



## LEHIGH COUNTY AUTHORITY

**LCA Main Office:**  
1053 Spruce Road  
Wescosville, PA 18106  
610-398-2503

**Agendas & Minutes Posted:**  
[www.lehighcountyauthority.org](http://www.lehighcountyauthority.org)

Published: October 16, 2017

### BOARD MEETING AGENDA – October 23, 2017

1. Call to Order

- NOTICE OF MEETING RECORDINGS

Meetings of Lehigh County Authority's Board of Directors that are held at LCA's Main Office at 1053 Spruce Road, Wescosville, PA, may be recorded for viewing online at [lehighcountauthority.org](http://lehighcountauthority.org). Recordings of LCA meetings are for public convenience and internal use only and are not considered as minutes for the meeting being recorded, nor are they part of public record. Recordings may be retained or destroyed at LCA's discretion.

- *Public Participation Sign-In Request*

2. Review of Agenda / Executive Sessions

3. Approval of Minutes

- *October 9, 2017 Board meeting minutes*

4. Public Comments

5. Action / Discussion Items:

#### **FINANCE AND ADMINISTRATION**

- *2018 Budget (tan)*
- *City Division Financial Condition Assessment & Planning Project (green)*
- *Suburban Water Rate Study – Discussion Only*
- *2018-2022 Capital Plan (yellow)*

#### **WATER**

#### **WASTEWATER**

6. Monthly Project Updates / Information Items (1<sup>st</sup> Board meeting per month)

7. Monthly Financial Review (2<sup>nd</sup> Board meeting per month) - **September 2017 report attached**

8. Monthly System Operations Overview (2<sup>nd</sup> Board meeting per month) – **September 2017 report attached**

9. Staff Comments

10. Solicitor's Comments

11. Public Comments / Other Comments

12. Executive Sessions

13. Adjournment

#### **UPCOMING BOARD MEETINGS**

*Meetings begin at Noon at LCA's Main Office, unless noted otherwise below.*

October 30, 2017

November 13, 2017

November 27, 2017

#### **PUBLIC PARTICIPATION POLICY**

In accordance with Authority policy, members of the public shall record their name, address, and discussion item on the sign-in sheet at the start of each meeting; this information shall also be stated when addressing the meeting. During the Public Comment portions of the meeting, members of the public will be allowed 5 minutes to make comments/ask questions regarding non-agenda items, but time may be

extended at the discretion of the Chair; comments/questions regarding agenda items may be addressed after the presentation of the agenda item. Members of the public may not request that specific items or language be included in the meeting minutes.

## **REGULAR MEETING MINUTES**

### **October 9, 2017**

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The Regular Meeting of the Lehigh County Authority was called to order at 12:00 p.m. on Monday, October 9, 2017, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Jeff Morgan, Richard Bohner, Norma Cusick, Scott Bieber, Ted Lyons and Deana Zosky. Authority Staff present were Liesel Gross, Brad Landon, Ed Klein, Pat Mandes, Chuck Volk, Chris Moughan, John Parsons, Susan Sampson, Jason Peters, and Lisa Miller.

#### **REVIEW OF AGENDA**

Chairman Nagle announced that today's Board meeting is being videotaped and streaming live and recordings will be posted to the Authority's website.

Liesel Gross noted there will be an overview and PowerPoint presentation of the 2018 Budget added to the Agenda under Finance and Administration. Ms. Gross also noted there will not be an Executive Session.

#### **APPROVAL OF MINUTES**

##### **September 25, 2017 Regular Meeting Minutes**

On a motion by Richard Bohner, seconded by Norma Cusick, the Board approved the Minutes of the September 25, 2017 meeting (6-0). Brian Nagle and Ted Lyons abstained.

#### **PUBLIC COMMENTS**

None.

#### **ACTION AND DISCUSSION ITEMS**

##### **2018 Budget Overview**

Liesel Gross provided an overview and some highlights of the 2018 Budget with a PowerPoint presentation. She explained items have been added to the budget proposal to address organizational priorities for asset management, product quality and employee/leadership development. Also included in the 2018 Budget will be increased DEP monitoring requirements. Pat Mandes explained the requirements are new water system testing parameters for unregulated contaminants. The 2018 Budget also includes general expense increases such as wage and insurance increases and an increase in water purchased in the North Whitehall Division due to the elimination of the Crestwood well station.

Ms. Gross stated that with cost increases associated with items added to address organizational goals along with the general increases required in 2018, reductions in other areas of the budget will be required to meet financial goals. One primary goal is to achieve a debt service coverage ratio of 1.20. There was Board discussion on the items that were reduced in the proposed 2018 Budget including training, technology, equipment, supplies and other areas.

Ms. Gross explained that in addition to cost reductions in certain areas, the proposed 2018 Budget includes a 4.5 percent rate increase in the Suburban Water Division and a 4 percent rate increase in the City Division. Borrowing for capital improvements will be required in the City Division but this borrowing will be limited through the use of accumulated cash from prior years. However, she explained that significant revenue enhancements or other financing solutions will be required in the City Division to fund future capital improvements beyond 2018, as current revenues will not sustain additional borrowing.

To address the City Division financial conditions, Ms. Gross explained that a long-term financial model and detailed evaluation of revenues, expenses, capital improvements and financing alternatives will be required to be completed in the near future. She handed out a proposal from Public Financial Management (PFM) to provide financial consulting services to the Authority to complete this work. The proposal included bringing additional partners into a working team to address all facets of the City Division financial outlook. Ms. Gross recommended that this work commence in October and be completed by January or February 2018, at

which time a revised budget may be presented to incorporate the recommendations generated by this evaluation. Scott Bieber asked if this work would result in a change in the rates in the City Division. Mr. Gross explained that the team would evaluate all options available within the Lease Agreement with Allentown including rates, and would also review financing alternatives for existing lease debt as well as financing for future capital improvements. Deana Zosky noted that this work would be valuable for the entire organization, not just the City Division, but agreed the City Division financial conditions require attention in the near term. She suggested having PFM available at a future Board meeting to present details of their approach to this work. The Board agreed that having PFM available for additional discussion prior to authorizing the project would be appropriate. Ms. Gross said she would arrange for this discussion to be held at the next Board meeting.

Ms. Gross noted that the final draft 2018 Budget will be presented at the October 23, 2017 Board meeting. Also included will be the results of the Suburban Water Rate Study and the 2018-2022 Capital Plan which includes adjustments made to the 2018 Capital Budget as determined via budget process. It also includes significant reductions made previously to the City Division Capital Plan to eliminate maintenance and repairs that were outlined in the annual report by Arcadis.

There was some discussion regarding meeting time changes for the October 23, 2017 meeting and the addition of a meeting on October 30, 2017. The Board agreed to advertise for an additional Board meeting on October 30, 2017 at Noon to be used in the event that additional discussion is required on the 2018 Budget proposal prior to adoption.

#### **Suburban Division – Water Main Replacement Program Cycle 4-6**

Jason Peters provided an overview of the project which involved replacing between one and two miles of water main in the Suburban Division per year due to aging infrastructure. Cycle 4-6 of the project includes approval for a total of four miles of water main to be designed and bid through the term of this authorization. The project includes the Pipe Prioritization Assessment Program with a projected five-year plan. The replacement of the mains are critical for providing increased reliability of water service for customers by preventing excessive leakage and disruptive water main breaks.

Mr. Peters explained the Pipe Prioritization Assessment and how projects are chosen as priorities. There was some discussion regarding contingencies.

Chuck Volk is requesting approval of the Capital Project Authorization – Design Phase & Pipe Prioritization Assessment Program Cycles 4-6 in the amount of \$655,000.00 which includes the Professional Services Authorization to Gannett Fleming, Inc. in the amount of \$405,000.00.

On a motion by Linda Rosenfeld, seconded by Jeff Morgan, the Board approved the Capital Project Authorization – Design Phase & Pipe Prioritization Assessment Program Cycles 4-6 in the amount of \$655,000.00 which includes the Professional Services Authorization to Gannett Fleming, Inc. in the amount of \$405,000.00 (8-0).

#### **Allentown Division – Schantz Spring Exposed Main Replacement**

Chuck Volk described the project which involves the replacement of approximately 110 linear feet of 30" water main from Schantz Spring to the Water Filtration Plant (WFP). The gravity fed water main will be replaced on Lehigh County's property at the Cedarbrook nursing home where the culvert supporting the pipeline across a swale from I-78 has been damaged and is sitting in water.

Mr. Volk is requesting approval of the Capital Project Authorization for the Construction Phase in the amount of \$261,040.00 which includes contract award for General Construction to Michels Civil, a Division of Michels Corporation, in the amount of \$205,040.00 and the Professional Services Authorization for Construction Engineering and Management Services Amendment No. 2 to ARRO Consulting, Inc. in the amount of \$7,000.00.

On a motion by Norma Cusick, seconded by Ted Lyons, the Board approved the Capital Project Authorization for the Construction Phase in the amount of \$261,040.00 which includes contract award for General Construction to Michels Civil, a Division of Michels Corporation, in the amount of \$205,040.00 and the Professional Services Authorization for Construction Engineering and Management Services Amendment No. 2 to ARRO Consulting, Inc. in the amount of \$7,000.00 (8-0).

### **Wastewater Rules and Regulations**

Liesel Gross explained the excerpt from the Authority's Wastewater Rules and Regulations. The addition of Section 7 adds information regarding the waste hauler program that was not previously included in the Authority's Rules and Regulations. She explained that additional work is being completed to develop guidelines for how the program is administered, and those guidelines would be developed and implemented administratively but in accordance with prior discussions with the Board regarding permitting protocols for waste haulers and generators. Deana Zosky note that she would like to educate herself on the program and would like to tour the Industrial Wastewater Pretreatment Plant to learn more and also to review the financial implications of the hauler program on the facility's financial position. Ms. Gross stated she would coordinate a date and time with Ms. Zosky and invite other Board members to attend if they wish.

On a motion by Linda Rosenfeld, seconded by Ted Lyons, the Board adopted Section 7 of the Rules & Regulations for Sewerage Service (8-0).

### **MONTHLY PROJECT UPDATES/INFORMATION ITEMS**

Liesel Gross noted that the remainder of the October meetings will focus primarily on the Budget and Rates. Also, at a meeting in November, Andrew Moore, who is the manager of the Authority's industrial pretreatment program at the Kline's Island Wastewater Treatment Plant, will give a short presentation on his work in administering the program.

Richard Bohner commented on the Green Acres Mobile Home Park master metering project. He is concerned about difficulty with bill collection. Ms. Gross stated that metering a mobile home park with individual meters is very difficult and challenging especially with bill collection which is why master metering is standard with the Authority for mobile home parks.

### **STAFF COMMENTS**

None.

### **SOLICITOR'S COMMENTS**

None.

### **PUBLIC COMMENTS / OTHER COMMENTS**

Scott Bieber commented on a recent newspaper article regarding a substantial project in Upper Macungie Township that mentioned the Authority giving approval of the sewage planning module. Mr. Bieber suggested that the Board be made aware of any approvals of planning modules for projects of a certain size. Liesel Gross suggested making the approvals part of the monthly project reporting process. Chairman Nagle suggested further discussion regarding this matter.

Scott Bieber commented that he had heard that the Walmart project in North Whitehall is going to be resuming.

### **EXECUTIVE SESSION**

None.

**ADJOURNMENT**

There being no further business, the Chairman adjourned the meeting at 1:18 p.m.

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Richard H. Bohner  
Secretary

# LEHIGH COUNTY AUTHORITY 2018 BUDGET

FINAL DRAFT

October 23, 2017

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City Division  
Condensed Statements



**LEHIGH COUNTY AUTHORITY**

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## **2018 BUDGET – EXECUTIVE SUMMARY**

**Submitted by: Liesel M. Gross, Chief Executive Officer**

**October 16, 2017**

Around mid-year each year, Lehigh County Authority (LCA) enters into a planning cycle in which we look forward and evaluate our financial, operational, capital and organizational needs for the year(s) ahead. Typically, this results in a budget for the following year, along with an updated 5-year or 10-year capital plan, and maybe some rate adjustments or borrowing strategies to fund all the programs we wish to implement. These are all important planning activities that must be accomplished every year.

In 2017, however, LCA followed a slightly different path due to:

1. **Leadership Transition** – Over the past two years, LCA’s leadership team has turned over due to retirements and other changes, which has affected all areas of the organization including executive/administration, finance, operations, technology, communications and capital works. As a result, this new group of “learning leaders” are working to reinvent LCA’s future based on the new ideas and perspectives each member of the team is bringing to the table. It is an exciting time to be here at LCA!
2. **Financial Challenges** – The LCA team (both the Board of Directors and staff) have been engaging in open dialog about the financial challenges we face and the need for course corrections to ensure the organization is sustainable from a long-term operational and financial perspective.

In light of these key changes in LCA’s perspective, the 2018 budget and planning cycle was adjusted to create a more integrated approach to capital planning, financial planning, budgeting and rate setting. All components are interrelated, and LCA made small but important strides in this planning cycle to weave them together. Through this process, we learned many things about the challenges that lie ahead and the strategies we can employ to overcome them.

The 2018 Budget, as proposed in the accompanying package, incorporates several key findings and recommendations that were formulated through this iterative process of planning, evaluating, discussing and adjusting. They are discussed in more detail below, and summarized on the last page of this executive summary.

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### **Suburban Water Division**

Over the past 10 years, two important trends have affected LCA’s Suburban Water Division, which serves the areas in Lehigh and Northampton counties that fall outside the City of Allentown boundaries.

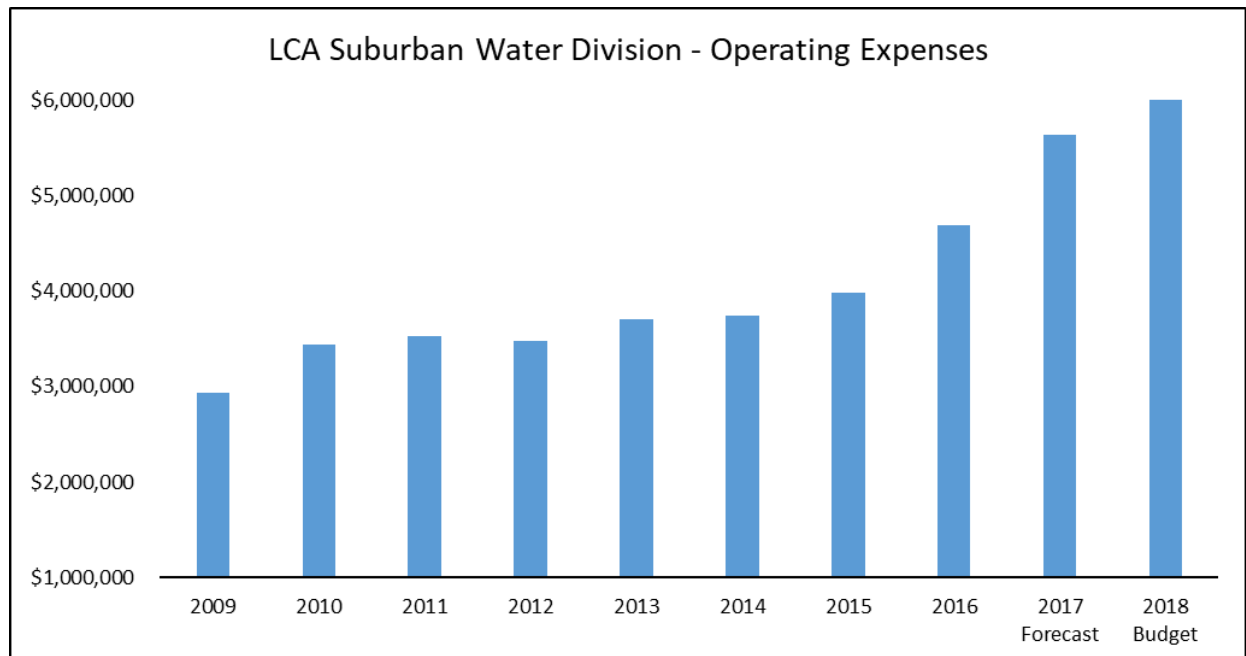
**Steady-but-Slow Growth:** Following tremendous rapid growth in Western Lehigh County through the 1980s, 1990s and early 2000s, the pace of new housing and commercial development has slowed and become more focused on smaller subdivisions, multi-family housing (apartments and townhomes) and age-restricted communities. This growth provides an annual revenue boost for LCA’s water system, but this annual increase shrinks as growth slows.

*Every drop matters. Every customer counts.*



Aging Systems Need Attention: As LCA recently celebrated its 50<sup>th</sup> anniversary, this means the “new” water system that serves our suburban communities is not so new anymore. Like many systems across the nation, we face significant cost increases to maintain our systems to a high standard so that customers may continue to receive high quality, reliable service from LCA – all day, every day.

The graph below shows the 10-year operating expense trend in the LCA Suburban Water Division, which illustrates the increasing cost exposure associated with operating and maintaining our systems.



To address these increasing costs, a water rate study was conducted as part of the budget process, and the 2018 Budget proposal includes a 4.5 percent increase in water rates, while the water rate study also lays out additional scenarios for future rate increases that will help LCA address these two important trends. These scenarios, which will require additional study and discussion, include:

- Inclusion of additional annual capital improvements, such as water main replacements and pump repairs, into the rate structure to be captured annually vs. through continued borrowing.
- Allocation of fixed and variable costs through the rate structure, including an evaluation of the fixed and volume-based charges to all customers.
- Evaluation of conversion to a monthly billing frequency. This is an important consideration as most residential customers are billed quarterly, but may find monthly billing to be more affordable as rates continue to increase over time.

Additional study is required in 2018 to carefully review expense trends and develop a long-term forecast of expenses to achieve critical operational goals. This forecasting work will be essential to LCA’s future recommendations regarding water rates in the Suburban Division.

**Suburban Wastewater Division**

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LCA's Suburban Wastewater Division is unique because most of the service we provide is regional in nature, and our primary customers are the municipalities we serve. LCA provides direct sewer service to only 2,400 residential and commercial properties in smaller outlying communities.

Through the service arrangements LCA has with the municipal customers we serve, and our small direct customer base, LCA has worked hard to incorporate financing for capital improvements into the rates so that the need to borrow for these improvements is limited. As a result, the system carries a low debt load and generates additional reserves each year.

In 2018, LCA expects to draw on these reserves for key projects to address wastewater treatment plants that require intensive repairs and maintenance, and to continue the important work of repairing systems to prevent sanitary sewer overflows throughout our service area.

While the 2018 Budget process has revealed no major challenges for the Suburban Wastewater Division, it is important to note that significant investment will continue to be made in fostering the partnership among all Western Lehigh communities. These municipalities have been working together for more than a decade to develop programs to repair and replace aging sewer systems, reduce wet-weather peak flows in the system, and eliminate sanitary sewer overflows. As we continue this work, we will need to also work with other communities including the City of Allentown and its sewer signatories to find ways to expand system capacity for the future needs of the region to address both peak flows and economic development.

**City Division (Water & Wastewater)**

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In 2018, LCA will celebrate the fifth anniversary of the landmark lease arrangement with the City of Allentown for its water and sewer systems. Five years ago, LCA entered into a 50-year lease agreement to operate the City's systems for a \$220 million upfront payment and an ongoing \$500,000 per year payment to the City. LCA won the deal through a competitive bidding process initiated by the City to address its large unfunded pension debt and other financial concerns. LCA was among seven other firms who bid on the lease, and ours was within 5 percent of the next highest bid. LCA was motivated to be successful in this venture because we believe, and still do, that the entire region would be best served by a single organization that can manage financial, environmental and operational resources through a public, non-profit business model. We believe water and sewer services are essential for our community to thrive, and LCA is happy to meet this important need.

In the short time since 2013, LCA has learned a lot about how the City water and sewer systems operate and the large investments that are needed to maintain, repair and replace the systems so that residents can continue to receive high quality, reliable services that protect public health and the environment. These needs place considerable strain on the financial condition of the City Division, in addition to the large debt burden incurred to address the City's financial requirements in the lease.

Several key factors are considered within the 2018 Budget, as currently proposed:

**Customer Rates** – City ratepayers will see an overall rate increase of 4 percent in 2018 as a result of the rate adjustment factors included in the lease.

**Debt Refinancing** – The 2013 bond issue of \$308 million that funded the lease included a small series of about \$19 million that is due for payment in full in 2018. This will need to be refinanced in early 2018, which will change the annual debt service payment LCA must fund through the City Division revenues.

**Funding for Capital Improvements** – With \$12.6 million in planned capital improvements in 2018, but limited additional revenue being generated through rates, LCA will draw down on cash accumulated since 2013 to pay for these improvements and borrow a modest \$1.7 million to fund the remaining projects required for the year. Achieving this target in 2018 included some significant reductions in capital spending, and deferred projects will need to be incorporated into future years.

**Operating Expense Controls** – Considerable effort was put into the 2018 Budget process to ensure that the operating expenses included are necessary to achieve the requirements of the lease, meet regulatory requirements, and provide customers with the expected high level of service.

**Looking Forward:**

Based on the factors described above, LCA clearly has additional work to do to ensure the long-term financial sustainability of the City Division. As the life of the lease gets shorter each year, LCA's ability to fund future system improvements also declines. Future bond principal payments place additional pressure on the City Division, as shown below.

**Schedule of Principal Payments – 2013 Lease Bond Issue**

| Calendar Year                   | 2018                  | 2038    | 2043     | 2047    | Totals          |
|---------------------------------|-----------------------|---------|----------|---------|-----------------|
| <b>Lease Years Remaining</b>    | 44                    | 24      | 19       | 15      |                 |
| 2013 Series A                   |                       | \$ 14 M | \$ 132 M | \$ 99 M | <b>\$ 246 M</b> |
| 2013 Series B                   | Ongoing (2019 - 2038) |         |          |         | <b>\$ 43 M</b>  |
| 2013 Series C                   | \$ 19 M               |         |          |         | <b>\$ 19 M</b>  |
| <b>Total Principal Payments</b> |                       |         |          |         | <b>\$ 308 M</b> |

To address these challenges, LCA has initiated an important project to develop a financial model and strategy for the City Division. We believe there are alternatives included within the City lease agreement to increase revenues and other debt financing strategies that will be available to support LCA's financial future in this venture.

Ultimately, we believe the lease continues to be a great deal for Allentown as it has addressed the City's financial needs and pension debt, and it is a good deal for the City customers as well. Vital water and sewer services are being provided by a local non-profit organization that holds the customers' needs above all else. We expect this analysis of the City Division financial conditions to reveal some hard truths as well as real solutions to ensure the customers' expectations for high quality, reliable service can continue to be met for the foreseeable future.

### 2018 BUDGET – SUMMARY OF EXPECTED RESULTS

The sections above describe the breadth of issues that were evaluated and discussed through the development of the 2018 Budget. By discussing all facets of rates and revenues, operating expenses, capital improvements, long-term projections, and funding/financing strategies, a budget package has been developed that addresses next year's needs and sets the stage for additional detailed evaluation of these critical issues.

The summary below shows that the 2018 Budget is presented with positive cash flows, meeting debt service requirements, and providing alternative funding for capital improvements that limits the borrowing required to pay for these investments.

| <b>Budget Overview</b>                             | <b>Suburban Water</b> | <b>Suburban Wastewater</b> | <b>City Division</b> | <b>Total</b>        |
|--|-----------------------|----------------------------|----------------------|---------------------|
| Operating & Other Revenue                          | \$10,604,000          | \$20,309,000               | \$34,369,000         | \$65,282,000        |
| Operating Expenses (net of depreciation)           | \$5,979,584           | \$14,132,285               | \$17,239,144         | \$37,425,859        |
| Revenues Available for Debt Service                | \$4,624,416           | \$6,176,715                | \$17,129,856         | \$27,856,141        |
| Debt Service                                       | \$3,744,000           | \$690,000                  | \$13,748,000         | \$18,182,000        |
| Debt Service Coverage Ratio                        | 1.24                  | 8.95                       | 1.25                 | 1.53                |
| <b>Capital Budget Overview</b>                     | <b>Suburban Water</b> | <b>Suburban Wastewater</b> | <b>City Division</b> | <b>Total</b>        |
| Capital Expenses                                   | \$9,296,000           | \$11,718,000               | \$12,592,500         | \$33,606,500        |
| Funding from Operating & Other Revenue             | \$4,903,416           | \$8,966,715                | \$5,787,010          | \$19,657,141        |
| Funding from Existing Project Reserves             | \$4,392,584           | \$2,751,285                | \$5,085,490          | \$12,229,359        |
| Funding from New Borrowing                         | \$0                   | \$0                        | \$1,720,000          | \$1,720,000         |
| Year-End Project Reserve Balance                   | \$783,000             | \$1,297,000                | \$0                  | \$2,080,000         |
| <b>Total Cash Flow</b>                             | <b>Suburban Water</b> | <b>Suburban Wastewater</b> | <b>City Division</b> | <b>Total</b>        |
| Beginning Operations Cash Balance (2017 forecast)  | \$4,403,000           | \$9,943,000                | \$6,389,000          | \$20,735,000        |
| 2018 Surplus                                       | \$134,000             | \$4,380,000                | \$2,855,000          | \$7,369,000         |
| Provided From (To) Capital                         | (\$1,200,000)         | (\$5,500,000)              | (\$5,606,000)        | (\$12,306,000)      |
| Project Reserve Balance                            | \$783,000             | \$1,297,000                | \$0                  | \$2,080,000         |
| Other Reserves & Investments (includes restricted) | \$15,627,000          | \$2,720,000                | \$46,012,000         | \$64,359,000        |
| <b>Ending Total Fund Balance</b>                   | <b>\$19,747,000</b>   | <b>\$12,840,000</b>        | <b>\$49,650,000</b>  | <b>\$82,237,000</b> |

The year ahead is forecasted to bring significant challenges as LCA continues on the transitional journey it began in 2016. The fund summaries described in this Executive Summary illustrate the organization's commitment to our community to offer a thoughtful and thorough approach to evaluating the challenges of a changing landscape in which financial health, system sustainability, environmental protection and organizational excellence are not guaranteed. The 2018 Budget is presented as a signal to our Board, employees and the communities we serve that the organization is committed to providing high-quality, affordable and reliable water and wastewater services that will meet the needs and expectations of existing and future customers.

