related to social distancing, cleaning and monitoring.

Despite the gradual reopening of the County, the Commonwealth and other jurisdictions across the United States, the Pandemic has negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect employment within the service area of the Authority. To secure the payment of the principal of and interest on the Bonds, the Authority has pledged its revenues derived from the operation of its Water System, as further described herein and as set forth in the Indenture. Due to employment and business disruption, there is a risk that some ratepayers within the Authority's service area will not be able to timely pay water bills, impacting the ability of the Authority to collect revenues.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Authority cannot predict how the outbreak will impact the financial condition or operations of the Authority. The Authority cannot predict costs associated with this or any other potential infectious disease outbreak, including any increase in operational costs incurred to clean, sanitize and maintain its facilities due to an outbreak of an infectious disease. .

The financial and operating data contained herein are the latest available, but are as of the dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they may not be indicative of the current financial condition or future prospects of the Authority.

The Authority continues to monitor the spread of COVID-19 and is working with federal, state, and local agencies to address the potential impact of the Pandemic upon the Authority and its facilities. While the potential impact of the Pandemic on the Authority cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Authority's operations and financial condition, and the effect could be material.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on Commonwealth websites, including but not limited to the Governor's office (<http://www.pa.gov/>), the Pennsylvania Department of Health (<http://www.health.pa.gov/>). *The Authority has not incorporated by reference the information on such websites and the Authority does not assume any responsibility for the accuracy of the information on such websites.*

TAX MATTERS

In the opinion of Bond Counsel, interest on the 2020 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the Township comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Township has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2020 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2020 Bonds.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2020 Bonds. Owners of the 2020 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2020 Bonds, which may include original issue discount, original issue premium, and purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Certain 2020 Bonds are offered at a discount ("original issue discount") equal generally to the difference between their public offering price and their principal amount. For federal income tax purposes, original issue discount on a 2017 Bond accrues periodically over the term of the 2017 Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the 2017 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

Bond Counsel is also of the opinion that, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the 2020 Bonds, interest on the 2020 Bonds is exempt from Pennsylvania personal income tax and corporate net income tax, and the 2020 Bonds are exempt from personal property taxes in Pennsylvania.

The 2020 Bonds are "qualified tax-exempt obligations", for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

The opinions expressed by Bond Counsel above are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2020 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Legislative and regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2020 Bonds. Purchasers of the 2020 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

LEGAL MATTERS

Legal Investments

The 2020 Bonds are authorized investments for fiduciaries and personal representatives under the Pennsylvania Probate, Estates and Fiduciaries Code of the Commonwealth of Pennsylvania.

Negotiability of the 2020 Bonds

Under the Act, the 2020 Bonds have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth of Pennsylvania relating to negotiable instruments.

Regarding the Obligation for the 2020 Bonds

Neither the general credit nor the taxing power of the Commonwealth of Pennsylvania, or of any political subdivision thereof, other than the Authority, as hereinbefore described, is pledged for payment of the 2020 Bonds, nor will the 2020 Bonds be or be deemed to be an obligation of the Commonwealth of Pennsylvania or any other political subdivision thereof.

The Authority has no taxing power. Neither the credit nor the taxing power of the United States of America, the Commonwealth of Pennsylvania, of County or Township or any political subdivision thereof, is pledged for the payment of the 2020 Bonds; nor shall any of the 2020 Bonds be deemed to be obligations of the United States of America, the Commonwealth of Pennsylvania of County or Township or any political subdivision thereof.

Absence of Material Litigation

There is no litigation of any nature pending or threatened against either the Authority at the date of this Official Statement which, if decided adversely to either the Authority, would have a material adverse effect on the financial condition of the Authority, or to restrain or enjoin the issuance, sale, execution or delivery of the 2020 Bonds, or in any way contesting or affecting the validity of the 2020 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or the security provided for the payment of the 2020 Bonds, or the existence or powers of the Authority.

Legality

All legal matters incident to the authorization, issuance and sale of the 2020 Bonds will be approved by by John F. Salopek, Esquire, Ambridge, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its Solicitor, Samuel J. Orr, III, Esquire, Beaver, Pennsylvania and for the Underwriter by its Limited Scope Underwriter's Counsel, Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "AA" (stable outlook) to this issue of 2020 Bonds with the understanding that upon delivery of the 2020 Bonds, a municipal bond insurance policy guaranteeing the payment when due of principal of and interest on the 2020 Bonds will be issued by BAM. S&P has also assigned the Authority an underlying rating of A (stable outlook).

The above ratings are not recommendations to buy, sell or hold the 2020 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Each of the rating agencies has recently issued press releases or reports stating that they are examining the potential effects of downturns in the market for structured finance (SF) instruments, including collateralized debt obligations ("CDOs"), on the claims-paying ability of the bond insurance companies, including BAM. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2020 Bonds.

There can be no assurance that the views expressed in those documents represent the current views of the rating agencies or that those views will not change in the future. See "**BOND INSURANCE**" herein.

UNDERWRITING

The underwriter of the 2020 Bonds is RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase the 2020 Bonds from the Authority, subject to certain conditions precedent, at an aggregate price of \$5,804,741.70 (representing the principal amount of \$5,875,000.00, less an underwriter's discount of \$49,937.50, plus a net original issue discount of \$20,320.80). The Underwriter may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover page hereof. After the 2020 Bonds are released, the public offering prices and other selling terms may be changed from time to time by the Underwriter.

The Underwriter has provided the following information for inclusion in this Preliminary Official Statement: The Underwriter and its affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and their respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the 2020 Bonds or other offering of the Authority. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of the 2020 Bonds or other offerings of the Authority. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

THE TRUSTEE

The Authority has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application of the proceeds of such Bonds by the Authority. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the Project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

OTHER MATTERS

The execution and delivery of this Official Statement has been duly authorized by the Authority. Certain information contained in this Official Statement has been obtained from sources other than the Authority. All of the summaries and references to the provisions of the 2020 Bonds contained in this Official Statement and all other summaries and references to the Act, the Indenture and to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof, and do not constitute complete statements.

This Preliminary Official Statement is not to be construed as a contract or agreement between the Authority and the Underwriter or the purchasers or holders of any of the 2020 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. The information contained in the Official Statement that has been obtained from sources other than the Authority is not guaranteed as to accuracy or completeness.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
(Beaver County, Pennsylvania)

By: Jeffrey S. Maze
Chairman

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APPENDIX A
THE AUTHORITY, DESCRIPTION AND SUMMARIES OF
FINANCIAL FACTORS OF THE WATER SYSTEM

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THE AUTHORITY

Introduction

This Appendix A is a summary only and is not intended to be a complete report. For more complete information, the individual financial statements and the budget report of the Authority should be reviewed at the Authority building.

The Authority was incorporated on March 1, 1948, as a public corporation of the Commonwealth of Pennsylvania, organized and existing under the Municipality Authorities Act of 1945. On April 30, 1953 Act of May 2, 1945, P.L. 3, the Brighton Township Board of Supervisors designated the Authority to own, operate and maintain the Township Water System. The life of the Authority has been extended to September 1, 2064. Authorities existing under the Act may have lives of up to fifty years which may be extended by amendments to their articles of incorporation.

The Authority is empowered to exercise any and all powers conferred by the Act necessary to the acquisition, ownership, improvement, maintenance and operation of its Water System. The Authority adopted Resolution No. 2020-03 on May 18, 2020 (the "Resolution") authorizing the issuance of the 2020 Bonds and the execution of an indenture.

The Authority is presently managed by a board of five members, all of whom are appointed by the Township. The Authority is empowered to exercise any and all powers conferred by the Act necessary to the acquisition, construction, ownership, improvement, maintenance and operation of public water works, water supply works and water distribution systems. The recommendations pertaining to the setting of rates are provided to the Authority by Lennon, Smith, Souleret Engineering, Inc., Coraopolis, Pennsylvania, Civil Engineers and Surveyors (the "Consulting Engineer").

ANNUAL REPORT OF THE CONSULTING ENGINEER

The Indenture stipulates that the Authority shall employ a Consulting Engineer to perform such duties that are imposed on the Consulting Engineer pursuant to the provisions of the Indenture. It shall be the duty of the Consulting Engineer to prepare and file with the Authority, the Representative of the Purchasers of each series of bonds of the Authority then outstanding, and the Trustee on or before January 1, 2021 and on or before January 1 each year thereafter, an Annual Report on the Water System.

The Annual Report of the Consulting Engineer shall set forth:

- A. their advice and recommendation as to:
 - (i) the proper current expenses of the Authority with respect to the System during the next fiscal year of the Authority; and
 - (ii) the Capital Additions that should be made during said fiscal year to keep the System in good condition, repair and working order; and
 - (iii) any necessary or advisable revision of the water rates and other charges; and
- B. their estimate for said fiscal year of the amounts of money that should be expended to comply with the recommendations set forth in said Annual Report; and
- C. their estimate of the receipts and revenues to be derived during said fiscal year from the System; and
- D. their report as to compliance by the Authority with its covenants concerning insurance as outlined in the Indenture, and their advice and recommendations as to the Authority's future obligations thereunder.

The fees and expenses incurred by the Consulting Engineer in connection with the services performed pursuant to the Indenture shall be payable out of moneys in the Revenue Fund. The aforesaid Annual Report of the Consulting Engineer shall be used by the Authority as the basis for the preparation of that part of the budget for the next succeeding fiscal year of the Authority appertaining to the System.

In accordance with the foregoing, the Consulting Engineers have prepared their Annual Report of the Consulting Engineer. This Report provides detailed information with respect to the following major categories: Maintenance, Repair and Operation, Budget, Capital Additions, and Actual Revenues and Expenses for the preceding fiscal year.

THE WATER SYSTEM OF THE AUTHORITY

Description of the Area Served by the Authority

Brighton Township, a Second Class Township incorporated under the laws of the Commonwealth of Pennsylvania, is located in the west central part of Beaver County approximately 30 miles northwest of the City of Pittsburgh. Brighton Township comprises a land area of 18.5 square miles and is bordered on the east by Patterson Township, Borough of Fallston, Borough of Beaver, Borough of Bridgewater and the Township of Vanport; on the south by the Borough of Industry; on the west by the Borough of Ohioville; and on the north by the Township of South Beaver and the Township of Chippewa. The Township is bisected by State highways allowing easy access to the major developed areas. Tuscarawas Road and Dutch Ridge Road provide a connecting link to adjacent municipalities. Interstate 376 is a direct link between Brighton Township, the Pittsburgh International Airport, the City of Pittsburgh, the Pennsylvania Turnpike (Interstate 76), and Interstate 80.

History of Water System

The Brighton Township Municipal Authority began operations to supply water to a portion of Brighton Township on December 1, 1952. At that time, the population of the Township was approximately 3,100, and 191 consumers were served by the system. At the end of 1977, the system provided water service to 1,830 consumers, and the population of the Township had grown to approximately 8,500. By 1990, the system provided water service to 2,111 consumers and the population of the Township decreased to approximately 7,550. Presently, the Township serves 2,990 service connections and has a service population of approximately 7,535.

Initial construction of the water system was financed by the sale of Water Revenue Bonds (Series A) in the principal amount of \$400,000. Expansion of the service area and distribution system was accomplished through the medium of development contracts and by the sale of Water Revenue Bonds (Series B), dated January 15, 1955, in the principal amount of \$75,000 and a \$125,000 bank loan which was obtained in 1968.

In June of 1977, the Authority began a major reconstruction and expansion project which was financed by the sale of water revenue bonds dated June 1, 1977, in the principal amount of \$1,600,000. It should be noted that \$310,446 of the 1977 bond issue proceeds were applied to the refunding of the outstanding Series A and Series B bond issues. This construction was completed and put into operation August 1978.

The 1977 Series of Bonds were refunded January 15, 1994 to reduce the interest rate and debt service requirement. The principal amount was \$1,345,000.00.

In 2000, the Authority began a major reconstruction project to increase capacity of its storage and pumping facilities. This project was financed by the sale of water revenue bonds dated May 15, 1999 in the principal amount of \$5,130,000. It should be noted that \$1,190,000 of the bond proceeds were used to refinance the 1994 Series A Bonds.

On February 1, 2008, the Authority issued \$3.99 million in Water Revenue Bonds, Series 2008 in order to receive an advance refund of the Water Revenue Bonds, Series 1999 A and Series 1999 B. This reduced the debt service term by one year.

On November 20, 2014, the Authority issued \$5.43 million in Water Revenue Bonds (consisting of \$1.82 million Series A Bonds and \$3.61 million Series B Bonds) in order to refund the outstanding balance due on the Water Revenue Bonds, Series 2008, and also to provide a Construction Fund for capital improvements to the Authority facilities (waterline construction and pump station and system upgrades). The principal balance due as of December 31, 2014 was \$5,430,000 with the final debt payment scheduled on the bonds in 2034.

Existing Facilities

The existing water system is composed of two separate service areas (high level and low level) which operate at different pressures. Each area has its own booster pumping station and water storage facility.

All system pumping, chlorination, and control facilities, with the exception of the High School facilities were replaced in 2001. Each of the systems storage facilities has been painted within the last fifteen years. Lead-based paint has been removed. A video Inspection of the interior of the system storage facilities was completed in 2015 and no major defects that require repair were found.

The High School Pumping Station was updated in November 2008. The pumps were replaced and the chlorine gas system was replaced with a sodium hypochlorite system.