# Suburban Water

**LEHIGH COUNTY AUTHORITY - SUBURBAN WATER  
2018 BUDGET  
CONDENSED STATEMENTS**

|   | <b>SUBURBAN WATER</b>  |                          |                         |                         |                             |
|---|------------------------|--------------------------|-------------------------|-------------------------|-----------------------------|
| <b>INCOME STATEMENT</b>   | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
| Operating Revenues  | 9,733                  | 9,237                    | 9,134                   | 8,815                   | 496                         |
| Operating Expenses  | 8,930                  | 8,587                    | 8,815                   | 7,401                   | (343)                       |
| Operating Income  | 803                    | 650                      | 319                     | 1,414                   | 153                         |
| Non-Operating Revenues (Expenses)                                       | 769                    | 791                      | 794                     | 698                     | (22)                        |
| Income Before Interest  | 1,572                  | 1,441                    | 1,113                   | 2,112                   | 131                         |
| Interest Income   | 125                    | 125                      | 200                     | 92                      | -                           |
| Interest Expense  | (2,003)                | (1,587)                  | (1,348)                 | (1,140)                 | (416)                       |
| Income Before Capital Contributions                                     | (306)                  | (21)                     | (35)                    | 1,064                   | (285)                       |
| Capital Contributions   | -                      | -                        | -                       | 3,560                   | -                           |
| <b>Net Income</b>   | <b>(306)</b>           | <b>(21)</b>              | <b>(35)</b>             | <b>4,624</b>            | <b>(285)</b>                |
| <b>CASH FLOWS (INDIRECT)</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> |                             |
| Net Cash Provided By (Used In) Operating Activities                     | 3,753                  | 3,600                    | 3,269                   | 4,715                   |                             |
| Net Cash Provided By (Used In) Non-Capital Financing Activities         | 125                    | 125                      | 200                     | (34)                    |                             |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | (12,271)               | 8,245                    | (3,835)                 | (5,827)                 |                             |
| Net Cash Provided By (Used In) Investing Activities                     | 4,000                  | (7,625)                  | 284                     | 421                     |                             |
| <b>Net Increase (Decrease) in Cash</b>                                  | <b>(4,393)</b>         | <b>4,345</b>             | <b>(82)</b>             | <b>(725)</b>            |                             |
| Cash - Beginning of Year  | 11,341                 | 6,996                    | 6,996                   | 7,721                   |                             |
| <b>Cash - End of Year</b>   | <b>6,948</b>           | <b>11,341</b>            | <b>6,914</b>            | <b>6,996</b>            |                             |
| <b>CASH FLOW (DIRECT)</b>   | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
| Operating Revenues  | 9,733                  | 9,237                    | 9,134                   | 8,815                   | 496                         |
| Operating Expenses (ex D&A)   | (5,980)                | (5,637)                  | (5,865)                 | (4,813)                 | (343)                       |
| Cash From Operations  | 3,753                  | 3,600                    | 3,269                   | 4,002                   | 153                         |
| Interest Received   | 125                    | 125                      | 200                     | 92                      | -                           |
| Cash Available for Debt Service   | 3,878                  | 3,725                    | 3,469                   | 4,094                   | 153                         |
| Debt Service  | (3,744)                | (3,224)                  | (3,182)                 | (2,691)                 | (520)                       |
| Net Cash Available After Debt Service                                   | 134                    | 501                      | 287                     | 1,403                   | (367)                       |
| Non-Operating Revenues (Expenses)                                       | 746                    | 726                      | 560                     | 743                     | 20                          |
| Changes in Working Capital  | -                      | -                        | -                       | 871                     | -                           |
| Net Cash Available For Capital  | 880                    | 1,227                    | 847                     | 3,017                   | (347)                       |
| Financing & Investment Activity   | 4,023                  | 7,836                    | 6,518                   | 444                     | (3,813)                     |
| Capital Spending  | (9,296)                | (4,718)                  | (7,447)                 | (4,186)                 | (4,578)                     |
| <b>Net Cash Flow</b>  | <b>(4,393)</b>         | <b>4,345</b>             | <b>(82)</b>             | <b>(725)</b>            | <b>(8,738)</b>              |
| Beginning Balance   | 11,341                 | 6,996                    | 6,996                   | 7,721                   | 4,345                       |
| <b>Ending Balance</b>   | <b>6,948</b>           | <b>11,341</b>            | <b>6,914</b>            | <b>6,996</b>            | <b>(4,393)</b>              |
| <b>DEBT SERVICE COVERAGE RATIO</b>                                      | <b>1.24</b>            | <b>1.38</b>              | <b>1.27</b>             | <b>1.80</b>             | <b>(0.15)</b>               |
| <b>BALANCE SHEET</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2016<br/>Actuals</b> |                         |                             |
| <b>Assets and Deferred Outflows</b>                                     |                        |                          |                         |                         |                             |
| Cash and Cash Equivalents   | 4,120                  | 8,513                    | 4,168                   |                         |                             |
| Investments - Unrestricted  | 7,089                  | 7,089                    | 8,249                   |                         |                             |
| Other Current Assets  | 3,197                  | 3,197                    | 3,197                   |                         |                             |
| Cash and Cash Equivalents - Restricted                                  | 2,828                  | 2,828                    | 2,828                   |                         |                             |
| Investments - Restricted  | 5,710                  | 9,710                    | 925                     |                         |                             |
| Other Restricted Assets   | 4,352                  | 4,352                    | 4,352                   |                         |                             |
| Capital Assets, net of Accumulated Depreciation                         | 109,998                | 103,652                  | 101,988                 |                         |                             |
| Other Long-Term Assets  | 1,295                  | 1,295                    | 1,295                   |                         |                             |
| Deferred Outflows   | 775                    | 775                      | 775                     |                         |                             |
| <b>Total Assets and Deferred Outflows</b>                               | <b>139,364</b>         | <b>141,411</b>           | <b>127,777</b>          |                         |                             |
| <b>Liabilities and Net Position</b>                                     |                        |                          |                         |                         |                             |
| Current Liabilities   | 3,769                  | 3,769                    | 3,769                   |                         |                             |
| Long-Term Liabilities   | 45,651                 | 47,392                   | 33,737                  |                         |                             |
| Net Position  | 89,944                 | 90,250                   | 90,271                  |                         |                             |
| <b>Total Liabilities and Net Position</b>                               | <b>139,364</b>         | <b>141,411</b>           | <b>127,777</b>          |                         |                             |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WATER  
2018 BUDGET  
CASH FLOW (DIRECT)**

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
|--|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>                            |                        |                          |                        |                         |                             |
| Charges for Services                                 | 9,591                  | 9,095                    | 8,894                  | 8,677                   | 496                         |
| Rent   | 91                     | 91                       | 137                    | 97                      | -                           |
| Other income   | 51                     | 51                       | 103                    | 41                      | -                           |
| <b>Total Operating Revenues</b>                      | <u>9,733</u>           | <u>9,237</u>             | <u>9,134</u>           | <u>8,815</u>            | <u>496</u>                  |
| <b>OPERATING EXPENSES (CASH BASED)</b>               |                        |                          |                        |                         |                             |
| Salaries and Wages                                   | (1,064)                | (1,055)                  | (943)                  | (1,028)                 | (9)                         |
| General and Administrative                           | (1,252)                | (1,260)                  | (1,064)                | (1,046)                 | 8                           |
| Utilities  | (584)                  | (450)                    | (493)                  | (426)                   | (134)                       |
| Materials and Supplies                               | (321)                  | (365)                    | (537)                  | (288)                   | 44                          |
| Miscellaneous Services                               | (2,759)                | (2,507)                  | (2,828)                | (2,025)                 | (252)                       |
| Treatment and Transportation                         | -                      | -                        | -                      | -                       | -                           |
| <b>Total Operating Expenses</b>                      | <u>(5,980)</u>         | <u>(5,637)</u>           | <u>(5,865)</u>         | <u>(4,813)</u>          | <u>(343)</u>                |
| <b>CASH FROM OPERATIONS</b>                          | <u>3,753</u>           | <u>3,600</u>             | <u>3,269</u>           | <u>4,002</u>            | <u>153</u>                  |
| Interest Received                                    | 125                    | 125                      | 200                    | 92                      | -                           |
| <b>CASH AVAILABLE FOR DEBT SERVICE</b>               | <u>3,878</u>           | <u>3,725</u>             | <u>3,469</u>           | <u>4,094</u>            | <u>153</u>                  |
| <b>DEBT SERVICE</b>                                  |                        |                          |                        |                         |                             |
| Interest and Fees Paid                               | (2,003)                | (1,587)                  | (1,348)                | (1,051)                 | (416)                       |
| Principal Paid                                       | (1,741)                | (1,637)                  | (1,834)                | (1,640)                 | (104)                       |
| <b>Total Debt Service</b>                            | <u>(3,744)</u>         | <u>(3,224)</u>           | <u>(3,182)</u>         | <u>(2,691)</u>          | <u>(520)</u>                |
| <b>NET CASH AVAILABLE AFTER DEBT SERVICE</b>         | <u>134</u>             | <u>501</u>               | <u>287</u>             | <u>1,403</u>            | <u>(367)</u>                |
|  | <b>1.04</b>            | <b>1.16</b>              | <b>1.09</b>            | <b>1.52</b>             | <b>(0.12)</b>               |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                        |                          |                        |                         |                             |
| Tapping and Capital Recovery Fees                    | 485                    | 472                      | 280                    | 426                     | 13                          |
| Meter Sales  | 105                    | 102                      | 80                     | 156                     | 3                           |
| Inspection, Plan Reviews, and Project Reimbursements | 156                    | 152                      | 200                    | 161                     | 4                           |
| Other Income   | 23                     | 169                      | 334                    | 112                     | (146)                       |
| Less: Project Reimbursement                          | (23)                   | (169)                    | (334)                  | (112)                   | 146                         |
| Other Expense  | -                      | (104)                    | (100)                  | (157)                   | 104                         |
| Less: Expensed Capex                                 | -                      | 104                      | 100                    | 157                     | (104)                       |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <u>746</u>             | <u>726</u>               | <u>560</u>             | <u>743</u>              | <u>20</u>                   |
| Changes in Assets and Liabilities                    | -                      | -                        | -                      | 871                     | -                           |
| <b>NET CASH AVAILABLE FOR CAPITAL</b>                | <u>880</u>             | <u>1,227</u>             | <u>847</u>             | <u>3,017</u>            | <u>(347)</u>                |
| <b>FINANCING AND INVESTMENT ACTIVITY</b>             |                        |                          |                        |                         |                             |
| Grants Received                                      | -                      | -                        | -                      | -                       | -                           |
| New Borrowing  | -                      | 15,292                   | 5,900                  | -                       | (15,292)                    |
| Investments Converted to Cash                        | 4,000                  | 1,160                    | 284                    | 4,852                   | 2,840                       |
| New Investments From Cash                            | -                      | (8,785)                  | -                      | (4,520)                 | 8,785                       |
| Annual Lease Payments                                | -                      | -                        | -                      | -                       | -                           |
| Project Reimbursements                               | 23                     | 169                      | 334                    | 112                     | (146)                       |
| <b>Total Financing &amp; Investment Activity</b>     | <u>4,023</u>           | <u>7,836</u>             | <u>6,518</u>           | <u>444</u>              | <u>(3,813)</u>              |
| <b>CAPITAL SPENDING</b>                              |                        |                          |                        |                         |                             |
| Net Capital Spending                                 | (9,296)                | (4,614)                  | (7,347)                | (4,029)                 | (4,682)                     |
| Add: Expensed Capex                                  | -                      | (104)                    | (100)                  | (157)                   | 104                         |
| <b>Total Capital Spending</b>                        | <u>(9,296)</u>         | <u>(4,718)</u>           | <u>(7,447)</u>         | <u>(4,186)</u>          | <u>(4,578)</u>              |
| <b>NET CASH FLOW TO FUND</b>                         | <u><b>(4,393)</b></u>  | <u><b>4,345</b></u>      | <u><b>(82)</b></u>     | <u><b>(725)</b></u>     | <u><b>(8,738)</b></u>       |

LEHIGH COUNTY AUTHORITY - SUBURBAN WATER  
2018 BUDGET  
CASH FLOW (DIRECT)

| \$000's                                     | <u>2018<br/>Budget</u> | <u>2017<br/>Forecast</u> | <u>2017<br/>Budget</u> | <u>2016<br/>Actuals</u> | <u>2018 vs.<br/>2017 FC</u> |
|---|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
| <b>DEBT SERVICE RATIO (INDENTURE BASED)</b> |                        |                          |                        |                         |                             |
| Total Operating Revenues                    | 9,733                  | 9,237                    | 9,134                  | 8,815                   | 496                         |
| Total Operating Expenses (Cash Based)       | (5,980)                | (5,637)                  | (5,865)                | (4,813)                 | (343)                       |
| Interest Income                             | 125                    | 125                      | 200                    | 92                      | -                           |
| Annual Lease Payment (City)                 | -                      | -                        | -                      | -                       | -                           |
| Total Non-Operating Revenues (Expenses)     | <u>746</u>             | <u>726</u>               | <u>560</u>             | <u>743</u>              | <u>20</u>                   |
| <b>Cash Available For Debt Service</b>      | 4,624                  | 4,451                    | 4,029                  | 4,837                   | 173                         |
| <b>Total Debt Service</b>                   | <u><b>3,744</b></u>    | <u><b>3,224</b></u>      | <u><b>3,182</b></u>    | <u><b>2,691</b></u>     | <u>520</u>                  |
| <b>Debt Service Ratio</b>                   | <u><b>1.24</b></u>     | <u><b>1.38</b></u>       | <u><b>1.27</b></u>     | <u><b>1.80</b></u>      | <u><b>(0.15)</b></u>        |
| <b>CAPITAL COVERAGE RATIO</b>               |                        |                          |                        |                         |                             |
| Net Available for Capital                   | 903                    | 1,396                    | 1,181                  | 3,129                   | (493)                       |
| Total Capex                                 | <u>9,296</u>           | <u>4,718</u>             | <u>7,447</u>           | <u>4,186</u>            | <u>4,578</u>                |
| <b>Capital Coverage Ratio</b>               | <u><b>0.10</b></u>     | <u><b>0.30</b></u>       | <u><b>0.16</b></u>     | <u><b>0.75</b></u>      | <u><b>(0.20)</b></u>        |



**LEHIGH COUNTY AUTHORITY - SUBURBAN WATER**  
**2018 BUDGET**  
**CASH FLOW BRIDGE - 2018 BUDGET vs. 2017 FORECAST**  
**\$000'S**

|   |                       |       |
|---|-----------------------|-------|
| <b>NET CASH FLOW PER 2017 Q3 FORECAST</b>   | <b><u>4,345</u></b>   |       |
| <b>Revenues</b>                             |                       |       |
| Increase in volumes of 1.50%                | 136                   |       |
| Increase in rates of 4.50%                  | 360                   |       |
| <b>Operating expenses</b>                   |                       |       |
| Effect from headcount changes               | 49                    |       |
| Wage increases of 3.0% from total wage pool | (55)                  |       |
| Benefits Increase                           | (40)                  |       |
| Cost inflation - general inflation of 1.5%  | (38)                  |       |
| Change in spending levels                   | (259)                 | (343) |
| <b>Debt Service</b>                         |                       |       |
| Additional interest expense                 | (416)                 |       |
| Additional principal payments               | (104)                 |       |
| <b>Non-Operating Revenues (Expenses)</b>    |                       |       |
| Change in Non-Operating revenues (expenses) | (22)                  |       |
| Higher expensed capex                       | (104)                 |       |
| <b>Capital Spending/Funding</b>             |                       |       |
| Higher total capex                          | (4,578)               |       |
| Investments converting to cash              | 2,840                 |       |
| Lower balances of cash invested             | 8,785                 |       |
| No Borrowing                                | <u>(15,292)</u>       |       |
| Net Changes                                 | <u>(8,738)</u>        |       |
| <b>NET CASH FLOW PER 2018 BUDGET</b>        | <b><u>(4,393)</u></b> |       |
| <b>CHANGE IN SPENDING LEVELS</b>            |                       |       |
| New DEP Testing requirements                | (182)                 |       |
| Buying Water from Northampton               | (174)                 |       |
| Other spending                              | <u>97</u>             |       |
| Total Spending                              | <u>(259)</u>          |       |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WATER  
2018 BUDGET  
STATEMENT OF CHANGES IN NET POSITION**

| <b>\$000's</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
|---|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>   |                        |                          |                        |                         |                             |
| Charges for Services  | 9,591                  | 9,095                    | 8,894                  | 8,677                   | 496                         |
| Rent  | 91                     | 91                       | 137                    | 97                      | -                           |
| Other income  | 51                     | 51                       | 103                    | 41                      | -                           |
| <b>Total Operating Revenues</b>   | <b>9,733</b>           | <b>9,237</b>             | <b>9,134</b>           | <b>8,815</b>            | <b>496</b>                  |
| <b>OPERATING EXPENSES</b>   |                        |                          |                        |                         |                             |
| Salaries and Wages  | 1,064                  | 1,055                    | 943                    | 1,028                   | (9)                         |
| General and Administrative  | 1,252                  | 1,260                    | 1,064                  | 1,046                   | 8                           |
| Utilities   | 584                    | 450                      | 493                    | 426                     | (134)                       |
| Materials and Supplies  | 321                    | 365                      | 537                    | 288                     | 44                          |
| Miscellaneous Services  | 2,759                  | 2,507                    | 2,828                  | 2,025                   | (252)                       |
| Treatment and Transportation  | -                      | -                        | -                      | -                       | -                           |
| Depreciation and Amortization   | 2,950                  | 2,950                    | 2,950                  | 2,588                   | -                           |
| <b>Total Operating Expenses</b>   | <b>8,930</b>           | <b>8,587</b>             | <b>8,815</b>           | <b>7,401</b>            | <b>(343)</b>                |
| <b>Operating Income (Loss)</b>  | <b>803</b>             | <b>650</b>               | <b>319</b>             | <b>1,414</b>            | <b>153</b>                  |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                                    |                        |                          |                        |                         |                             |
| Tapping and Capital Recovery Fees   | 485                    | 472                      | 280                    | 426                     | 13                          |
| Meter Sales   | 105                    | 102                      | 80                     | 156                     | 3                           |
| Inspection, Plan Reviews, and Project Reimbursements                        | 156                    | 152                      | 200                    | 161                     | 4                           |
| Other Income  | 23                     | 169                      | 334                    | 112                     | (146)                       |
| Other Expense   | -                      | (104)                    | (100)                  | (157)                   | 104                         |
| <b>Total Non-Operating Revenues (Expenses)</b>                              | <b>769</b>             | <b>791</b>               | <b>794</b>             | <b>698</b>              | <b>(22)</b>                 |
| <b>Income Before Interest</b>   | <b>1,572</b>           | <b>1,441</b>             | <b>1,113</b>           | <b>2,112</b>            | <b>131</b>                  |
| <b>Interest Income</b>  | <b>125</b>             | <b>125</b>               | <b>200</b>             | <b>92</b>               | <b>-</b>                    |
| <b>Interest Expense</b>   | <b>(2,003)</b>         | <b>(1,587)</b>           | <b>(1,348)</b>         | <b>(1,140)</b>          | <b>(416)</b>                |
| <b>Increase (Decrease) in Net Position Before<br/>Capital Contributions</b> | <b>(306)</b>           | <b>(21)</b>              | <b>(35)</b>            | <b>1,064</b>            | <b>(285)</b>                |
| <b>CAPITAL CONTRIBUTIONS</b>  |                        |                          |                        |                         |                             |
| Capital Grants  | -                      | -                        | -                      | 212                     | -                           |
| Capital Assets Provided   | -                      | -                        | -                      | 3,348                   | -                           |
| <b>Total Capital Contributions</b>  | <b>-</b>               | <b>-</b>                 | <b>-</b>               | <b>3,560</b>            | <b>-</b>                    |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                                  | <b>(306)</b>           | <b>(21)</b>              | <b>(35)</b>            | <b>4,624</b>            | <b>(285)</b>                |
| Net Position Beginning of Year  | 90,250                 | 90,271                   | 90,271                 | 85,647                  | (21)                        |
| Cumulative Changes  | -                      | -                        | -                      | -                       | -                           |
| <b>NET POSITION AT END OF YEAR</b>  | <b>89,944</b>          | <b>90,250</b>            | <b>90,236</b>          | <b>90,271</b>           | <b>(306)</b>                |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
BALANCE SHEET

|  | SUBURBAN WATER |                |                |
|--|----------------|----------------|----------------|
|  | 2018           | 2017           | 2016           |
|  | Budget         | Forecast       | Actuals        |
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                      |                |                |                |
| <b>CURRENT ASSETS</b>                                    |                |                |                |
| Cash and Cash Equivalents                                | 4,120          | 8,513          | 4,168          |
| Certificates of Deposit                                  | 7,089          | 7,089          | 8,249          |
| Accounts Receivable - Customers                          | 1,443          | 1,443          | 1,443          |
| Accounts Receivable - Financing Contracts                | -              | -              | -              |
| Accounts Receivable - Others                             | 178            | 178            | 178            |
| Due From (To) Other Funds                                | 1,428          | 1,428          | 1,428          |
| Inventories  | 45             | 45             | 45             |
| Accrued Interest Receivable                              | 12             | 12             | 12             |
| Prepaid Expenses   | 91             | 91             | 91             |
| <b>Total Current Assets</b>                              | <b>14,406</b>  | <b>18,799</b>  | <b>15,614</b>  |
| <b>NON-CURRENT ASSETS</b>                                |                |                |                |
| <b>Restricted</b>  |                |                |                |
| Cash and Cash Equivalents                                | 2,828          | 2,828          | 2,828          |
| Certificates of Deposit                                  | 925            | 925            | 925            |
| Investment - US Treasury Obligations                     | 4,785          | 8,785          | -              |
| Developer Escrow Deposits                                | 4,351          | 4,351          | 4,351          |
| Accrued Interest Receivable                              | 1              | 1              | 1              |
| <b>Total Restricted Assets</b>                           | <b>12,890</b>  | <b>16,890</b>  | <b>8,105</b>   |
| <b>Capital Assets</b>                                    |                |                |                |
| Land   | 1,704          | 1,704          | 1,704          |
| Construction in Progress                                 | 5,016          | 5,016          | 5,016          |
| Wells and Reservoirs                                     | 8,966          | 8,966          | 8,966          |
| Transmission and Distribution Mains                      | 68,693         | 68,693         | 68,693         |
| Service and Hydrants                                     | 14,593         | 14,593         | 14,593         |
| Interceptor and Collector Systems                        | -              | -              | -              |
| Buildings and Structures                                 | 22,378         | 22,378         | 22,378         |
| Metering System  | 8,485          | 8,485          | 8,485          |
| Equipment and Furnishings                                | 20,193         | 10,897         | 6,283          |
| Capacity   | 1,208          | 1,208          | 1,208          |
| LESS: Accumulated Depreciation                           | (41,238)       | (38,288)       | (35,338)       |
| <b>Total Capital Assets</b>                              | <b>109,998</b> | <b>103,652</b> | <b>101,988</b> |
| <b>Other Assets</b>                                      |                |                |                |
| Long-term Portion of Receivables and Financing Contracts | -              | -              | -              |
| Intangible Service Concession Arrangement                | -              | -              | -              |
| OPEB Asset   | 1,133          | 1,133          | 1,133          |
| Other Miscellaneous Assets                               | -              | -              | -              |
| Facilities Planning Costs, Net                           | 162            | 162            | 162            |
| <b>Total Other Assets</b>                                | <b>1,295</b>   | <b>1,295</b>   | <b>1,295</b>   |
| <b>Total Non-Current Assets</b>                          | <b>124,183</b> | <b>121,837</b> | <b>111,388</b> |
| <b>TOTAL ASSETS</b>                                      | <b>138,589</b> | <b>140,636</b> | <b>127,002</b> |
| <b>Deferred Outflows</b>                                 |                |                |                |
| Pensions   | 468            | 468            | 468            |
| Refunding Loss on Bonds                                  | 307            | 307            | 307            |
| <b>Total Deferred Outflows</b>                           | <b>775</b>     | <b>775</b>     | <b>775</b>     |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                | <b>139,364</b> | <b>141,411</b> | <b>127,777</b> |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
BALANCE SHEET

|   | SUBURBAN WATER |                 |                |
|---|----------------|-----------------|----------------|
|   | 2018           | 2017            | 2016           |
|   | <u>Budget</u>  | <u>Forecast</u> | <u>Actuals</u> |
| <b>LIABILITIES AND NET POSITION</b>       |                |                 |                |
| <b>Current Liabilities:</b>               |                |                 |                |
| Accounts Payable - Trade                  | 971            | 971             | 971            |
| Accounts Payable - Capital                | 248            | 248             | 248            |
| Accrued Interest Payable                  | 160            | 160             | 160            |
| Notes Payable                             | 237            | 237             | 237            |
| Revenue Bonds Payable                     | 1,423          | 1,423           | 1,423          |
| Developer Deposits and Other              | 545            | 545             | 545            |
| Accrued Expenses                          | 185            | 185             | 185            |
| <b>Total Current Liabilities</b>          | <u>3,769</u>   | <u>3,769</u>    | <u>3,769</u>   |
| <b>Non-Current Liabilities</b>            |                |                 |                |
| Developer Deposits and Other              | 5,156          | 5,156           | 5,156          |
| SCA Payable                               | -              | -               | -              |
| Notes Payable                             | 2,970          | 2,970           | 2,970          |
| OPEB Liability                            | -              | -               | -              |
| Net Pension Liability                     | 568            | 568             | 568            |
| Revenue Bonds Payable                     | 36,957         | 38,698          | 25,043         |
| <b>Total Non-Current Liabilities</b>      | <u>45,651</u>  | <u>47,392</u>   | <u>33,737</u>  |
| <b>Total Liabilities</b>                  | <u>49,420</u>  | <u>51,161</u>   | <u>37,506</u>  |
| <b>Net Position:</b>                      |                |                 |                |
| Net investment in Capital Assets          | 72,900         | 73,206          | 73,227         |
| Restricted Debt Service                   | 1,209          | 1,209           | 1,209          |
| Unrestricted                              | 15,835         | 15,835          | 15,835         |
| <b>Total Net Position</b>                 | <u>89,944</u>  | <u>90,250</u>   | <u>90,271</u>  |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u>139,364</u> | <u>141,411</u>  | <u>127,777</u> |
| Check                                     | -              | -               | -              |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
CASH FLOW (INDIRECT)

| \$000's  | 2018<br>Budget  | 2017<br>Forecast | 2017<br>Budget | 2016<br>Actuals | 2018 vs.<br>2017 FC |
|--|-----------------|------------------|----------------|-----------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                 |                  |                |                 |                     |
| Operating Income (Loss)  | 803             | 650              | 319            | 1,414           | 153                 |
| Adjustments:   |                 |                  |                |                 |                     |
| Depreciation and Amortization  | 2,950           | 2,950            | 2,950          | 2,588           | -                   |
| Changes in Assets and Liabilities  | -               | -                | -              | 713             | -                   |
| <b>Net Cash Provided By (Used In) Operating Activities</b>                     | <u>3,753</u>    | <u>3,600</u>     | <u>3,269</u>   | <u>4,715</u>    | <u>153</u>          |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                        |                 |                  |                |                 |                     |
| Interest Received  | 125             | 125              | 200            |                 | -                   |
| Facility Improvements  | -               | -                | -              |                 | -                   |
| Annual Lease Payments  | -               | -                | -              |                 | -                   |
| Transfers From/To  | -               | -                | -              | (34)            | -                   |
| <b>Net Cash Provided By (Used In) Non-Capital Financing Activities</b>         | <u>125</u>      | <u>125</u>       | <u>200</u>     | <u>(34)</u>     | <u>-</u>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |                 |                  |                |                 |                     |
| Non-Operating Revenues Received  | 769             | 895              | 894            | 1,050           | (126)               |
| Capital Spending   | (9,296)         | (4,718)          | (7,447)        | (4,186)         | (4,578)             |
| Borrowing Proceeds   | -               | 15,292           | 5,900          | -               | (15,292)            |
| Interest Payments  | (2,003)         | (1,587)          | (1,348)        | (1,051)         | (416)               |
| Principal Payments   | (1,741)         | (1,637)          | (1,834)        | (1,640)         | (104)               |
| <b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b> | <u>(12,271)</u> | <u>8,245</u>     | <u>(3,835)</u> | <u>(5,827)</u>  | <u>(20,516)</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                 |                  |                |                 |                     |
| Investment Maturities  | 4,000           | 1,160            | 284            | 4,852           | 2,840               |
| Investment Purchases   | -               | (8,785)          | -              | (4,520)         | 8,785               |
| Interest Received on Investments   | -               | -                | -              | 89              | -                   |
| <b>Net Cash Provided By (Used In) Investing Activities</b>                     | <u>4,000</u>    | <u>(7,625)</u>   | <u>284</u>     | <u>421</u>      | <u>11,625</u>       |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>(4,393)</b>  | <b>4,345</b>     | <b>(82)</b>    | <b>(725)</b>    | <b>(8,738)</b>      |
| Cash - Beginning of Year   | <u>11,341</u>   | <u>6,996</u>     | <u>6,996</u>   | <u>7,721</u>    | <u>4,345</u>        |
| <b>CASH - END OF YEAR</b>  | <u>6,948</u>    | <u>11,341</u>    | <u>6,914</u>   | <u>6,996</u>    | <u>(4,393)</u>      |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WATER**  
**2018 BUDGET**  
**CASH FLOW (DIRECT BY ACCOUNT)**

| <b>\$000's</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|---|------------------------|--------------------------|------------------------|
| <b>OPERATIONS - CASH</b>                              |                        |                          |                        |
| <b>OPERATING REVENUES</b>                             |                        |                          |                        |
| Charges for Services                                  | 9,591                  | 9,095                    | 8,894                  |
| Rent  | 91                     | 91                       | 137                    |
| Other income  | 51                     | 51                       | 103                    |
| <b>Total Operating Revenues</b>                       | <b>9,733</b>           | <b>9,237</b>             | <b>9,134</b>           |
| <b>OPERATING EXPENSES (CASH BASED)</b>                |                        |                          |                        |
| Salaries and Wages                                    | (1,064)                | (1,055)                  | (943)                  |
| General and Administrative                            | (1,252)                | (1,260)                  | (1,064)                |
| Utilities   | (584)                  | (450)                    | (493)                  |
| Materials and Supplies                                | (321)                  | (365)                    | (537)                  |
| Miscellaneous Services                                | (2,759)                | (2,507)                  | (2,828)                |
| Treatment and Transportation                          | -                      | -                        | -                      |
| <b>Total Operating Expenses</b>                       | <b>(5,980)</b>         | <b>(5,637)</b>           | <b>(5,865)</b>         |
| <b>CASH FROM OPERATIONS</b>                           | <b>3,753</b>           | <b>3,600</b>             | <b>3,269</b>           |
| Interest Received                                     | 125                    | 125                      | 200                    |
| <b>CASH AVAILABLE FOR DEBT SERVICE</b>                | <b>3,878</b>           | <b>3,725</b>             | <b>3,469</b>           |
| <b>DEBT SERVICE</b>                                   |                        |                          |                        |
| Interest and Fees Paid                                | (2,003)                | (1,587)                  | (1,348)                |
| Principal Paid  | (1,741)                | (1,637)                  | (1,834)                |
| <b>Total Debt Service</b>                             | <b>(3,744)</b>         | <b>(3,224)</b>           | <b>(3,182)</b>         |
| <b>NET CASH AVAILABLE AFTER DEBT SERVICE</b>          | <b>134</b>             | <b>501</b>               | <b>287</b>             |
| Changes in Assets and Liabilities                     | -                      | -                        | 82                     |
| <b>NET CASH FROM OPERATIONS AVAILABLE FOR CAPITAL</b> | <b>134</b>             | <b>501</b>               | <b>369</b>             |
| Investments Converted Into Cash                       | -                      | -                        | -                      |
| Cash Converted to Investments                         | -                      | -                        | -                      |
| Cash from Restricted Balances                         | -                      | -                        | -                      |
| Cash to Restricted Balances                           | -                      | -                        | -                      |
| Cash provided for Capital Projects                    | (1,200)                | -                        | (103)                  |
| <b>NET FLOW - OPERATING CASH</b>                      | <b>(1,066)</b>         | <b>501</b>               | <b>266</b>             |
| Beginning Balance                                     | 4,403                  | 3,902                    | 3,902                  |
| <b>OPERATING CASH - ENDING BALANCE</b>                | <b>3,337</b>           | <b>4,403</b>             | <b>4,168</b>           |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WATER  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)**

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|--|------------------------|--------------------------|------------------------|
| <b><u>OPERATIONS - INVESTMENTS</u></b>               |                        |                          |                        |
| Cash provided to investments                         | -                      | -                        | -                      |
| Maturities converted to cash                         | -                      | -                        | -                      |
| From (To) Restricted                                 | -                      | -                        | -                      |
| <b>NET FLOW - OPERATING INVESTMENTS</b>              | -                      | -                        | -                      |
| Beginning Balance                                    | <u>7,249</u>           | <u>7,249</u>             | <u>7,249</u>           |
| <b>OPERATING INVESTMENTS - ENDING BALANCE</b>        | <u>7,249</u>           | <u>7,249</u>             | <u>7,249</u>           |
| <b><u>PROJECT RESERVES - CASH</u></b>                |                        |                          |                        |
| <b>CASH PROVIDED FROM OPERATIONS</b>                 | <u>1,200</u>           | <u>-</u>                 | <u>103</u>             |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                        |                          |                        |
| Tapping and Capital Recovery Fees                    | 485                    | 472                      | 280                    |
| Meter Sales  | 105                    | 102                      | 80                     |
| Inspection, Plan Reviews, and Project Reimbursements | 156                    | 152                      | 200                    |
| Other Income   | 23                     | 169                      | 334                    |
| Less: Project Reimbursement                          | (23)                   | (169)                    | (334)                  |
| Other Expense  | -                      | (104)                    | (100)                  |
| Less: Expensed Capex                                 | -                      | 104                      | 100                    |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <u>746</u>             | <u>726</u>               | <u>560</u>             |
| <b>FINANCING AND INVESTMENT ACTIVITY</b>             |                        |                          |                        |
| Grants Received                                      | -                      | -                        | -                      |
| New Borrowing  | -                      | 15,292                   | 5,900                  |
| Investments Converted to Cash (Source)               | 4,000                  | 1,160                    | 284                    |
| New Investments From Cash (Use)                      | -                      | (8,785)                  | -                      |
| Annual Lease Payments - City                         | -                      | -                        | -                      |
| Project Reimbursements                               | 23                     | 169                      | 334                    |
| <b>Total Financing &amp; Investment Activity</b>     | <u>4,023</u>           | <u>7,836</u>             | <u>6,518</u>           |
| Interest Income                                      | -                      | -                        | -                      |
| <b>CAPITAL SPENDING</b>                              |                        |                          |                        |
| Net Capital Spending                                 | (9,296)                | (4,614)                  | (7,347)                |
| Add: Expensed Capex                                  | -                      | (104)                    | (100)                  |
| <b>Total Capital Spending</b>                        | <u>(9,296)</u>         | <u>(4,718)</u>           | <u>(7,447)</u>         |
| <b>NET FLOW - PROJECT RESERVES CASH</b>              | (3,327)                | 3,844                    | (266)                  |
| Beginning Balance                                    | <u>4,110</u>           | <u>266</u>               | <u>266</u>             |
| <b>PROJECT RESERVES CASH - ENDING BALANCE</b>        | <u>783</u>             | <u>4,110</u>             | <u>-</u>               |

LEHIGH COUNTY AUTHORITY - SUBURBAN WATER  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|--|------------------------|--------------------------|------------------------|
| <b><u>PROJECT RESERVES - INVESTMENTS</u></b>         |                        |                          |                        |
| New Investments From Cash (Source)                   | -                      | 8,785                    | -                      |
| Investments Converted to Cash (Use)                  | (4,000)                | (1,160)                  | -                      |
| Other  | -                      | -                        | -                      |
| <b>NET FLOW - PROJECT RESERVES INVESTMENTS</b>       | <b>(4,000)</b>         | <b>7,625</b>             | <b>-</b>               |
| Beginning Balance                                    | 8,625                  | 1,000                    | 1,000                  |
| <b>PROJECT RESERVES INVESTMENTS - ENDING BALANCE</b> | <b>4,625</b>           | <b>8,625</b>             | <b>1,000</b>           |
| <b><u>RESTRICTED - CASH</u></b>                      |                        |                          |                        |
| Sources  | -                      | -                        | -                      |
| Uses   | -                      | -                        | -                      |
| <b>NET FLOW - RESTRICTED CASH</b>                    | <b>-</b>               | <b>-</b>                 | <b>-</b>               |
| Beginning Balance                                    | 2,828                  | 2,828                    | 2,828                  |
| <b>RESTRICTED CASH - ENDING BALANCE</b>              | <b>2,828</b>           | <b>2,828</b>             | <b>2,828</b>           |
| <b><u>RESTRICTED - INVESTMENTS</u></b>               |                        |                          |                        |
| Sources  | -                      | -                        | -                      |
| Uses   | -                      | -                        | -                      |
| <b>NET FLOW - RESTRICTED INVESTMENTS</b>             | <b>-</b>               | <b>-</b>                 | <b>-</b>               |
| Beginning Balance                                    | 925                    | 925                      | 925                    |
| <b>RESTRICTED INVESTMENTS - ENDING BALANCE</b>       | <b>925</b>             | <b>925</b>               | <b>925</b>             |
| <b><u>SUMMARY OF ACCOUNT FLOWS</u></b>               |                        |                          |                        |
| Cash - Operations                                    | (1,066)                | 501                      | 266                    |
| Cash - Project Reserves                              | (3,327)                | 3,844                    | (266)                  |
| Cash - Restricted                                    | -                      | -                        | -                      |
| <b>Total Cash Accounts</b>                           | <b>(4,393)</b>         | <b>4,345</b>             | <b>-</b>               |
| Investments - Operations                             | -                      | -                        | -                      |
| Investments - Project Reserves                       | (4,000)                | 7,625                    | -                      |
| Investments - Restricted                             | -                      | -                        | -                      |
| <b>Total Investments</b>                             | <b>(4,000)</b>         | <b>7,625</b>             | <b>-</b>               |
| <b>TOTAL FLOWS</b>                                   | <b>(8,393)</b>         | <b>11,970</b>            | <b>-</b>               |



LEHIGH COUNTY AUTHORITY - SUBURBAN WATER  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)

| <b>\$000's</b>                            | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|---|------------------------|--------------------------|------------------------|
| <b><i>SUMMARY OF ACCOUNT BALANCES</i></b> |                        |                          |                        |
| Cash - Operations                         | 3,337                  | 4,403                    | 4,168                  |
| Cash - Project Reserves                   | 783                    | 4,110                    | -                      |
| Cash - Restricted                         | <u>2,828</u>           | <u>2,828</u>             | <u>2,828</u>           |
| <b>Total Cash Accounts</b>                | <u>6,948</u>           | <u>11,341</u>            | <u>6,996</u>           |
| Investments - Operations                  | 7,249                  | 7,249                    | 7,249                  |
| Investments - Project Reserves            | 4,625                  | 8,625                    | 1,000                  |
| Investments - Restricted                  | <u>925</u>             | <u>925</u>               | <u>925</u>             |
| <b>Total Investments</b>                  | <u>12,799</u>          | <u>16,799</u>            | <u>9,174</u>           |
| <b>TOTAL BALANCES</b>                     | <b><u>19,747</u></b>   | <b><u>28,140</u></b>     | <b><u>16,170</u></b>   |
| <i>Cash Check</i>                         | 6,948                  | 11,341                   |                        |
| <i>Diff</i>                               | -                      | -                        |                        |
| <i>Investment Check</i>                   | 12,799                 | 16,799                   |                        |
| <i>Diff</i>                               | -                      | -                        |                        |

**LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
SUBURBAN WATER**

| <b>STATEMENT OF CHANGES IN NET POSITION</b> | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|---|------------------------|------------------------|--------------------------|------------------------|
| <b>OPERATING REVENUES</b>                   |                        |                        |                          |                        |
| Service Charges                             |                        |                        |                          |                        |
| Large Industrial                            | 1,101,016              | 1,116,000              | 1,059,497                | 1,123,000              |
| Other Industrial/Commercial                 | 2,968,699              | 2,933,000              | 3,078,111                | 3,265,000              |
| Residential                                 | 3,377,843              | 3,476,000              | 3,475,015                | 3,908,000              |
| Penalties                                   | 70,936                 | 50,000                 | 63,876                   | 68,000                 |
| Private Fire Service                        | 757,650                | 746,000                | 785,860                  | 798,000                |
| Public Fire Service                         | 354,805                | 373,000                | 423,180                  | 429,000                |
| Total Service Charges                       | 8,630,949              | 8,694,000              | 8,885,539                | 9,591,000              |
| Rental Income                               | 97,011                 | 137,000                | 90,959                   | 91,000                 |
| Miscellaneous                               | 87,047                 | 303,000                | 260,487                  | 51,000                 |
| Total Operating Revenues                    | 8,815,007              | 9,134,000              | 9,236,985                | 9,733,000              |
| <b>OPERATING EXPENSES</b>                   |                        |                        |                          |                        |
| Personnel                                   |                        |                        |                          |                        |
| Permanent                                   | 795,487                | 861,508                | 988,893                  | 945,178                |
| Overtime                                    | 232,517                | 81,121                 | 65,573                   | 119,180                |
| Employee Benefits                           | 436,093                | 297,803                | 470,056                  | 362,624                |
| Total Personnel                             | 1,464,097              | 1,240,432              | 1,524,522                | 1,426,982              |
| Purchase of Services                        |                        |                        |                          |                        |
| Internal Services - Overhead & Support      | 609,541                | 765,840                | 790,439                  | 889,232                |
| Utilities                                   | 426,230                | 493,000                | 449,950                  | 584,346                |
| Engineering                                 | 17,721                 | 48,000                 | 63,373                   | 36,500                 |
| Analyses (External)                         | 44,750                 | 51,785                 | 46,929                   | 191,300                |
| Contract Operating Svcs                     | 35,430                 | 38,270                 | 30,370                   | 38,270                 |
| Compliance Expense                          | -                      | -                      | -                        | 41,700                 |
| Maintenance Services                        | 99,754                 | 534,380                | 322,605                  | 278,100                |
| Fleet Management Services                   | 49,749                 | 30,000                 | 26,835                   | 29,000                 |
| Extraordinary Expenditures                  | 33,495                 | 100,000                | -                        | -                      |
| Industrial Meter Testing & Repair           | 12,571                 | 8,600                  | -                        | 8,600                  |
| Miscellaneous Services                      | 142,624                | 94,310                 | 93,178                   | 35,500                 |
| Water Purchases                             | 1,588,746              | 1,923,000              | 1,924,704                | 2,099,400              |
| Total Purchases of Services                 | 3,060,611              | 4,087,185              | 3,748,383                | 4,231,948              |
| Materials and Supplies                      |                        |                        |                          |                        |
| Pump Supplies                               | 22,895                 | 67,300                 | 17,098                   | 1,504                  |
| Purification Supplies                       | 59,100                 | 101,450                | 50,099                   | 100,150                |
| Distribution & Transmission Supplies        | 49,290                 | 102,750                | 78,565                   | 55,800                 |
| Fleet Management Supplies                   | -                      | 2,500                  | 2,974                    | 2,500                  |
| Misc. Materials & Supplies                  | 88,570                 | 60,695                 | 49,619                   | 39,000                 |
| Fuel & Mileage                              | 28,074                 | 65,100                 | 27,687                   | 65,900                 |
| Total Materials and Supplies                | 247,929                | 399,795                | 226,042                  | 264,854                |
| Equipment                                   | 40,621                 | 137,000                | 137,802                  | 55,800                 |
| Depreciation & Amortization                 | 2,587,430              | 2,950,000              | 2,949,984                | 2,950,000              |
| Total Operating Expenses                    | 7,400,688              | 8,814,412              | 8,586,733                | 8,929,584              |
| <b>OPERATING INCOME</b>                     | 1,414,319              | 319,588                | 650,252                  | 803,416                |

**LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
SUBURBAN WATER**

| <b>STATEMENT OF CHANGES IN NET POSITION</b>           | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|---|------------------------|------------------------|--------------------------|------------------------|
| <b>NON-OPERATING REVENUES</b>                         |                        |                        |                          |                        |
| Supply/Tapping Fees                                   | 387,057                | 255,000                | 391,058                  | 400,000                |
| Distribution Tapping Fees                             | 39,120                 | 25,000                 | 81,398                   | 85,000                 |
| Meter Sales   | 156,365                | 80,000                 | 101,577                  | 105,000                |
| Inspection & Planning Review Fees                     | 160,751                | 200,000                | 151,630                  | 156,000                |
| Project Reimbursement                                 | -                      | 334,000                | 145,795                  | 23,000                 |
| Other   | 112,426                | -                      | 23,193                   | -                      |
| Total Non-Operating Revenues                          | <u>855,719</u>         | <u>894,000</u>         | <u>894,651</u>           | <u>769,000</u>         |
| <b>NON-OPERATING (EXPENSES)</b>                       |                        |                        |                          |                        |
| Capital Charged to Expenses                           | (157,016)              | (100,000)              | (103,765)                | -                      |
| Other Miscellaneous Expenses                          | -                      | -                      | -                        | -                      |
| Total Non-Operating Expenses                          | <u>(157,016)</u>       | <u>(100,000)</u>       | <u>(103,765)</u>         | <u>-</u>               |
| <b>INCOME BEFORE INTEREST AND CONTRIBUTED CAPITAL</b> | 2,113,022              | 1,113,588              | 1,441,138                | 1,572,416              |
| Interest Income                                       | 91,619                 | 200,000                | 124,715                  | 125,000                |
| Interest (Expense)                                    | <u>(1,140,565)</u>     | <u>(1,348,261)</u>     | <u>(1,586,870)</u>       | <u>(2,003,000)</u>     |
| <b>INCOME BEFORE CONTRIBUTED CAPITAL</b>              | 1,064,076              | (34,673)               | (21,017)                 | (305,584)              |
| <b>CONTRIBUTED CAPITAL</b>                            | <u>3,559,618</u>       | <u>-</u>               | <u>-</u>                 | <u>-</u>               |
| <b>NET INCOME</b>                                     | <u>4,623,694</u>       | <u>(34,673)</u>        | <u>(21,017)</u>          | <u>(305,584)</u>       |

**LEHIGH COUNTY AUTHORITY**  
**2018 BUDGET**  
**SUBURBAN WATER**

| <b>CASH FLOWS</b>                     | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|---------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Operating Revenues                    | 8,815,007              | 9,134,000              | 9,236,985                | 9,733,000              |
| Operating Expenses                    | (7,400,688)            | (8,814,412)            | (8,586,733)              | (8,929,584)            |
| Add: Depreciation Expense             | 2,587,430              | 2,950,000              | 2,949,984                | 2,950,000              |
| Net Operating Cash                    | 4,001,749              | 3,269,588              | 3,600,236                | 3,753,416              |
| Interest Income                       | 88,756                 | 200,000                | 124,715                  | 125,000                |
| Net Cash Available For Debt Service   | 4,090,505              | 3,469,588              | 3,724,951                | 3,878,416              |
| Debt Service                          |                        |                        |                          |                        |
| Interest Paid                         | (1,050,935)            | (1,341,386)            | (1,289,973)              | (2,003,000)            |
| Financing Fees Paid                   | -                      | (6,875)                | (297,897)                | -                      |
| Principal Paid                        | (1,639,996)            | (1,833,796)            | (1,636,596)              | (1,741,000)            |
| Total Debt Service                    | (2,690,931)            | (3,182,057)            | (3,224,466)              | (3,744,000)            |
| NET CASH AVAILABLE AFTER DEBT SERVICE | 1,399,574              | 287,531                | 500,485                  | 134,416                |
| Non-Operating Revenues                | 855,719                | 894,000                | 894,651                  | 769,000                |
| Less: Project Reimbursement           | -                      | (334,000)              | (168,988)                | (23,000)               |
| Non-Operating Expenses                | (157,016)              | (100,000)              | (103,765)                | -                      |
| Less: Capital Charged to Expenses     | 157,016                | 100,000                | 103,765                  | -                      |
| Working Capital Changes               | 873,542                | -                      | -                        | -                      |
| NET CASH AVAILABLE FOR CAPITAL        | 3,128,835              | 847,531                | 1,226,148                | 880,416                |
| Financing & Investment Activity       |                        |                        |                          |                        |
| Project Reimbursements                | -                      | 334,000                | 168,988                  | 23,000                 |
| Investments converting to Cash        | 4,851,706              | 284,000                | 1,159,937                | 4,000,000              |
| New Borrowing                         | -                      | 5,900,000              | 15,292,006               | -                      |
| Cash Investments                      | (4,520,000)            | -                      | (8,785,000)              | -                      |
| Capital Spending                      | (4,185,957)            | (7,447,000)            | (4,717,598)              | (9,296,000)            |
| <b>NET CASH FLOW TO FUND</b>          | <b>(725,416)</b>       | <b>(81,469)</b>        | <b>4,344,481</b>         | <b>(4,392,584)</b>     |
|                                       | ok                     | ok                     | ok                       | ok                     |

**2018 BUDGET  
SUBURBAN DIVISION  
WATER FUND  
CAPITAL EXPENDITURES**

| <b>Project</b>  | <b>Primary<br/>Project<br/>Category</b> | <b>Estimated<br/>Project<br/>Cost</b> | <b>Estimated<br/>Costs<br/>Through 2017</b> | <b>2018<br/>Budget</b> | <b>Estimated<br/>Costs<br/>2019- 2022</b> |
|---|---|---------------------------------------|---|------------------------|---|
| Annual Projects   | AM - Varies                             | \$ 8,535,750                          | \$ 730,000                                  | \$ 1,878,750           | 5,927,000                                 |
| Water Main Replacement Projects                             | AM - Varies                             | 10,500,000                            | -   | 2,100,000              | 8,400,000                                 |
| Pine Lakes of Lynn Pump Station Improvements                | AM - High                               | 725,000                               | 510,000                                     | 215,000                | -   |
| Crestwood- New Alternate Water Supply                       | Sys Imp                                 | 510,000                               | 330,000                                     | 180,000                | -   |
| CLD Auxiliary Pump Station & Main Extension                 | Sys Imp                                 | 1,877,000                             | 95,000                                      | 1,464,000              | 318,000                                   |
| Upper Milford Central Division Improvements                 | AM - High                               | 1,370,000                             | -   | 500,000                | 870,000                                   |
| Arcadia West Division Total Dissolved Solids Removal System | Sys Imp                                 | 280,000                               | -   | 80,000                 | 200,000                                   |
| Additional Water Supply - Small Satellite Divisions         | Sys Imp                                 | 300,000                               | -   | 200,000                | 100,000                                   |
| Water Meter Replacement Project                             | AM - Med                                | 1,640,000                             | 500,000                                     | 1,140,000              | -   |
| Well Abandonments   | Regulatory                              | 150,000                               | 60,000                                      | 40,000                 | 50,000                                    |
| Central Lehigh to Upper Milford Division Interconnection    | New Cust                                | 1,485,000                             | 165,000                                     | 1,320,000              | -   |
| <b>Total Suburban Divisions Water Capital Expenditures:</b> |   |                                       | <b>\$ 2,390,000</b>                         | <b>\$ 9,117,750</b>    |   |
| Allocated Administration Capital                            |   |                                       |   | <b>\$ 178,250</b>      |   |
| <b>TOTAL CAPITAL</b>  |   |                                       |   | <b>\$ 9,296,000</b>    |   |

# Suburban Wastewater

**LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CONDENSED STATEMENTS**

|   | <b>SUBURBAN WASTEWATER</b> |                          |                         |                         |                             |
|---|----------------------------|--------------------------|-------------------------|-------------------------|-----------------------------|
| <b>INCOME STATEMENT (\$000)</b>   | <b>2018<br/>Budget</b>     | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
| Operating Revenues  | 19,197                     | 18,189                   | 18,259                  | 18,498                  | 1,008                       |
| Operating Expenses  | 18,908                     | 18,457                   | 18,557                  | 21,687                  | (451)                       |
| Operating Income  | 289                        | (268)                    | (298)                   | (3,189)                 | 557                         |
| Non-Operating Revenues (Expenses)                                       | 806                        | 806                      | 793                     | 1,144                   | -                           |
| Income Before Interest  | 1,095                      | 538                      | 495                     | (2,045)                 | 557                         |
| Interest Income   | 5                          | 5                        | 119                     | 119                     | -                           |
| Interest Expense  | (216)                      | (216)                    | (852)                   | (195)                   | -                           |
| Income Before Capital Contributions                                     | 884                        | 327                      | (238)                   | (2,121)                 | 557                         |
| Capital Contributions   | -                          | -                        | -                       | 986                     | -                           |
| <b>Net Income</b>   | <b>884</b>                 | <b>327</b>               | <b>(238)</b>            | <b>(1,135)</b>          | <b>557</b>                  |
| <b>CASH FLOWS (INDIRECT) (\$000)</b>                                    | <b>2018<br/>Budget</b>     | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> |                             |
| Net Cash Provided By (Used In) Operating Activities                     | 5,065                      | 4,108                    | 3,627                   | 910                     |                             |
| Net Cash Provided By (Used In) Non-Capital Financing Activities         | 5                          | 5                        | 119                     | 77                      |                             |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | (11,301)                   | (4,649)                  | 3,376                   | (1,638)                 |                             |
| Net Cash Provided By (Used In) Investing Activities                     | 3,480                      | 2,470                    | -                       | (510)                   |                             |
| <b>Net Increase (Decrease) in Cash</b>                                  | <b>(2,751)</b>             | <b>1,934</b>             | <b>7,122</b>            | <b>(1,161)</b>          |                             |
| Cash - Beginning of Year  | 13,208                     | 11,274                   | 11,274                  | 12,435                  |                             |
| <b>Cash - End of Year</b>   | <b>10,457</b>              | <b>13,208</b>            | <b>18,396</b>           | <b>11,274</b>           |                             |
| <b>CASH FLOW (DIRECT) (\$000)</b>                                       | <b>2018<br/>Budget</b>     | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
| Operating Revenues  | 19,197                     | 18,189                   | 18,259                  | 18,498                  | 1,008                       |
| Operating Expenses (ex D&A)   | (14,132)                   | (14,081)                 | (14,632)                | (17,186)                | (51)                        |
| Cash From Operations  | 5,065                      | 4,108                    | 3,627                   | 1,312                   | 957                         |
| Interest Received   | 5                          | 5                        | 119                     | 119                     | -                           |
| Cash Available for Debt Service   | 5,070                      | 4,113                    | 3,746                   | 1,431                   | 957                         |
| Debt Service  | (690)                      | (690)                    | (1,979)                 | (813)                   | -                           |
| Net Cash Available After Debt Service                                   | 4,380                      | 3,423                    | 1,767                   | 618                     | 957                         |
| Non-Operating Revenues (Expenses)                                       | 1,107                      | 1,107                    | 1,093                   | 1,209                   | -                           |
| Changes in Working Capital  | -                          | -                        | -                       | (334)                   | -                           |
| Net Cash Available For Capital  | 5,487                      | 4,530                    | 2,860                   | 1,493                   | 957                         |
| Financing & Investment Activity   | 3,480                      | 2,470                    | 10,875                  | (229)                   | 1,010                       |
| Capital Spending  | (11,718)                   | (5,066)                  | (6,613)                 | (2,425)                 | (6,652)                     |
| <b>Net Cash Flow</b>  | <b>(2,751)</b>             | <b>1,934</b>             | <b>7,122</b>            | <b>(1,161)</b>          | <b>(4,685)</b>              |
| Beginning Balance   | 13,208                     | 11,274                   | 11,274                  | 12,435                  | 1,934                       |
| <b>Ending Balance</b>   | <b>10,457</b>              | <b>13,208</b>            | <b>18,396</b>           | <b>11,274</b>           | <b>(2,751)</b>              |
| <b>DEBT SERVICE COVERAGE RATIO</b>                                      | <b>8.95</b>                | <b>7.57</b>              | <b>2.45</b>             | <b>3.25</b>             | <b>1.39</b>                 |
| <b>BALANCE SHEET (\$000)</b>  | <b>2018<br/>Budget</b>     | <b>2017<br/>Forecast</b> | <b>2016<br/>Actuals</b> |                         |                             |
| <b>Assets and Deferred Outflows</b>                                     |                            |                          |                         |                         |                             |
| Cash and Cash Equivalents   | 10,120                     | 12,871                   | 10,937                  |                         |                             |
| Investments - Unrestricted  | 2,383                      | 5,863                    | 8,333                   |                         |                             |
| Other Current Assets  | 2,070                      | 2,070                    | 2,070                   |                         |                             |
| Cash and Cash Equivalents - Restricted                                  | 337                        | 337                      | 337                     |                         |                             |
| Investments - Restricted  | -                          | -                        | -                       |                         |                             |
| Other Restricted Assets   | -                          | -                        | -                       |                         |                             |
| Capital Assets, net of Accumulated Depreciation                         | 94,195                     | 87,554                   | 87,165                  |                         |                             |
| Other Long-Term Assets  | 2,853                      | 2,853                    | 2,853                   |                         |                             |
| Deferred Outflows   | 236                        | 236                      | 236                     |                         |                             |
| <b>Total Assets and Deferred Outflows</b>                               | <b>112,194</b>             | <b>111,784</b>           | <b>111,931</b>          |                         |                             |
| <b>Liabilities and Net Position</b>                                     |                            |                          |                         |                         |                             |
| Current Liabilities   | 1,999                      | 1,999                    | 1,999                   |                         |                             |
| Long-Term Liabilities   | 7,840                      | 8,314                    | 8,788                   |                         |                             |
| Net Position  | 102,355                    | 101,471                  | 101,144                 |                         |                             |
| <b>Total Liabilities and Net Position</b>                               | <b>112,194</b>             | <b>111,784</b>           | <b>111,931</b>          |                         |                             |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW (DIRECT)**

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
|--|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>                            |                        |                          |                        |                         |                             |
| Charges for Services                                 | 18,997                 | 17,989                   | 18,059                 | 18,296                  | 1,008                       |
| Rent   | -                      | -                        | -                      | -                       | -                           |
| Other income   | 200                    | 200                      | 200                    | 202                     | -                           |
| <b>Total Operating Revenues</b>                      | <u>19,197</u>          | <u>18,189</u>            | <u>18,259</u>          | <u>18,498</u>           | <u>1,008</u>                |
| <b>OPERATING EXPENSES (CASH BASED)</b>               |                        |                          |                        |                         |                             |
| Salaries and Wages                                   | (462)                  | (427)                    | (392)                  | (441)                   | (35)                        |
| General and Administrative                           | (464)                  | (423)                    | (370)                  | (565)                   | (41)                        |
| Utilities  | (285)                  | (229)                    | (280)                  | (205)                   | (56)                        |
| Materials and Supplies                               | (372)                  | (108)                    | (395)                  | (189)                   | (264)                       |
| Miscellaneous Services                               | (8,579)                | (8,444)                  | (9,295)                | (7,140)                 | (135)                       |
| Treatment and Transportation                         | (3,970)                | (4,450)                  | (3,900)                | (8,646)                 | 480                         |
| <b>Total Operating Expenses</b>                      | <u>(14,132)</u>        | <u>(14,081)</u>          | <u>(14,632)</u>        | <u>(17,186)</u>         | <u>(51)</u>                 |
| <b>CASH FROM OPERATIONS</b>                          | <u>5,065</u>           | <u>4,108</u>             | <u>3,627</u>           | <u>1,312</u>            | <u>957</u>                  |
| Interest Received                                    | <u>5</u>               | <u>5</u>                 | <u>119</u>             | <u>119</u>              | <u>-</u>                    |
| <b>CASH AVAILABLE FOR DEBT SERVICE</b>               | <u>5,070</u>           | <u>4,113</u>             | <u>3,746</u>           | <u>1,431</u>            | <u>957</u>                  |
| <b>DEBT SERVICE</b>                                  |                        |                          |                        |                         |                             |
| Interest and Fees Paid                               | (216)                  | (216)                    | (852)                  | (195)                   | -                           |
| Principal Paid                                       | (474)                  | (474)                    | (1,127)                | (618)                   | -                           |
| <b>Total Debt Service</b>                            | <u>(690)</u>           | <u>(690)</u>             | <u>(1,979)</u>         | <u>(813)</u>            | <u>-</u>                    |
| <b>NET CASH AVAILABLE AFTER DEBT SERVICE</b>         | <u>4,380</u>           | <u>3,423</u>             | <u>1,767</u>           | <u>618</u>              | <u>957</u>                  |
|  | <b>7.35</b>            | <b>5.96</b>              | <b>1.89</b>            | <b>1.76</b>             | <b>1.39</b>                 |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                        |                          |                        |                         |                             |
| Tapping and Capital Recovery Fees                    | 1,015                  | 1,015                    | 1,000                  | 1,165                   | -                           |
| Meter Sales  | -                      | -                        | -                      | 12                      | -                           |
| Inspection, Plan Reviews, and Project Reimbursements | 92                     | 92                       | 93                     | 31                      | -                           |
| Other Income   | -                      | -                        | -                      | 1                       | -                           |
| Less: Project Reimbursement                          | -                      | -                        | -                      | -                       | -                           |
| Other Expense  | (301)                  | (301)                    | (300)                  | (65)                    | -                           |
| Less: Expensed Capex                                 | 301                    | 301                      | 300                    | 65                      | -                           |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <u>1,107</u>           | <u>1,107</u>             | <u>1,093</u>           | <u>1,209</u>            | <u>-</u>                    |
| Changes in Assets and Liabilities                    | <u>-</u>               | <u>-</u>                 | <u>-</u>               | <u>(334)</u>            | <u>-</u>                    |
| <b>NET CASH AVAILABLE FOR CAPITAL</b>                | <u>5,487</u>           | <u>4,530</u>             | <u>2,860</u>           | <u>1,493</u>            | <u>957</u>                  |
| <b>FINANCING AND INVESTMENT ACTIVITY</b>             |                        |                          |                        |                         |                             |
| Grants Received                                      | -                      | -                        | -                      | -                       | -                           |
| New Borrowing  | -                      | -                        | 10,875                 | 395                     | -                           |
| Investments Converted to Cash                        | 3,480                  | 2,470                    | -                      | 5,476                   | 1,010                       |
| New Investments From Cash                            | -                      | -                        | -                      | (6,100)                 | -                           |
| Annual Lease Payments                                | -                      | -                        | -                      | -                       | -                           |
| Project Reimbursements                               | -                      | -                        | -                      | -                       | -                           |
| <b>Total Financing &amp; Investment Activity</b>     | <u>3,480</u>           | <u>2,470</u>             | <u>10,875</u>          | <u>(229)</u>            | <u>1,010</u>                |
| <b>CAPITAL SPENDING</b>                              |                        |                          |                        |                         |                             |
| Net Capital Spending                                 | (11,417)               | (4,765)                  | (6,313)                | (2,360)                 | (6,652)                     |
| Add: Expensed Capex                                  | (301)                  | (301)                    | (300)                  | (65)                    | -                           |
| <b>Total Capital Spending</b>                        | <u>(11,718)</u>        | <u>(5,066)</u>           | <u>(6,613)</u>         | <u>(2,425)</u>          | <u>(6,652)</u>              |
| <b>NET CASH FLOW TO FUND</b>                         | <u>(2,751)</u>         | <u>1,934</u>             | <u>7,122</u>           | <u>(1,161)</u>          | <u>(4,685)</u>              |
| <b>DEBT SERVICE RATIO (INDENTURE BASED)</b>          |                        |                          |                        |                         |                             |



LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW (DIRECT)

| <b>\$000's</b>                          | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
|---|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
| Total Operating Revenues                | 19,197                 | 18,189                   | 18,259                 | 18,498                  | 1,008                       |
| Total Operating Expenses (Cash Based)   | (14,132)               | (14,081)                 | (14,632)               | (17,186)                | (51)                        |
| Interest Income                         | 5                      | 5                        | 119                    | 119                     | -                           |
| Annual Lease Payment (City)             | -                      | -                        | -                      | -                       | -                           |
| Total Non-Operating Revenues (Expenses) | 1,107                  | 1,107                    | 1,093                  | 1,209                   | -                           |
| <b>Cash Available For Debt Service</b>  | <b>6,177</b>           | <b>5,220</b>             | <b>4,839</b>           | <b>2,640</b>            | <b>957</b>                  |
| <b>Total Debt Service</b>               | <b>690</b>             | <b>690</b>               | <b>1,979</b>           | <b>813</b>              | <b>-</b>                    |
| <b>Debt Service Ratio</b>               | <b>8.95</b>            | <b>7.57</b>              | <b>2.45</b>            | <b>3.25</b>             | <b>1.39</b>                 |
| <b>CAPITAL COVERAGE RATIO</b>           |                        |                          |                        |                         |                             |
| Net Available for Capital               | 5,487                  | 4,530                    | 2,860                  | 1,493                   | 957                         |
| Total Capex                             | 11,718                 | 5,066                    | 6,613                  | 2,425                   | 6,652                       |
| <b>Capital Coverage Ratio</b>           | <b>0.47</b>            | <b>0.89</b>              | <b>0.43</b>            | <b>0.62</b>             | <b>(0.43)</b>               |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW BRIDGE - 2018 BUDGET vs. 2017 FORECAST  
\$000'S**

|   |                       |      |
|---|-----------------------|------|
| <b>NET CASH FLOW PER 2017 Q3 FORECAST</b>   | <b><u>1,934</u></b>   |      |
| <b>Revenues</b>                             |                       |      |
| Increase in volumes of 0.0%                 | -                     |      |
| Increase in rates of 2.80%                  | 1,008                 |      |
| <b>Operating expenses</b>                   |                       |      |
| Effect from headcount changes               | (40)                  |      |
| Wage increases of 3.0% from total wage pool | (14)                  |      |
| Benefits Increase 5.0%                      | (8)                   |      |
| Cost inflation - general inflation of 1.5%  | (160)                 |      |
| Change in spending levels                   | 171                   | (51) |
| <b>Debt Service</b>                         |                       |      |
| Additional interest expense                 | -                     |      |
| Additional principal payments               | -                     |      |
| <b>Non-Operating Revenues (Expenses)</b>    |                       |      |
| Change in Non-Operating revenues (expenses) | -                     |      |
| Higher expensed capex                       | -                     |      |
| <b>Capital Spending/Funding</b>             |                       |      |
| Higher total capex                          | (6,652)               |      |
| Investments converting to cash              | 1,010                 |      |
| Lower balances of cash invested             | -                     |      |
| No Borrowing                                | <u>-</u>              |      |
| Net Changes                                 | <u>(4,685)</u>        |      |
| <b>NET CASH FLOW PER 2018 BUDGET</b>        | <b><u>(2,751)</u></b> |      |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
STATEMENT OF CHANGES IN NET POSITION**

| <b>\$000's</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
|---|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>   |                        |                          |                        |                         |                             |
| Charges for Services  | 18,997                 | 17,989                   | 18,059                 | 18,296                  | 1,008                       |
| Rent  | -                      | -                        | -                      | -                       | -                           |
| Other income  | 200                    | 200                      | 200                    | 202                     | -                           |
| <b>Total Operating Revenues</b>   | <u>19,197</u>          | <u>18,189</u>            | <u>18,259</u>          | <u>18,498</u>           | <u>1,008</u>                |
| <b>OPERATING EXPENSES</b>   |                        |                          |                        |                         |                             |
| Salaries and Wages  | 462                    | 427                      | 392                    | 441                     | (35)                        |
| General and Administrative  | 464                    | 423                      | 370                    | 565                     | (41)                        |
| Utilities   | 285                    | 229                      | 280                    | 205                     | (56)                        |
| Materials and Supplies  | 372                    | 108                      | 395                    | 189                     | (264)                       |
| Miscellaneous Services  | 8,579                  | 8,444                    | 9,295                  | 7,140                   | (135)                       |
| Treatment and Transportation  | 3,970                  | 4,450                    | 3,900                  | 8,646                   | 480                         |
| Depreciation and Amortization   | 4,776                  | 4,376                    | 3,925                  | 4,501                   | (400)                       |
| <b>Total Operating Expenses</b>   | <u>18,908</u>          | <u>18,457</u>            | <u>18,557</u>          | <u>21,687</u>           | <u>(451)</u>                |
| <b>Operating Income (Loss)</b>  | <u>289</u>             | <u>(268)</u>             | <u>(298)</u>           | <u>(3,189)</u>          | <u>557</u>                  |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                                    |                        |                          |                        |                         |                             |
| Tapping and Capital Recovery Fees   | 1,015                  | 1,015                    | 1,000                  | 1,165                   | -                           |
| Meter Sales   | -                      | -                        | -                      | 12                      | -                           |
| Inspection, Plan Reviews, and Project Reimbursements                        | 92                     | 92                       | 93                     | 31                      | -                           |
| Other Income  | -                      | -                        | -                      | 1                       | -                           |
| Other Expense   | (301)                  | (301)                    | (300)                  | (65)                    | -                           |
| <b>Total Non-Operating Revenues (Expenses)</b>                              | <u>806</u>             | <u>806</u>               | <u>793</u>             | <u>1,144</u>            | <u>-</u>                    |
| <b>Income Before Interest</b>   | <u>1,095</u>           | <u>538</u>               | <u>495</u>             | <u>(2,045)</u>          | <u>557</u>                  |
| <b>Interest Income</b>  | <u>5</u>               | <u>5</u>                 | <u>119</u>             | <u>119</u>              | <u>-</u>                    |
| <b>Interest Expense</b>   | <u>(216)</u>           | <u>(216)</u>             | <u>(852)</u>           | <u>(195)</u>            | <u>-</u>                    |
| <b>Increase (Decrease) in Net Position Before<br/>Capital Contributions</b> | <u>884</u>             | <u>327</u>               | <u>(238)</u>           | <u>(2,121)</u>          | <u>557</u>                  |
| <b>CAPITAL CONTRIBUTIONS</b>  |                        |                          |                        |                         |                             |
| Capital Grants  | -                      | -                        | -                      | -                       | -                           |
| Capital Assets Provided   | -                      | -                        | -                      | 986                     | -                           |
| <b>Total Capital Contributions</b>  | <u>-</u>               | <u>-</u>                 | <u>-</u>               | <u>986</u>              | <u>-</u>                    |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                                  | <u>884</u>             | <u>327</u>               | <u>(238)</u>           | <u>(1,135)</u>          | <u>557</u>                  |
| Net Position Beginning of Year  | 101,471                | 101,144                  | 101,144                | 102,279                 | 327                         |
| Cumulative Changes  | -                      | -                        | -                      | -                       | -                           |
| <b>NET POSITION AT END OF YEAR</b>  | <u>102,355</u>         | <u>101,471</u>           | <u>100,906</u>         | <u>101,144</u>          | <u>884</u>                  |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
BALANCE SHEET

|  | SUBURBAN WASTEWATER |                  |                 |
|--|---------------------|------------------|-----------------|
|  | 2018<br>Budget      | 2017<br>Forecast | 2016<br>Actuals |
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                      |                     |                  |                 |
| <b>CURRENT ASSETS</b>                                    |                     |                  |                 |
| Cash and Cash Equivalents                                | 10,120              | 12,871           | 10,937          |
| Certificates of Deposit                                  | 2,383               | 5,863            | 8,333           |
| Accounts Receivable - Customers                          | 3,057               | 3,057            | 3,057           |
| Accounts Receivable - Financing Contracts                | 303                 | 303              | 303             |
| Accounts Receivable - Others                             | 67                  | 67               | 67              |
| Due From (To) Other Funds                                | (1,449)             | (1,449)          | (1,449)         |
| Inventories  | -                   | -                | -               |
| Accrued Interest Receivable                              | 10                  | 10               | 10              |
| Prepaid Expenses   | 82                  | 82               | 82              |
| <b>Total Current Assets</b>                              | <b>14,573</b>       | <b>20,804</b>    | <b>21,340</b>   |
| <b>NON-CURRENT ASSETS</b>                                |                     |                  |                 |
| <b>Restricted</b>  |                     |                  |                 |
| Cash and Cash Equivalents                                | 337                 | 337              | 337             |
| Certificates of Deposit                                  | -                   | -                | -               |
| Investment - US Treasury Obligations                     | -                   | -                | -               |
| Developer Escrow Deposits                                | -                   | -                | -               |
| Accrued Interest Receivable                              | -                   | -                | -               |
| <b>Total Restricted Assets</b>                           | <b>337</b>          | <b>337</b>       | <b>337</b>      |
| <b>Capital Assets</b>                                    |                     |                  |                 |
| Land   | 1,734               | 1,734            | 1,734           |
| Construction in Progress                                 | 6,645               | 6,645            | 6,645           |
| Wells and Reservoirs                                     | -                   | -                | -               |
| Transmission and Distribution Mains                      | -                   | -                | -               |
| Service and Hydrants                                     | -                   | -                | -               |
| Interceptor and Collector Systems                        | 37,724              | 37,724           | 37,724          |
| Buildings and Structures                                 | 56,534              | 56,534           | 56,534          |
| Metering System  | 421                 | 421              | 421             |
| Equipment and Furnishings                                | 38,067              | 26,650           | 21,885          |
| Capacity   | 1,116               | 1,116            | 1,116           |
| LESS: Accumulated Depreciation                           | (48,046)            | (43,270)         | (38,894)        |
| <b>Total Capital Assets</b>                              | <b>94,195</b>       | <b>87,554</b>    | <b>87,165</b>   |
| <b>Other Assets</b>                                      |                     |                  |                 |
| Long-term Portion of Receivables and Financing Contracts | 2,483               | 2,483            | 2,483           |
| Intangible Service Concession Arrangement                | -                   | -                | -               |
| OPEB Asset   | -                   | -                | -               |
| Other Miscellaneous Assets                               | -                   | -                | -               |
| Facilities Planning Costs, Net                           | 370                 | 370              | 370             |
| <b>Total Other Assets</b>                                | <b>2,853</b>        | <b>2,853</b>     | <b>2,853</b>    |
| <b>Total Non-Current Assets</b>                          | <b>97,385</b>       | <b>90,744</b>    | <b>90,355</b>   |
| <b>TOTAL ASSETS</b>                                      | <b>111,958</b>      | <b>111,548</b>   | <b>111,695</b>  |
| <b>Deferred Outflows</b>                                 |                     |                  |                 |
| Pensions   | 236                 | 236              | 236             |
| Refunding Loss on Bonds                                  | -                   | -                | -               |
| <b>Total Deferred Outflows</b>                           | <b>236</b>          | <b>236</b>       | <b>236</b>      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                | <b>112,194</b>      | <b>111,784</b>   | <b>111,931</b>  |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
BALANCE SHEET

|   | SUBURBAN WASTEWATER |                |                |
|---|---------------------|----------------|----------------|
|   | 2018                | 2017           | 2016           |
|   | Budget              | Forecast       | Actuals        |
| <b>LIABILITIES AND NET POSITION</b>       |                     |                |                |
| <b>Current Liabilities:</b>               |                     |                |                |
| Accounts Payable - Trade                  | 1,299               | 1,299          | 1,299          |
| Accounts Payable - Capital                | 58                  | 58             | 58             |
| Accrued Interest Payable                  | 3                   | 3              | 3              |
| Notes Payable                             | 409                 | 409            | 409            |
| Revenue Bonds Payable                     | 61                  | 61             | 61             |
| Developer Deposits and Other              | 6                   | 6              | 6              |
| Accrued Expenses                          | 163                 | 163            | 163            |
| <b>Total Current Liabilities</b>          | <b>1,999</b>        | <b>1,999</b>   | <b>1,999</b>   |
| <b>Non-Current Liabilities</b>            |                     |                |                |
| Developer Deposits and Other              | -                   | -              | -              |
| SCA Payable                               | -                   | -              | -              |
| Notes Payable                             | 6,866               | 6,866          | 6,866          |
| OPEB Liability                            | -                   | -              | -              |
| Net Pension Liability                     | 286                 | 286            | 286            |
| Revenue Bonds Payable                     | 688                 | 1,162          | 1,636          |
| <b>Total Non-Current Liabilities</b>      | <b>7,840</b>        | <b>8,314</b>   | <b>8,788</b>   |
| <b>Total Liabilities</b>                  | <b>9,839</b>        | <b>10,313</b>  | <b>10,787</b>  |
| <b>Net Position:</b>                      |                     |                |                |
| Net investment in Capital Assets          | 79,404              | 78,520         | 78,193         |
| Restricted Debt Service                   | -                   | -              | -              |
| Unrestricted                              | 22,951              | 22,951         | 22,951         |
| <b>Total Net Position</b>                 | <b>102,355</b>      | <b>101,471</b> | <b>101,144</b> |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>112,194</b>      | <b>111,784</b> | <b>111,931</b> |
| <i>Check</i>                              | -                   | -              | -              |

LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW (INDIRECT)

| \$000's  | 2018<br>Budget  | 2017<br>Forecast | 2017<br>Budget | 2016<br>Actuals | 2018 vs.<br>2017 FC |
|--|-----------------|------------------|----------------|-----------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                 |                  |                |                 |                     |
| Operating Income (Loss)  | 289             | (268)            | (298)          | (3,189)         | 557                 |
| Adjustments:   |                 |                  |                |                 |                     |
| Depreciation and Amortization  | 4,776           | 4,376            | 3,925          | 4,501           | 400                 |
| Changes in Assets and Liabilities  | -               | -                | -              | (402)           | -                   |
| <b>Net Cash Provided By (Used In) Operating Activities</b>                     | <u>5,065</u>    | <u>4,108</u>     | <u>3,627</u>   | <u>910</u>      | <u>957</u>          |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                        |                 |                  |                |                 |                     |
| Interest Received  | 5               | 5                | 119            | -               | -                   |
| Facility Improvements  | -               | -                | -              | -               | -                   |
| Annual Lease Payments  | -               | -                | -              | -               | -                   |
| Transfers From/To  | -               | -                | -              | 77              | -                   |
| <b>Net Cash Provided By (Used In) Non-Capital Financing Activities</b>         | <u>5</u>        | <u>5</u>         | <u>119</u>     | <u>77</u>       | <u>-</u>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |                 |                  |                |                 |                     |
| Non-Operating Revenues Received  | 1,107           | 1,107            | 1,093          | 1,205           | -                   |
| Capital Spending   | (11,718)        | (5,066)          | (6,613)        | (2,425)         | (6,652)             |
| Borrowing Proceeds   | -               | -                | 10,875         | 395             | -                   |
| Interest Payments  | (216)           | (216)            | (852)          | (195)           | -                   |
| Principal Payments   | (474)           | (474)            | (1,127)        | (618)           | -                   |
| <b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b> | <u>(11,301)</u> | <u>(4,649)</u>   | <u>3,376</u>   | <u>(1,638)</u>  | <u>(6,652)</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                 |                  |                |                 |                     |
| Investment Maturities  | 3,480           | 2,470            | -              | 5,476           | 1,010               |
| Investment Purchases   | -               | -                | -              | (6,100)         | -                   |
| Interest Received on Investments   | -               | -                | -              | 114             | -                   |
| <b>Net Cash Provided By (Used In) Investing Activities</b>                     | <u>3,480</u>    | <u>2,470</u>     | <u>-</u>       | <u>(510)</u>    | <u>1,010</u>        |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>(2,751)</b>  | <b>1,934</b>     | <b>7,122</b>   | <b>(1,161)</b>  | <b>(4,685)</b>      |
| Cash - Beginning of Year   | <u>13,208</u>   | <u>11,274</u>    | <u>11,274</u>  | <u>12,435</u>   | <u>1,934</u>        |
| <b>CASH - END OF YEAR</b>  | <u>10,457</u>   | <u>13,208</u>    | <u>18,396</u>  | <u>11,274</u>   | <u>(2,751)</u>      |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)**

| <b>\$000's</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|---|------------------------|--------------------------|------------------------|
| <b>OPERATIONS - CASH</b>                              |                        |                          |                        |
| <b>OPERATING REVENUES</b>                             |                        |                          |                        |
| Charges for Services                                  | 18,997                 | 17,989                   | 18,059                 |
| Rent  | -                      | -                        | -                      |
| Other income  | 200                    | 200                      | 200                    |
| <b>Total Operating Revenues</b>                       | <b>19,197</b>          | <b>18,189</b>            | <b>18,259</b>          |
| <b>OPERATING EXPENSES (CASH BASED)</b>                |                        |                          |                        |
| Salaries and Wages                                    | (462)                  | (427)                    | (392)                  |
| General and Administrative                            | (464)                  | (423)                    | (370)                  |
| Utilities   | (285)                  | (229)                    | (280)                  |
| Materials and Supplies                                | (372)                  | (108)                    | (395)                  |
| Miscellaneous Services                                | (8,579)                | (8,444)                  | (9,295)                |
| Treatment and Transportation                          | (3,970)                | (4,450)                  | (3,900)                |
| <b>Total Operating Expenses</b>                       | <b>(14,132)</b>        | <b>(14,081)</b>          | <b>(14,632)</b>        |
| <b>CASH FROM OPERATIONS</b>                           | <b>5,065</b>           | <b>4,108</b>             | <b>3,627</b>           |
| Interest Received                                     | 5                      | 5                        | 119                    |
| <b>CASH AVAILABLE FOR DEBT SERVICE</b>                | <b>5,070</b>           | <b>4,113</b>             | <b>3,746</b>           |
| <b>DEBT SERVICE</b>                                   |                        |                          |                        |
| Interest and Fees Paid                                | (216)                  | (216)                    | (852)                  |
| Principal Paid  | (474)                  | (474)                    | (1,127)                |
| <b>Total Debt Service</b>                             | <b>(690)</b>           | <b>(690)</b>             | <b>(1,979)</b>         |
| <b>NET CASH AVAILABLE AFTER DEBT SERVICE</b>          | <b>4,380</b>           | <b>3,423</b>             | <b>1,767</b>           |
| Changes in Assets and Liabilities                     | -                      | -                        | -                      |
| <b>NET CASH FROM OPERATIONS AVAILABLE FOR CAPITAL</b> | <b>4,380</b>           | <b>3,423</b>             | <b>1,767</b>           |
| Investments Converted Into Cash                       | -                      | -                        | -                      |
| Cash Converted to Investments                         | -                      | -                        | -                      |
| Cash from Restricted Balances                         | -                      | -                        | -                      |
| Cash to Restricted Balances                           | -                      | -                        | -                      |
| Cash provided for Capital Projects                    | (5,500)                | (65)                     | -                      |
| <b>NET FLOW - OPERATING CASH</b>                      | <b>(1,120)</b>         | <b>3,358</b>             | <b>1,767</b>           |
| Beginning Balance                                     | 9,943                  | 6,585                    | 6,585                  |
| <b>OPERATING CASH - ENDING BALANCE</b>                | <b>8,823</b>           | <b>9,943</b>             | <b>8,352</b>           |

**LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)**

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|--|------------------------|--------------------------|------------------------|
| <b><u>OPERATIONS - INVESTMENTS</u></b>               |                        |                          |                        |
| Cash provided to investments                         | -                      | -                        | -                      |
| Maturities converted to cash                         | -                      | -                        | -                      |
| From (To) Restricted                                 | -                      | -                        | -                      |
| <b>NET FLOW - OPERATING INVESTMENTS</b>              | -                      | -                        | -                      |
| Beginning Balance                                    | -                      | -                        | -                      |
| <b>OPERATING INVESTMENTS - ENDING BALANCE</b>        | -                      | -                        | -                      |
| <b><u>PROJECT RESERVES - CASH</u></b>                |                        |                          |                        |
| <b>CASH PROVIDED FROM OPERATIONS</b>                 | <b>5,500</b>           | <b>65</b>                | -                      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                        |                          |                        |
| Tapping and Capital Recovery Fees                    | 1,015                  | 1,015                    | 1,000                  |
| Meter Sales  | -                      | -                        | -                      |
| Inspection, Plan Reviews, and Project Reimbursements | 92                     | 92                       | 93                     |
| Other Income   | -                      | -                        | -                      |
| Less: Project Reimbursement                          | -                      | -                        | -                      |
| Other Expense  | (301)                  | (301)                    | (300)                  |
| Less: Expensed Capex                                 | 301                    | 301                      | 300                    |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <b>1,107</b>           | <b>1,107</b>             | <b>1,093</b>           |
| <b>FINANCING AND INVESTMENT ACTIVITY</b>             |                        |                          |                        |
| Grants Received                                      | -                      | -                        | -                      |
| New Borrowing  | -                      | -                        | 10,875                 |
| Investments Converted to Cash (Source)               | 3,480                  | 2,470                    | -                      |
| New Investments From Cash (Use)                      | -                      | -                        | -                      |
| Annual Lease Payments - City                         | -                      | -                        | -                      |
| Project Reimbursements                               | -                      | -                        | -                      |
| <b>Total Financing &amp; Investment Activity</b>     | <b>3,480</b>           | <b>2,470</b>             | <b>10,875</b>          |
| Interest Income                                      | -                      | -                        | -                      |
| <b>CAPITAL SPENDING</b>                              |                        |                          |                        |
| Net Capital Spending                                 | (11,417)               | (4,765)                  | (6,313)                |
| Add: Expensed Capex                                  | (301)                  | (301)                    | (300)                  |
| <b>Total Capital Spending</b>                        | <b>(11,718)</b>        | <b>(5,066)</b>           | <b>(6,613)</b>         |
| <b>NET FLOW - PROJECT RESERVES CASH</b>              | <b>(1,631)</b>         | <b>(1,424)</b>           | <b>5,355</b>           |
| Beginning Balance                                    | 2,928                  | 4,352                    | 4,352                  |
| <b>PROJECT RESERVES CASH - ENDING BALANCE</b>        | <b>1,297</b>           | <b>2,928</b>             | <b>9,707</b>           |



LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|--|------------------------|--------------------------|------------------------|
| <b><u>PROJECT RESERVES - INVESTMENTS</u></b>         |                        |                          |                        |
| New Investments From Cash (Source)                   | -                      | -                        | -                      |
| Investments Converted to Cash (Use)                  | (3,480)                | (2,470)                  | -                      |
| Other  | -                      | -                        | -                      |
| <b>NET FLOW - PROJECT RESERVES INVESTMENTS</b>       | <b>(3,480)</b>         | <b>(2,470)</b>           | <b>-</b>               |
| Beginning Balance                                    | 5,863                  | 8,333                    | 8,333                  |
| <b>PROJECT RESERVES INVESTMENTS - ENDING BALANCE</b> | <b>2,383</b>           | <b>5,863</b>             | <b>8,333</b>           |
| <b><u>RESTRICTED - CASH</u></b>                      |                        |                          |                        |
| Sources  | -                      | -                        | -                      |
| Uses   | -                      | -                        | -                      |
| <b>NET FLOW - RESTRICTED CASH</b>                    | <b>-</b>               | <b>-</b>                 | <b>-</b>               |
| Beginning Balance                                    | 337                    | 337                      | 337                    |
| <b>RESTRICTED CASH - ENDING BALANCE</b>              | <b>337</b>             | <b>337</b>               | <b>337</b>             |
| <b><u>RESTRICTED - INVESTMENTS</u></b>               |                        |                          |                        |
| Sources  | -                      | -                        | -                      |
| Uses   | -                      | -                        | -                      |
| <b>NET FLOW - RESTRICTED INVESTMENTS</b>             | <b>-</b>               | <b>-</b>                 | <b>-</b>               |
| Beginning Balance                                    | -                      | -                        | -                      |
| <b>RESTRICTED INVESTMENTS - ENDING BALANCE</b>       | <b>-</b>               | <b>-</b>                 | <b>-</b>               |
| <b><u>SUMMARY OF ACCOUNT FLOWS</u></b>               |                        |                          |                        |
| Cash - Operations                                    | (1,120)                | 3,358                    | 1,767                  |
| Cash - Project Reserves                              | (1,631)                | (1,424)                  | 5,355                  |
| Cash - Restricted                                    | -                      | -                        | -                      |
| <b>Total Cash Accounts</b>                           | <b>(2,751)</b>         | <b>1,934</b>             | <b>7,122</b>           |
| Investments - Operations                             | -                      | -                        | -                      |
| Investments - Project Reserves                       | (3,480)                | (2,470)                  | -                      |
| Investments - Restricted                             | -                      | -                        | -                      |
| <b>Total Investments</b>                             | <b>(3,480)</b>         | <b>(2,470)</b>           | <b>-</b>               |
| <b>TOTAL FLOWS</b>                                   | <b>(6,231)</b>         | <b>(536)</b>             | <b>7,122</b>           |

LEHIGH COUNTY AUTHORITY - SUBURBAN WASTEWATER  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)

| <b>\$000's</b>                            | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|---|------------------------|--------------------------|------------------------|
| <b><i>SUMMARY OF ACCOUNT BALANCES</i></b> |                        |                          |                        |
| Cash - Operations                         | 8,823                  | 9,943                    | 8,352                  |
| Cash - Project Reserves                   | 1,297                  | 2,928                    | 9,707                  |
| Cash - Restricted                         | 337                    | 337                      | 337                    |
| <b>Total Cash Accounts</b>                | <b>10,457</b>          | <b>13,208</b>            | <b>18,396</b>          |
| Investments - Operations                  | -                      | -                        | -                      |
| Investments - Project Reserves            | 2,383                  | 5,863                    | 8,333                  |
| Investments - Restricted                  | -                      | -                        | -                      |
| <b>Total Investments</b>                  | <b>2,383</b>           | <b>5,863</b>             | <b>8,333</b>           |
| <b>TOTAL BALANCES</b>                     | <b>12,840</b>          | <b>19,071</b>            | <b>26,729</b>          |
| <i>Cash Check</i>                         | 10,457                 | 13,208                   |                        |
| <i>Diff</i>                               | -                      | -                        |                        |
| <i>Investment Check</i>                   | 2,383                  | 5,863                    |                        |
| <i>Diff</i>                               | -                      | -                        |                        |

**LEHIGH COUNTY AUTHORITY**  
**2018 BUDGET**  
**SUBURBAN WASTEWATER**

| <b>STATEMENT OF CHANGES IN NET POSITION</b> | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|---|------------------------|------------------------|--------------------------|------------------------|
| <b>OPERATING REVENUES</b>                   |                        |                        |                          |                        |
| Service Charges                             |                        |                        |                          |                        |
| WLI   | 8,355,407              | 6,729,300              | 7,463,401                | 7,411,000              |
| LLRI 1                                      | 235,071                | 474,665                | 414,181                  | 757,000                |
| LLRI 2                                      | 32,303                 | 86,860                 | 50,390                   | 65,000                 |
| CRCS  | 154,706                | 725,000                | 777,017                  | 777,000                |
| W WEINBERG                                  | 195,694                | 250,000                | 311,318                  | 311,000                |
| WASHINGTON TWP                              | 400,362                | 430,000                | 416,411                  | 416,000                |
| LYNN TWP                                    | 270,103                | 365,000                | 368,256                  | 368,000                |
| WTP   |                        |                        |                          |                        |
| Hauler Fees                                 | 1,871,387              | 2,250,000              | 2,035,752                | 2,093,000              |
| Industrial Charges                          | 4,282,177              | 4,591,000              | 4,358,664                | 4,481,000              |
| Penalties                                   | 162,535                | 205,000                | 14,542                   | 15,000                 |
| Excess Removal Credits                      | 2,335,793              | 1,952,175              | 1,779,392                | 2,303,000              |
| Total Service Charges                       | 18,295,538             | 18,059,000             | 17,989,324               | 18,997,000             |
| Rental Income                               | -                      | -                      | -                        | -                      |
| Miscellaneous                               | 202,421                | 200,000                | 200,000                  | 200,000                |
| Total Operating Revenues                    | 18,497,959             | 18,259,000             | 18,189,324               | 19,197,000             |
| <b>OPERATING EXPENSES</b>                   |                        |                        |                          |                        |
| Personnel                                   |                        |                        |                          |                        |
| Permanent                                   | 408,676                | 372,329                | 387,507                  | 439,802                |
| Overtime                                    | 31,938                 | 19,606                 | 38,546                   | 21,680                 |
| Employee Benefits                           | 233,815                | 148,432                | 180,241                  | 176,332                |
| Total Personnel                             | 674,429                | 540,367                | 606,294                  | 637,814                |
| Purchase of Services                        |                        |                        |                          |                        |
| Internal Services - Overhead & Support      | 255,412                | 222,028                | 243,179                  | 287,725                |
| Utilities                                   | 204,648                | 279,635                | 228,795                  | 285,486                |
| Engineering                                 | 144,557                | 140,000                | 90,790                   | 70,000                 |
| Exceptional Strength Analyses               | 1,976                  | 37,115                 | -                        | 43,000                 |
| General Analyses                            | 65,644                 | 33,920                 | 52,046                   | 37,250                 |
| Maintenance Services                        | 253,620                | 797,070                | 693,635                  | 597,250                |
| Fleet Management Services                   | 18,971                 | 18,000                 | 23,158                   | 21,000                 |
| Fuel Spill Remediation                      | -                      | -                      | -                        | -                      |
| Contract Operator                           | 5,966,721              | 6,066,660              | 5,443,767                | 5,305,743              |
| Compliance Expense                          | -                      | -                      | -                        | -                      |
| Treatment & Transportation                  | 6,310,353              | 3,900,000              | 4,450,235                | 3,969,993              |
| Extraordinary Expenditures                  | -                      | -                      | -                        | -                      |
| LCA WWTP Treatment/Removals                 | 2,335,793              | 2,000,000              | 1,974,782                | 2,303,471              |
| Miscellaneous Services                      | 607,134                | 119,745                | 101,750                  | 137,590                |
| Rental Charges                              | 75,353                 | 55,458                 | 64,233                   | 60,163                 |
| System Planning/Capital Management          | 48,382                 | 8,150                  | -                        | 3,550                  |
| I/I Rehabilitation Program                  | 32,668                 | 20,000                 | -                        | -                      |
| Total Purchases of Services                 | 16,321,232             | 13,697,781             | 13,366,370               | 13,122,221             |
| Materials and Supplies                      |                        |                        |                          |                        |
| Fuel  | 12,614                 | 27,600                 | 10,140                   | 27,400                 |
| Fleet Management Supplies                   | 406                    | 2,250                  | 949                      | 1,500                  |
| Miscellaneous Materials & Supplies          | 122,793                | 177,100                | 87,838                   | 187,750                |
| Fuel & Mileage                              | -                      | -                      | -                        | -                      |
| Total Materials and Supplies                | 135,813                | 206,950                | 98,927                   | 216,650                |