The Supervisory Control and Data Acquisition (SCADA) system was replaced in 2012. SCADA is a computer controlled system which provides the Operator a means to automatically control system pumping/storage system operation parameters, monitor historical data, and receive alarms from each of the Authority's remote facilities (tanks and pumping stations).

Improvements were completed in 2015 at the Gypsy Glen Pumping station for upgrades to the existing pump drives, motors and the installation of a new Standby Power Generator for use during power outages.

System Capacity

	Gypsy Glen Pump Station (high level)		Center Drive Pump Station (low level)	
Storage Capacity	1,000,000	gallons	3,000,000	gallons
Maximum Pumping Capacity	1,008,000	gpd	2,016,000	gpd

System Operation

In the Engineer’s opinion, based on information provided by BTMA staff, the system has received proper maintenance and repair. The system was operated in accordance with recognized standard practices for water systems.

Source of Supply

The Brighton Township Municipal Authority obtains its water from the Vanport Township Municipal Authority (VTMA) per their agreement dated May 21, 2007. The water, which is purchased at bulk rates, is supplied to Brighton Township’s booster pumping station at Center Drive from Vanport’s distribution system. BTMA also has emergency pumping connections with VTMA and Beaver Borough Municipal Authority at the High School pump station.

Largest Customers

The following tables depict both, the ten largest customers and annual volume purchased for water service of the Authority.

Customer	Gallons	2019 Billed
Brighton Rehab	57,766,000	\$309,015
Ohioville Borough Municipal Authority	55,931,000	299,473
Heritage Valley Beaver	40,022,000	216,746
St. Barnabas Health System (Beaver Meadows)	3,838,000	11,966
Housing Authority of Beaver County (Francis Farmer)	1,515,000	8,779
Beaver Area School District (Dutch Ridge Elementary)	1,463,000	9,044
C.J. Betters	641,000	3,505
B.V.I.U. (New Horizon School)	623,000	3,411
Trinity Oaks	422,000	2,199
BCW Properties	298,000	1,601
Total		\$865,739

Source: Authority officials.

Over the past three years, the three largest Authority customers have accounted for the following percentage of total Authority operating revenues:

Brighton Rehabilitation & Wellness

	2016	2017	2018
Consumption:	40,711,000	50,065,000	58,025,000
Billing:	\$209,759	\$256,061	\$305,127

Brighton Rehabilitation & Wellness (Friendship Ridge) had an increase in consumption of 15.9% in 2018, their fourth large consecutive increase. They are now the largest customer in terms of consumption and billing.

Heritage Valley Medical Center

	2016	2017	2018
Consumption:	46,351,000	41,747,000	37,341,000
Billing:	\$237,677	\$214,887	\$199,926

The consumption at Heritage Valley Medical Center decreased significantly (10.6%) for the second consecutive year. The decrease in the prior year was (9.9%).

Ohioville Borough Municipal Authority (Service Effective 9/3/2013)

	2016	2017	2018
Consumption:	54,030,000	54,583,000	55,815,000
Billing:	\$275,688	\$278,425	\$294,098

Service to Ohioville Borough Municipal Authority (OBMA) was initiated on September 3, 2013. The Agreement extends to May 2028. They had a modest increase in consumption of 2.3%.

The unaccountable water increased from 10.72% (33,726,000 gallons) in 2017 to 11.13% (35,956,000 gallons) in 2018. This is a very low unaccountable water loss resulting in a significant savings for the Authority.

Customer Base and Growth

The following table depicts the growth of the Authority’s customer base over the past five years.

<u>Account (Water System)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential.....	2,726	2,773	2,816	2,844	2,938
Commercial/Institutional.....	36	36	36	36	38
Total	2,762	2,809	2,852	2,880	2,976

Source: Authority officials.

Rate Schedule

The following table provides a historical summary of the rate per 1,000 gallons of water purchased from VTMA. Rate increases since 1993 are shown in the table which includes a rate increase in 2018. VTMA implemented a 21% increase of the cost of bulk water purchased for 2018, to overcome a budget deficit created from CBS Corporation ceasing to provide reimbursement for operation and maintenance costs associated with the air stripping towers. BTMA evaluated the rate increase impact in 2018, and amended the budget in February 2018, with a rate increase to customers effective April 2018.

Effective Date	Rate Per 1,000 Gallons	Percent Increase
January 1, 1993	\$0.75	15.4%
May 1, 1998	\$0.90	20.0
January 1, 2001	\$0.95	5.6
March 1, 2014	\$1.20	26.3
April 1, 2018	\$1.45	20.8

Due to this source of supply increase, BTMA increased rates by 5% across all user classes effective May 2018, and is reflected in the 2020 budget. This change increased the water monthly base residential rate from \$23.90 to \$25.10, an increase of \$1.20 per month. The rate for excess water used over 12,000 gallons per 3-month period increased from \$4.95 to \$5.20 per 1,000 gallons of usage.

The following rate schedule became effective in May 2018 and is presently in effect.

User Classification	Quarter Minimums	
	(gallons)	(dollars)
1	12,000 *	\$75.29
2	40,000 *	\$250.95
3	200,000 *	\$1,254.75
4	2,000,000 *	\$12,547.50
5	10,000,000 *	\$62,737.50

*All water usage in excess of the quarterly minimum will be billed at the rate of \$5.20 per 1,000 gallons.

The user classification of each consumer will be re-evaluated by the Authority at the beginning of each year and any indicated changes will be made at that time. The classification assigned will then prevail for the entire year regardless of change in usage.

Bills will be rendered monthly to each consumer for the appropriate minimum charge.

All new connections to the system prior to the 16th of the month will be billed at the monthly minimum of the first month. All consumers connected between the 16th and end of the month, will be one-half the monthly minimum for service for the part of the month during which service was furnished.

Meters are to be read quarterly and adjustments made on basis of quarterly meter reading and applications of above quarterly rates.

Billings

The following table indicates the billings for the last five years.

<u>Account (Water System)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Billings	\$1,650,244	\$1,720,185	\$1,741,573	\$1,815,453	\$1,868,743

Source: Authority officials.

Insurance

The Authority’s insurance carrier is the Municipal Risk Management Trust which is advertised as being experienced in municipal authority insurance and the broker, HUB International, is advertised as being endorsed by the Pennsylvania Municipal Authority’s Association. As an “appropriate” level of insurance is not an engineering matter we can only rely on the recommendation of the Authority’s insurance broker regarding the “adequacy” of the insurance coverage. Based on the written opinion of the HUB International, the level of insurance currently carried by the Authority is adequate and is similar to limits purchased by other municipal authorities having operations in the Commonwealth of Pennsylvania.

FINANCIAL REVIEW

The following schedules summarize the Authority's Water and Sewer financial condition and net position for the fiscal years ending December 31, 2016 through 2018, estimated December 31, 2019 and budgeted December 31, 2020. The figures have been arranged in a form believed to be convenient for the purposes of this Official Statement.

The Authority's governmental and fiduciary fund types utilize cash basis of accounting. Under this method, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

The Accounting Firm of Cottrill Arbutina, Certified Public Accountants, Pittsburgh, Pennsylvania, currently serves as the Authority's auditor, but such auditor has not been engaged to perform, and has not performed, since the date of its report included as an Appendix to this Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures related to this Official Statement.

Water Statement of Operating Income, Expenses and Changes in Net Position

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Estimated 2019</u>	<u>Budget 2020</u>
Operating Income	1,836,968	1,834,773	1,935,965	1,924,655	1,975,663
Operating Expenses	1,289,711	1,395,487	1,372,876	1,892,239	1,975,663
Net Operating Income Before Depreciation	547,257	439,286	563,089	32,415	0
Depreciation Expenses	276,848	263,120	291,860	0	0
Net Operating Income (Loss)	270,409	176,166	271,229	32,415	0
Non-Operating Income (Expense)					
Earnings from Investments - Unrestricted	2,349	19,276	37,066		
Earnings (Loss) from Investments - Restricted	-149,879	-145,679	-139,229		
Refund of Prior Year Revenues	0	0	-3,045		
Gain on Disposal of Fixed Asset	0	0	10,469		
Sewer Authority Billing	4,092	4,808	4,407		
Sale of Equipment	0	-13,949	0		
Miscellaneous	33,455	37,534	34,342		
Total Non-Operating Income (Expenses)	-109,983	-98,010	-55,990		
Change in Net Position Before Capital Contributions	160,426	78,156	215,239		
Capital Contributions					
Cash Capital Contributions	57,054	0	0		
Developer Contributions of Systems	227,997	253,358	86,918		
Total Capital Contributions	285,051	253,358	86,918		
CHANGE IN NET POSITION	445,477	331,514	302,157		
NET POSITION - BEGINNING	7,065,906	7,511,383	7,669,859		
PRIOR PERIOD ADJUSTMENT	0	-173,038	-64,071		
NET POSITION - ENDING	7,511,383	7,669,859	7,907,945		

Source: Authority Audits and Budget.

LABOR RELATIONS AND PENSION

Authority Employment and Labor Relations

The Authority presently has 5 full-time employees comprised of an Operational Supervisor, three operators/maintenance personnel and one office personnel. There are also two part-time meter readers. The four full-time maintenance employees are represented for the purposes of collective bargaining by the Plumbers Local Union 27. The current agreement expires December 31, 2020. The Authority has had no work stoppages, nor are any anticipated.

The Authority office is within the Brighton Township Municipal Building, which is also occupied by Brighton Township and Brighton Township Sewage Authority administrative staff. The office personnel of all three entities support each other in the day to day operations as needed. The Township Manager also functions as the Administrative Manager of the Municipal Authority. The Sewage Authority and Township maintenance personnel also provide assistance on an as needed basis if the scope of work requires assistance.

Pension

The Brighton Township Municipal Authority pension plan is a single-employer defined benefit pension plan controlled by the provision of Resolution No. 2018-04 adopted March 19, 2018 pursuant to Act 15 of 1974. The plan was established January 1, 1978. The plan participates in the Pennsylvania Municipal Retirement System (PMRSS), which is an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office, P.O. Box 1165, Harrisburg, PA 17108-1165. All assets of the plan are held in a trust and are the assets of the PMRS. The assets of the plan are managed by the Board of PMRS and are placed in the custody of the Treasurer of the Commonwealth.

As of January 1, 2019 employees covered by the plan included 5 inactive employees or beneficiaries currently receiving benefits and 5 active employees. Active employees contribute 3.5% of payroll. The employer 2019 contribution was \$19,163 and the 2020 contribution was \$17,243. The benefit is calculated at 1.5% per year of service multiplied by the average monthly compensation. The average monthly compensation is defined as the: Sixty 96) consecutive calendar months of the most recent one hundred twenty (120) consecutive calendar months of credited service which produces the highest final average salary.

For further description and funding of the pension, please refer to the accompanying financial statement in Appendix F.

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APPENDIX B
ECONOMIC AND DEMOGRAPHIC INFORMATION

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**ECONOMIC AND DEMOGRAPHIC DESCRIPTION
OF THE BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY SERVICE AREA**

Population - 2010 Census vs. 2000 Census

	<u>2010</u>	<u>2000</u>
Beaver County	31,946	35,112
Commonwealth	12,702,379	12281,054

Source: U.S. Census Bureau

Age Composition – 2010 Census

	<u>Under 18</u>	<u>Percent</u>	<u>65 or Over</u>	<u>Percent</u>
Beaver County	6,651	20.82%	6,066	18.99%
Commonwealth	2,792,155	21.98%	1,959,307	15.42%

Source: U.S. Census Bureau

Occupied Housing – 2010 Census

	<u>Total Housing</u> <u>Units</u>	<u>Occupied Housing</u> <u>Units⁽¹⁾</u>	<u>Percent</u> <u>Occupied</u>	<u>Owner-Occupied</u> <u>Housing</u> <u>Units</u>	<u>Percent</u> <u>Owner</u> <u>Occupied</u>
Beaver County	17,585	13,693	77.87%	10,750	78.51%
Commonwealth	5,567,315	5,018,904	90.15%	3,491,722	69.57%

⁽¹⁾There are 1,164 (11.91%) residential properties for seasonal, recreational or occasional use in the School District.

Source: U.S. Census Bureau

Major Employers of Beaver County

<u>Company</u>	<u>Company</u>
Valley Medical Facilities Inc.	Beaver County
Passavant Memorial Homes	IPSCO Koppel Tubulars Corp.
Wal-Mart Associates, Inc.	McGuire Memorial
Great Arrow Builders LLC	Veka Inc.
FirstEnergy Nuclear Operating Co.	Heritage Valley Medical Group Inc.

Source: Center for Workforce Information and Analysis, Pennsylvania Dept. of Labor and Industry – 4th QTR – 2017.

Education

Higher education institutions in Beaver County include Geneva College, a four-year college located in Beaver Falls, the Pennsylvania State University's Beaver campus and Beaver County Community College and both two-year colleges, located in Center Township. Major colleges and universities located in Pittsburgh are within a 40 minute commute for Beaver County residents.

Transportation

The Beaver County Transit Authority (BCTA) provides bus service to the Beaver County area as well as to the Pittsburgh area. The Port Authority of Allegheny County provides bus service to the area from Pittsburgh and various locations throughout Allegheny County. The parkway West (U.S. Routes 22-30) is five miles from the School District, and provides commuters with access to the downtown Pittsburgh area, connecting to the Beaver Valley Expressway at Pittsburgh International Airport.

Medical Facilities

Heritage Valley Health System was formed in 1996 from the merger of The Medical Center of Beaver County and Sewickley Valley Hospital (which, although located in Allegheny County, serves the southern part of Beaver County). Heritage Valley Health System is a 547-bed teaching facility and serves the majority of Beaver County residents.

APPENDIX C

FORM OF BOND COUNSEL OPINION

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\$5,875,000
Brighton Township Municipal Authority
Beaver County, Pennsylvania
Water Revenue Bonds, Series of 2020

August 13, 2020

**To the Purchasers of the
Above-Described Bonds:**

I have served as Bond Counsel to the Brighton Township Municipal Authority, Beaver County, Pennsylvania, (the “Authority”) and do hereby advise you in connection with the issuance, sale and delivery of its \$5,875,000, aggregate principal amount, Water Revenue Bonds, Series of 2020 (the “Bonds”) issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, dated and bearing interest from the dated date, and maturing on various annual dates ending July 15, 2041. The Bonds have been issued under a Trust Indenture, dated August 13, 2020, (the “Indenture”) between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”).

In that capacity, I have examined the Constitution of the Commonwealth of Pennsylvania; the Municipality Authorities Act, Title 53, Chapter 56 of the Pennsylvania Consolidate Statutes (53 Pa. C.S.A. Section 5601, et seq.), as amended (the “Act”); the Indenture; the formal action of the Board of the Authority authorizing the incurrence of debt evidenced by the Bonds (the “Debt Resolution”); the Internal Revenue Code of 1986, as amended (the “Tax Code”); the opinion of Samuel J. Orr, III, solicitor for the Authority, upon which I have relied; the federal income tax certificate of the Authority; and such other certificates, proceedings, regulations and laws as I deemed necessary in order to render this opinion. Unless separately noted, I have relied upon, but have not independently verified, factual certifications either contained in the Official Statement or other similar document used in connection with the sale of the Bonds or made to me by the Authority, or its officers and agents, during the course of my engagement.

Both principal of and interest on the Bonds are payable at the designated corporate trust office of U.S. Bank National Association, Pittsburgh, Pennsylvania, as Trustee; said trust company has also been appointed Registrar for the Bonds.

The Bonds are not obligations of the Commonwealth of Pennsylvania, or of any political subdivision thereof. The Bonds are limited obligations of the Authority payable solely out of the net receipts and revenues of the Authority derived from the operation of its Water System and from certain other moneys of the Authority, as further described in the Indenture. The Authority has no taxing power.

I have not been engaged nor undertaken to review the adequacy of disclosure in the Official Statement nor in any other securities offering material produced in respect of the Bonds and, except as to matters set forth in this opinion and described as such in said Official Statement, I express no opinion or belief with respect thereto.

The closing proceedings demonstrate that, in the absence of any meritoriously based action in a governmental or judicial forum affecting the validity of the Bonds, the same have been duly and validly authorized, executed, issued and delivered by the Authority upon full payment.

Based on the foregoing, I am of the opinion on this date as follows:

(1) The Authority is a body corporate and politic, duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania.

(2) The Debt Resolution of the Authority authorizing the execution and delivery of the Indenture is valid and legally sufficient, and the Indenture has been duly authorized, executed and delivered by the Authority, and is a legal, binding and enforceable instrument in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles affecting creditors' rights generally.

(3) The Bonds have been duly and validly authorized, executed, issued and delivered by the Authority.

(4) All conditions precedent and concurrent, provided in the Indenture, to the authentication of the Bonds, by the Trustee, have been complied with and the Bonds have been duly authenticated and delivered.

(5) The Bonds are legal, valid and binding limited obligations of the Authority, are secured by a pledge of and payable out of its net receipts and revenues, and are enforceable, against the Authority, in accordance with their terms and the terms of the Indenture, except as may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles, affecting creditors' rights generally.

(6) The Bonds, having all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, are negotiable instruments.

(7) The Bonds are authorized investments, under the Probate, Estates and Fiduciaries Code, as amended, for fiduciaries and personal representatives (as such terms are therein defined) within the Commonwealth of Pennsylvania.

(8) Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Tax Code. Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Tax Code, in computing the alternative minimum tax. Due to the designation of the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code, certain financial institutions may be able to deduct 80% of the interest expense incurred in purchasing or carrying the Bonds. In rendering the opinions in this paragraph, I have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Tax Code. I express no opinion as to any other Federal income tax consequence arising from ownership of the Bonds.

(9) The Bonds are not arbitrage bonds within the meaning of Section 148 of the Tax Code, assuming compliance by the Authority with certain covenants made in the Debt Resolution or other certificates of the Authority provided in connection with the authorization and issuance of the Bonds.

(10) The Bonds are exempt from registration under the provisions of the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

(11) The Bonds, and interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

(12) Notwithstanding the opinions set forth in paragraphs (8) and (11), hereof, no opinion is made or can be made as to whether or not any legislation hereafter introduced and enacted, or regulation hereafter promulgated, will be applied retroactively so as to subject the interest on the Bonds to federal, state or local income taxes or as to otherwise affect the marketability or market value of the Bonds.

This opinion is rendered as of the date hereof, and I assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter be brought to my attention, or any changes in law that may hereafter arise.

Yours very truly,

JOHN F. SALOPEK, ESQUIRE

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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\$5,875,000
Brighton Township Municipal Authority
Beaver County, Pennsylvania
Water Revenue Bonds, Series of 2020

CONTINUING DISCLOSURE CERTIFICATE

This **CONTINUING DISCLOSURE CERTIFICATE** (the “Certificate”) is executed and delivered on the ____ day of _____, 2020, by the Brighton Township Municipal Authority (the “Issuer”) in connection with its issuance of \$5,875,000 Water Revenue Bonds, Series of 2020 (the “Bonds”). The Bonds are being issued pursuant to a resolution enacted by the Board of the Issuer on May 18, 2020 (the “Authorizing Legislation”).

The Issuer certifies, covenants and agrees as follows:

Section 1. Purpose of the Certificate.

This Certificate is being executed and delivered by the Issuer to provide for the disclosure of certain information concerning the Bonds on an on-going basis as set forth herein for the benefit of Bondholders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended and in effect on the date hereof (the “Rule”).

Section 2. Definitions; Scope of this Certificate.

All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Authorizing Legislation and the Bonds. Notwithstanding the foregoing, the term “Disclosure Agent” shall mean the Issuer, or any disclosure agent appointed or engaged by the Issuer; any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto.

The following capitalized terms shall have the following meanings:

“*Annual Financial Information*” for any particular fiscal year of the Issuer shall mean a copy of the Issuer’s annual financial statements for such fiscal year prepared in accordance with generally accepted accounting principles as prescribed by GASB, from time to time, for local government units and audited in accordance with generally accepted auditing standards.

“*Beneficial Owner*” shall mean any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“*Bondholder*” shall mean any holder of the Bonds and any Beneficial Owner thereof.

“*EMMA*” shall mean the continuing disclosure service of the MSRB’s Electronic Municipal Market Access system, as established by SEC Release No. 34-58256, as amended, and approved by SEC Release No. 34-59061.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Material Event*” shall mean any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related default, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) (a) calls for redemption of the Bonds, if material, other than calls pursuant to the mandatory sinking fund provisions of the Bonds, if any; and (b) tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing payment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar events of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (15) Incurrence of a financial obligation of the Obligated Party, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Party, any of which affect holders of the Bonds, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Party, any of which reflect financial difficulties.

“*Official Statement*” shall mean the Issuer’s Official Statement dated July 7, 2020.

“*Operating Data*” for any particular fiscal year means (i) a summary of the Issuer’s budget for the ensuing fiscal year, (ii) the annual Engineer’s Report, and (iii) an update of the information contained in Appendix A – “THE WATER SYSTEM OF THE AUTHORITY” under the subheadings “Largest Customers”, “Customer Base and Growth”, “Rate Schedule” and “Billings and Collection Experience” in the Official Statement (to the extent not covered by the material provided in items (i) and (ii) immediately preceding).

“*Participating Underwriter*” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

“*SEC*” shall mean the Securities and Exchange Commission.

“*State*” shall mean the Commonwealth of Pennsylvania.

Section 3. Disclosure of Information.

(A) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Issuer shall make public, or shall cause the Disclosure Agent to make public, the information set forth in subsections (1), (2) and (3) below at or by the times set forth therein:

(1) Annual Financial Information and Operating Data. Not later than 275 days following the end of each fiscal year of the Issuer (the “disclosure date” for such fiscal year), beginning with the fiscal year ending in 2020, the Annual Financial Information and Operating Data for such fiscal year. If the Disclosure Agent is an entity or person other than the Issuer, then the Issuer shall provide such Annual Financial Information and Operating Data to the Disclosure Agent not later than fifteen (15) Business

Days prior to the applicable disclosure date. The Annual Financial Information and Operating Data may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information and Operating Data.

(2) Material Events Notices. In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of every occurrence of a Material Event.

(3) Failure to Provide Annual Financial Information or Operating Data. In a timely manner, notice of every failure of the Issuer to make Annual Financial Information or Operating Data public in the manner and by the date required hereby.

(B) Means of Making Information Public. Information shall be deemed to be made public by the Issuer or the Disclosure Agent under this Certificate if it is transmitted to the MSRB, in such manner (currently by a single transmission of the required information to EMMA, on the following website: <http://emma.msrb.org>) and accompanied by such identifying information as may be prescribed thereby, or by such other method authorized under the Rule or by the SEC for such purposes. To the extent any Annual Financial Information or Operating Data is included in a document filed with the MSRB, or in a final official statement (as that term is defined in Rule 15(c)2-12(f)(3)), the Issuer shall have been deemed to have provided that information if a statement specifically referencing the filed document or final official statement is filed with the MSRB as part of the Issuer's obligation to file Annual Financial Information and Operating Data pursuant to this Certificate. Additionally, if the referenced document is a final official statement (as that term is defined in Rule 15c2-12 (f)(3)), it must be available from the MSRB.

Section 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 5. Miscellaneous.

(A) Termination. The Issuer's obligations under this Certificate shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity and the Issuer is no longer an obligated person with respect to the Bonds within the meaning of the Rule.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Statement or notice of occurrence of a Material Event, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Financial Statement or notice of occurrence of a Material Event in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Statement or notice of occurrence of a Material Event.

(C) Defaults; Remedies. In the event of a failure of the Issuer or the Disclosure Agent to comply with any provision of this Certificate any Bondholder may take such action as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Issuer or the Disclosure Agent to comply with its obligations under this Certificate. A default under this Certificate shall not constitute a default on the Bonds and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Agent, the Participating Underwriter and Bondholders, or beneficial owners thereof, and shall create no rights in any other person or entity.

Section 6. Additional Disclosure Obligations.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Issuer, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

Section 7. Notices.

Any notices or communications to or with the Issuer may be given as follows:

Brighton Township Municipal Authority
Attention: Chairman
1300 Brighton Road
Beaver, PA 15009.

IN WITNESS WHEREOF, the Issuer has caused its duly authorized officer to execute this Certificate as of the day and year first above written.

**BRIGHTON TOWNSHIP
MUNICIPAL AUTHORITY**

By: _____
Chairman

APPENDIX E
FINANCIAL STATEMENTS

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BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

BRIGHTON TOWNSHIP, PENNSYLVANIA

DECEMBER 31, 2018

AUDIT REPORT

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

BRIGHTON TOWNSHIP, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brighton Township Municipal Authority
1300 Brighton Road
Beaver, Pennsylvania 15009

We have audited the accompanying financial statements of the business-type activities of the Brighton Township Municipal Authority as of and for the year ended December 31, 2018 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 Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 risks 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 purpose 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Brighton Township Municipal Authority as of December 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability, and schedule of actuarially determined pension contributions and related ratios on pages i-ix, 35 and 36, respectively, 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 Brighton Township Municipal Authority's basic financial statements. The Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; the Comparison of Operations with Budget; and the Trust Indenture Covenants Statement, together referred to as Supplementary Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
June 27, 2019

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Required Supplementary Information (RSI)

The discussion and analysis of Brighton Township Municipal Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A, and such data is included within this report.

Financial Highlights

The Authority's performance met budget and other expectations for the year ended December 31, 2018, and the Authority operated within its debt covenants. The following are key financial highlights:

- Net position at year-end totaled \$7,907,945. This is an increase of \$238,086 from 2017. Of the total net position, \$2,063,223 is unrestricted and available to support short-term operations.
- Debt service coverage exceeded the 110% level required by the Bond covenant.
- Operating revenues were \$1,935,965. Of this amount \$1,827,056 was for Water Sales - an increase from calendar year 2017 of \$83,223.
- The Authority's customer base as of December 31, 2018 consisted of 2,880 billable accounts, an increase of 28 billable accounts over the prior year. Of these accounts, there were 2,844 residential and 36 commercial/public customer accounts. It should be noted that the Municipal Authority bills for the Brighton Township Sewage Authority on the same bill card. Any difference in account numbers would be a result of accounts billed for sewage service only.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, the current year budget, bond resolutions, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector; however, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Overview of Annual Financial Report (Continued)

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the Authority on a full accrual historical cost basis. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and the amounts by which the net position changed during the year. All changes in net position are reported concurrently with the occurrence of the underlying event giving rise to the change, regardless of the timing of the related cash flows.

The statement of cash flows reports changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, the timing of any arising obligations, or the depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of the financial data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any. Supplementary information comparing operations with the budget as well as a combining statement of revenues, expenses, and changes in fund net position and a combining statement of net position are provided.

The financial statements were prepared by the Authority's staff from the detailed books and records of the Authority. The financial statements were audited and adjusted, if the adjustments were material, during the independent external audit process.