**LEHIGH COUNTY AUTHORITY**  
**2018 BUDGET**  
**SUBURBAN WASTEWATER**

| <b>STATEMENT OF CHANGES IN NET POSITION</b>    | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|--|------------------------|------------------------|--------------------------|------------------------|
| Equipment                                      |                        |                        |                          |                        |
| Equipment Purchases                            | 53,605                 | 147,500                | 9,322                    | 155,600                |
| Amortized Equipment                            | -                      | 39,750                 | -                        | -                      |
| Total Equipment                                | 53,605                 | 187,250                | 9,322                    | 155,600                |
| Depreciation & Amortization                    | 4,501,469              | 3,925,000              | 4,376,328                | 4,776,000              |
| Total Operating Expenses                       | 21,686,548             | 18,557,348             | 18,457,241               | 18,908,285             |
| OPERATING INCOME                               | (3,188,589)            | (298,348)              | (267,917)                | 288,715                |
| NON-OPERATING REVENUES                         |                        |                        |                          |                        |
| Supply/Tapping Fees                            | 1,165,372              | 1,000,000              | 1,014,519                | 1,015,000              |
| Distribution Tapping Fees                      | -                      | -                      | -                        | -                      |
| Meter Sales                                    | 12,000                 | -                      | -                        | -                      |
| Inspection & Planning Review Fees              | 31,181                 | 93,000                 | 91,799                   | 92,000                 |
| Project Reimbursement                          | -                      | -                      | -                        | -                      |
| Other  | 990                    | -                      | 840                      | -                      |
| Total Non-Operating Revenues                   | 1,209,543              | 1,093,000              | 1,107,158                | 1,107,000              |
| NON-OPERATING (EXPENSES)                       |                        |                        |                          |                        |
| Capital Charged to Expenses                    | (65,320)               | (300,000)              | (301,034)                | (301,000)              |
| Other Miscellaneous Expenses                   | -                      | -                      | -                        | -                      |
| Total Non-Operating Expenses                   | (65,320)               | (300,000)              | (301,034)                | (301,000)              |
| INCOME BEFORE INTEREST AND CONTRIBUTED CAPITAL | (2,044,366)            | 494,652                | 538,207                  | 1,094,715              |
| Interest Income                                | 118,512                | 119,000                | 4,669                    | 5,000                  |
| Interest (Expense)                             | (195,081)              | (851,628)              | (216,373)                | (216,000)              |
| INCOME BEFORE CONTRIBUTED CAPITAL              | (2,120,935)            | (237,976)              | 326,503                  | 883,715                |
| CONTRIBUTED CAPITAL                            | 986,079                | -                      | -                        | -                      |
| <b>NET INCOME</b>                              | <b>(1,134,856)</b>     | <b>(237,976)</b>       | <b>326,503</b>           | <b>883,715</b>         |

**LEHIGH COUNTY AUTHORITY**  
**2018 BUDGET**  
**SUBURBAN WASTEWATER**

| <b>CASH FLOWS</b>                     | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|---------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Operating Revenues                    | 18,497,959             | 18,259,000             | 18,189,324               | 19,197,000             |
| Operating Expenses                    | (21,686,548)           | (18,557,348)           | (18,457,241)             | (18,908,285)           |
| Add: Depreciation Expense             | 4,501,469              | 3,925,000              | 4,376,328                | 4,776,000              |
| Net Operating Cash                    | 1,312,880              | 3,626,652              | 4,108,411                | 5,064,715              |
| Interest Income                       | 114,456                | 119,000                | 4,669                    | 5,000                  |
| Net Cash Available For Debt Service   | 1,427,336              | 3,745,652              | 4,113,080                | 5,069,715              |
| Debt Service                          |                        |                        |                          |                        |
| Interest Paid                         | (195,081)              | (851,628)              | (216,000)                | (216,000)              |
| Financing Fees Paid                   | -                      | -                      | -                        | -                      |
| Princial Paid                         | (618,498)              | (1,127,348)            | (474,000)                | (474,000)              |
| Total Debt Service                    | (813,579)              | (1,978,976)            | (690,000)                | (690,000)              |
| NET CASH AVAILABLE AFTER DEBT SERVICE | 613,757                | 1,766,676              | 3,423,080                | 4,379,715              |
| Non-Operating Revenues                | 1,209,543              | 1,093,000              | 1,107,158                | 1,107,000              |
| Less: Project Reimbursement           | -                      | -                      | -                        | -                      |
| Non-Operating Expenses                | (65,320)               | (300,000)              | (301,034)                | (301,000)              |
| Less: Capital Charged to Expenses     | 65,320                 | 300,000                | 301,034                  | 301,000                |
| Working Capital Changes               | 64,481                 | -                      | -                        | -                      |
| NET CASH AVAILABLE FOR CAPITAL        | 1,887,781              | 2,859,676              | 4,530,238                | 5,486,715              |
| Financing & Investment Activity       |                        |                        |                          |                        |
| Project Reimbursements                | -                      | -                      | -                        | -                      |
| Investments converting to Cash        | 5,476,064              | -                      | 2,470,000                | 3,480,000              |
| New Borrowing                         | -                      | 10,875,000             | -                        | -                      |
| Cash Investments                      | (6,100,000)            | -                      | -                        | -                      |
| Capital Spending                      | (2,425,410)            | (6,613,000)            | (5,065,768)              | (11,718,000)           |
| NET CASH FLOW TO FUND                 | (1,161,565)            | 7,121,676              | 1,934,470                | (2,751,285)            |
|                                       | ok                     | ok                     | ok                       | ok                     |

**2018 BUDGET  
SUBURBAN DIVISION  
WASTEWATER FUND  
CAPITAL EXPENDITURES**

| Project  | Primary<br>Project<br>Category | Estimated<br>Project<br>Cost | Estimated<br>Costs<br>Through 2017 | 2018<br>Budget       | Estimated<br>Costs<br>2019 - 2022 |
|--|--------------------------------|------------------------------|------------------------------------|----------------------|-----------------------------------|
| <b>General:</b>  |                                |                              |                                    |                      |                                   |
| Annual Projects  | AM - Varies                    | \$ 2,671,750                 | \$ 525,000                         | \$ 865,750           | \$ 1,281,000                      |
| <b>Subtotal</b>  |                                |                              | <b>-</b>                           | <b>865,750</b>       | <b>1,281,000</b>                  |
| <b>LCA Wastewater Treatment Plant</b>                          |                                |                              |                                    |                      |                                   |
| General Improvements   | AM - Varies                    | 4,000,000                    | -                                  | 800,000              | 3,200,000                         |
| <b>Subtotal</b>  |                                |                              | <b>-</b>                           | <b>800,000</b>       | <b>3,200,000</b>                  |
| <b>Western Lehigh Interceptor System:</b>                      |                                |                              |                                    |                      |                                   |
| Central Lehigh County WW Capacity Planning & Expansion         | New Cust                       | 1,715,000                    | 1,100,000                          | 315,000              | 300,000                           |
| Signatory I/I Investigation & Remediation Program              | Regulatory                     | 8,255,000                    | 4,500,000                          | 1,585,000            | 2,170,000                         |
| Spring Creek Force Main A/V Valve Replacements                 | Sys Imp                        | 180,000                      | 10,000                             | 170,000              | -                                 |
| Spring Creek Pump Station Upgrades                             | Sys Imp                        | 581,000                      | 359,000                            | 222,000              | -                                 |
| Interceptor Access Easement Acquisitions                       | Efficiency                     | 330,000                      | -                                  | 60,000               | 270,000                           |
| WLI-Trexlerstown Area Interceptor Upgrade                      | Sys Imp                        | 12,300,000                   | -                                  | 300,000              | 12,000,000                        |
| <b>Subtotal</b>  |                                |                              | <b>5,969,000</b>                   | <b>2,652,000</b>     | <b>14,740,000</b>                 |
| <b>Little Lehigh Relief Interceptor System:</b>                |                                |                              |                                    |                      |                                   |
| Park Pump Station Rehabilitation & Improvements                | AM - High                      | 4,760,000                    | 300,000                            | 3,000,000            | 1,460,000                         |
| Park Pump Station - Sister Station                             | Regulatory                     | 180,000                      | -                                  | -                    | 180,000                           |
| Park Pump Station Force Main Rehabilitation                    | AM - High                      | 2,550,000                    | 50,000                             | 1,500,000            | 1,000,000                         |
| <b>Subtotal</b>  |                                |                              | <b>350,000</b>                     | <b>4,500,000</b>     | <b>2,640,000</b>                  |
| <b>Northern Lehigh Service Area:</b>                           |                                |                              |                                    |                      |                                   |
| Wynnewood Terrace WWTP Remediation & Replacement               | AM - High                      | 1,510,000                    | 110,000                            | 1,000,000            | 400,000                           |
| Wynnewood I/I Investigation and Remediation Program            | AM - Varies                    | 500,000                      | 250,000                            | 20,000               | 230,000                           |
| Sand Spring WWTP Remediation & Replacement                     | AM - High                      | 1,510,000                    | 110,000                            | 800,000              | 600,000                           |
| Heidelberg Heights I/I Investigation and Remediation Program   | AM - Varies                    | 390,000                      | 25,000                             | 200,000              | 165,000                           |
| Heidelberg Heights WWTP Mechanical Screen                      | Efficiency                     | 340,000                      | -                                  | -                    | 340,000                           |
| Heidelberg Heights WWTP Rehabilitation                         | AM - High                      | 505,000                      | 75,000                             | 30,000               | 400,000                           |
| <b>Subtotal</b>  |                                |                              | <b>570,000</b>                     | <b>2,050,000</b>     | <b>2,135,000</b>                  |
| <b>Weisenberg Township:</b>                                    |                                |                              |                                    |                      |                                   |
| Western Weisenberg WWTP Mechanical Screen                      | Efficiency                     | 340,000                      | -                                  | -                    | 340,000                           |
| <b>Subtotal</b>  |                                |                              | <b>-</b>                           | <b>-</b>             | <b>340,000</b>                    |
| <b>Lynn Township</b>   |                                |                              |                                    |                      |                                   |
| Lynn Township WWTP Improvements & Expansion                    | AM - High                      | 5,083,755                    | 615,755                            | 606,000              | 3,862,000                         |
| Lynn Township I/I Investigation and Remediation Program        | AM - High                      | 320,000                      | 30,000                             | 125,000              | 165,000                           |
|  |                                |                              | <b>645,755</b>                     | <b>731,000</b>       | <b>4,027,000</b>                  |
| <b>Total Wastewater Suburban Division Capital Expenditures</b> |                                |                              | <b>\$ 7,534,755</b>                | <b>\$ 11,598,750</b> | <b>\$ 28,363,000</b>              |
| <b>Allocated Administration</b>                                |                                |                              |                                    | <b>\$ 119,250</b>    |                                   |
|  |                                |                              |                                    | <b>\$ 11,718,000</b> |                                   |

City Division

**LEHIGH COUNTY AUTHORITY - CITY DIVISION**  
**2018 BUDGET**  
**CONDENSED STATEMENTS**

|   | <b>CITY DIVISION</b>   |                          |                        |                         |                             |
|---|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
|   | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
| <b>INCOME STATEMENT (\$000)</b>   |                        |                          |                        |                         |                             |
| Operating Revenues  | 33,569                 | 32,031                   | 31,809                 | 31,673                  | 1,538                       |
| Operating Expenses  | 22,402                 | 22,122                   | 22,462                 | 21,665                  | (280)                       |
| Operating Income  | 11,167                 | 9,909                    | 9,347                  | 10,008                  | 1,258                       |
| Non-Operating Revenues (Expenses)                                       | (2,048)                | (3,520)                  | (3,406)                | (625)                   | 1,472                       |
| Income Before Interest  | 9,119                  | 6,389                    | 5,941                  | 9,383                   | 2,730                       |
| Interest Income   | 348                    | 448                      | 302                    | 387                     | (100)                       |
| Interest Expense  | (16,735)               | (16,461)                 | (16,461)               | (18,280)                | (274)                       |
| Income Before Capital Contributions                                     | (7,268)                | (9,624)                  | (10,218)               | (8,510)                 | 2,356                       |
| Capital Contributions   | -                      | -                        | -                      | -                       | -                           |
| <b>Net Income</b>   | <b>(7,268)</b>         | <b>(9,624)</b>           | <b>(10,218)</b>        | <b>(8,510)</b>          | <b>2,356</b>                |
| <b>CASH FLOWS - INDIRECT (\$000)</b>                                    |                        |                          |                        |                         |                             |
| Net Cash Provided By (Used In) Operating Activities                     | 16,767                 | 15,309                   | 14,947                 | 14,847                  |                             |
| Net Cash Provided By (Used In) Non-Capital Financing Activities         | (164)                  | (60)                     | (206)                  | (157)                   |                             |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | (21,689)               | (18,954)                 | (19,221)               | (23,475)                |                             |
| Net Cash Provided By (Used In) Investing Activities                     | -                      | 6,000                    | 6,000                  | 10,000                  |                             |
| <b>Net Increase (Decrease) in Cash</b>                                  | <b>(5,086)</b>         | <b>2,295</b>             | <b>1,520</b>           | <b>1,215</b>            |                             |
| Cash - Beginning of Year  | 42,596                 | 40,301                   | 40,301                 | 39,086                  |                             |
| <b>Cash - End of Year</b>   | <b>37,510</b>          | <b>42,596</b>            | <b>41,821</b>          | <b>40,301</b>           |                             |
| <b>CASH FLOW - DIRECT (\$000)</b>                                       |                        |                          |                        |                         |                             |
| Operating Revenues  | 33,569                 | 32,031                   | 31,809                 | 31,673                  | 1,538                       |
| Operating Expenses (ex D&A)   | (16,802)               | (16,722)                 | (16,862)               | (15,831)                | (80)                        |
| Cash From Operations  | 16,767                 | 15,309                   | 14,947                 | 15,842                  | 1,458                       |
| Interest Received   | 348                    | 448                      | 302                    | 387                     | (100)                       |
| Cash Available for Debt Service   | 17,115                 | 15,757                   | 15,249                 | 16,229                  | 1,358                       |
| Debt Service  | (13,748)               | (13,048)                 | (13,048)               | (13,048)                | (700)                       |
| Net Cash Available After Debt Service                                   | 3,367                  | 2,709                    | 2,201                  | 3,181                   | 658                         |
| Non-Operating Revenues (Expenses)                                       | 452                    | 493                      | 850                    | 2,974                   | (41)                        |
| Changes in Working Capital  | -                      | -                        | -                      | (963)                   | -                           |
| Net Cash Available For Capital  | 3,819                  | 3,202                    | 3,051                  | 5,192                   | 617                         |
| Financing & Investment Activity   | 3,688                  | 9,439                    | 9,140                  | 9,900                   | (5,751)                     |
| Capital Spending  | (12,593)               | (10,346)                 | (10,671)               | (13,877)                | (2,247)                     |
| <b>Net Cash Flow</b>  | <b>(5,086)</b>         | <b>2,295</b>             | <b>1,520</b>           | <b>1,215</b>            | <b>(7,381)</b>              |
| Beginning Balance   | 42,596                 | 40,301                   | 40,301                 | 39,086                  | 2,295                       |
| <b>Ending Balance</b>   | <b>37,510</b>          | <b>42,596</b>            | <b>41,821</b>          | <b>40,301</b>           | <b>(5,086)</b>              |
| <b>DEBT SERVICE COVERAGE RATIO</b>                                      | <b>1.2460</b>          | <b>1.22</b>              | <b>1.21</b>            | <b>1.43</b>             | <b>0.03</b>                 |
| <b>BALANCE SHEET (\$000)</b>  |                        |                          |                        |                         |                             |
| <b>Assets and Deferred Outflows</b>                                     |                        |                          |                        |                         |                             |
| Cash and Cash Equivalents   | 3,638                  | 8,724                    | 6,429                  |                         |                             |
| Investments - Unrestricted  | -                      | -                        | -                      |                         |                             |
| Other Current Assets  | 8,766                  | 8,766                    | 8,766                  |                         |                             |
| Cash and Cash Equivalents - Restricted                                  | 33,872                 | 33,872                   | 33,872                 |                         |                             |
| Investments - Restricted  | 12,140                 | 12,140                   | 18,140                 |                         |                             |
| Other Restricted Assets   | -                      | -                        | -                      |                         |                             |
| Capital Assets, net of Accumulated Depreciation                         | 435                    | (1,578)                  | 1,436                  |                         |                             |
| Other Long-Term Assets  | 248,921                | 248,921                  | 248,921                |                         |                             |
| Deferred Outflows   | 1,739                  | 1,739                    | 1,739                  |                         |                             |
| <b>Total Assets and Deferred Outflows</b>                               | <b>309,511</b>         | <b>312,584</b>           | <b>319,303</b>         |                         |                             |
| <b>Liabilities and Net Position</b>                                     |                        |                          |                        |                         |                             |
| Current Liabilities   | 9,580                  | 6,167                    | 2,754                  |                         |                             |
| Long-Term Liabilities   | 352,650                | 351,868                  | 352,376                |                         |                             |
| Net Position  | (52,719)               | (45,451)                 | (35,827)               |                         |                             |
| <b>Total Liabilities and Net Position</b>                               | <b>309,511</b>         | <b>312,584</b>           | <b>319,303</b>         |                         |                             |



LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
CASH FLOW (DIRECT)

| \$000's  | 2018<br>Budget  | 2017<br>Forecast | 2017<br>Budget  | 2016<br>Actuals | 2018 vs.<br>2017 FC |
|--|-----------------|------------------|-----------------|-----------------|---------------------|
| <b>OPERATING REVENUES</b>                            |                 |                  |                 |                 |                     |
| Charges for Services                                 | 33,494          | 31,956           | 31,734          | 31,599          | 1,538               |
| Rent   | -               | -                | -               | -               | -                   |
| Other income   | 75              | 75               | 75              | 74              | -                   |
| <b>Total Operating Revenues</b>                      | <u>33,569</u>   | <u>32,031</u>    | <u>31,809</u>   | <u>31,673</u>   | <u>1,538</u>        |
| <b>OPERATING EXPENSES (CASH BASED)</b>               |                 |                  |                 |                 |                     |
| Salaries and Wages                                   | (5,483)         | (5,089)          | (5,470)         | (3,665)         | (394)               |
| General and Administrative                           | (5,989)         | (6,385)          | (5,568)         | (6,361)         | 396                 |
| Utilities  | (1,983)         | (1,739)          | (2,048)         | (1,864)         | (244)               |
| Materials and Supplies                               | (1,489)         | (1,560)          | (1,709)         | (1,333)         | 71                  |
| Miscellaneous Services                               | (1,846)         | (1,939)          | (2,055)         | (2,597)         | 93                  |
| Treatment and Transportation                         | (12)            | (10)             | (12)            | (11)            | (2)                 |
| <b>Total Operating Expenses</b>                      | <u>(16,802)</u> | <u>(16,722)</u>  | <u>(16,862)</u> | <u>(15,831)</u> | <u>(80)</u>         |
| <b>CASH FROM OPERATIONS</b>                          | <u>16,767</u>   | <u>15,309</u>    | <u>14,947</u>   | <u>15,842</u>   | <u>1,458</u>        |
| Interest Received                                    | <u>348</u>      | <u>448</u>       | <u>302</u>      | <u>387</u>      | <u>(100)</u>        |
| <b>CASH AVAILABLE FOR DEBT SERVICE</b>               | <u>17,115</u>   | <u>15,757</u>    | <u>15,249</u>   | <u>16,229</u>   | <u>1,358</u>        |
| <b>DEBT SERVICE</b>                                  |                 |                  |                 |                 |                     |
| Interest and Fees Paid                               | (13,322)        | (13,048)         | (13,048)        | (13,048)        | (274)               |
| Principal Paid                                       | (426)           | -                | -               | -               | (426)               |
| <b>Total Debt Service</b>                            | <u>(13,748)</u> | <u>(13,048)</u>  | <u>(13,048)</u> | <u>(13,048)</u> | <u>(700)</u>        |
| <b>NET CASH AVAILABLE AFTER DEBT SERVICE</b>         | <u>3,367</u>    | <u>2,709</u>     | <u>2,201</u>    | <u>3,181</u>    | <u>658</u>          |
|  | <b>1.24491</b>  | <b>1.21</b>      | <b>1.17</b>     | <b>1.24</b>     | <b>0.04</b>         |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                 |                  |                 |                 |                     |
| Tapping and Capital Recovery Fees                    | 144             | 144              | 250             | 1,171           | -                   |
| Meter Sales  | 15              | 15               | 15              | 13              | -                   |
| Inspection, Plan Reviews, and Project Reimbursements | 293             | 293              | 300             | 1,396           | -                   |
| Other Income   | 2,480           | 3,988            | 3,933           | 821             | (1,508)             |
| Less: Project Reimbursement                          | (2,480)         | (3,947)          | (3,648)         | (400)           | 1,467               |
| Other Expense  | (4,980)         | (7,960)          | (7,904)         | (4,026)         | 2,980               |
| Less: Expensed Capex                                 | 4,980           | 7,960            | 7,904           | 3,999           | (2,980)             |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <u>452</u>      | <u>493</u>       | <u>850</u>      | <u>2,974</u>    | <u>(41)</u>         |
| Changes in Assets and Liabilities                    | <u>-</u>        | <u>-</u>         | <u>-</u>        | <u>(963)</u>    | <u>-</u>            |
| <b>NET CASH AVAILABLE FOR CAPITAL</b>                | <u>3,819</u>    | <u>3,202</u>     | <u>3,051</u>    | <u>5,192</u>    | <u>617</u>          |
| <b>FINANCING AND INVESTMENT ACTIVITY</b>             |                 |                  |                 |                 |                     |
| Grants Received                                      | -               | -                | -               | -               | -                   |
| New Borrowing  | 1,720           | -                | -               | -               | 1,720               |
| Investments Converted to Cash                        | -               | 6,000            | 6,000           | 10,000          | (6,000)             |
| New Investments From Cash                            | -               | -                | -               | -               | -                   |
| Annual Lease Payments                                | (512)           | (508)            | (508)           | (500)           | (4)                 |
| Project Reimbursements                               | 2,480           | 3,947            | 3,648           | 400             | (1,467)             |
| <b>Total Financing &amp; Investment Activity</b>     | <u>3,688</u>    | <u>9,439</u>     | <u>9,140</u>    | <u>9,900</u>    | <u>(5,751)</u>      |
| <b>CAPITAL SPENDING</b>                              |                 |                  |                 |                 |                     |
| Net Capital Spending                                 | (7,613)         | (2,386)          | (2,767)         | (9,878)         | (5,227)             |
| Add: Expensed Capex                                  | (4,980)         | (7,960)          | (7,904)         | (3,999)         | 2,980               |
| <b>Total Capital Spending</b>                        | <u>(12,593)</u> | <u>(10,346)</u>  | <u>(10,671)</u> | <u>(13,877)</u> | <u>(2,247)</u>      |
| <b>NET CASH FLOW TO FUND</b>                         | <u>(5,086)</u>  | <u>2,295</u>     | <u>1,520</u>    | <u>1,215</u>    | <u>(7,381)</u>      |

LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
CASH FLOW (DIRECT)

| \$000's                                     | 2018<br>Budget | 2017<br>Forecast | 2017<br>Budget | 2016<br>Actuals | 2018 vs.<br>2017 FC |
|---|----------------|------------------|----------------|-----------------|---------------------|
| <b>DEBT SERVICE RATIO (INDENTURE BASED)</b> |                |                  |                |                 |                     |
| Total Operating Revenues                    | 33,569         | 32,031           | 31,809         | 31,673          | 1,538               |
| Total Operating Expenses (Cash Based)       | (16,802)       | (16,722)         | (16,862)       | (15,831)        | (80)                |
| Interest Income                             | 348            | 448              | 302            | 387             | (100)               |
| Annual Lease Payment (City)                 | (512)          | (508)            | (508)          | (500)           | (4)                 |
| Total Non-Operating Revenues (Expenses)     | 527            | 647              | 1,029          | 2,974           | (120)               |
| <b>Cash Available For Debt Service</b>      | 17,130         | 15,896           | 15,770         | 18,703          | 1,234               |
| <b>Total Debt Service</b>                   | <b>13,748</b>  | <b>13,048</b>    | <b>13,048</b>  | <b>13,048</b>   | 700                 |
| <b>Debt Service Ratio</b>                   | <b>1.24600</b> | <b>1.22</b>      | <b>1.21</b>    | <b>1.43</b>     | <b>0.03</b>         |
| <b>CAPITAL COVERAGE RATIO</b>               |                |                  |                |                 |                     |
| Net Available for Capital                   | 6,299          | 7,149            | 6,699          | 5,592           | (850)               |
| Total Capex                                 | 12,593         | 10,346           | 10,671         | 13,877          | 2,247               |
| <b>Capital Coverage Ratio</b>               | <b>0.50</b>    | <b>0.69</b>      | <b>0.63</b>    | <b>0.40</b>     | <b>(0.19)</b>       |

**LEHIGH COUNTY AUTHORITY - CITY DIVISION**  
**2018 BUDGET**  
**CASH FLOW BRIDGE - 2018 BUDGET vs. 2017 FORECAST**  
**\$000'S**

|   |                       |      |
|---|-----------------------|------|
| <b>NET CASH FLOW PER 2017 Q3 FORECAST</b>   | <b><u>2,295</u></b>   |      |
| <b>Revenues</b>                             |                       |      |
| Increase in volumes of 0.0%                 | -                     |      |
| Increase in rates of 4.0%                   | 1,538                 |      |
| <b>Operating expenses</b>                   |                       |      |
| Effect from headcount changes               | (235)                 |      |
| Wage increases of 3.0% from total wage pool | (159)                 |      |
| Benefit Increase 5.0%                       | (75)                  |      |
| Cost inflation - general inflation of 1.5%  | (140)                 |      |
| Change in spending levels                   | 525                   | (84) |
| <b>Debt Service</b>                         |                       |      |
| Additional interest expense                 | (274)                 |      |
| Additional principal payments               | (426)                 |      |
| <b>Non-Operating Revenues (Expenses)</b>    |                       |      |
| Change in Non-Operating revenues (expenses) | (1,508)               |      |
| Higher expensed capex                       | -                     |      |
| Interest income                             | (100)                 |      |
| <b>Capital Spending/Funding</b>             |                       |      |
| Higher total capex                          | (2,247)               |      |
| Investments converting to cash              | (6,000)               |      |
| Lower balances of cash invested             | -                     |      |
| Borrowing                                   | <u>1,720</u>          |      |
| Net Changes                                 | <u>(7,381)</u>        |      |
| <b>NET CASH FLOW PER 2018 BUDGET</b>        | <b><u>(5,086)</u></b> |      |

LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
STATEMENT OF CHANGES IN NET POSITION

| <b>\$000's</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018 vs.<br/>2017 FC</b> |
|---|------------------------|--------------------------|------------------------|-------------------------|-----------------------------|
| <b>OPERATING REVENUES</b>   |                        |                          |                        |                         |                             |
| Charges for Services  | 33,494                 | 31,956                   | 31,734                 | 31,599                  | 1,538                       |
| Rent  | -                      | -                        | -                      | -                       | -                           |
| Other Operating Income  | 75                     | 75                       | 75                     | 74                      | -                           |
| <b>Total Operating Revenues</b>   | <u>33,569</u>          | <u>32,031</u>            | <u>31,809</u>          | <u>31,673</u>           | <u>1,538</u>                |
| <b>OPERATING EXPENSES</b>   |                        |                          |                        |                         |                             |
| Salaries and Wages  | 5,483                  | 5,089                    | 5,470                  | 3,665                   | (394)                       |
| General and Administrative  | 5,989                  | 6,385                    | 5,568                  | 6,361                   | 396                         |
| Utilities   | 1,983                  | 1,739                    | 2,048                  | 1,864                   | (244)                       |
| Materials and Supplies  | 1,489                  | 1,560                    | 1,709                  | 1,333                   | 71                          |
| Miscellaneous Services  | 1,846                  | 1,939                    | 2,055                  | 2,597                   | 93                          |
| Treatment and Transportation  | 12                     | 10                       | 12                     | 11                      | (2)                         |
| Depreciation and Amortization   | 5,600                  | 5,400                    | 5,600                  | 5,834                   | (200)                       |
| <b>Total Operating Expenses</b>   | <u>22,402</u>          | <u>22,122</u>            | <u>22,462</u>          | <u>21,665</u>           | <u>(280)</u>                |
| <b>Operating Income (Loss)</b>  | <u>11,167</u>          | <u>9,909</u>             | <u>9,347</u>           | <u>10,008</u>           | <u>1,258</u>                |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                                    |                        |                          |                        |                         |                             |
| Tapping and Capital Recovery Fees   | 144                    | 144                      | 250                    | 1,171                   | -                           |
| Meter Sales   | 15                     | 15                       | 15                     | 13                      | -                           |
| Inspection, Plan Reviews, and Project Reimbursements                        | 293                    | 293                      | 300                    | 1,396                   | -                           |
| Other Income  | 2,480                  | 3,988                    | 3,933                  | 821                     | (1,508)                     |
| Other Expense   | (4,980)                | (7,960)                  | (7,904)                | (4,026)                 | 2,980                       |
| <b>Total Non-Operating Revenues (Expenses)</b>                              | <u>(2,048)</u>         | <u>(3,520)</u>           | <u>(3,406)</u>         | <u>(625)</u>            | <u>1,472</u>                |
| <b>Income Before Interest</b>   | <u>9,119</u>           | <u>6,389</u>             | <u>5,941</u>           | <u>9,383</u>            | <u>2,730</u>                |
| <b>Interest Income</b>  | <u>348</u>             | <u>448</u>               | <u>302</u>             | <u>387</u>              | <u>(100)</u>                |
| <b>Interest Expense</b>   | <u>(16,735)</u>        | <u>(16,461)</u>          | <u>(16,461)</u>        | <u>(18,280)</u>         | <u>(274)</u>                |
| <b>Increase (Decrease) in Net Position Before<br/>Capital Contributions</b> | <u>(7,268)</u>         | <u>(9,624)</u>           | <u>(10,218)</u>        | <u>(8,510)</u>          | <u>2,356</u>                |
| <b>CAPITAL CONTRIBUTIONS</b>  |                        |                          |                        |                         |                             |
| Capital Grants  | -                      | -                        | -                      | -                       | -                           |
| Capital Assets Provided   | -                      | -                        | -                      | -                       | -                           |
| <b>Total Capital Contributions</b>  | <u>-</u>               | <u>-</u>                 | <u>-</u>               | <u>-</u>                | <u>-</u>                    |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                                  | <u>(7,268)</u>         | <u>(9,624)</u>           | <u>(10,218)</u>        | <u>(8,510)</u>          | <u>2,356</u>                |
| Net Position Beginning of Year  | (45,451)               | (35,827)                 | (35,827)               | (27,317)                | (9,624)                     |
| Cumulative Changes  | -                      | -                        | -                      | -                       | -                           |
| <b>NET POSITION AT END OF YEAR</b>  | <u>(52,719)</u>        | <u>(45,451)</u>          | <u>(46,045)</u>        | <u>(35,827)</u>         | <u>(7,268)</u>              |

LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
BALANCE SHEET (\$000)

|  | CITY DIVISION  |                  |                 |
|--|----------------|------------------|-----------------|
|  | 2018<br>Budget | 2017<br>Forecast | 2016<br>Actuals |
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                      |                |                  |                 |
| <b>CURRENT ASSETS</b>                                    |                |                  |                 |
| <b>Cash and Cash Equivalents</b>                         | <b>3,638</b>   | <b>8,724</b>     | <b>6,429</b>    |
| Certificates of Deposit                                  | -              | -                | -               |
| Accounts Receivable - Customers                          | 5,724          | 5,724            | 5,724           |
| Accounts Receivable - Financing Contracts                | -              | -                | -               |
| Accounts Receivable - Others                             | 2,640          | 2,640            | 2,640           |
| Due From (To) Other Funds                                | 21             | 21               | 21              |
| Inventories  | -              | -                | -               |
| Accrued Interest Receivable                              | 2              | 2                | 2               |
| Prepaid Expenses   | 379            | 379              | 379             |
| <b>Total Current Assets</b>                              | <b>12,404</b>  | <b>17,490</b>    | <b>15,195</b>   |
| <b>NON-CURRENT ASSETS</b>                                |                |                  |                 |
| <b>Restricted</b>  |                |                  |                 |
| <b>Cash and Cash Equivalents</b>                         | <b>33,872</b>  | <b>33,872</b>    | <b>33,872</b>   |
| Certificates of Deposit                                  | -              | -                | -               |
| Investment - US Treasury Obligations                     | 12,140         | 12,140           | 18,140          |
| Developer Escrow Deposits                                | -              | -                | -               |
| Accrued Interest Receivable                              | -              | -                | -               |
| <b>Total Restricted Assets</b>                           | <b>46,012</b>  | <b>46,012</b>    | <b>52,012</b>   |
| <b>Capital Assets</b>                                    |                |                  |                 |
| Land   | -              | -                | -               |
| Construction in Progress                                 | -              | -                | -               |
| Wells and Reservoirs                                     | -              | -                | -               |
| Transmission and Distribution Mains                      | -              | -                | -               |
| Service and Hydrants                                     | -              | -                | -               |
| Interceptor and Collector Systems                        | -              | -                | -               |
| Buildings and Structures                                 | -              | -                | -               |
| Metering System  | -              | -                | -               |
| Equipment and Furnishings                                | 12,745         | 5,132            | 2,746           |
| Capacity   | -              | -                | -               |
| LESS: Accumulated Depreciation                           | (12,310)       | (6,710)          | (1,310)         |
| <b>Total Capital Assets</b>                              | <b>435</b>     | <b>(1,578)</b>   | <b>1,436</b>    |
| <b>Other Assets</b>                                      |                |                  |                 |
| Long-term Portion of Receivables and Financing Contracts | -              | -                | -               |
| Intangible Service Concession Arrangement                | 247,290        | 247,290          | 247,290         |
| OPEB Asset   | -              | -                | -               |
| Other Miscellaneous Assets                               | 1,631          | 1,631            | 1,631           |
| Facilities Planning Costs, Net                           | -              | -                | -               |
| <b>Total Other Assets</b>                                | <b>248,921</b> | <b>248,921</b>   | <b>248,921</b>  |
| <b>Total Non-Current Assets</b>                          | <b>295,368</b> | <b>293,355</b>   | <b>302,369</b>  |
| <b>TOTAL ASSETS</b>                                      | <b>307,772</b> | <b>310,845</b>   | <b>317,564</b>  |
| <b>Deferred Outflows</b>                                 |                |                  |                 |
| Pensions   | 1,739          | 1,739            | 1,739           |
| Refunding Loss on Bonds                                  | -              | -                | -               |
| <b>Total Deferred Outflows</b>                           | <b>1,739</b>   | <b>1,739</b>     | <b>1,739</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                | <b>309,511</b> | <b>312,584</b>   | <b>319,303</b>  |

LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
BALANCE SHEET (\$000)

|   | CITY DIVISION   |                  |                 |
|---|-----------------|------------------|-----------------|
|   | 2018<br>Budget  | 2017<br>Forecast | 2016<br>Actuals |
| <b>LIABILITIES AND NET POSITION</b>       |                 |                  |                 |
| <b>Current Liabilities:</b>               |                 |                  |                 |
| Accounts Payable - Trade                  | 1,148           | 1,148            | 1,148           |
| Accounts Payable - Capital                | 81              | 81               | 81              |
| Accrued Interest Payable                  | 7,913           | 4,500            | 1,087           |
| Notes Payable                             | -               | -                | -               |
| Revenue Bonds Payable                     | -               | -                | -               |
| Developer Deposits and Other              | 22              | 22               | 22              |
| Accrued Expenses                          | 416             | 416              | 416             |
| <b>Total Current Liabilities</b>          | <b>9,580</b>    | <b>6,167</b>     | <b>2,754</b>    |
| <b>Non-Current Liabilities</b>            |                 |                  |                 |
| Developer Deposits and Other              | -               | -                | -               |
| SCA Payable                               | 41,610          | 42,122           | 42,630          |
| Notes Payable                             | -               | -                | -               |
| OPEB Liability                            | 662             | 662              | 662             |
| Net Pension Liability                     | 2,109           | 2,109            | 2,109           |
| Revenue Bonds Payable                     | 308,269         | 306,975          | 306,975         |
| <b>Total Non-Current Liabilities</b>      | <b>352,650</b>  | <b>351,868</b>   | <b>352,376</b>  |
| <b>Total Liabilities</b>                  | <b>362,230</b>  | <b>358,035</b>   | <b>355,130</b>  |
| <b>Net Position:</b>                      |                 |                  |                 |
| Net investment in Capital Assets          | (15,877)        | (8,609)          | 1,015           |
| Restricted Debt Service                   | (36,842)        | (36,842)         | (36,842)        |
| Unrestricted                              | -               | -                | -               |
| <b>Total Net Position</b>                 | <b>(52,719)</b> | <b>(45,451)</b>  | <b>(35,827)</b> |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>309,511</b>  | <b>312,584</b>   | <b>319,303</b>  |
| <i>Check</i>                              | -               | -                | -               |

LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
CASH FLOW (INDIRECT)

| \$000's  | 2018<br>Budget  | 2017<br>Forecast | 2017<br>Budget  | 2016<br>Actuals | 2018 vs.<br>2017 FC |
|--|-----------------|------------------|-----------------|-----------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                 |                  |                 |                 |                     |
| Operating Income (Loss)  | 11,167          | 9,909            | 9,347           | 10,008          | 1,258               |
| Adjustments:   |                 |                  |                 |                 |                     |
| Depreciation and Amortization  | 5,600           | 5,400            | 5,600           | 5,834           | 200                 |
| Changes in Assets and Liabilities  | -               | -                | -               | (995)           | -                   |
| <b>Net Cash Provided By (Used In) Operating Activities</b>                     | <u>16,767</u>   | <u>15,309</u>    | <u>14,947</u>   | <u>14,847</u>   | <u>1,458</u>        |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                        |                 |                  |                 |                 |                     |
| Interest Received  | 348             | 448              | 302             | 385             | (100)               |
| Facility Improvements  | -               | -                | -               | -               | -                   |
| Annual Lease Payments  | (512)           | (508)            | (508)           | (500)           | (4)                 |
| Transfers From/To  | -               | -                | -               | (42)            | -                   |
| <b>Net Cash Provided By (Used In) Non-Capital Financing Activities</b>         | <u>(164)</u>    | <u>(60)</u>      | <u>(206)</u>    | <u>(157)</u>    | <u>(104)</u>        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |                 |                  |                 |                 |                     |
| Non-Operating Revenues Received  | 2,932           | 4,440            | 4,498           | 3,450           | (1,508)             |
| Capital Spending   | (12,593)        | (10,346)         | (10,671)        | (13,877)        | (2,247)             |
| Borrowing Proceeds   | 1,720           | -                | -               | -               | 1,720               |
| Interest Payments  | (13,322)        | (13,048)         | (13,048)        | (13,048)        | (274)               |
| Principal Payments   | (426)           | -                | -               | -               | (426)               |
| <b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b> | <u>(21,689)</u> | <u>(18,954)</u>  | <u>(19,221)</u> | <u>(23,475)</u> | <u>(2,735)</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                 |                  |                 |                 |                     |
| Investment Maturities  | -               | 6,000            | 6,000           | 10,000          | (6,000)             |
| Investment Purchases   | -               | -                | -               | -               | -                   |
| Interest Received on Investments   | -               | -                | -               | -               | -                   |
| <b>Net Cash Provided By (Used In) Investing Activities</b>                     | <u>-</u>        | <u>6,000</u>     | <u>6,000</u>    | <u>10,000</u>   | <u>(6,000)</u>      |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>(5,086)</b>  | <b>2,295</b>     | <b>1,520</b>    | <b>1,215</b>    | <b>(7,381)</b>      |
| Cash - Beginning of Year   | <u>42,596</u>   | <u>40,301</u>    | <u>40,301</u>   | <u>39,086</u>   | <u>2,295</u>        |
| <b>CASH - END OF YEAR</b>  | <u>37,510</u>   | <u>42,596</u>    | <u>41,821</u>   | <u>40,301</u>   | <u>(5,086)</u>      |

**LEHIGH COUNTY AUTHORITY - CITY DIVISION**  
**2018 BUDGET**  
**CASH FLOW (DIRECT BY ACCOUNT)**

| <b>\$000's</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|---|------------------------|--------------------------|------------------------|
| <b>OPERATIONS - CASH</b>                              |                        |                          |                        |
| <b>OPERATING REVENUES</b>                             |                        |                          |                        |
| Charges for Services                                  | 33,494                 | 31,956                   | 31,734                 |
| Rent  | -                      | -                        | -                      |
| Other income  | 75                     | 75                       | 75                     |
| <b>Total Operating Revenues</b>                       | <b>33,569</b>          | <b>32,031</b>            | <b>31,809</b>          |
| <b>OPERATING EXPENSES (CASH BASED)</b>                |                        |                          |                        |
| Salaries and Wages                                    | (5,483)                | (5,089)                  | (5,470)                |
| General and Administrative                            | (5,989)                | (6,385)                  | (5,568)                |
| Utilities   | (1,983)                | (1,739)                  | (2,048)                |
| Materials and Supplies                                | (1,489)                | (1,560)                  | (1,709)                |
| Miscellaneous Services                                | (1,846)                | (1,939)                  | (2,055)                |
| Treatment and Transportation                          | (12)                   | (10)                     | (12)                   |
| <b>Total Operating Expenses</b>                       | <b>(16,802)</b>        | <b>(16,722)</b>          | <b>(16,862)</b>        |
| <b>CASH FROM OPERATIONS</b>                           | <b>16,767</b>          | <b>15,309</b>            | <b>14,947</b>          |
| <b>Interest Received</b>                              | <b>348</b>             | <b>448</b>               | <b>302</b>             |
| <b>Annual City Payment</b>                            | <b>(512)</b>           | <b>(508)</b>             | <b>(508)</b>           |
| <b>CASH AVAILABLE FOR DEBT SERVICE</b>                | <b>16,603</b>          | <b>15,249</b>            | <b>14,741</b>          |
| <b>DEBT SERVICE</b>                                   |                        |                          |                        |
| Interest and Fees Paid                                | (13,322)               | (13,048)                 | (13,048)               |
| Principal Paid  | (426)                  | -                        | -                      |
| <b>Total Debt Service</b>                             | <b>(13,748)</b>        | <b>(13,048)</b>          | <b>(13,048)</b>        |
| <b>NET CASH AVAILABLE AFTER DEBT SERVICE</b>          | <b>2,855</b>           | <b>2,201</b>             | <b>1,693</b>           |
| Changes in Assets and Liabilities                     | -                      | -                        | -                      |
| <b>NET CASH FROM OPERATIONS AVAILABLE FOR CAPITAL</b> | <b>2,855</b>           | <b>2,201</b>             | <b>1,693</b>           |
| Investments Converted Into Cash                       | -                      | -                        | -                      |
| Cash Converted to Investments                         | -                      | -                        | -                      |
| Cash from Restricted Balances                         | -                      | -                        | -                      |
| Cash to Restricted Balances                           | -                      | -                        | -                      |
| Cash provided for Capital Projects                    | (5,606)                | (1,216)                  | -                      |
| <b>NET FLOW - OPERATING CASH</b>                      | <b>(2,751)</b>         | <b>985</b>               | <b>1,693</b>           |
| Beginning Balance                                     | 6,389                  | 5,404                    | 5,404                  |
| <b>OPERATING CASH - ENDING BALANCE</b>                | <b>3,638</b>           | <b>6,389</b>             | <b>7,097</b>           |



LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|--|------------------------|--------------------------|------------------------|
| <b><u>OPERATIONS - INVESTMENTS</u></b>               |                        |                          |                        |
| Cash provided to investments                         | -                      | -                        | -                      |
| Maturities converted to cash                         | -                      | -                        | -                      |
| From (To) Restricted                                 | -                      | -                        | -                      |
| <b>NET FLOW - OPERATING INVESTMENTS</b>              | -                      | -                        | -                      |
| Beginning Balance                                    | -                      | -                        | -                      |
| <b>OPERATING INVESTMENTS - ENDING BALANCE</b>        | -                      | -                        | -                      |
| <b><u>PROJECT RESERVES - CASH</u></b>                |                        |                          |                        |
| <b>CASH PROVIDED FROM OPERATIONS</b>                 | <b>5,606</b>           | <b>1,216</b>             | <b>-</b>               |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                        |                          |                        |
| Tapping and Capital Recovery Fees                    | 144                    | 144                      | 250                    |
| Meter Sales  | 15                     | 15                       | 15                     |
| Inspection, Plan Reviews, and Project Reimbursements | 293                    | 293                      | 300                    |
| Other Income   | 2,480                  | 3,988                    | 3,933                  |
| Less: Project Reimbursement                          | (2,480)                | (3,988)                  | (3,933)                |
| Other Expense  | (4,980)                | (7,960)                  | (7,904)                |
| Less: Expensed Capex                                 | 4,980                  | 7,960                    | 7,904                  |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <b>452</b>             | <b>452</b>               | <b>565</b>             |
| <b>FINANCING AND INVESTMENT ACTIVITY</b>             |                        |                          |                        |
| Grants Received                                      | -                      | -                        | -                      |
| New Borrowing  | 1,720                  | -                        | -                      |
| Investments Converted to Cash (Source)               | -                      | 6,000                    | 6,000                  |
| New Investments From Cash (Use)                      | -                      | -                        | -                      |
| Annual Lease Payments - City                         | -                      | -                        | -                      |
| Project Reimbursements                               | 2,480                  | 3,988                    | 3,933                  |
| <b>Total Financing &amp; Investment Activity</b>     | <b>4,200</b>           | <b>9,988</b>             | <b>9,933</b>           |
| Interest Income                                      | -                      | -                        | -                      |
| <b>CAPITAL SPENDING</b>                              |                        |                          |                        |
| Net Capital Spending                                 | (7,613)                | (2,386)                  | (2,767)                |
| Add: Expensed Capex                                  | (4,980)                | (7,960)                  | (7,904)                |
| <b>Total Capital Spending</b>                        | <b>(12,593)</b>        | <b>(10,346)</b>          | <b>(10,671)</b>        |
| <b>NET FLOW - PROJECT RESERVES CASH</b>              | <b>(2,335)</b>         | <b>1,310</b>             | <b>(173)</b>           |
| Beginning Balance                                    | 2,335                  | 1,025                    | 1,025                  |
| <b>PROJECT RESERVES CASH - ENDING BALANCE</b>        | <b>-</b>               | <b>2,335</b>             | <b>852</b>             |

LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)

| <b>\$000's</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|--|------------------------|--------------------------|------------------------|
| <b><u>PROJECT RESERVES - INVESTMENTS</u></b>         |                        |                          |                        |
| New Investments From Cash (Source)                   | -                      | -                        | -                      |
| Investments Converted to Cash (Use)                  | -                      | (6,000)                  | (6,000)                |
| Other  | -                      | -                        | -                      |
| <b>NET FLOW - PROJECT RESERVES INVESTMENTS</b>       | -                      | (6,000)                  | (6,000)                |
| Beginning Balance                                    | -                      | 6,000                    | 6,000                  |
| <b>PROJECT RESERVES INVESTMENTS - ENDING BALANCE</b> | -                      | -                        | -                      |
| <b><u>RESTRICTED - CASH</u></b>                      |                        |                          |                        |
| Sources  | -                      | -                        | -                      |
| Uses   | -                      | -                        | -                      |
| <b>NET FLOW - RESTRICTED CASH</b>                    | -                      | -                        | -                      |
| Beginning Balance                                    | 33,872                 | 33,872                   | 33,872                 |
| <b>RESTRICTED CASH - ENDING BALANCE</b>              | <b>33,872</b>          | <b>33,872</b>            | <b>33,872</b>          |
| <b><u>RESTRICTED - INVESTMENTS</u></b>               |                        |                          |                        |
| Sources  | -                      | -                        | -                      |
| Uses   | -                      | -                        | -                      |
| <b>NET FLOW - RESTRICTED INVESTMENTS</b>             | -                      | -                        | -                      |
| Beginning Balance                                    | 12,140                 | 12,140                   | 12,140                 |
| <b>RESTRICTED INVESTMENTS - ENDING BALANCE</b>       | <b>12,140</b>          | <b>12,140</b>            | <b>12,140</b>          |
| <b><u>SUMMARY OF ACCOUNT FLOWS</u></b>               |                        |                          |                        |
| Cash - Operations                                    | (2,751)                | 985                      | 1,693                  |
| Cash - Project Reserves                              | (2,335)                | 1,310                    | (173)                  |
| Cash - Restricted                                    | -                      | -                        | -                      |
| <b>Total Cash Accounts</b>                           | <b>(5,086)</b>         | <b>2,295</b>             | <b>1,520</b>           |
| Investments - Operations                             | -                      | -                        | -                      |
| Investments - Project Reserves                       | -                      | (6,000)                  | (6,000)                |
| Investments - Restricted                             | -                      | -                        | -                      |
| <b>Total Investments</b>                             | -                      | <b>(6,000)</b>           | <b>(6,000)</b>         |
| <b>TOTAL FLOWS</b>                                   | <b>(5,086)</b>         | <b>(3,705)</b>           | <b>(4,480)</b>         |

LEHIGH COUNTY AUTHORITY - CITY DIVISION  
2018 BUDGET  
CASH FLOW (DIRECT BY ACCOUNT)

| <b>\$000's</b>                            | <b>2018<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2017<br/>Budget</b> |
|---|------------------------|--------------------------|------------------------|
| <b><i>SUMMARY OF ACCOUNT BALANCES</i></b> |                        |                          |                        |
| Cash - Operations                         | 3,638                  | 6,389                    | 7,097                  |
| Cash - Project Reserves                   | -                      | 2,335                    | 852                    |
| Cash - Restricted                         | <u>33,872</u>          | <u>33,872</u>            | <u>33,872</u>          |
| <b>Total Cash Accounts</b>                | <b><u>37,510</u></b>   | <b><u>42,596</u></b>     | <b><u>41,821</u></b>   |
| Investments - Operations                  | -                      | -                        | -                      |
| Investments - Project Reserves            | -                      | -                        | -                      |
| Investments - Restricted                  | <u>12,140</u>          | <u>12,140</u>            | <u>12,140</u>          |
| <b>Total Investments</b>                  | <b><u>12,140</u></b>   | <b><u>12,140</u></b>     | <b><u>12,140</u></b>   |
| <b>TOTAL BALANCES</b>                     | <b><u>49,650</u></b>   | <b><u>54,736</u></b>     | <b><u>53,961</u></b>   |
| <i>Cash Check</i>                         | 37,510                 | 42,596                   | 41,821                 |
| <i>Diff</i>                               | -                      | -                        | -                      |
| <i>Investment Check</i>                   | 12,140                 | 12,140                   | 12,140                 |
| <i>Diff</i>                               | -                      | -                        | -                      |

**LEHIGH COUNTY AUTHORITY**  
**2018 BUDGET**  
**CITY DIVISION**

| <b>STATEMENT OF CHANGES IN NET POSITION</b> | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|---|------------------------|------------------------|--------------------------|------------------------|
| <b>OPERATING REVENUES</b>                   |                        |                        |                          |                        |
| CITY WATER                                  |                        |                        |                          |                        |
| Residential/Industrial/Commercial           | 13,570,263             | 13,289,000             | 13,296,087               | 13,623,000             |
| Penalties                                   | 268,421                | 268,000                | 278,737                  | 289,000                |
| Capital Cost Recovery                       | -                      | -                      | 276,405                  | 342,000                |
| Fire Service                                | 64,029                 | 61,000                 | 65,054                   | 68,000                 |
| Other Water Sales                           | 3,010,209              | 3,232,000              | 3,018,506                | 3,019,000              |
| Other Income                                | -                      | 123,000                | 355,043                  | 355,000                |
| Total City Water                            | <u>16,912,922</u>      | <u>16,973,000</u>      | <u>17,289,832</u>        | <u>17,696,000</u>      |
| CITY WASTEWATER                             |                        |                        |                          |                        |
| User Charges - Municipal                    | 6,182,409              | 5,768,000              | 5,506,648                | 6,522,000              |
| User Charges - Residential & Commercial     | 8,234,699              | 8,471,000              | 8,390,124                | 8,497,000              |
| User Charges - Hauler                       | 115,165                | 31,500                 | 68,793                   | 71,000                 |
| Capital Cost Recovery                       | -                      | -                      | 147,022                  | 147,000                |
| Penalties                                   | 154,017                | -                      | 165,035                  | 172,000                |
| Industrial Pretreatment Revenues            | -                      | 172,000                | 89,123                   | 89,000                 |
| Leachate Program Revenues                   | -                      | 180,000                | 199,596                  | 200,000                |
| Other Income                                | -                      | 138,500                | 100,321                  | 100,000                |
| Total City Wastewater                       | <u>14,686,290</u>      | <u>14,761,000</u>      | <u>14,666,662</u>        | <u>15,798,000</u>      |
| Total Service Charges                       | <u>31,599,212</u>      | <u>31,734,000</u>      | <u>31,956,494</u>        | <u>33,494,000</u>      |
| Rental Income                               | -                      | -                      | -                        | -                      |
| Miscellaneous                               | <u>74,245</u>          | <u>75,000</u>          | <u>75,000</u>            | <u>75,000</u>          |
| TOTAL OPERATING REVENUES                    | <u>31,673,457</u>      | <u>31,809,000</u>      | <u>32,031,494</u>        | <u>33,569,000</u>      |
| <b>OPERATING EXPENSES</b>                   |                        |                        |                          |                        |
| PERSONNEL                                   |                        |                        |                          |                        |
| Permanent                                   | 4,195,011              | 4,582,203              | 4,408,111                | 4,751,312              |
| Overtime                                    | 646,758                | 888,154                | 680,928                  | 731,771                |
| Employee Benefits                           | <u>1,683,061</u>       | <u>2,119,319</u>       | <u>2,099,439</u>         | <u>2,158,796</u>       |
| Total Personnel                             | <u>6,524,830</u>       | <u>7,589,676</u>       | <u>7,188,478</u>         | <u>7,641,879</u>       |
| PURCHASE OF SERVICES                        |                        |                        |                          |                        |
| Internal Services - Overhead & Support      | 2,764,374              | 2,657,341              | 3,495,465                | 2,987,773              |
| Internal Services - Lab Costs               | 806,265                | 792,186                | 790,956                  | 841,860                |
| Utilities                                   | 1,863,839              | 2,048,490              | 1,738,547                | 1,983,202              |
| Engineering                                 | 57,235                 | 85,500                 | 29,423                   | 10,000                 |
| Contract Operating Services                 | 133,659                | 134,500                | 4,431                    | 96,500                 |
| Residuals Services                          | 354,154                | 418,500                | 421,632                  | 417,500                |
| General Analyses                            | 34,695                 | 20,000                 | 5,413                    | 20,000                 |
| Maintenance Services                        | 925,450                | 867,780                | 435,603                  | 690,435                |
| Fleet Management Services                   | 161,656                | 150,000                | 118,824                  | 150,000                |
| Extraordinay Expenditures                   | 66,814                 | 40,000                 | 10,858                   | 25,000                 |
| Industrial Meter Testing & Repair           | 4,050                  | 12,000                 | -                        | 8,000                  |
| Miscellaneous Services                      | 859,152                | 325,245                | 913,462                  | 428,295                |
| Treatment & Transportation                  | 11,011                 | 12,000                 | 9,873                    | 12,000                 |
| I/I Rehabilitation Program                  | -                      | -                      | -                        | -                      |
| Total Purchases of Services                 | <u>8,042,354</u>       | <u>7,563,542</u>       | <u>7,974,487</u>         | <u>7,670,565</u>       |