Summary of Organization and Business

The Brighton Township Municipal Authority is a body, politic and corporate, created pursuant to an ordinance of the Board of Supervisors of the Township of Brighton, Beaver County, Pennsylvania (the "Township") dated March 1, 1948, under an Act of the General Assembly of the State, approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipality Authorities Act of 1945, as amended (the "act"). The life of the Authority was extended 50 years to at least 2064 pursuant to Resolution No. 2014-21 of the Township enacted September 12, 2014.

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

The Authority does not have taxing power; ongoing operations are funded from customer revenues. The acquisition and construction of capital assets are funded by capital (cash and systems)

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Summary of Organization and Business (Continued)

contributions from customers, developers, Federal and State grants and loans, and customer revenues.

Public water services are provided and include the purchase of water from the Vanport Township Municipal Authority, pumping, storage, and distribution.

Financial Analysis

The following comparative general information and condensed financial statements serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

Comparison Of Operations With The Budget For The Years Ended December 31,

	<u>2018</u>			<u>2017</u>		
			Favorable			Favorable
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
OPERATING REVENUE						
Domestic Water Sales	\$ 964,101	\$ 966,955	\$ 2,854	\$ 983,000	\$ 930,769	\$ (52,231)
Commercial Water Sales	34,616	29,945	(4,671)	33,500	33,831	331
Public Water Sales	771,899	819,161	47,262	724,000	770,746	46,746
Other Revenues	77,540	119,904	42,364	77,850	99,427	21,577
TOTAL OPERATING REVENUE	<u>\$ 1,848,156</u>	<u>\$ 1,935,965</u>	<u>\$ 87,809</u>	<u>\$ 1,818,350</u>	<u>\$ 1,834,773</u>	<u>\$ 16,423</u>
OPERATING EXPENSES						
Water Service	\$ 3,661,857	\$ 1,181,060	\$ 2,480,797	\$ 4,172,355	\$ 1,155,488	\$ 3,016,867
General and Administrative	266,861	191,816	75,045	255,609	239,999	15,610
TOTAL OPERATING EXPENSES	<u>\$ 3,928,718</u>	<u>\$ 1,372,876</u>	<u>\$ 2,555,842</u>	<u>\$ 4,427,964</u>	<u>\$ 1,395,487</u>	<u>\$ 3,032,477</u>
INCOME (LOSS) FROM OPERATIONS:						
BEFORE DEPRECIATION	\$ (2,080,562)	\$ 563,089	\$ 2,643,651	\$ (2,609,614)	\$ 439,286	\$ 3,048,900
Depreciation	0	291,860	(291,860)	0	263,120	(263,120)
INCOME (LOSS) FROM OPERATIONS	<u>\$ (2,080,562)</u>	<u>\$ 271,229</u>	<u>\$ 2,351,791</u>	<u>\$ (2,609,614)</u>	<u>\$ 176,166</u>	<u>\$ 2,785,780</u>
NONOPERATING INCOME (EXPENSES):						
Nonoperating Income	\$ 45,250	\$ 86,284	\$ 41,034	\$ 37,750	\$ 61,618	\$ 23,868
Nonoperating Expense	(365,000)	(142,274)	222,726	(365,000)	(159,628)	205,372
TOTAL NONOPERATING INCOME (EXPENSE)	<u>\$ (319,750)</u>	<u>\$ (55,990)</u>	<u>\$ 263,760</u>	<u>\$ (327,250)</u>	<u>\$ (98,010)</u>	<u>\$ 229,240</u>
CAPITAL CONTRIBUTIONS	<u>\$ 0</u>	<u>\$ 86,918</u>	<u>\$ 86,918</u>	<u>\$ 0</u>	<u>\$ 253,358</u>	<u>\$ 253,358</u>
CHANGE IN NET POSITION	<u>\$ (2,400,312)</u>	<u>\$ 302,157</u>	<u>\$ 2,702,469</u>	<u>\$ (2,936,864)</u>	<u>\$ 331,514</u>	<u>\$ 3,268,378</u>
NET POSITION - BEGINNING	2,774,812	7,669,859	4,895,047	3,330,109	7,511,383	4,181,274
Prior Period Adjustment	0	(64,071)	(64,071)	0	(173,038)	(173,038)
NET POSITION - ENDING	<u>\$ 374,500</u>	<u>\$ 7,907,945</u>	<u>\$ 7,533,445</u>	<u>\$ 393,245</u>	<u>\$ 7,669,859</u>	<u>\$ 7,276,614</u>

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Financial Analysis (Continued)

- Water Sales history (gallons of water) is as follows:

Water Sales in Millions of Gallons				
		Favorable <u>(Unfavorable)</u>		Favorable <u>(Unfavorable)</u>
<u>2016</u>	<u>2017</u>		<u>2018</u>	
281.4	280.1	(1.3)	287.1	7.0

- In 2018 the Authority sold 287.1 million gallons of water, an increase of 7.0 million gallons compared to the 280.1 million gallons sold in 2017 as seen in the above table. Water Sales for 2018 were slightly under budget projections for Domestic Water Sales. However, the large customers in the Public Water Sales Class 4 had increased sales that more than offset the reduced domestic water sales. Public Water Sales Class 4 were over budget by \$ 49,984 (+6.7%).
- The Authority’s three largest users are shown below:

Brighton Rehabilitation & Wellness

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Consumption:	40,711,000	50,065,000	58,025,000
Billing:	\$209,759	\$256,061	\$305,127

Heritage Valley Medical Center

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Consumption:	46,351,000	41,747,000	37,341,000
Billing:	\$237,677	\$214,887	\$199,926

Ohioville Borough Municipal Authority (Service Effective 9/3/2013)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Consumption:	54,030,000	54,583,000	55,815,000
Billing:	\$275,688	\$278,425	\$294,098

- Brighton Rehabilitation & Wellness (Friendship Ridge) had an increase in consumption of 15.9% in 2018, their fourth large consecutive increase. They are now the largest customer in terms of consumption and billing.
- The consumption at Heritage Valley Medical Center decreased significantly (10.6%) for the second consecutive year. The decrease in the prior year was (9.9%).
- Service to Ohioville Borough Municipal Authority (OBMA) was initiated on September 3, 2013. The Agreement extends to May 2028. They had a modest increase in consumption of 2.3%.
- The unaccountable water increased from 10.72% (33,726,000 gallons) in 2017 to 11.13% (35,956,000 gallons) in 2018. This is a very low unaccountable water loss resulting in a significant savings for the Authority.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Financial Analysis (Continued)

- In 2018 there were 29 water connection permits issued for residential units. The budget projection was \$45,000 for 15-connections. As a result, the Authority collected \$ \$88,000 in connection fees, or \$43,000 over budget. All of the collected fees are transferred to the Surplus Capital Fund for capital related expenses.
- During 2018, water connection fees remained unchanged for ductile iron piping as follows:

	<u>5/8” Meter</u>	<u>1” Meter</u>	<u>2” Meter</u>
Connection Fee	\$1,500	\$1,500	\$2,500
Customer’s Facility Fee	0	500	1,900
Tapping Fee	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
TOTAL:	\$3,000	\$3,500	\$5,900

However, now that the Authority has waterlines constructed of other materials and the tapping fee costs vary by material. Additional tapping and connecting fees were added for HDPE and PVC waterlines as follows:

CONNECTION TO AUTHORITY HDPE WATERLINE

	<u>5/8-Inch Meter</u>	<u>1-Inch Meter</u>	<u>2-Inch Meter</u>
Connection Fee	\$2,000	\$2,000	\$3,000
Customer’s Facility Fee	\$ 0	\$ 500	\$1,900
Tapping Fee	<u>\$1,500</u>	<u>\$1,500</u>	<u>\$1,500</u>
TOTAL:	\$3,500	\$4,000	\$6,400

CONNECTION TO AUTHORITY PVC WATERLINE

	<u>5/8-Inch Meter</u>	<u>1-Inch Meter</u>	<u>2-Inch Meter</u>
Connection Fee	\$1,700	\$1,700	\$2,700
Customer’s Facility Fee	\$ 0	\$ 500	\$1,900
Tapping Fee	<u>\$1,500</u>	<u>\$1,500</u>	<u>\$1,500</u>
TOTAL:	\$3,200	\$3,700	\$6,100

- Water purchases from Vanport Township Municipal Authority were under budget. In 2018, the Authority pumped 323,050,000 gallons of water compared to 314,551,000 gallons of water pumped in 2017. As noted previously, the unaccountable water loss increased by 2,230,000 gallons during 2018. The Authority’s largest customer increased consumption by nearly 8,000,000 gallons.
- The Authority accepts ACH payments where the payment is drafted from their checking account on the 20th of each month. A 2% discount on the utility billing is offered to encourage more customers to sign up for this payment method. The total discount provided in 2018 was \$4,579.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

General Trends and Significant Events

- Water used in the Brighton Township Municipal Authority system is purchased from the Vanport Township Municipal Authority (VTMA). Effective April 2018, the water purchase rate of \$ 1.45 per 1,000 gallons became effective.

After approval of the 2018 Budget notice was received that Vanport Township Municipal Authority (VTMA) would be voting on a rate increase in 2018. VTMA subsequently gave notice of a rate increase from \$1.20 per 1,000 gallons to \$1.45 effective April 2018. Therefore, at a Special Meeting on February 6, 2018, the Authority approved a water rate increase of 5% effective with the May billing due in June 2018. The residential rate was increased from \$23.90 per month to \$25.10 per month. The rate for excess consumption was increase from \$4.95 per 1,000 gallons to \$5.20 per 1,000 gallons. At the February 19, 2018 Regular Meeting a revised Budget was adopted that increased the Operating Fund from \$1,829,290 to \$1,886,407. The Capital Surplus Fund budget was reduced from \$2,879,649 to \$2,876,610 due to the decreased transfer from the Operating Fund.

- In 2014 the Board of Directors closed a bond issue that refunded prior debt and provided \$3.5 million in new money for waterline improvement projects throughout the Township. The bond issue did not require a change in existing water rates. The projects replaced prioritized sections of waterline to increase reliability in pumping mains, replace lines that experience frequent breaks, and increase system hydraulic capacity. Additionally, the project included limited pump station improvements in 2015. In 2016, the Authority substantially completed waterline replacements on Northview Circle and Western Avenue (Dutch Ridge Road to Lynne Haven Drive). During 2017 the Authority substantially completed the water line replacements on Tuscarawas Road from Little Beaver Drive to Sebring Road and from Mackall Drive to Center Drive. Those waterlines on Tuscarawas Road are now in the maintenance period.
- During 2018 the Authority replaced the waterline on Tuscarawas Road from Sebring Road to an area near Ornida Drive. This project was selected in lieu of the project planned for Dutch Ridge Road – Tuscarawas Road to the area of the Firemen's Social Hall. Subsequently, several hundred feet of waterline on Ornida Drive was replaced also.
- During 2018 the Authority paid \$ 993,034 to the contractor for the 2015 Waterline Replacement Project on Tuscarawas Road from Little Beaver Drive to Sebring Road.
- During 2018 the Authority paid \$621,109 to the contractor for the 2018 Waterline Replacement Project on Tuscarawas Road on Tuscarawas Road from Sebring Road to an area near Ornida Drive, and a section on Ornida Drive.
- Engineering design and inspection services for the waterline replacement projects during 2018 was \$ 132,708 for the 2015 Project and \$ 112,655 for the 2018 Project.
- The Township was one of only six municipalities within Beaver County to experience a growth in population during the 2010 US Census. Many of the growth communities, like Brighton Township, are located on the I-376 corridor. It is anticipated that the Township will continue this trend of consistent growth, primarily residential in nature. The large majority of new residential growth

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

General Trends and Significant Events (Continued)

utilizes the Authority water system and, thereby, increases the customer base. There are a number of housing plans with building lots available for additional construction that should provide continued growth of the customer base.

- The Water Sales Agreement with the Vanport Township Municipal Authority dated May 21, 2007 is for a period of 21 years. A Ground Lease Agreement for the Center Drive Pump Station effective July 1, 2007 is for a period of 21-years.
- The Agreement with the Ohioville Borough Municipal Authority is dated October 12, 2010. Under the Agreement, BTMA will supply up to 250,000 GPD to OBMA. The water rate is the same as the rate charged for Public Water Rate Class Four – the same as the Authority’s two largest customers: Brighton Rehabilitation & Wellness and Heritage Valley. The Agreement has an expiration date of May 21, 2028.

Net Position

	2018	2017
Current Assets	\$ 1,338,500	\$ 1,274,197
Restricted Assets	913,284	2,878,816
Noncurrent Assets	<u>10,385,291</u>	<u>8,650,084</u>
Total Assets	<u>\$ 12,637,075</u>	<u>\$ 12,803,097</u>
Deferred Outflows	<u>\$ 69,530</u>	<u>\$ 78,460</u>
Current Liabilities	\$ 283,850	\$ 518,786
Noncurrent Liabilities	<u>4,376,204</u>	<u>4,679,471</u>
Total Liabilities	<u>\$ 4,660,054</u>	<u>\$ 5,198,257</u>
Deferred Inflows	<u>\$ 138,606</u>	<u>\$ 13,441</u>
Net Position		
Net Investment in Capital Assets	\$ 5,844,722	\$ 6,030,541
Unrestricted	<u>2,063,223</u>	<u>1,639,318</u>
Total Net Position	<u>\$ 7,907,945</u>	<u>\$ 7,669,859</u>

Financial Condition

The Authority’s financial condition remained steady at year-end with adequate liquid assets, reliable plants and systems to meet demand and future expansion, and a reasonable level of unrestricted Net position. The current financial condition, technical support staff capabilities, and operating plans undertaken to meet anticipated customer needs are well balanced and under control. The Authority has put into place plans to address future needs of Brighton Township as it continues to grow in population. The 2015 and 2018 projects for pump station upgrade and waterline replacements were done to implement recommended improvements identified during the system wide engineering study. The Board adopted a 2019 Operating Budget of \$ \$1,943,152 and Capital Budget of \$983,272 that included no rate changes.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Results of Operations

Operating Revenues: Revenues from operations fall into two general categories: Water Service Charges, which includes penalties and Connection Fees. Water rates increased during 2018 and Connection Fees were unchanged during calendar year 2018.