**LEHIGH COUNTY AUTHORITY**  
**2018 BUDGET**  
**CITY DIVISION**

|   | <b>2016</b>         | <b>2017</b>         | <b>2017</b>         | <b>2018</b>         |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>STATEMENT OF CHANGES IN NET POSITION</b>           | <b>Actual</b>       | <b>Budget</b>       | <b>Forecast</b>     | <b>Budget</b>       |
| <b>MATERIALS &amp; SUPPLIES</b>                       |                     |                     |                     |                     |
| Pump Supplies   | 14,213              | 37,500              | 30,873              | 26,750              |
| Fuel  | 59,776              | 90,000              | 55,308              | 84,000              |
| Purification Chemicals & Supplies                     | 600,492             | 739,000             | 736,219             | 712,200             |
| Distribution & Transmission Supplies                  | 82,866              | 97,500              | 89,695              | 97,500              |
| Collection System Supplies                            | 101,744             | 119,000             | 103,212             | 90,500              |
| Fleet Management Supplies                             | 6,978               | 18,050              | 3,887               | 6,050               |
| Miscellaneous Materials & Supplies                    | 278,493             | 376,900             | 360,585             | 361,700             |
| Fuel & Mileage  | 24,712              | 52,000              | 25,669              | 36,000              |
| Total Materials and Supplies                          | <u>1,169,274</u>    | <u>1,529,950</u>    | <u>1,405,448</u>    | <u>1,414,700</u>    |
| <b>EQUIPMENT</b>                                      |                     |                     |                     |                     |
| Equipment Purchases                                   | 95,018              | 178,900             | 154,366             | 74,846              |
| Amortized Equipment                                   | -                   | -                   | -                   | -                   |
| Total Equipment                                       | <u>95,018</u>       | <u>178,900</u>      | <u>154,366</u>      | <u>74,846</u>       |
| <b>DEPRECIATION &amp; AMORTIZATION</b>                | <u>5,834,285</u>    | <u>5,600,000</u>    | <u>5,400,000</u>    | <u>5,600,000</u>    |
| <b>TOTAL OPERATING EXPENSES</b>                       | <u>21,665,761</u>   | <u>22,462,068</u>   | <u>22,122,779</u>   | <u>22,401,990</u>   |
| <b>OPERATING INCOME</b>                               | <u>10,007,696</u>   | <u>9,346,932</u>    | <u>9,908,715</u>    | <u>11,167,010</u>   |
| <b>NON-OPERATING REVENUES</b>                         |                     |                     |                     |                     |
| <b>CITY WATER</b>                                     |                     |                     |                     |                     |
| Supply/Tapping Fees                                   | 475,018             | 160,000             | 5,953               | 129,000             |
| Distribution Tapping Fees                             | 132                 | 15,000              | 14,698              | 15,000              |
| Meter Sales   | 13,319              | 15,000              | 77,977              | 15,000              |
| Inspection & Planning Review Fees                     | 15,290              | 100,000             | 99,998              | 100,000             |
| Project Reimbursement                                 | 1,325,715           | 200,000             | 212,449             | 140,000             |
| Other   | 821,530             | -                   | 41,520              | -                   |
| Total City Water                                      | <u>2,651,004</u>    | <u>490,000</u>      | <u>452,595</u>      | <u>399,000</u>      |
| <b>CITY WASTEWATER</b>                                |                     |                     |                     |                     |
| Allocation Fees                                       | 695,765             | 75,000              | 59,750              | -                   |
| Inspection & Planning Review Fees                     | 12,884              | 200,000             | 193,000             | 193,000             |
| Project Reimbursement                                 | 42,699              | 3,448,200           | 3,734,743           | 2,340,000           |
| Other   | -                   | 284,800             | -                   | -                   |
| Total City Wastewater                                 | <u>751,348</u>      | <u>4,008,000</u>    | <u>3,987,493</u>    | <u>2,533,000</u>    |
| <b>TOTAL NON-OPERATING REVENUES</b>                   | <u>3,402,352</u>    | <u>4,498,000</u>    | <u>4,440,088</u>    | <u>2,932,000</u>    |
| <b>NON-OPERATING (EXPENSES)</b>                       |                     |                     |                     |                     |
| Capital Charged to Expenses                           | (4,026,159)         | (7,904,000)         | (7,959,887)         | (4,980,000)         |
| Other Miscellaneous Expenses                          | -                   | -                   | -                   | -                   |
| <b>TOTAL NON-OPERATING (EXPENSES)</b>                 | <u>(4,026,159)</u>  | <u>(7,904,000)</u>  | <u>(7,959,887)</u>  | <u>(4,980,000)</u>  |
| <b>INCOME BEFORE INTEREST AND CONTRIBUTED CAPITAL</b> | <u>9,383,889</u>    | <u>5,940,932</u>    | <u>6,388,916</u>    | <u>9,119,010</u>    |
| Interest Income                                       | 386,754             | 302,000             | 448,021             | 348,000             |
| Interest (Expense)                                    | <u>(18,280,300)</u> | <u>(16,460,500)</u> | <u>(16,460,500)</u> | <u>(16,735,000)</u> |
| <b>INCOME BEFORE CONTRIBUTED CAPITAL</b>              | <u>(8,509,657)</u>  | <u>(10,217,568)</u> | <u>(9,623,563)</u>  | <u>(7,267,990)</u>  |
| <b>CONTRIBUTED CAPITAL</b>                            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| <b>NET INCOME</b>                                     | <u>(8,509,657)</u>  | <u>(10,217,568)</u> | <u>(9,623,563)</u>  | <u>(7,267,990)</u>  |

**LEHIGH COUNTY AUTHORITY**  
**2018 BUDGET**  
**CITY DIVISION**

| <b>CASH FLOWS</b>                     | <b>2016<br/>Actual</b> | <b>2017<br/>Budget</b> | <b>2017<br/>Forecast</b> | <b>2018<br/>Budget</b> |
|---------------------------------------|------------------------|------------------------|--------------------------|------------------------|
| Operating Revenues                    | 31,673,457             | 31,809,000             | 32,031,494               | 33,569,000             |
| Operating Expenses                    | (21,665,761)           | (22,462,068)           | (22,122,779)             | (22,401,990)           |
| Add: Depreciation Expense             | 5,834,285              | 5,600,000              | 5,400,000                | 5,600,000              |
| Net Operating Cash                    | 15,841,981             | 14,946,932             | 15,308,715               | 16,767,010             |
| Interest Income                       | 384,948                | 302,000                | 448,021                  | 348,000                |
| City Annual Payment                   | (500,000)              | (508,000)              | (508,000)                | (512,000)              |
| Net Cash Available For Debt Service   | 15,726,929             | 14,740,932             | 15,248,736               | 16,603,010             |
| Debt Service                          |                        |                        |                          |                        |
| Interest Paid                         | (13,047,722)           | (13,047,722)           | (13,047,722)             | (13,748,000)           |
| Financing Fees Paid                   | -                      | -                      | -                        | -                      |
| Princial Paid                         | -                      | -                      | -                        | -                      |
| Total Debt Service                    | (13,047,722)           | (13,047,722)           | (13,047,722)             | (13,748,000)           |
| NET CASH AVAILABLE AFTER DEBT SERVICE | 2,679,207              | 1,693,210              | 2,201,014                | 2,855,010              |
| Non-Operating Revenues                | 3,402,352              | 4,498,000              | 4,440,088                | 2,932,000              |
| Less: Project Reimbursement           | (1,368,414)            | (3,648,200)            | (3,947,192)              | (2,480,000)            |
| Non-Operating Expenses                | (4,026,159)            | (7,904,000)            | (301,034)                | (4,980,000)            |
| Less: Capital Charged to Expenses     | 4,026,159              | 7,904,000              | 301,034                  | 4,980,000              |
| Working Capital Changes               | (1,172,447)            | -                      | -                        | -                      |
| NET CASH AVAILABLE FOR CAPITAL        | 3,540,698              | 2,543,010              | 2,693,910                | 3,307,010              |
| Financing & Investment Activity       |                        |                        |                          |                        |
| Project Reimbursements                | 1,368,414              | 3,648,200              | 3,947,192                | 2,480,000              |
| Investments converting to Cash        | 10,000,000             | 6,000,000              | 6,000,000                | -                      |
| New Borrowing                         | -                      | -                      | -                        | 1,720,000              |
| Cash Investments                      | -                      | -                      | -                        | -                      |
| Capital Spending                      | (13,694,222)           | (10,670,570)           | (10,346,288)             | (12,592,500)           |
| <b>NET CASH FLOW TO FUND</b>          | <b>1,214,890</b>       | <b>1,520,640</b>       | <b>2,294,814</b>         | <b>(5,085,490)</b>     |
|                                       | OK                     | OK                     | OK                       | OK                     |

**2018 BUDGET  
CITY DIVISION  
WATER FUND  
CAPITAL EXPENDITURES**

| Project  | Priority    | Estimated<br>Project<br>Cost | Estimated<br>Costs<br>Through 2017 | 2018<br>Budget      | Estimated<br>Costs<br>2019 - 2022 |
|--|-------------|------------------------------|------------------------------------|---------------------|-----------------------------------|
| <b><u>LCA Funded Projects</u></b>                                    |             |                              |                                    |                     |                                   |
| Annual Projects  | AM - Varies | 7,289,000                    | 29,000                             | 1,531,000           | 5,729,000                         |
| Various Water System Related Studies                                 | CA/OS       | 121,000                      | -                                  | 40,000              | 81,000                            |
| Water Main Replacements  | CA/OS       | 16,000,000                   | -                                  | 3,200,000           | 12,800,000                        |
| Emergency Power at WFP - Crystal & Schantz Springs Pumps             | Sys Imp     | 1,790,000                    | -                                  | -                   | 1,790,000                         |
| Fixed-Base Meter Reading System                                      | Efficiency  | 1,705,000                    | -                                  | -                   | 1,705,000                         |
| Filter Upgrades  | Sys Imp     | 12,340,000                   | -                                  | -                   | 12,340,000                        |
| Intake Upgrades  | Sys Imp     | 11,120,000                   | -                                  | -                   | 11,120,000                        |
| Schantz Spring Main Replacement & Leak Rehabilitation <sup>(1)</sup> | CA/OS       | 2,290,000                    | 1,955,000                          | 335,000             | -                                 |
| <b>Sub-total Allentown Division Water Capital Funded by LCA</b>      |             |                              | <b>1,984,000</b>                   | <b>5,106,000</b>    | <b>45,565,000</b>                 |
| <b><u>City Funded Projects</u></b>                                   |             |                              |                                    |                     |                                   |
| Ittron/AMR Meter Project <sup>(2)</sup>                              | CA/OS       | 300,000                      | -                                  | 140,000             | 160,000                           |
| <b>Sub-total Allentown Division Water Capital Funded by the City</b> |             |                              | <b>-</b>                           | <b>140,000</b>      | <b>160,000</b>                    |
| <b>Total Allentown Division Water Capital Expenditures:</b>          |             |                              | <b>\$ 1,984,000</b>                | <b>\$ 5,246,000</b> | <b>\$ 45,725,000</b>              |
| <b>Administration Allocation</b>                                     |             |                              |                                    | <b>\$ 148,750</b>   |                                   |
|  |             |                              |                                    | <b>\$ 5,394,750</b> |                                   |

(1) Required Capital Improvement Projects as shown on Schedule 7 of the Agreement and will be funded by the LCA Allentown Division.

(2) "Uncompleted Work" City Projects that were supposed to be complete by the time of settlement or executed by City personnel after settlement.  
The City will fund these projects but has requested that LCA execute them.

**2018 BUDGET  
CITY DIVISION  
WASTEWATER SYSTEM  
CAPITAL EXPENDITURES**

| Project   | Priority    | Estimated<br>Project<br>Cost | Estimated<br>Costs<br>Through 2017 | 2018<br>Budget      | Estimated<br>Costs<br>2019 - 2022 |
|---|-------------|------------------------------|------------------------------------|---------------------|-----------------------------------|
| <b><u>LCA Funded Projects</u></b>   |             |                              |                                    |                     |                                   |
| Annual Projects   | AM - High   | 5,988,000                    | -                                  | 1,049,000           | 4,939,000                         |
| WWTP Electrical Substation Replacements                                   | AM - High   | 3,665,000                    | 180,000                            | 3,360,000           | 125,000                           |
| Various Wastewater System Related Studies                                 | CA/OS       | 445,000                      | 65,000                             | 300,000             | 80,000                            |
| WWTP Disinfection Upgrade   | Efficiency  | 1,740,000                    | -                                  | -                   | 1,740,000                         |
| Indenture Report Improvements   | AM - Varies | -                            | -                                  | -                   | -                                 |
| <b>Sub-total Allentown Division Wastewater Capital Funded by LCA</b>      |             |                              | <b>\$ 245,000</b>                  | <b>\$ 4,709,000</b> | <b>\$ 6,884,000</b>               |
| <b><u>City Funded Projects</u></b>  |             |                              |                                    |                     |                                   |
| Administrative Order Phase 1A Improvements <sup>(3)</sup>                 | Regulatory  | 19,000,000                   | -                                  | 1,000,000           | 18,000,000                        |
| WWTP Interim Blending Pumping System <sup>(3)</sup>                       | Regulatory  | 1,340,000                    | -                                  | 1,340,000           | -                                 |
| <b>Sub-total Allentown Division Wastewater Capital Funded by the City</b> |             |                              | <b>\$ -</b>                        | <b>\$ 2,340,000</b> | <b>\$ 18,000,000</b>              |
| <b>Total Wastewater Allentown Division Capital Expenditures:</b>          |             |                              | <b>\$ 245,000</b>                  | <b>\$ 7,049,000</b> | <b>\$ 24,884,000</b>              |
| <b>Administration Allocation</b>  |             |                              |                                    | <b>\$ 148,750</b>   |                                   |
|   |             |                              |                                    | <b>\$ 7,197,750</b> |                                   |

(1) Required Capital Improvement Projects as shown on Schedule 7 of the Agreement and will be funded by the LCA Allentown Division.

(2) "Uncompleted Work" City Projects that were supposed to be complete by the time of settlement or executed by City personnel after settlement.  
The City will fund these projects but has requested that LCA execute them.

(3) "Administrative Order" Projects as per the Agreement are to be Funded by the City and executed by LCA.



# Consolidated Statements

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
CONDENSED

|   | SUBURBAN WATER         |                      |                         |                         | SUBURBAN WASTEWATER    |                         |                        |                         | CITY DIVISION           |                        |                        |                         | TOTAL LCA              |                      |                         |                         |
|---|------------------------|----------------------|-------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|----------------------|-------------------------|-------------------------|
|   | 2018<br>Budget         | 2017<br>Fcst         | 2017<br>Budget          | 2016<br>Actuals         | 2018<br>Budget         | 2017<br>Fcst            | 2017<br>Budget         | 2016<br>Actuals         | 2018<br>Budget          | 2017<br>Fcst           | 2017<br>Budget         | 2016<br>Actuals         | 2018<br>Budget         | 2017<br>Fcst         | 2017<br>Budget          | 2016<br>Actuals         |
| <b>INCOME STATEMENT (\$000)</b>   |                        |                      |                         |                         |                        |                         |                        |                         |                         |                        |                        |                         |                        |                      |                         |                         |
| Operating Revenues  | 9,733                  | 9,237                | 9,134                   | 8,815                   | 19,197                 | 18,189                  | 18,259                 | 18,498                  | 33,569                  | 32,031                 | 31,809                 | 31,673                  | 62,499                 | 59,457               | 59,202                  | 58,986                  |
| Operating Expenses  | 8,930                  | 8,587                | 8,815                   | 7,401                   | 18,908                 | 18,457                  | 18,557                 | 21,687                  | 22,402                  | 22,122                 | 22,462                 | 21,665                  | 50,240                 | 49,166               | 49,834                  | 50,753                  |
| Operating Income  | 803                    | 650                  | 319                     | 1,414                   | 289                    | (268)                   | (298)                  | (3,189)                 | 11,167                  | 9,909                  | 9,347                  | 10,008                  | 12,259                 | 10,291               | 9,368                   | 8,233                   |
| Non-Operating Revenues (Expenses)                                       | 769                    | 791                  | 794                     | 698                     | 806                    | 806                     | 793                    | 1,144                   | (2,048)                 | (3,520)                | (3,406)                | (625)                   | (473)                  | (1,923)              | (1,819)                 | 1,217                   |
| Income Before Interest  | 1,572                  | 1,441                | 1,113                   | 2,112                   | 1,095                  | 538                     | 495                    | (2,045)                 | 9,119                   | 6,389                  | 5,941                  | 9,383                   | 11,786                 | 8,368                | 7,549                   | 9,450                   |
| Interest Income   | 125                    | 125                  | 200                     | 92                      | 5                      | 5                       | 119                    | 119                     | 348                     | 448                    | 302                    | 387                     | 478                    | 578                  | 621                     | 598                     |
| Interest Expense  | (2,003)                | (1,587)              | (1,348)                 | (1,140)                 | (216)                  | (216)                   | (852)                  | (195)                   | (16,735)                | (16,461)               | (16,461)               | (18,280)                | (18,954)               | (18,264)             | (18,661)                | (19,615)                |
| Income Before Capital Contributions                                     | (306)                  | (21)                 | (35)                    | 1,064                   | 884                    | 327                     | (238)                  | (2,121)                 | (7,268)                 | (9,624)                | (10,218)               | (8,510)                 | (6,690)                | (9,318)              | (10,491)                | (9,567)                 |
| Capital Contributions   | -                      | -                    | -                       | 3,560                   | -                      | -                       | -                      | 986                     | -                       | -                      | -                      | -                       | -                      | -                    | -                       | 4,546                   |
| <b>Net Income</b>   | <b>(306)</b>           | <b>(21)</b>          | <b>(35)</b>             | <b>4,624</b>            | <b>884</b>             | <b>327</b>              | <b>(238)</b>           | <b>(1,135)</b>          | <b>(7,268)</b>          | <b>(9,624)</b>         | <b>(10,218)</b>        | <b>(8,510)</b>          | <b>(6,690)</b>         | <b>(9,318)</b>       | <b>(10,491)</b>         | <b>(5,021)</b>          |
| <b>CASH FLOWS - INDIRECT (\$000)</b>                                    | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b>    | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b>  | <b>2017<br/>Fcst</b>   | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> |
| Net Cash Provided By (Used In) Operating Activities                     | 3,753                  | 3,600                | 3,269                   | 4,715                   | 5,065                  | 4,108                   | 3,627                  | 910                     | 16,767                  | 15,309                 | 14,947                 | 14,847                  | 25,585                 | 23,017               | 21,843                  | 20,472                  |
| Net Cash Provided By (Used In) Non-Capital Financing Activities         | 125                    | 125                  | 200                     | (34)                    | 5                      | 5                       | 119                    | 77                      | (164)                   | (60)                   | (206)                  | (157)                   | (34)                   | 70                   | 113                     | (114)                   |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | (12,271)               | 8,245                | (3,835)                 | (5,827)                 | (11,301)               | (4,649)                 | 3,376                  | (1,638)                 | (21,689)                | (18,954)               | (19,221)               | (23,475)                | (45,261)               | (15,358)             | (19,680)                | (30,940)                |
| Net Cash Provided By (Used In) Investing Activities                     | 4,000                  | (7,625)              | 284                     | 421                     | 3,480                  | 2,470                   | -                      | (510)                   | -                       | 6,000                  | 6,000                  | 10,000                  | 7,480                  | 845                  | 6,284                   | 9,911                   |
| <b>Net Increase (Decrease) in Cash</b>                                  | <b>(4,393)</b>         | <b>4,345</b>         | <b>(82)</b>             | <b>(725)</b>            | <b>(2,751)</b>         | <b>1,934</b>            | <b>7,122</b>           | <b>(1,161)</b>          | <b>(5,086)</b>          | <b>2,295</b>           | <b>1,520</b>           | <b>1,215</b>            | <b>(12,230)</b>        | <b>8,574</b>         | <b>8,560</b>            | <b>(671)</b>            |
| Cash - Beginning of Year  | 11,341                 | 6,996                | 6,996                   | 7,721                   | 13,208                 | 11,274                  | 11,274                 | 12,435                  | 42,596                  | 40,301                 | 40,301                 | 39,086                  | 67,145                 | 58,571               | 58,571                  | 59,242                  |
| <b>Cash - End of Year</b>   | <b>6,948</b>           | <b>11,341</b>        | <b>6,914</b>            | <b>6,996</b>            | <b>10,457</b>          | <b>13,208</b>           | <b>18,396</b>          | <b>11,274</b>           | <b>37,510</b>           | <b>42,596</b>          | <b>41,821</b>          | <b>40,301</b>           | <b>54,915</b>          | <b>67,145</b>        | <b>67,131</b>           | <b>58,571</b>           |
| <b>CASH FLOW - DIRECT (\$000)</b>                                       | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b>    | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b>  | <b>2017<br/>Fcst</b>   | <b>2017<br/>Budget</b> | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b> | <b>2017<br/>Budget</b>  | <b>2016<br/>Actuals</b> |
| Operating Revenues  | 9,733                  | 9,237                | 9,134                   | 8,815                   | 19,197                 | 18,189                  | 18,259                 | 18,498                  | 33,569                  | 32,031                 | 31,809                 | 31,673                  | 62,499                 | 59,457               | 59,202                  | 58,986                  |
| Operating Expenses (ex D&A)   | (5,980)                | (5,637)              | (5,865)                 | (4,813)                 | (14,132)               | (14,081)                | (14,632)               | (17,186)                | (16,802)                | (16,722)               | (16,862)               | (15,831)                | (36,914)               | (36,440)             | (37,359)                | (37,830)                |
| Cash From Operations  | 3,753                  | 3,600                | 3,269                   | 4,002                   | 5,065                  | 4,108                   | 3,627                  | 1,312                   | 16,767                  | 15,309                 | 14,947                 | 15,842                  | 25,585                 | 23,017               | 21,843                  | 21,156                  |
| Interest Received   | 125                    | 125                  | 200                     | 92                      | 5                      | 5                       | 119                    | 119                     | 348                     | 448                    | 302                    | 387                     | 478                    | 578                  | 621                     | 598                     |
| Cash Available for Debt Service   | 3,878                  | 3,725                | 3,469                   | 4,094                   | 5,070                  | 4,113                   | 3,746                  | 1,431                   | 17,115                  | 15,757                 | 15,249                 | 16,229                  | 26,063                 | 23,595               | 22,464                  | 21,754                  |
| Debt Service  | (3,744)                | (3,224)              | (3,182)                 | (2,691)                 | (690)                  | (690)                   | (1,979)                | (813)                   | (13,748)                | (13,048)               | (13,048)               | (13,048)                | (18,182)               | (16,962)             | (18,209)                | (16,552)                |
| Net Cash Available After Debt Service                                   | 134                    | 501                  | 287                     | 1,403                   | 4,380                  | 3,423                   | 1,767                  | 618                     | 3,367                   | 2,709                  | 2,201                  | 3,181                   | 7,881                  | 6,633                | 4,255                   | 5,202                   |
| Non-Operating Revenues (Expenses)                                       | 746                    | 726                  | 560                     | 743                     | 1,107                  | 1,107                   | 1,093                  | 1,209                   | 452                     | 493                    | 850                    | 2,974                   | 2,305                  | 2,326                | 2,503                   | 4,926                   |
| Changes in Working Capital  | -                      | -                    | -                       | 871                     | -                      | -                       | -                      | (334)                   | -                       | -                      | -                      | (963)                   | -                      | -                    | -                       | (426)                   |
| Net Cash Available For Capital Financing & Investment Activity          | 880                    | 1,227                | 847                     | 3,017                   | 5,487                  | 4,530                   | 2,860                  | 1,493                   | 3,819                   | 3,202                  | 3,051                  | 5,192                   | 10,186                 | 8,959                | 6,758                   | 9,702                   |
| Capital Spending  | (9,296)                | (4,718)              | (7,447)                 | (4,186)                 | (11,718)               | (5,066)                 | (6,613)                | (2,425)                 | (12,593)                | (10,346)               | (10,671)               | (13,877)                | (33,607)               | (20,130)             | (24,731)                | (20,488)                |
| <b>Net Cash Flow</b>  | <b>(4,393)</b>         | <b>4,345</b>         | <b>(82)</b>             | <b>(725)</b>            | <b>(2,751)</b>         | <b>1,934</b>            | <b>7,122</b>           | <b>(1,161)</b>          | <b>(5,086)</b>          | <b>2,295</b>           | <b>1,520</b>           | <b>1,215</b>            | <b>(12,230)</b>        | <b>8,574</b>         | <b>8,560</b>            | <b>(671)</b>            |
| Beginning Balance   | 11,341                 | 6,996                | 6,996                   | 7,721                   | 13,208                 | 11,274                  | 11,274                 | 12,435                  | 42,596                  | 40,301                 | 40,301                 | 39,086                  | 67,145                 | 58,571               | 58,571                  | 59,242                  |
| <b>Ending Balance</b>   | <b>6,948</b>           | <b>11,341</b>        | <b>6,914</b>            | <b>6,996</b>            | <b>10,457</b>          | <b>13,208</b>           | <b>18,396</b>          | <b>11,274</b>           | <b>37,510</b>           | <b>42,596</b>          | <b>41,821</b>          | <b>40,301</b>           | <b>54,915</b>          | <b>67,145</b>        | <b>67,131</b>           | <b>58,571</b>           |
| <b>DEBT SERVICE COVERAGE RATIO</b>                                      | <b>1.24</b>            | <b>1.38</b>          | <b>1.27</b>             | <b>1.80</b>             | <b>8.95</b>            | <b>7.57</b>             | <b>2.45</b>            | <b>3.25</b>             | <b>1.25</b>             | <b>1.22</b>            | <b>1.21</b>            | <b>1.43</b>             | <b>1.53</b>            | <b>1.50</b>          | <b>1.34</b>             | <b>1.58</b>             |
| <b>BALANCE SHEET (\$000)</b>  | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b> | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b>  | <b>2017<br/>Fcst</b>   | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b>    | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b>   | <b>2016<br/>Actuals</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Fcst</b> | <b>2016<br/>Actuals</b> | <b>2016<br/>Actuals</b> |
| <b>Assets and Deferred Outflows</b>                                     |                        |                      |                         |                         |                        |                         |                        |                         |                         |                        |                        |                         |                        |                      |                         |                         |
| Cash and Cash Equivalents   | 4,120                  | 8,513                | 4,168                   | 10,120                  | 12,871                 | 10,937                  | 3,638                  | 8,724                   | 6,429                   | 17,878                 | 30,108                 | 21,534                  | 9,472                  | 12,952               | 16,582                  | 16,582                  |
| Investments - Unrestricted  | 7,089                  | 7,089                | 8,249                   | 2,383                   | 5,863                  | 8,333                   | -                      | -                       | -                       | 14,033                 | 14,033                 | 14,033                  | 14,033                 | 14,033               | 14,033                  | 14,033                  |
| Other Current Assets  | 3,197                  | 3,197                | 3,197                   | 2,070                   | 2,070                  | 2,070                   | 8,766                  | 8,766                   | 8,766                   | 37,037                 | 37,037                 | 37,037                  | 37,037                 | 37,037               | 37,037                  | 37,037                  |
| Cash and Cash Equivalents - Restricted                                  | 2,828                  | 2,828                | 2,828                   | 337                     | 337                    | 337                     | 12,140                 | 12,140                  | 18,140                  | 17,850                 | 21,850                 | 19,065                  | 4,352                  | 4,352                | 4,352                   | 4,352                   |
| Investments - Restricted  | 5,710                  | 9,710                | 925                     | -                       | -                      | -                       | 435                    | (1,578)                 | 1,436                   | 204,628                | 189,628                | 190,589                 | 253,069                | 253,069              | 253,069                 | 253,069                 |
| Other Restricted Assets   | 4,352                  | 4,352                | 4,352                   | -                       | -                      | -                       | 248,921                | 248,921                 | 248,921                 | 2,750                  | 2,750                  | 2,750                   | 2,750                  | 2,750                | 2,750                   | 2,750                   |
| Capital Assets, net of Accumulated Depreciation                         | 109,998                | 103,652              | 101,988                 | 94,195                  | 87,554                 | 87,165                  | 309,511                | 312,584                 | 319,303                 | 561,069                | 565,779                | 559,011                 | 561,069                | 565,779              | 559,011                 | 559,011                 |
| Other Long-Term Assets  | 1,295                  | 1,295                | 1,295                   | 2,853                   | 2,853                  | 2,853                   | 1,739                  | 1,739                   | 1,739                   | 1,739                  | 1,739                  | 1,739                   | 1,739                  | 1,739                | 1,739                   | 1,739                   |
| Deferred Outflows   | 775                    | 775                  | 775                     | 236                     | 236                    | 236                     | 1,739                  | 1,739                   | 1,739                   | 1,739                  | 1,739                  | 1,739                   | 1,739                  | 1,739                | 1,739                   | 1,739                   |
| <b>Total Assets and Deferred Outflows</b>                               | <b>139,364</b>         | <b>141,411</b>       | <b>127,777</b>          | <b>112,194</b>          | <b>111,784</b>         | <b>111,931</b>          | <b>309,511</b>         | <b>312,584</b>          | <b>319,303</b>          | <b>561,069</b>         | <b>565,779</b>         | <b>559,011</b>          | <b>561,069</b>         | <b>565,779</b>       | <b>559,011</b>          | <b>559,011</b>          |
| <b>Liabilities and Net Position</b>                                     |                        |                      |                         |                         |                        |                         |                        |                         |                         |                        |                        |                         |                        |                      |                         |                         |
| Current Liabilities   | 3,769                  | 3,769                | 3,769                   | 1,999                   | 1,999                  | 1,999                   | 9,580                  | 6,167                   | 2,754                   | 15,348                 | 11,935                 | 8,522                   | 406,141                | 407,574              | 394,901                 | 394,901                 |
| Long-Term Liabilities   | 45,651                 | 47,392               | 33,737                  | 7,840                   | 8,314                  | 8,788                   | 352,650                | 351,868                 | 352,376                 | 139,580                | 146,270                | 155,588                 | 139,580                | 146,270              | 155,588                 | 155,588                 |
| Net Position  | 89,944                 | 90,250               | 90,271                  | 102,355                 | 101,471                | 101,144                 | (52,719)               | (45,451)                | (35,827)                | 561,069                | 565,779                | 559,011                 | 561,069                | 565,779              | 559,011                 | 559,011                 |
| <b>Total Liabilities and Net Position</b>                               | <b>139,364</b>         | <b>141,411</b>       | <b>127,777</b>          | <b>112,194</b>          | <b>111,784</b>         | <b>111,931</b>          | <b>309,511</b>         | <b>312,584</b>          | <b>319,303</b>          | <b>561,069</b>         | <b>565,779</b>         | <b>559,011</b>          | <b>561,069</b>         | <b>565,779</b>       | <b>559,011</b>          | <b>559,011</b>          |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
CASH FLOW (DIRECT)  
\$000