Capital Contributions: The Authority collects connection and tapping fees in order to ensure that current customers do not bear the burden of growth. These fees are paid by new customers and represent, on a residential equivalent unit basis, the cost of the service connection by Authority equipment and personnel and water capacity attributable to the new account. Connection and tapping fees are paid for at the time a permit is issued for construction.

As mentioned previously, the Connection and Tapping Fee was not changed during 2018. \$88,000 was collected for connection permits in 2018. Of this amount, 100% was transferred to the Capital Surplus fund for capital projects. The Authority also receives additions to its distribution systems from developers. Authority personnel will perform the line extensions for small projects with all costs reimbursed to the Authority.

Expenses: The Authority operates and maintains a water pumping, storage, and distribution system. The largest expenditures are for the purchase of water paid to other entities and debt service. The Authority maintains a small, well trained maintenance staff to control expenditures. The staff is capable of performing its own water line break repairs, service connections, and other construction type projects.

Rate Covenant

In the Bond Resolution, the Authority covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the Authority, together with other income, that will yield annual income from operations before depreciation in the calendar year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments. The rate covenant in the Bond Resolution obligates the Authority to review rates not less than once a year and to revise such rates and charges as necessary to meet the coverage test. The Authority's ratios for 2017 and 2018 were 122% and 157%, respectively.

Capital Assets and Long-Term Debt

The net investment in capital assets decreased by \$185,819 during 2018. The primary additions in 2018 were for new waterlines and waterline replacements totaling \$1,920,900 and a 2018 Silverado 3500HD totaling \$69,117.

Water Revenue Bonds, Series A and B of 2014, were issued in October of 2014. The Series A bonds, totaling \$1,820,000, were issued to refund the outstanding balance due on the Authority's Series of 2008 bond issue. The Series B bonds, totaling \$3,610,000, were issued to finance water line construction and pump station and system upgrades. The principal balance due as of December 31, 2018 was \$4,560,000 with the final debt payment scheduled on the bonds in 2034.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Final Comments

The Authority Board remains committed to providing affordable, efficient, and reliable water services and to maintaining existing facilities.

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BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 211,752
Investments	741,594
Accounts Receivable	195,165
Prepaid Expense	41,685
Inventories	<u>148,304</u>
TOTAL CURRENT ASSETS	\$ 1,338,500
RESTRICTED ASSETS	
Surplus Capital Fund	\$ 189
Debt Service Fund	180,663
Construction Fund	105,345
Surplus Tap In Fund	<u>627,087</u>
TOTAL RESTRICTED ASSETS	\$ 913,284
NONCURRENT ASSETS	
Land and Land Improvements	\$ 264,400
Buildings and Building Improvements (net)	2,302,905
Distribution System (net)	7,119,825
Furniture and Equipment (net)	618,516
Net Pension Asset	<u>79,645</u>
TOTAL NONCURRENT ASSETS	\$ 10,385,291
TOTAL ASSETS	\$ 12,637,075
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflows from Pension	\$ 69,530
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 69,530
LIABILITIES	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 51,350
Current Portion of Bonds Payable	230,000
Accrued Payroll and Withholdings	2,329
Other Current Liabilities	<u>171</u>
TOTAL CURRENT LIABILITIES	\$ 283,850
NONCURRENT LIABILITIES	
Bonds Payable	\$ 4,330,000
Unamortized Bond Discount/Premium	6,269
Long Term Portion of Compensated Absences	<u>39,935</u>
TOTAL NONCURRENT LIABILITIES	\$ 4,376,204
TOTAL LIABILITIES	\$ 4,660,054
DEFERRED INFLOW OF RESOURCES	
Deferred Inflows from Pension	\$ 138,606
TOTAL DEFERRED INFLOW OF RESOURCES	\$ 138,606
NET POSITION	
Net Investment in Capital Assets	\$ 5,844,722
Unrestricted	<u>2,063,223</u>
TOTAL NET POSITION	\$ 7,907,945

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUES:

Domestic Water Sales	\$ 966,955
Commercial Water Sales	29,945
Public Water Sales	819,161
Connection Fees	88,000
Penalties	15,574
Discounts	(4,579)
Fire Hydrant Rentals	10,920
Engineering Fee/Health Insurance Reimbursements	9,989
TOTAL OPERATING REVENUES	<u>\$ 1,935,965</u>

OPERATING EXPENSES:

Water Service	\$ 1,181,060
General and Administrative	191,816
TOTAL OPERATING EXPENSES	<u>\$ 1,372,876</u>

INCOME (LOSS) FROM OPERATIONS BEFORE DEPRECIATION	\$ 563,089
Depreciation	291,860

INCOME (LOSS) FROM OPERATIONS	<u>\$ 271,229</u>
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NONOPERATING INCOME (EXPENSES):

Interest Income	\$ 37,066
Interest/Amortization Expense	(139,229)
Refund of Prior Year Revenues	(3,045)
Gain on Disposal of Fixed Asset	10,469
Sewer Authority Billing	4,407
Miscellaneous	34,342
TOTAL NONOPERATING INCOME (EXPENSES)	<u>\$ (55,990)</u>

CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 215,239</u>
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CAPITAL CONTRIBUTIONS:

Developer Contributions of Systems	\$ 86,918
TOTAL CAPITAL CONTRIBUTIONS	<u>\$ 86,918</u>

CHANGE IN NET POSITION	\$ 302,157
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NET POSITION - December 31, 2017 (Restated)	<u>7,605,788</u>
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NET POSITION - December 31, 2018	<u><u>\$ 7,907,945</u></u>
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See Accompanying Notes to the Financial Statements

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 1,912,197
Cash Paid to Employees for Wages and Benefits	(476,352)
Cash Paid to Suppliers for Goods and Services Provided	<u>(1,168,627)</u>
Net Cash Provided By Operating Activities	<u>\$ 267,218</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Water Revenue Bond Payments	\$ (220,000)
Interest Paid on Borrowings	(139,631)
(Increase) Decrease in Restricted Assets	1,965,532
Purchase of Property and Equipment (Net of Contributions)	<u>(1,934,277)</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>\$ (328,376)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Miscellaneous Non-Operating Revenue Received	\$ 38,749
Proceeds from Fixed Asset Trade-In (Less Fees)	20,172
Refund Prior Year Revenues	<u>(3,045)</u>
Net Cash Provided By NonCapital and Related Financing Activities	<u>\$ 55,876</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	\$ 37,066
Net Transfers of CD and PLGIT Accounts	<u>(12,880)</u>
Net Cash Provided By Investing Activities	<u>\$ 24,186</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 18,904
CASH AND CASH EQUIVALENTS - December 31, 2017	<u>192,848</u>
CASH AND CASH EQUIVALENTS - December 31, 2018	<u><u>\$ 211,752</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 271,229
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	291,860
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(23,769)
(Increase) Decrease in Prepaid Expense	34
(Increase) Decrease in Inventories	(8,784)
(Increase) Decrease in Deferred Outflow of Resources	8,930
Increase (Decrease) in Accounts Payable	(245,462)
Increase (Decrease) in Accrued Payroll and Withholdings	526
Increase (Decrease) in Compensated Absences	3,974
Increase (Decrease) in Net Pension Liability	(156,485)
Increase (Decrease) in Deferred Inflow of Resources	<u>125,165</u>
Net Cash Provided by Operating Activities	<u><u>\$ 267,218</u></u>
Noncash Capital and Related Financing Activities:	
Noncash Developer Property Dedications Resulting in Additions to Property, Plant and Equipment	<u><u>\$ 86,918</u></u>

See Accompanying Notes to Financial Statements

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS

Description of Operations – The Brighton Township Municipal Authority (the “Authority”) is a body, politic and corporate, created pursuant to an ordinance of the Board of Supervisors of Brighton Township, Beaver County, Pennsylvania, under an Act of General Assembly of Municipality Authorities Act of 1945 (the “Act”), as amended. The certificate of incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on December 1, 1952.

The governing body of the Authority is a Board consisting of members authorized to exercise any and all powers conferred by the aforementioned Act necessary for the acquisition, construction, improvement, extension, maintenance, and operation of the system facilities.

Reporting Entity – For purposes of defining the scope of the financial reporting entity, the accompanying statements represent the financial statements of the Brighton Township Municipal Authority. The Authority does not have any component units, nor is it a component unit of any other entity.

The Authority is a governmental proprietary fund type "enterprise fund." It accounts for its activities through user charges for services rendered in the operation of a water supply system.

Basis of Presentation and Accounting – The Authority’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for based upon a flow of economic resources measurement focus. Accordingly, all assets and all liabilities associated with operations are included on the balance sheet. Net position (i.e. total assets net of total liabilities) are segregated into net investment in capital assets, restricted for capital activity, and unrestricted elements.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS – CONTINUED

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, Brighton Township Municipal Authority considers all demand deposit accounts and certificates of deposit investments with a maturity of three months or less when purchased to be cash equivalents.

Investments – Investments are made pursuant to Section 7.1 of the Municipality Authorities Act and can include the following:

1. U.S. Treasury bills
2. Short-term obligations of the U.S. Government and federal agencies
3. Checking and savings accounts and certificates of deposit in banks, savings and loan associations, and credit unions where such funds are insured by the FSLIC, FDIC and the National Credit Union Share Insurance Fund (NCUSIF)
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency
5. Shares of mutual funds whose investments are restricted to the above categories

Investments include deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT pooled investments are authorized under the Intergovernmental Cooperation Act of 1972. The Brighton Township Municipal Authority is in compliance with the aforementioned Municipal Authorities Act restrictions for investments as of December 31, 2018.

Inventory – Inventory balances are carried at actual historic costs.

Budgetary Accounting – The Authority adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS – CONTINUED

All unexpected and unencumbered appropriations in the operating budget lapse at the end of the year. No appropriation for a capital project in the capital budget lapses until the purpose for which the funds were appropriated has been accomplished or abandoned.

Management submits a proposed budget to the Authority's Board of Directors prior to the November Board meeting. A budget is adopted by resolution prior to January 1. During the year, management is authorized to transfer budgeted amounts between line items within the Authority's divisions.

Restricted Funds

The Authority entered into a trust indenture with U.S. Bank National Association dated October 20, 2014 for the purpose of issuing Water Revenue Bonds, Series A of 2014 totaling \$1,820,000 and Series B of 2014 totaling \$3,610,000. The purpose of the Series A issue was to currently refund the outstanding portion of the Authority's Series B of 2008 Water Revenue Bonds. The purpose of the Series B issue was to finance water line construction and pump station and system upgrades.

The Water Revenue Bonds, Series A of 2014 will mature from 2015 to 2022 and bear interest rates between 2.00% and 3.50%. The Series B bond issue will mature from 2023 to 2034 and bear interest rates between 2.25% and 3.25%.

Restricted Funds Defined

Series of 2014 Bonds

The following funds were established in accordance with the terms of the Trust Indenture by and between the Brighton Township Municipal Authority and U.S. Bank National Association dated October 20, 2014.

a) Revenue Fund

All receipts and revenues received by the Authority from the operation of its Water System will be deposited into the Revenue Fund, which must be kept with a bank or trust company that qualifies as an authorized depository under the terms of the Indenture. The Authority will pay out of the Revenue Fund all its current expenses as they become due and, after paying such current expenses, the Authority will withdraw moneys from the Revenue Fund for the purpose of making deposits to other restricted funds as herein described.

b) Debt Service Fund

Quarterly withdrawals will be required to be made by the Authority from available monies in the Revenue Fund for deposit in the Debt Service Fund for the purpose of meeting the current interest and principal requirements (including mandatory redemption requirements) with respect to the Bonds.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS – CONTINUED

c) Series of 2014 Sinking Fund

On each date Bonds are required to be so redeemed or purchased, the Trustee will transfer from the Debt Service Fund to the Series of 2014 Sinking Fund such amounts as may be necessary to retire the Bonds, either by purchase or redemption pursuant to the mandatory redemption requirements thereof, as provided in the Indenture. The Series of 2014 Sinking Fund will constitute a fund established solely for the benefit of the bonds. Once funds are transferred to the 2014 Sinking Fund, they are no longer considered assets of the Authority for reporting purposes.

d) Debt Service Reserve Fund

Upon original issuance of the Series A and B bonds, the Debt Service Reserve Fund shall consist of a debt service reserve insurance policy issued by Municipal Assurance Corp. in the stated amounts of \$254,411.72 and \$368,637.50, respectively, permitting the Trustee to make claims upon the issuer of such policy at such times and in such amounts as money may be needed toward payment of principal or interest due and payable on the Series of 2014 Bonds to the extent that the Debt Service Fund at any time shall be deficient for such purpose.

e) Surplus Fund

The Authority will withdraw annually from the available monies in the Revenue Fund all monies therein in excess of one quarter of the amount budgeted to be used to pay the current year's operating expenses provided; however, (1) all required transfers to the above mentioned Funds must have been made and (2) no such withdrawal may cause the balance in the Revenue Fund to be less than one-fourth of the estimated current expenses of the Authority. Such excess, to the extent so withdrawn, must be deposited in the Surplus Fund. The purpose of the Surplus Fund is to enable the Authority to make additions, improvements, renewals, and replacements to its Water System and, to the extent not provided for in the current budget of current expenses, repairs to its Water System and to retire by purchase or redemption bonds outstanding under the Indenture and to make payments for any lawful purpose. Refunds under line deposit agreements may be also made from moneys in said Fund. In the event the moneys in the Debt Service Reserve Fund prove insufficient to make up any deficiencies referred to in the above-mentioned provisions with respect to the Debt Service Fund or the Series of 2014 Sinking Fund, the moneys in the Surplus Fund will be used for such purpose.

Surplus Tap-In Fund

The Surplus Tap-In Fund was established in order to set aside tap-in fee revenues. These monies are specifically reserved for capital projects.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS – CONTINUED

BALANCES AS OF DECEMBER 31, 2018

<u>Restricted Asset</u>	<u>Type</u>	<u>Standard & Poor's</u>	<u>Balance</u>
Surplus Capital Fund	First American Government Obligation Fund	AAAm	\$ 189
Debt Service Fund	First American Government Obligation Fund	AAAm	180,663
Construction Fund	First American Government Obligation Fund	AAAm	105,345
Surplus Tap In Fund	First American Government Obligation Fund	AAAm	<u>627,087</u>
		Total	<u>\$ 913,284</u>

Water Rents Receivable – The Authority bills on a monthly basis. The monthly charge for the typical residential account is \$25.10. The Township is divided into three billing districts, and each month one district has a water meter reading. Therefore, each meter is read once every quarter (each three months) or four times per year. Any use over 12,000 gallons is classified as excess usage and is billed at \$5.20 per 1,000 gallons of excess water. Receivables are stated at net realizable value.

Property, Plant, and Equipment – Land, property, plant, and equipment are carried with a cost of \$1,500 or more and an expected useful life greater than one year. Assets dedicated to the Authority are carried at the fair market value of the asset at the time of dedication. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

	<u>Estimated Useful Life</u>	<u>Depreciation 2018</u>
Buildings and Building Improvements	20-40 years	\$ 82,903
Distribution System	20-70 years	123,301
Furniture and Equipment	4-40 years	<u>85,656</u>
Total		<u>\$ 291,860</u>

Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. Replacements and betterments that increase the service capacity or prolong the service life beyond that originally contemplated are capitalized. Upon retirement or disposal, the cost of the asset and the related allowance for depreciation are removed from the respective accounts, and any gain or loss is included in the statement of operations.

Compensated Absences – Authority employees are allowed to accumulate up to 60 days of sick time. Accumulated sick time is only available during employment with Brighton Township Municipal Authority.

Recoverable Disbursements – The Authority enters into contractual arrangements with developers that provide for reimbursement by the developers of certain legal and engineering fees incurred by the Authority in connection with the construction of certain water-related facilities.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS – CONTINUED

Net Position – Generally accepted accounting standards require equity in the statement of net position to be reported as “Net Position.” Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy Authority obligations. Net position is classified as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction, and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets
- *Restricted Net Position* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets
- *Unrestricted* – Consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”

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

Uncollectible Accounts – The Authority has not established an allowance for doubtful accounts, as uncollectible accounts receivable are charged to expense as incurred. This method provides results that materially approximate the allowance method.

Capital Contributions – Funds received from consumers, developers, and contractors for water main pipe extensions are recorded as capital contributed.

Operating versus Non-Operating Revenues – 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 non-exchange transactions or ancillary activities.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a separate policy for custodial credit risk in addition to the requirements of State Law. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS – CONTINUED

As of December 31, 2018, the Authority’s bank balance total is fully insured under the FDIC coverage threshold.

Reconciliation to Financial Statements

FDIC Insured	\$ 261,041
Petty Cash	500
Less: Outstanding Items	<u>(49,789)</u>
Total	<u>\$ 211,752</u>

Investments

The fair value of the Authority’s investments with Union Building and Loan Savings Bank (certificate of deposit) and with PLGIT at December 31, 2018 is \$207,268 and \$534,326, respectively. The certificate of deposit is insured in full by the FDIC. The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) is to enable governmental units to pool their available funds for authorized investments. The funds operate in a manner consistent with the SEC’s Rule 2(a)7 of the Investment Company Act of 1940. PLGIT funds use amortized cost to report net position to compute share prices. PLGIT maintains net asset value of \$1 per share. Accordingly, the fair value of the position in PLGIT is the same as the value of these shares.

PLGIT has the characteristics of an open-end mutual fund and is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form. These funds are rated AAAM by Standard & Poor’s. Information regarding PLGIT can be obtained via the internet at www.plgit.com.

Interest Rate Risk – Investments

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.

Credit Risk – Investments

The Municipal Authorities Act limits the Authority to certain types of investments. The Authority does not have an investment policy that further limits its investment choices.

Fair Value Measurements

The Brighton Township Municipal Authority’s investments, if any, are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, ‘Fair Value Measurement and Application,’ provides a framework for measuring fair value, which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS – CONTINUED

The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes
- Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data
- Level 3 – Unobservable inputs that reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in the Authority's property, plant, and equipment for the year ended December 31, 2018 is as follows:

	Balance 12/31/17 (Restated)	Additions	Deletions	Balance 12/31/18
Land and Land Improvements	\$ 264,400	\$ 0	\$ 0	\$ 264,400
Buildings and Improvements	4,474,755	0	0	4,474,755
Distribution System	8,144,570	2,885,626	0	11,030,196
Construction in Progress	964,726	0	(964,726)	0
Furniture and Equipment	<u>1,505,223</u>	<u>100,296</u>	<u>(56,681)</u>	<u>1,548,838</u>
	<u>\$ 15,353,674</u>	<u>\$ 2,985,922</u>	<u>\$ (1,021,407)</u>	<u>\$ 17,318,189</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 2,088,947	\$ 82,903	\$ 0	\$ 2,171,850
Distribution System	3,787,070	123,301	0	3,910,371
Furniture and Equipment	<u>891,644</u>	<u>85,656</u>	<u>(46,978)</u>	<u>930,322</u>
	<u>\$ 6,767,661</u>	<u>\$ 291,860</u>	<u>\$ (46,978)</u>	<u>\$ 7,012,543</u>
 Net Property, Plant, and Equipment	 <u>\$ 8,586,013</u>	 <u>\$ 2,694,062</u>	 <u>\$ (974,429)</u>	 <u>\$ 10,305,646</u>

See Note 11 for more detailed information on the restatement of the 12/31/2017 property, plant, and equipment amounts.

Depreciation expense for the year ended December 31, 2018 was \$291,860.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 4 – BONDED DEBT

On October 20, 2014, the Authority issued Water Revenue Bonds, Series A and B of 2014 in the amount of \$1,820,000 and \$3,610,000, respectively. The purpose of the Series A issue was to currently refund the Authority’s Water Revenue Bonds, Series B of 2008. The purpose of the series B issue is to finance water line construction and pump station and system upgrades. The Water Revenue Bonds, Series A and B of 2014 will mature in 2022 and 2034, respectively, and bear interest rates between 2.00% and 3.50% for the Series A bonds and 2.25% and 3.25% for the Series B bonds. The net present value savings for the Authority as a result of the refinancing was \$127,873.

The repayment schedule for the Water Revenue Bonds, Series 2014 is as follows:

Water Revenue Bonds, Series A of 2014

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 230,000	\$ 23,825	\$ 253,825
2020	235,000	12,050	247,050
2021	240,000	7,453	247,453
2022	<u>245,000</u>	<u>2,603</u>	<u>247,603</u>
	<u>\$ 950,000</u>	<u>\$ 45,931</u>	<u>\$ 995,931</u>

Water Revenue Bonds, Series B of 2014

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 0	\$ 109,725	\$ 109,725
2020	0	109,725	109,725
2021	0	109,725	109,725
2022	5,000	109,725	114,725
2023	255,000	109,612	364,612
2024-2028	1,385,000	448,013	1,833,013
2029-2033	1,610,000	218,400	1,828,400
2034	<u>355,000</u>	<u>11,538</u>	<u>366,538</u>
	<u>\$ 3,610,000</u>	<u>\$ 1,226,463</u>	<u>\$ 4,836,463</u>

The following net changes were made of Long-Term Debt during the year:

	Balance @			Balance @	Current
	<u>12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u>	<u>Portion</u>
Bonds Payable	\$ 4,780,000	\$ 0	\$ (220,000)	\$ 4,560,000	\$ 230,000
Total	<u>\$ 4,780,000</u>	<u>\$ 0</u>	<u>\$ (220,000)</u>	<u>\$ 4,560,000</u>	<u>\$ 230,000</u>

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 5 – WATER REVENUES AND AGREEMENTS

Water Revenues

The Brighton Township Municipal Authority sends monthly bills to each account. The monthly charge for the typical residential account is \$25.10 for water. The Township is divided into three billing districts, and each month one district has a reading. Therefore, each meter is read once every quarter (each three months) or four times per year. Any use over 12,000 gallons is classified as excess usage and is billed at a rate of \$5.20 per 1,000 gallons of excess. Total water revenues including penalties amounted to \$1,827,056 in 2018.

Tap-In Fees – Fees for the right and/or privilege of tapping into the Authority’s water system are established pursuant to Authority Resolution at the rate of \$3,000. Tap-in fees are recorded as Connection Fees in the accompanying financial statements.

Water Treatment Contracts

Vanport Township Municipal Authority – The Brighton Township Municipal Authority purchases water from the Vanport Township Municipal Authority at a rate of \$1.45 per 1,000 gallons effective with the April 2018 billing. The prior rate of \$1.20 per 1,000 gallons had been in effect since March 2014. Water is supplied to Brighton Township’s booster pumping station at Center Drive from Vanport’s distribution system.

Commitments and Contingencies

Litigation – The Authority is involved in certain claims and legal actions that arise in the ordinary course of business. In the opinion of management and legal counsel, there are no such matters pending that are expected to be material in relation to the Authority’s financial condition or results of operations.

NOTE 6 – PENSION PLAN

Description of Plan

General: The Brighton Township Municipal Authority pension plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution No. 2018-04 adopted March 19, 2018 pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office, P.O. Box 1165, Harrisburg, PA 17108-1165.

All assets of the Plan are held in a trust and are the assets of the PMRS and, therefore, will be excluded from the Authority’s financial statements. The assets of the Plan will be managed by the Board of PMRS and are placed in the custody of the Treasurer of the Commonwealth.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

Plan Membership

Membership of the plan consisted of the following at January 1, 2017:

Active employees	5
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	1
Total	<u>10</u>

Plan Benefits

The plan provides retirement, disability, and death benefits to eligible plan members and their beneficiaries. Cost of living allowances are provided at the discretion of the plan.

Plan Contribution Requirements

Employer contributions are actuarially determined reflecting a payment equal to annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period. This contribution is based upon the Minimum Municipal Obligation (MMO) as defined in Act 205. For the calendar year 2018, the Authority contributed \$12,187 to the plan. This contribution to the pension plan, subsequent to the measurement date of the Authority’s net pension liability (NPL), is recognized as a component of ‘deferred outflows of resources – pension’ on the statement of net position. Participants are required to contribute 3.5% of compensation to the plan, which for calendar year 2018 totaled \$11,628.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources

The Authority’s final total pension liability (TPL) was measured as of December 31, 2017. The total pension liability (TPL) used to calculate the net pension liability was based upon an actuarial valuation of the same date. These assumptions are based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 as well as subsequent Board-approved assumption changes.

The table below shows the changes in the total pension liability (TPL), the plan fiduciary net position (i.e., fair value of plan assets), and the net pension liability (NPL) as of the measurement date.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

	Change in Net Pension Liability - Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances at 12/31/16	\$ 1,473,074	\$ 1,396,234	\$ 76,840
Changes for the year:			
Service cost	29,363	0	29,363
Interest	77,327	0	77,327
Changes of benefits	0	0	0
Changes of assumptions	0	0	0
Differences between expected and actual experience	0	0	0
Contributions - employer	0	11,740	(11,740)
Contributions - PMRS assessment	0	0	0
Contributions - member	0	10,607	(10,607)
PMRS investment income	0	76,362	(76,362)
Market value investment income**	0	168,178	(168,178)
Transfers	0	0	0
Benefit payments	(59,866)	(59,866)	(0)
PMRS administrative expense	0	(200)	200
Additional administrative expense	0	(3,512)	3,512
Net changes	<u>\$ 46,824</u>	<u>\$ 203,309</u>	<u>\$ (156,485)</u>
Balances at 12/31/17	<u>\$ 1,519,898</u>	<u>\$ 1,599,543</u>	<u>\$ (79,645)</u>

**Reflects the net investment income/ (loss) of \$171,466 and income/(loss) due to the difference between expected and actual asset values of (\$3,288), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

The above does not reflect changes in benefits or assumptions after January 1, 2018. Because the beginning and end of year TPL are based upon the same actuarial valuation dates, there is no difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2017 actuarial valuation with liabilities measured at December 31, 2016. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2017. Except as noted below, the TPL as of December 31, 2017 was based upon the data, actuarial methods and assumptions, and plan provisions.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Based upon the municipal reserves
Actuarial Assumptions	
Investment Rate of Return	5.25%
Projected Salary Increases	Age related scale with merit and inflation component
Inflation Rate Included	3.0%
Mortality Rate	Males: RP-2000 with 1 year set back Females: RP-2000 with 5 year set back

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes to determine the respective employer “plan fiduciary net position.”

PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The ‘Additional administrative expenses’ are the expenses in excess of the ‘PMRS administrative expense’ (i.e. \$20 per participant expense paid by each plan). The ‘PMRS investment income’ is based upon the regular and excess interest used to credit accounts annually. The ‘Market value investment income’ reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan.

There were experience gains or losses between the beginning of the year and end of year liabilities because the liabilities are based upon two different valuation dates. Also, assumption changes as of the measurement date have been reflected.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

The following is a schedule of collective deferred inflows and outflows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,812	\$ 13,441
Changes of assumptions	29,531	0
Net difference between projected and actual earnings on pension plan investments	0	125,165
Contributions after measurement date	<u>12,187</u>	<u>0</u>
TOTAL	<u><u>\$ 69,530</u></u>	<u><u>\$ 138,606</u></u>

The \$12,187 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2018	\$ (15,698)
2019	(21,149)
2020	(36,012)
2021	(27,407)
2022	9,587
Thereafter	9,416

The recognition period for experience and assumptions change gain/losses is 7 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer’s Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, the change in Net Pension Liability (NPL) plus the changes in deferred outflows and deferred inflows plus employer contributions. Alternatively, annual pension expense can be calculated by its individual components.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

Investment Asset Allocation

The PMRS System’s long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence.

There are four steps to the method as follows:

1. Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board’s opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighing each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown below in the table labeled ‘System Nominal and Real Rates of Return by Asset Class’.
4. These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The table labeled ‘Confidence Levels for System Nominal and Real Rates of Return’ identifies simulated portfolio returns at various confidence levels.

System Nominal and Real Rates of Return by Asset Class

	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (Large Cap)	25%	8.6%	5.6%
Domestic Equities (Small Cap)	15%	10.2%	7.2%
International Equities (Developed Markets)	15%	7.6%	4.6%
International Equities (Emerging Markets)	10%	11.7%	8.7%
Real Estate	20%	9.2%	6.2%
Fixed Income	15%	5.1%	2.1%
Total Portfolio	<u>100%</u>	<u>8.6%</u>	<u>5.6%</u>

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

Confidence Levels for System Nominal and Real Rates of Return

<u>Confidence Interval</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
95%	3.5%	0.5%
90%	4.4%	1.4%
85%	5.0%	2.1%
80%	5.7%	2.7%
75%	6.1%	3.1%
70%	6.5%	3.5%
50%	7.9%	4.9%

Based on the four-part analysis, the Board established the System’s Long-Term Expected Rate of Return at 7.3%.

In addition to determining the System’s Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities’ actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System’s Long-Term Expected Rate of Return and the individual participating municipalities’ Regular Interest Rate is described herein under the section ‘Discount Rate’. As of December 31, 2017, this rate is equal to 5.25%.

The System’s policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of PMRS.

Discount Rate

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

1. Retiree Plan liability as a percentage of total Plan liability,
2. Active Plan participant liability as a percentage of total Plan liability,
3. Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

- 4. PMRS System Long-Term Expected Rate of Return, and
- 5. PMRS administrative expenses

The formula using these factors is as follows:

Regular Interest Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long-Term Expected Rate of Return) – (Administrative Expenses as a percentage of assets)

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System’s investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities’ total pension liability was 5.25% as of December 31, 2017.

The Regular Interest Rate / Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required (“depletion testing”), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsors contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System’s Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 6 – PENSION PLAN – CONTINUED

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
	<u> </u>	<u> </u>	<u> </u>
Total Pension Liability	\$ 1,695,933	\$ 1,519,898	\$ 1,371,549
Plan Fiduciary Net Position	<u>1,599,543</u>	<u>1,599,543</u>	<u>1,599,543</u>
Net Pension Liability	<u>\$ 96,390</u>	<u>\$ (79,645)</u>	<u>\$ (227,994)</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	94.32%	105.24%	116.62%

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – RELATED PARTY

Brighton Township Municipal Authority, Brighton Township and Brighton Township Sewage Authority have a common manager. The Brighton Township Sewage Authority and Brighton Township Municipal Authority had four common board members during 2018. Brighton Township Municipal Authority paid \$32,500 to Brighton Township for building rental and reimbursement for a portion of the manager’s salary during 2018.

Brighton Township Municipal Authority owes Brighton Township \$1,638 at December 31, 2018. This amount is included in the accounts payable balance of \$51,350 at December 31, 2018.

Brighton Township Sewage Authority owes Brighton Township Municipal Authority \$689 at December 31, 2018. This amount is included in the accounts receivable balance of \$195,165 at December 31, 2018.

NOTE 9 – SUBSEQUENT EVENTS

The Authority evaluated its December 31, 2018 financial statements for subsequent events through the date of the Independent Auditor’s Report, the date the financial statements were available to be issued. The Authority is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 10 – RECENTLY ISSUED GASB PRONOUNCEMENTS

Recently Issued GASB Pronouncements

In November of 2016, the GASB issued Statement No. 83, ‘Certain Asset Retirement Obligations’.

The primary objective of this Statement is to provide financial statement users with information about ‘asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the Authority’s December 31, 2019 financial statements.

In January of 2017, the GASB issued Statement No. 84, ‘Fiduciary Activities’. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the Authority’s December 31, 2019 financial statements.

In June of 2017, the GASB issued Statement No. 87, ‘Leases’. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the Authority’s December 31, 2020 financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for reporting periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is effective for reporting period beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, is effective for reporting periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

The effects of implementing the aforementioned GASB Statements on the Authority’s financial statements have not yet been determined.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 11 – RESTATEMENT OF NET POSITION

For the year ended December 31, 2018, the Authority’s fixed assets valuation reflected changes to certain cost and accumulated depreciation information contained in its prior year valuation. Accordingly, the Authority restated to its net position as of January 1, 2018 as follows:

	<u>Operating</u>	<u>Surplus</u>	<u>Total</u>
Net Position - December 31, 2017	\$ 9,671,931	\$ (2,002,072)	\$ 7,669,859
Change in Accounting Estimate:			
(Less)/Add: Fixed Asset Valuation Adjustment	<u>(64,071)</u>	<u>0</u>	<u>(64,071)</u>
Total Prior Period Adjustment	<u>\$ (64,071)</u>	<u>\$ 0</u>	<u>\$ (64,071)</u>
Net Position - December 31, 2017, Restated	<u>\$ 9,607,860</u>	<u>\$ (2,002,072)</u>	<u>\$ 7,605,788</u>

NOTE 12 – DEFERRED COMPENSATION PLAN

During calendar year 2018, the Authority established a deferred compensation plan for eligible employees in accordance with the requirements of Internal Revenue Code Section 457. The plan is administered through Nationwide Retirement Solutions. Participant account values totaled \$8,168 as of December 31, 2018.

SUPPLEMENTARY INFORMATION

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2018

	OPERATING	SURPLUS	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 211,752	\$ 0	\$ 211,752
Investments	575,347	166,247	741,594
Accounts Receivable	195,165	0	195,165
Prepaid Expense	41,685	0	41,685
Inventories	148,304	0	148,304
TOTAL CURRENT ASSETS	\$ 1,172,253	\$ 166,247	\$ 1,338,500
RESTRICTED ASSETS			
Surplus Capital Fund	\$ 0	\$ 189	\$ 189
Debt Service Fund	0	180,663	180,663
Construction Fund	0	105,345	105,345
Surplus Tap In Fund	0	627,087	627,087
TOTAL RESTRICTED ASSETS	\$ 0	\$ 913,284	\$ 913,284
NONCURRENT ASSETS			
Land and Land Improvements	\$ 264,400	\$ 0	\$ 264,400
Buildings and Building Improvements (net)	2,302,905	0	2,302,905
Distribution System (net)	7,119,825	0	7,119,825
Furniture and Equipment (net)	618,516	0	618,516
Net Pension Asset	79,645	0	79,645
TOTAL NONCURRENT ASSETS	\$ 10,385,291	\$ 0	\$ 10,385,291
TOTAL ASSETS	\$ 11,557,544	\$ 1,079,531	\$ 12,637,075
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows from Pension	\$ 69,530	\$ 0	\$ 69,530
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 69,530	\$ 0	\$ 69,530
LIABILITIES			
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 14,558	\$ 36,792	\$ 51,350
Current Portion of Bonds Payable	0	230,000	230,000
Accrued Payroll and Withholdings	2,329	0	2,329
Other Current Liabilities	171	0	171
TOTAL CURRENT LIABILITIES	\$ 17,058	\$ 266,792	\$ 283,850
NONCURRENT LIABILITIES			
Bonds Payable	\$ 0	\$ 4,330,000	\$ 4,330,000
Unamortized Bond Discount/Premium	0	6,269	6,269
Long Term Portion of Compensated Absences	39,935	0	39,935
TOTAL NONCURRENT LIABILITIES	\$ 39,935	\$ 4,336,269	\$ 4,376,204
TOTAL LIABILITIES	\$ 56,993	\$ 4,603,061	\$ 4,660,054
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows from Pension	\$ 138,606	\$ 0	\$ 138,606
TOTAL DEFERRED INFLOW OF RESOURCES	\$ 138,606	\$ 0	\$ 138,606
NET POSITION			
Net Investment in Capital Assets	\$ 10,305,646	\$ (4,460,924)	\$ 5,844,722
Unrestricted	1,125,829	937,394	2,063,223
TOTAL NET POSITION	\$ 11,431,475	\$ (3,523,530)	\$ 7,907,945

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING</u>	<u>SURPLUS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Domestic Water Sales	\$ 966,955	\$ 0	\$ 966,955
Commercial Water Sales	29,945	0	29,945
Public Water Sales	819,161	0	819,161
Connection Fees	88,000	0	88,000
Penalties	15,574	0	15,574
Discounts	(4,579)	0	(4,579)
Fire Hydrant Rentals	10,920	0	10,920
Engineering Fee/Health Insurance Reimbursements	9,989	0	9,989
TOTAL OPERATING REVENUES	<u>\$ 1,935,965</u>	<u>\$ 0</u>	<u>\$ 1,935,965</u>
OPERATING EXPENSES:			
Water Service	\$ 1,179,785	\$ 1,275	\$ 1,181,060
General and Administrative	191,816	0	191,816
TOTAL OPERATING EXPENSES	<u>\$ 1,371,601</u>	<u>\$ 1,275</u>	<u>\$ 1,372,876</u>
INCOME (LOSS) FROM OPERATIONS BEFORE DEPRECIATION	\$ 564,364	\$ (1,275)	\$ 563,089
Depreciation	291,860	0	291,860
INCOME (LOSS) FROM OPERATIONS	<u>\$ 272,504</u>	<u>\$ (1,275)</u>	<u>\$ 271,229</u>
NONOPERATING INCOME (EXPENSES):			
Interest Income	\$ 8,859	\$ 28,207	\$ 37,066
Interest/Amortization Expense	0	(139,229)	(139,229)
Transfers	1,419,630	(1,419,630)	0
Refund of Prior Year Revenue	(3,045)	0	(3,045)
Gain on Disposal of Fixed Asset	0	10,469	10,469
Sewer Authority Billing	4,407	0	4,407
Miscellaneous	34,342	0	34,342
TOTAL NONOPERATING INCOME (EXPENSES)	<u>\$ 1,464,193</u>	<u>\$ (1,520,183)</u>	<u>\$ (55,990)</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 1,736,697</u>	<u>\$ (1,521,458)</u>	<u>\$ 215,239</u>
CAPITAL CONTRIBUTIONS:			
Developer Contributions of Systems	\$ 86,918	\$ 0	\$ 86,918
TOTAL CAPITAL CONTRIBUTIONS	<u>\$ 86,918</u>	<u>\$ 0</u>	<u>\$ 86,918</u>
CHANGE IN NET POSITION	\$ 1,823,615	\$ (1,521,458)	\$ 302,157
NET POSITION - December 31, 2017 (Restated)	<u>9,607,860</u>	<u>(2,002,072)</u>	<u>7,605,788</u>
NET POSITION - December 31, 2018	<u><u>\$ 11,431,475</u></u>	<u><u>\$ (3,523,530)</u></u>	<u><u>\$ 7,907,945</u></u>

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

COMPARISON OF OPERATIONS WITH BUDGET

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUES:			
Domestic Water Sales	\$ 964,101	\$ 966,955	\$ 2,854
Commercial Water Sales	34,616	29,945	(4,671)
Public Water Sales	771,899	819,161	47,262
Connection Fees	45,000	88,000	43,000
Penalties	16,000	15,574	(426)
Discounts	(4,200)	(4,579)	(379)
Fire Hydrant Rentals	10,920	10,920	0
Engineering Fee/Health Insurance Reimbursements	9,820	9,989	169
TOTAL OPERATING REVENUES	<u>\$ 1,848,156</u>	<u>\$ 1,935,965</u>	<u>\$ 87,809</u>

See Accompanying Notes to Financial Statements

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

COMPARISON OF OPERATIONS WITH BUDGET

FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING EXPENSES:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Water Service:			
Operating Manager	\$ 63,232	\$ 64,192	\$ (960)
Manager Overtime	15,500	19,555	(4,055)
On Call Pay	5,130	5,175	(45)
Operating Labor	169,250	171,611	(2,361)
Meter Reading Labor	12,250	11,524	726
Operating OT	25,000	23,391	1,609
Temp Help	10,000	1,548	8,452
Dental	2,030	2,158	(128)
Accident Sickness	1,150	1,176	(26)
Vision	760	808	(48)
Hospital	78,920	78,662	258
Life AD&D	3,700	3,775	(75)
Workers' Compensation	11,400	11,108	292
FICA	23,020	22,153	867
Uniforms	4,300	5,314	(1,014)
Car Allowance	2,000	1,200	800
Operating Supplies Chlorine	2,000	1,408	592
Operating Supplies Phosphate	500	0	500
CO2 - Chlorine Gas	4,000	493	3,507
Sodium Hypochlorite	1,000	0	1,000
Fuel	17,000	13,890	3,110
Tires	5,000	774	4,226
Vehicle Maintenance	5,000	1,774	3,226
Computer Maintenance	2,000	8,052	(6,052)
Dues and Fees	1,800	1,204	596
Subscriptions-Periodicals	400	250	150
Convention - Seminar	600	0	600
Education and Training	1,250	985	265
Radios	1,000	0	1,000
Security Monitoring	4,000	3,120	880
Public Notification System	2,000	513	1,487
Oil & Lubricants	1,250	633	617
General Maintenance	40,000	51,548	(11,548)
Stone, Asphalt, Pump Station	31,500	48,380	(16,880)
Inventory Used	50,000	56,194	(6,194)
Misc. Equipment/Maintenance	12,000	2,415	9,585
Building Repairs/Maintenance	2,000	444	1,556
Minor Equipment	3,000	3,538	(538)
Hand Tools	1,000	0	1,000
Telephone/Internet	10,850	11,433	(583)
Electric	95,000	95,825	(825)
Gas	4,300	3,553	747
Capital Improvements	2,490,609	1,275	2,489,334
Vanport Source of Supply	445,156	450,009	(4,853)
TOTAL WATER SERVICE	<u>\$ 3,661,857</u>	<u>\$ 1,181,060</u>	<u>\$ 2,480,797</u>

See Accompanying Notes to Financial Statements

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

COMPARISON OF OPERATIONS WITH BUDGET

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
GENERAL AND ADMINISTRATIVE:			
Directors' Fees	\$ 3,000	\$ 3,000	\$ 0
Manager's Salary/Office Rent	32,500	32,500	0
Clerical Salaries/OT/Temporary Help	44,600	42,373	2,227
Payroll Expenses	0	6	(6)
Accident/Sickness	0	285	(285)
Vision	0	132	(132)
Life AD&D	384	384	0
Pension	12,187	(10,203)	22,390
FICA	4,150	3,911	239
PA Unemployment Compensation	1,500	0	1,500
Office Supplies	3,250	2,744	506
Legal Advertising	4,000	2,335	1,665
Property Taxes	1,600	1,541	59
Bank Fees	2,200	2,741	(541)
Audit Accounting	14,000	13,715	285
Appraisal/Trustee Fees	7,400	6,397	1,003
Engineer's Fee	1,800	2,056	(256)
Solicitor's Fee	9,300	4,031	5,269
Water Analysis BTMA/VTMA	4,100	3,818	282
Meter Testing	4,500	3,915	585
Extra Engineering Fees	10,000	3,018	6,982
Extra Solicitor's Fees	7,500	0	7,500
Engineering Fees Reimbursements	2,500	2,455	45
Beaver Post Office	11,500	10,988	512
Newsletter	500	0	500
Fire, Casualty, and Liability	35,600	34,839	761
Public Officials	2,900	2,840	60
Workers' Compensation	200	124	76
Computer Maintenance	6,700	4,109	2,591
Dues and Fees	2,100	2,100	0
Subscriptions-Periodicals	250	0	250
Convention - Seminar	800	0	800
Education and Training	400	0	400
Computer Software	3,800	0	3,800
Minor Equipment Purchase	19,000	4,492	14,508
Health Care Reimbursement	9,640	9,636	4
Computer Billing	1,000	0	1,000
Miscellaneous Expenses	2,000	1,534	466
TOTAL GENERAL & ADMINISTRATIVE	<u>\$ 266,861</u>	<u>\$ 191,816</u>	<u>\$ 75,045</u>

See Accompanying Notes to Financial Statements

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

COMPARISON OF OPERATIONS WITH BUDGET

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
INCOME (LOSS) FROM OPERATIONS BEFORE DEPRECIATION	\$ (2,080,562)	\$ 563,089	\$ 2,643,651
Depreciation	\$ 0	\$ 291,860	\$ 291,860
INCOME (LOSS) FROM OPERATIONS	\$ (2,080,562)	\$ 271,229	\$ 2,351,791
NONOPERATING INCOME (EXPENSES):			
Interest Income	\$ 9,250	\$ 37,066	\$ 27,816
Interest/Amortization Expense	(365,000)	(139,229)	225,771
Gain on Disposal of Assets	0	10,469	10,469
Sewer Authority Billing	4,000	4,407	407
Refund of Prior Year Revenue	0	(3,045)	(3,045)
Miscellaneous	32,000	34,342	2,342
TOTAL NONOPERATING INCOME (EXPENSES)	\$ (319,750)	\$ (55,990)	\$ 263,760
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	\$ (2,400,312)	\$ 215,239	\$ 2,615,551
CAPITAL CONTRIBUTIONS:			
Developer Contributions of Systems	\$ 0	\$ 86,918	\$ 86,918
TOTAL CAPITAL CONTRIBUTIONS	\$ 0	\$ 86,918	\$ 86,918
CHANGE IN NET POSITION	\$ (2,400,312)	\$ 302,157	\$ 2,702,469
NET POSITION - December 31, 2017 (Restated)	<u>2,774,812</u>	<u>7,605,788</u>	<u>4,830,976</u>
NET POSITION - December 31, 2018	<u>\$ 374,500</u>	<u>\$ 7,907,945</u>	<u>\$ 7,533,445</u>

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

TRUST INDENTURE COVENANTS STATEMENT

YEAR ENDED DECEMBER 31, 2018

Per the Trust Indenture dated October 20, 2014 with U.S. Bank National Association, it is our opinion that Brighton Township Municipal Authority's schedule of rates in effect during the 2018 year complies with the covenants contained in Section 7.01 and that the transfers of moneys to the Trustee from the Revenue Fund were made in compliance with the provisions of this Indenture.

REQUIRED SUPPLEMENTARY INFORMATION

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN OF BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

	<u>Year Ending 12/31/2017</u>	<u>Year Ending 12/31/2016</u>	<u>Year Ending 12/31/2015</u>	<u>Year Ending 12/31/2014</u>
Total Pension Liability-Beginning	\$ 1,473,074	\$ 1,356,408	\$ 1,307,616	\$ 1,295,196
Service Cost	\$ 29,363	\$ 26,721	\$ 28,606	\$ 22,066
Interest (Includes Interest on Service Cost)	77,327	74,448	72,049	70,991
Changes of Benefit Terms	0	0	0	0
Diff Between Expected and Actual Experienc	0	37,084	0	(26,885)
Changes of Assumptions	0	38,279	1,314	0
Transfers	0	0	0	0
Benefit payments, including Refunds of Members Contributions	(59,866)	(59,866)	(53,177)	(53,752)
Net Change in Total Pension Liability	<u>\$ 46,824</u>	<u>\$ 116,666</u>	<u>\$ 48,792</u>	<u>\$ 12,420</u>
Total Pension Liability-Ending	<u>\$ 1,519,898</u>	<u>\$ 1,473,074</u>	<u>\$ 1,356,408</u>	<u>\$ 1,307,616</u>
Plan Fiduciary Net Position-Beginning	\$ 1,396,234	\$ 1,319,872	\$ 1,356,803	\$ 1,357,423
Contributions-employer	\$ 11,740	\$ 9,680	\$ 7,780	\$ 265
Contributions-PMRS assessment	0	0	20	0
Contributions-member	10,607	10,276	10,130	9,062
PMRS Investment Income	76,362	77,244	76,022	74,141
Market Value Investment Income	168,178	42,992	(74,297)	(27,273)
Transfers	0	0	0	0
Benefit payments, including Refunds of Members Contributions	(59,866)	(59,866)	(53,177)	(53,752)
PMRS Administrative Expense	(200)	(180)	(240)	(220)
Additional Administrative Expense	(3,512)	(3,784)	(3,169)	(2,843)
Change in Plan Fiduciary Net Position	<u>\$ 203,309</u>	<u>\$ 76,362</u>	<u>\$ (36,931)</u>	<u>\$ (620)</u>
Plan Fiduciary Net Position-Ending	<u>\$ 1,599,543</u>	<u>\$ 1,396,234</u>	<u>\$ 1,319,872</u>	<u>\$ 1,356,803</u>
Net Pension Liability-Ending	<u>\$ (79,645)</u>	<u>\$ 76,840</u>	<u>\$ 36,536</u>	<u>\$ (49,187)</u>
RATIOS:				
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.24%	94.78%	97.31%	103.76%
Covered-employee Payroll	\$ 303,067	\$ 293,608	\$ 289,426	\$ 221,194
Net Pension Liability as a Percentage of Covered-employee Payroll	-26.28%	26.17%	12.62%	-22.24%

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar years 2017, 2016, 2015 and 2014 only.

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN OF BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY

SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially Determined Contribution	\$ 11,740	\$ 9,680	\$ 7,761	\$ 0
Contributions	11,740	9,680	7,800	265
Contribution Deficiency (Excess)	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ (39)</u>	<u>\$ (265)</u>

RATIOS:

Covered-employee Payroll	\$ 303,067	\$ 293,608	\$ 289,426	\$ 221,194
Contributions as a Percentage of Covered-employee Payroll	3.87%	3.30%	2.69%	0.12%

NOTES TO SCHEDULE:

Valuation Date - January 1, 2015

Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method: Entry Age

Amortization method: Level Dollar Based upon Act 205 Amortization Periods

Asset valuation method: Based upon the Municipal Reserves

Discount Rate: 5.5%

Inflation: 3%

Salary increases: Age Related Scale with Merit and Inflation Component

COLA Increases: 3% for those Eligible for a COLA

Pre-Retirement Mortality Rates: Males-RP 2000 with 1 Year Set Back,
Females-RP 2000 with 5 Year Set Back

Post-Retirement Mortality Rates: Sex Distinct RP 2000 Combined Healthy Mortality

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar years 2017, 2016, 2015 and 2014 only.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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APPENDIX G

BOND AMORTIZATION SCHEDULE

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BOND DEBT SERVICE

BRIGHTON TOWNSHIP MUNICIPAL AUTHORITY
Water Revenue Bonds, Series of 2020

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/15/2021			46,243.25	46,243.25	
07/15/2021	255,000	0.820%	54,761.75	309,761.75	356,005.00
01/15/2022			53,716.25	53,716.25	
07/15/2022	250,000	1.000%	53,716.25	303,716.25	357,432.50
01/15/2023			52,466.25	52,466.25	
07/15/2023	250,000	1.000%	52,466.25	302,466.25	354,932.50
01/15/2024			51,216.25	51,216.25	
07/15/2024	255,000	1.250%	51,216.25	306,216.25	357,432.50
01/15/2025			49,622.50	49,622.50	
07/15/2025	255,000	1.500%	49,622.50	304,622.50	354,245.00
01/15/2026			47,710.00	47,710.00	
07/15/2026	260,000	1.500%	47,710.00	307,710.00	355,420.00
01/15/2027			45,760.00	45,760.00	
07/15/2027	265,000	1.500%	45,760.00	310,760.00	356,520.00
01/15/2028			43,772.50	43,772.50	
07/15/2028	265,000	2.000%	43,772.50	308,772.50	352,545.00
01/15/2029			41,122.50	41,122.50	
07/15/2029	275,000	2.000%	41,122.50	316,122.50	357,245.00
01/15/2030			38,372.50	38,372.50	
07/15/2030	280,000	2.000%	38,372.50	318,372.50	356,745.00
01/15/2031			35,572.50	35,572.50	
07/15/2031	280,000	2.000%	35,572.50	315,572.50	351,145.00
01/15/2032			32,772.50	32,772.50	
07/15/2032	290,000	2.000%	32,772.50	322,772.50	355,545.00
01/15/2033			29,872.50	29,872.50	
07/15/2033	295,000	2.000%	29,872.50	324,872.50	354,745.00
01/15/2034			26,922.50	26,922.50	
07/15/2034	300,000	2.100%	26,922.50	326,922.50	353,845.00
01/15/2035			23,772.50	23,772.50	
07/15/2035	310,000	2.100%	23,772.50	333,772.50	357,545.00
01/15/2036			20,517.50	20,517.50	
07/15/2036	310,000	2.200%	20,517.50	330,517.50	351,035.00
01/15/2037			17,107.50	17,107.50	
07/15/2037	320,000	2.200%	17,107.50	337,107.50	354,215.00
01/15/2038			13,587.50	13,587.50	
07/15/2038	330,000	2.300%	13,587.50	343,587.50	357,175.00
01/15/2039			9,792.50	9,792.50	
07/15/2039	335,000	2.300%	9,792.50	344,792.50	354,585.00
01/15/2040			5,940.00	5,940.00	
07/15/2040	345,000	2.400%	5,940.00	350,940.00	356,880.00
01/15/2041			1,800.00	1,800.00	
07/15/2041	150,000	2.400%	1,800.00	151,800.00	153,600.00
	5,875,000		1,383,837.50	7,258,837.50	7,258,837.50

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