|  | SUBURBAN WATER |                |                |                | SUBURBAN WASTEWATER |                 |                 |                 | CITY DIVISION   |                 |                 |                 | TOTAL LCA       |                 |                 |                 |
|--|----------------|----------------|----------------|----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2018<br>Budget | 2017<br>Fcst   | 2017<br>Budget | 2016<br>Actual | 2018<br>Budget      | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  |
| <b>OPERATING REVENUES</b>                            |                |                |                |                |                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for Services                                 | 9,591          | 9,095          | 8,894          | 8,677          | 18,997              | 17,989          | 18,059          | 18,296          | 33,494          | 31,956          | 31,734          | 31,599          | 62,082          | 59,040          | 58,687          | 58,572          |
| Rent   | 91             | 91             | 137            | 97             | -                   | -               | -               | -               | -               | -               | -               | -               | 91              | 91              | 137             | 97              |
| Other income   | 51             | 51             | 103            | 41             | 200                 | 200             | 200             | 202             | 75              | 75              | 75              | 74              | 326             | 326             | 378             | 317             |
| <b>Total Operating Revenues</b>                      | <u>9,733</u>   | <u>9,237</u>   | <u>9,134</u>   | <u>8,815</u>   | <u>19,197</u>       | <u>18,189</u>   | <u>18,259</u>   | <u>18,498</u>   | <u>33,569</u>   | <u>32,031</u>   | <u>31,809</u>   | <u>31,673</u>   | <u>62,499</u>   | <u>59,457</u>   | <u>59,202</u>   | <u>58,986</u>   |
| <b>OPERATING EXPENSES (CASH BASED)</b>               |                |                |                |                |                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Salaries and Wages                                   | (1,064)        | (1,055)        | (943)          | (1,028)        | (462)               | (427)           | (392)           | (441)           | (5,483)         | (5,089)         | (5,470)         | (3,665)         | (7,009)         | (6,571)         | (6,805)         | (5,134)         |
| General and Administrative                           | (1,252)        | (1,260)        | (1,064)        | (1,046)        | (464)               | (423)           | (370)           | (565)           | (5,989)         | (6,385)         | (5,568)         | (6,361)         | (7,705)         | (8,068)         | (7,002)         | (7,972)         |
| Utilities  | (584)          | (450)          | (493)          | (426)          | (285)               | (229)           | (280)           | (205)           | (1,983)         | (1,739)         | (2,048)         | (1,864)         | (2,852)         | (2,418)         | (2,821)         | (2,495)         |
| Materials and Supplies                               | (321)          | (365)          | (537)          | (288)          | (372)               | (108)           | (395)           | (189)           | (1,489)         | (1,560)         | (1,709)         | (1,333)         | (2,182)         | (2,033)         | (2,641)         | (1,810)         |
| Miscellaneous Services                               | (2,759)        | (2,507)        | (2,828)        | (2,025)        | (8,579)             | (8,444)         | (9,295)         | (7,140)         | (1,846)         | (1,939)         | (2,055)         | (2,597)         | (13,184)        | (12,890)        | (14,178)        | (11,762)        |
| Treatment and Transportation                         | -              | -              | -              | -              | (3,970)             | (4,450)         | (3,900)         | (8,646)         | (12)            | (10)            | (12)            | (11)            | (3,982)         | (4,460)         | (3,912)         | (8,657)         |
| <b>Total Operating Expenses</b>                      | <u>(5,980)</u> | <u>(5,637)</u> | <u>(5,865)</u> | <u>(4,813)</u> | <u>(14,132)</u>     | <u>(14,081)</u> | <u>(14,632)</u> | <u>(17,186)</u> | <u>(16,802)</u> | <u>(16,722)</u> | <u>(16,862)</u> | <u>(15,831)</u> | <u>(36,914)</u> | <u>(36,440)</u> | <u>(37,359)</u> | <u>(37,830)</u> |
| <b>CASH FROM OPERATIONS</b>                          | <u>3,753</u>   | <u>3,600</u>   | <u>3,269</u>   | <u>4,002</u>   | <u>5,065</u>        | <u>4,108</u>    | <u>3,627</u>    | <u>1,312</u>    | <u>16,767</u>   | <u>15,309</u>   | <u>14,947</u>   | <u>15,842</u>   | <u>25,585</u>   | <u>23,017</u>   | <u>21,843</u>   | <u>21,156</u>   |
| Interest Received                                    | 125            | 125            | 200            | 92             | 5                   | 5               | 119             | 119             | 348             | 448             | 302             | 387             | 478             | 578             | 621             | 598             |
| <b>CASH AVAILABLE FOR DEBT SERVICE</b>               | <u>3,878</u>   | <u>3,725</u>   | <u>3,469</u>   | <u>4,094</u>   | <u>5,070</u>        | <u>4,113</u>    | <u>3,746</u>    | <u>1,431</u>    | <u>17,115</u>   | <u>15,757</u>   | <u>15,249</u>   | <u>16,229</u>   | <u>26,063</u>   | <u>23,595</u>   | <u>22,464</u>   | <u>21,754</u>   |
| <b>DEBT SERVICE</b>                                  |                |                |                |                |                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Interest and Fees Paid                               | (2,003)        | (1,587)        | (1,348)        | (1,051)        | (216)               | (216)           | (852)           | (195)           | (13,322)        | (13,048)        | (13,048)        | (13,048)        | (15,541)        | (14,851)        | (15,248)        | (14,294)        |
| Principal Paid                                       | (1,741)        | (1,637)        | (1,834)        | (1,640)        | (474)               | (474)           | (1,127)         | (618)           | (426)           | -               | -               | -               | (2,641)         | (2,111)         | (2,961)         | (2,258)         |
| <b>Total Debt Service</b>                            | <u>(3,744)</u> | <u>(3,224)</u> | <u>(3,182)</u> | <u>(2,691)</u> | <u>(690)</u>        | <u>(690)</u>    | <u>(1,979)</u>  | <u>(813)</u>    | <u>(13,748)</u> | <u>(13,048)</u> | <u>(13,048)</u> | <u>(13,048)</u> | <u>(18,182)</u> | <u>(16,962)</u> | <u>(18,209)</u> | <u>(16,552)</u> |
| <b>NET CASH AVAILABLE AFTER DEBT SERVICE</b>         | <u>134</u>     | <u>501</u>     | <u>287</u>     | <u>1,403</u>   | <u>4,380</u>        | <u>3,423</u>    | <u>1,767</u>    | <u>618</u>      | <u>3,367</u>    | <u>2,709</u>    | <u>2,201</u>    | <u>3,181</u>    | <u>7,881</u>    | <u>6,633</u>    | <u>4,255</u>    | <u>5,202</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                |                |                |                |                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Tapping and Capital Recovery Fees                    | 485            | 472            | 280            | 426            | 1,015               | 1,015           | 1,000           | 1,165           | 144             | 144             | 250             | 1,171           | 1,644           | 1,631           | 1,530           | 2,762           |
| Meter Sales  | 105            | 102            | 80             | 156            | -                   | -               | -               | 12              | 15              | 15              | 15              | 13              | 120             | 117             | 95              | 181             |
| Inspection, Plan Reviews, and Project Reimbursements | 156            | 152            | 200            | 161            | 92                  | 92              | 93              | 31              | 293             | 293             | 300             | 1,396           | 541             | 537             | 593             | 1,588           |
| Other Income   | 23             | 169            | 334            | 112            | -                   | -               | -               | 1               | 2,480           | 3,988           | 3,933           | 821             | 2,503           | 4,157           | 4,267           | 934             |
| Less: Project Reimbursement                          | (23)           | (169)          | (334)          | (112)          | -                   | -               | -               | -               | (2,480)         | (3,947)         | (3,648)         | (400)           | (2,503)         | (4,116)         | (3,982)         | (512)           |
| Other Expense  | -              | (104)          | (100)          | (157)          | (301)               | (301)           | (300)           | (65)            | (4,980)         | (7,960)         | (7,904)         | (4,026)         | (5,281)         | (8,365)         | (8,304)         | (4,248)         |
| Less: Expensed Capex                                 | -              | 104            | 100            | 157            | 301                 | 301             | 300             | 65              | 4,980           | 7,960           | 7,904           | 3,999           | 5,281           | 8,365           | 8,304           | 4,221           |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <u>746</u>     | <u>726</u>     | <u>560</u>     | <u>743</u>     | <u>1,107</u>        | <u>1,107</u>    | <u>1,093</u>    | <u>1,209</u>    | <u>452</u>      | <u>493</u>      | <u>850</u>      | <u>2,974</u>    | <u>2,305</u>    | <u>2,326</u>    | <u>2,503</u>    | <u>4,926</u>    |
| Changes in Assets and Liabilities                    | -              | -              | -              | 871            | -                   | -               | -               | (334)           | -               | -               | -               | (963)           | -               | -               | -               | (426)           |
| <b>NET CASH AVAILABLE FOR CAPITAL</b>                | <u>880</u>     | <u>1,227</u>   | <u>847</u>     | <u>3,017</u>   | <u>5,487</u>        | <u>4,530</u>    | <u>2,860</u>    | <u>1,493</u>    | <u>3,819</u>    | <u>3,202</u>    | <u>3,051</u>    | <u>5,192</u>    | <u>10,186</u>   | <u>8,959</u>    | <u>6,758</u>    | <u>9,702</u>    |
| <b>FINANCING AND INVESTMENT ACTIVITY</b>             |                |                |                |                |                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Grants Received                                      | -              | -              | -              | -              | -                   | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| New Borrowing  | -              | 15,292         | 5,900          | -              | -                   | -               | 10,875          | 395             | 1,720           | -               | -               | -               | 1,720           | 15,292          | 16,775          | 395             |
| Investments Converted to Cash                        | 4,000          | 1,160          | 284            | 4,852          | 3,480               | 2,470           | -               | 5,476           | -               | 6,000           | 6,000           | 10,000          | 7,480           | 9,630           | 6,284           | 20,328          |
| New Investments From Cash                            | -              | (8,785)        | -              | (4,520)        | -                   | -               | -               | (6,100)         | -               | -               | -               | -               | -               | (8,785)         | -               | (10,620)        |
| Annual Lease Payments                                | -              | -              | -              | -              | -                   | -               | -               | -               | (512)           | (508)           | (508)           | (500)           | (512)           | (508)           | (508)           | (500)           |
| Project Reimbursements                               | 23             | 169            | 334            | 112            | -                   | -               | -               | -               | 2,480           | 3,947           | 3,648           | 400             | 2,503           | 4,116           | 3,982           | 512             |
| <b>Total Financing &amp; Investment Activity</b>     | <u>4,023</u>   | <u>7,836</u>   | <u>6,518</u>   | <u>444</u>     | <u>3,480</u>        | <u>2,470</u>    | <u>10,875</u>   | <u>(229)</u>    | <u>3,688</u>    | <u>9,439</u>    | <u>9,140</u>    | <u>9,900</u>    | <u>11,191</u>   | <u>19,745</u>   | <u>26,533</u>   | <u>10,115</u>   |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
CASH FLOW (DIRECT)  
\$000

|   | SUBURBAN WATER |                |                |                | SUBURBAN WASTEWATER |                |                |                | CITY DIVISION   |                 |                 |                 | TOTAL LCA       |                 |                 |                 |
|---|----------------|----------------|----------------|----------------|---------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2018<br>Budget | 2017<br>Fcst   | 2017<br>Budget | 2016<br>Actual | 2018<br>Budget      | 2017<br>Fcst   | 2017<br>Budget | 2016<br>Actual | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  |
| <b>CAPITAL SPENDING</b>                     |                |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Net Capital Spending                        | (9,296)        | (4,614)        | (7,347)        | (4,029)        | (11,417)            | (4,765)        | (6,313)        | (2,360)        | (7,613)         | (2,386)         | (2,767)         | (9,878)         | (28,326)        | (11,765)        | (16,427)        | (16,267)        |
| Add: Expensed Capex                         | -              | (104)          | (100)          | (157)          | (301)               | (301)          | (300)          | (65)           | (4,980)         | (7,960)         | (7,904)         | (3,999)         | (5,281)         | (8,365)         | (8,304)         | (4,221)         |
| <b>Total Capital Spending</b>               | <u>(9,296)</u> | <u>(4,718)</u> | <u>(7,447)</u> | <u>(4,186)</u> | <u>(11,718)</u>     | <u>(5,066)</u> | <u>(6,613)</u> | <u>(2,425)</u> | <u>(12,593)</u> | <u>(10,346)</u> | <u>(10,671)</u> | <u>(13,877)</u> | <u>(33,607)</u> | <u>(20,130)</u> | <u>(24,731)</u> | <u>(20,488)</u> |
| <b>NET CASH FLOW TO FUND</b>                | <u>(4,393)</u> | <u>4,345</u>   | <u>(82)</u>    | <u>(725)</u>   | <u>(2,751)</u>      | <u>1,934</u>   | <u>7,122</u>   | <u>(1,161)</u> | <u>(5,086)</u>  | <u>2,295</u>    | <u>1,520</u>    | <u>1,215</u>    | <u>(12,230)</u> | <u>8,574</u>    | <u>8,560</u>    | <u>(671)</u>    |
| <b>DEBT SERVICE RATIO (INDENTURE BASED)</b> |                |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Total Operating Revenues                    | 9,733          | 9,237          | 9,134          | 8,815          | 19,197              | 18,189         | 18,259         | 18,498         | 33,569          | 32,031          | 31,809          | 31,673          | 62,499          | 59,457          | 59,202          | 58,986          |
| Total Operating Expenses (Cash Based)       | (5,980)        | (5,637)        | (5,865)        | (4,813)        | (14,132)            | (14,081)       | (14,632)       | (17,186)       | (16,802)        | (16,722)        | (16,862)        | (15,831)        | (36,914)        | (36,440)        | (37,359)        | (37,830)        |
| Interest Income                             | 125            | 125            | 200            | 92             | 5                   | 5              | 119            | 119            | 348             | 448             | 302             | 387             | 478             | 578             | 621             | 598             |
| Annual Lease Payment (City)                 | -              | -              | -              | -              | -                   | -              | -              | -              | (512)           | (508)           | (508)           | (500)           | (512)           | (508)           | (508)           | (500)           |
| Total Non-Operating Revenues (Expenses)     | 746            | 726            | 560            | 743            | 1,107               | 1,107          | 1,093          | 1,209          | 527             | 647             | 1,029           | 2,974           | 2,305           | 2,326           | 2,503           | 4,926           |
| <b>Cash Available For Debt Service</b>      | <u>4,624</u>   | <u>4,451</u>   | <u>4,029</u>   | <u>4,837</u>   | <u>6,177</u>        | <u>5,220</u>   | <u>4,839</u>   | <u>2,640</u>   | <u>17,130</u>   | <u>15,896</u>   | <u>15,770</u>   | <u>18,703</u>   | <u>27,856</u>   | <u>25,413</u>   | <u>24,459</u>   | <u>26,180</u>   |
| <b>Total Debt Service</b>                   | <u>3,744</u>   | <u>3,224</u>   | <u>3,182</u>   | <u>2,691</u>   | <u>690</u>          | <u>690</u>     | <u>1,979</u>   | <u>813</u>     | <u>13,748</u>   | <u>13,048</u>   | <u>13,048</u>   | <u>13,048</u>   | <u>18,182</u>   | <u>16,962</u>   | <u>18,209</u>   | <u>16,552</u>   |
| <b>Debt Service Ratio</b>                   | <u>1.24</u>    | <u>1.38</u>    | <u>1.27</u>    | <u>1.80</u>    | <u>8.95</u>         | <u>7.57</u>    | <u>2.45</u>    | <u>3.25</u>    | <u>1.25</u>     | <u>1.22</u>     | <u>1.21</u>     | <u>1.43</u>     | <u>1.53</u>     | <u>1.50</u>     | <u>1.34</u>     | <u>1.58</u>     |
| <b>CAPITAL COVERAGE RATIO</b>               |                |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Adjusted Net Available for Capital          | 903            | 1,396          | 1,181          | 3,129          | 5,487               | 4,530          | 2,860          | 1,493          | 6,299           | 7,149           | 6,699           | 5,592           | 12,689          | 13,075          | 10,740          | 10,214          |
| Total Capex                                 | 9,296          | 4,718          | 7,447          | 4,186          | 11,718              | 5,066          | 6,613          | 2,425          | 12,593          | 10,346          | 10,671          | 13,877          | 33,607          | 20,130          | 24,731          | 20,488          |
| <b>Capital Coverage Ratio</b>               | <u>0.10</u>    | <u>0.30</u>    | <u>0.16</u>    | <u>0.75</u>    | <u>0.47</u>         | <u>0.89</u>    | <u>0.43</u>    | <u>0.62</u>    | <u>0.50</u>     | <u>0.69</u>     | <u>0.63</u>     | <u>0.40</u>     | <u>0.38</u>     | <u>0.65</u>     | <u>0.43</u>     | <u>0.50</u>     |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
STATEMENT OF CHANGES IN NET POSITION  
\$000

|   | SUBURBAN WATER |                |                |                | SUBURBAN WASTEWATER |                |                |                | CITY DIVISION   |                 |                 |                 | TOTAL LCA       |                 |                 |                 |
|---|----------------|----------------|----------------|----------------|---------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2018<br>Budget | 2017<br>Fcst   | 2017<br>Budget | 2016<br>Actual | 2018<br>Budget      | 2017<br>Fcst   | 2017<br>Budget | 2016<br>Actual | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  |
| <b>OPERATING REVENUES</b>   |                |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for Services  | 9,591          | 9,095          | 8,894          | 8,677          | 18,997              | 17,989         | 18,059         | 18,296         | 33,494          | 31,956          | 31,734          | 31,599          | 62,082          | 59,040          | 58,687          | 58,572          |
| Rent  | 91             | 91             | 137            | 97             | -                   | -              | -              | -              | -               | -               | -               | -               | 91              | 91              | 137             | 97              |
| Other income  | 51             | 51             | 103            | 41             | 200                 | 200            | 200            | 202            | 75              | 75              | 75              | 74              | 326             | 326             | 378             | 317             |
| <b>Total Operating Revenues</b>   | <u>9,733</u>   | <u>9,237</u>   | <u>9,134</u>   | <u>8,815</u>   | <u>19,197</u>       | <u>18,189</u>  | <u>18,259</u>  | <u>18,498</u>  | <u>33,569</u>   | <u>32,031</u>   | <u>31,809</u>   | <u>31,673</u>   | <u>62,499</u>   | <u>59,457</u>   | <u>59,202</u>   | <u>58,986</u>   |
| <b>OPERATING EXPENSES</b>   |                |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Salaries and Wages  | 1,064          | 1,055          | 943            | 1,028          | 462                 | 427            | 392            | 441            | 5,483           | 5,089           | 5,470           | 3,665           | 7,009           | 6,571           | 6,805           | 5,134           |
| General and Administrative  | 1,252          | 1,260          | 1,064          | 1,046          | 464                 | 423            | 370            | 565            | 5,989           | 6,385           | 5,568           | 6,361           | 7,705           | 8,068           | 7,002           | 7,972           |
| Utilities   | 584            | 450            | 493            | 426            | 285                 | 229            | 280            | 205            | 1,983           | 1,739           | 2,048           | 1,864           | 2,852           | 2,418           | 2,821           | 2,495           |
| Materials and Supplies  | 321            | 365            | 537            | 288            | 372                 | 108            | 395            | 189            | 1,489           | 1,560           | 1,709           | 1,333           | 2,182           | 2,033           | 2,641           | 1,810           |
| Miscellaneous Services  | 2,759          | 2,507          | 2,828          | 2,025          | 8,579               | 8,444          | 9,295          | 7,140          | 1,846           | 1,939           | 2,055           | 2,597           | 13,184          | 12,890          | 14,178          | 11,762          |
| Treatment and Transportation  | -              | -              | -              | -              | 3,970               | 4,450          | 3,900          | 8,646          | 12              | 10              | 12              | 11              | 3,982           | 4,460           | 3,912           | 8,657           |
| Depreciation and Amortization   | 2,950          | 2,950          | 2,950          | 2,588          | 4,776               | 4,376          | 3,925          | 4,501          | 5,600           | 5,400           | 5,600           | 5,834           | 13,326          | 12,726          | 12,475          | 12,923          |
| <b>Total Operating Expenses</b>   | <u>8,930</u>   | <u>8,587</u>   | <u>8,815</u>   | <u>7,401</u>   | <u>18,908</u>       | <u>18,457</u>  | <u>18,557</u>  | <u>21,687</u>  | <u>22,402</u>   | <u>22,122</u>   | <u>22,462</u>   | <u>21,665</u>   | <u>50,240</u>   | <u>49,166</u>   | <u>49,834</u>   | <u>50,753</u>   |
| <b>Operating Income (Loss)</b>  | <u>803</u>     | <u>650</u>     | <u>319</u>     | <u>1,414</u>   | <u>289</u>          | <u>(268)</u>   | <u>(298)</u>   | <u>(3,189)</u> | <u>11,167</u>   | <u>9,909</u>    | <u>9,347</u>    | <u>10,008</u>   | <u>12,259</u>   | <u>10,291</u>   | <u>9,368</u>    | <u>8,233</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                                |                |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Tapping and Capital Recovery Fees                                       | 485            | 472            | 280            | 426            | 1,015               | 1,015          | 1,000          | 1,165          | 144             | 144             | 250             | 1,171           | 1,644           | 1,631           | 1,530           | 2,762           |
| Meter Sales   | 105            | 102            | 80             | 156            | -                   | -              | -              | 12             | 15              | 15              | 15              | 13              | 120             | 117             | 95              | 181             |
| Inspection, Plan Reviews, and Project Reimbursements                    | 156            | 152            | 200            | 161            | 92                  | 92             | 93             | 31             | 293             | 293             | 300             | 1,396           | 541             | 537             | 593             | 1,588           |
| Other Income  | 23             | 169            | 334            | 112            | -                   | -              | -              | 1              | 2,480           | 3,988           | 3,933           | 821             | 2,503           | 4,157           | 4,267           | 934             |
| Other Expense   | -              | (104)          | (100)          | (157)          | (301)               | (301)          | (300)          | (65)           | (4,980)         | (7,960)         | (7,904)         | (4,026)         | (5,281)         | (8,365)         | (8,304)         | (4,248)         |
| <b>Total Non-Operating Revenues (Expenses)</b>                          | <u>769</u>     | <u>791</u>     | <u>794</u>     | <u>698</u>     | <u>806</u>          | <u>806</u>     | <u>793</u>     | <u>1,144</u>   | <u>(2,048)</u>  | <u>(3,520)</u>  | <u>(3,406)</u>  | <u>(625)</u>    | <u>(473)</u>    | <u>(1,923)</u>  | <u>(1,819)</u>  | <u>1,217</u>    |
| <b>Income Before Interest</b>   | <u>1,572</u>   | <u>1,441</u>   | <u>1,113</u>   | <u>2,112</u>   | <u>1,095</u>        | <u>538</u>     | <u>495</u>     | <u>(2,045)</u> | <u>9,119</u>    | <u>6,389</u>    | <u>5,941</u>    | <u>9,383</u>    | <u>11,786</u>   | <u>8,368</u>    | <u>7,549</u>    | <u>9,450</u>    |
| <b>Interest Income</b>  | <u>125</u>     | <u>125</u>     | <u>200</u>     | <u>92</u>      | <u>5</u>            | <u>5</u>       | <u>119</u>     | <u>119</u>     | <u>348</u>      | <u>448</u>      | <u>302</u>      | <u>387</u>      | <u>478</u>      | <u>578</u>      | <u>621</u>      | <u>598</u>      |
| <b>Interest Expense</b>   | <u>(2,003)</u> | <u>(1,587)</u> | <u>(1,348)</u> | <u>(1,140)</u> | <u>(216)</u>        | <u>(216)</u>   | <u>(852)</u>   | <u>(195)</u>   | <u>(16,735)</u> | <u>(16,461)</u> | <u>(16,461)</u> | <u>(18,280)</u> | <u>(18,954)</u> | <u>(18,264)</u> | <u>(18,661)</u> | <u>(19,615)</u> |
| <b>Increase (Decrease) in Net Position Before Capital Contributions</b> | <u>(306)</u>   | <u>(21)</u>    | <u>(35)</u>    | <u>1,064</u>   | <u>884</u>          | <u>327</u>     | <u>(238)</u>   | <u>(2,121)</u> | <u>(7,268)</u>  | <u>(9,624)</u>  | <u>(10,218)</u> | <u>(8,510)</u>  | <u>(6,690)</u>  | <u>(9,318)</u>  | <u>(10,491)</u> | <u>(9,567)</u>  |
| <b>CAPITAL CONTRIBUTIONS</b>  |                |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Capital Grants  | -              | -              | -              | 212            | -                   | -              | -              | -              | -               | -               | -               | -               | -               | -               | -               | 212             |
| Capital Assets Provided   | -              | -              | -              | 3,348          | -                   | -              | -              | 986            | -               | -               | -               | -               | -               | -               | -               | 4,334           |
| <b>Total Capital Contributions</b>                                      | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>3,560</u>   | <u>-</u>            | <u>-</u>       | <u>-</u>       | <u>986</u>     | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>4,546</u>    |
| <b>INCREASE (DECREASE) IN NET POSITION</b>                              | <u>(306)</u>   | <u>(21)</u>    | <u>(35)</u>    | <u>4,624</u>   | <u>884</u>          | <u>327</u>     | <u>(238)</u>   | <u>(1,135)</u> | <u>(7,268)</u>  | <u>(9,624)</u>  | <u>(10,218)</u> | <u>(8,510)</u>  | <u>(6,690)</u>  | <u>(9,318)</u>  | <u>(10,491)</u> | <u>(5,021)</u>  |
| Net Position Beginning of Year  | 90,250         | 90,271         | 90,271         | 85,647         | 101,471             | 101,144        | 101,144        | 102,279        | (45,451)        | (35,827)        | (35,827)        | (27,317)        | 146,270         | 155,588         | 155,588         | 160,609         |
| Cumulative Changes  | -              | -              | -              | -              | -                   | -              | -              | -              | -               | -               | -               | -               | -               | -               | -               | -               |
| <b>NET POSITION AT END OF YEAR</b>                                      | <u>89,944</u>  | <u>90,250</u>  | <u>90,236</u>  | <u>90,271</u>  | <u>102,355</u>      | <u>101,471</u> | <u>100,906</u> | <u>101,144</u> | <u>(52,719)</u> | <u>(45,451)</u> | <u>(46,045)</u> | <u>(35,827)</u> | <u>139,580</u>  | <u>146,270</u>  | <u>145,097</u>  | <u>155,588</u>  |

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
BALANCE SHEET  
\$000

|  | SUBURBAN WATER |                |                 | SUBURBAN WASTEWATER |                |                 | CITY DIVISION  |                |                 | TOTAL LCA      |                |                 |
|--|----------------|----------------|-----------------|---------------------|----------------|-----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
|  | 2018<br>Budget | 2017<br>Fcst   | 2016<br>Actuals | 2018<br>Budget      | 2017<br>Fcst   | 2016<br>Actuals | 2018<br>Budget | 2017<br>Fcst   | 2016<br>Actuals | 2018<br>Budget | 2017<br>Fcst   | 2016<br>Actuals |
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                      |                |                |                 |                     |                |                 |                |                |                 |                |                |                 |
| <b>CURRENT ASSETS</b>                                    |                |                |                 |                     |                |                 |                |                |                 |                |                |                 |
| Cash and Cash Equivalents                                | 4,120          | 8,513          | 4,168           | 10,120              | 12,871         | 10,937          | 3,638          | 8,724          | 6,429           | 17,878         | 30,108         | 21,534          |
| Certificates of Deposit                                  | 7,089          | 7,089          | 8,249           | 2,383               | 5,863          | 8,333           | -              | -              | -               | 9,472          | 12,952         | 16,582          |
| Accounts Receivable - Customers                          | 1,443          | 1,443          | 1,443           | 3,057               | 3,057          | 3,057           | 5,724          | 5,724          | 5,724           | 10,224         | 10,224         | 10,224          |
| Accounts Receivable - Financing Contracts                | -              | -              | -               | 303                 | 303            | 303             | -              | -              | -               | 303            | 303            | 303             |
| Accounts Receivable - Others                             | 178            | 178            | 178             | 67                  | 67             | 67              | 2,640          | 2,640          | 2,640           | 2,885          | 2,885          | 2,885           |
| Due From (To) Other Funds                                | 1,428          | 1,428          | 1,428           | (1,449)             | (1,449)        | (1,449)         | 21             | 21             | 21              | -              | -              | -               |
| Inventories  | 45             | 45             | 45              | -                   | -              | -               | -              | -              | -               | 45             | 45             | 45              |
| Accrued Interest Receivable                              | 12             | 12             | 12              | 10                  | 10             | 10              | 2              | 2              | 2               | 24             | 24             | 24              |
| Prepaid Expenses   | 91             | 91             | 91              | 82                  | 82             | 82              | 379            | 379            | 379             | 552            | 552            | 552             |
| <b>Total Current Assets</b>                              | <b>14,406</b>  | <b>18,799</b>  | <b>15,614</b>   | <b>14,573</b>       | <b>20,804</b>  | <b>21,340</b>   | <b>12,404</b>  | <b>17,490</b>  | <b>15,195</b>   | <b>41,383</b>  | <b>57,093</b>  | <b>52,149</b>   |
| <b>NON-CURRENT ASSETS</b>                                |                |                |                 |                     |                |                 |                |                |                 |                |                |                 |
| <b>Restricted</b>  |                |                |                 |                     |                |                 |                |                |                 |                |                |                 |
| Cash and Cash Equivalents                                | 2,828          | 2,828          | 2,828           | 337                 | 337            | 337             | 33,872         | 33,872         | 33,872          | 37,037         | 37,037         | 37,037          |
| Certificates of Deposit                                  | 925            | 925            | 925             | -                   | -              | -               | -              | -              | -               | 925            | 925            | 925             |
| Investment - US Treasury Obligations                     | 4,785          | 8,785          | -               | -                   | -              | -               | 12,140         | 12,140         | 18,140          | 16,925         | 20,925         | 18,140          |
| Developer Escrow Deposits                                | 4,351          | 4,351          | 4,351           | -                   | -              | -               | -              | -              | -               | 4,351          | 4,351          | 4,351           |
| Accrued Interest Receivable                              | 1              | 1              | 1               | -                   | -              | -               | -              | -              | -               | 1              | 1              | 1               |
| <b>Total Restricted Assets</b>                           | <b>12,890</b>  | <b>16,890</b>  | <b>8,105</b>    | <b>337</b>          | <b>337</b>     | <b>337</b>      | <b>46,012</b>  | <b>46,012</b>  | <b>52,012</b>   | <b>59,239</b>  | <b>63,239</b>  | <b>60,454</b>   |
| <b>Capital Assets</b>                                    |                |                |                 |                     |                |                 |                |                |                 |                |                |                 |
| Land   | 1,704          | 1,704          | 1,704           | 1,734               | 1,734          | 1,734           | -              | -              | -               | 3,438          | 3,438          | 3,438           |
| Construction in Progress                                 | 5,016          | 5,016          | 5,016           | 6,645               | 6,645          | 6,645           | -              | -              | -               | 11,661         | 11,661         | 11,661          |
| Wells and Reservoirs                                     | 8,966          | 8,966          | 8,966           | -                   | -              | -               | -              | -              | -               | 8,966          | 8,966          | 8,966           |
| Transmission and Distribution Mains                      | 68,693         | 68,693         | 68,693          | -                   | -              | -               | -              | -              | -               | 68,693         | 68,693         | 68,693          |
| Service and Hydrants                                     | 14,593         | 14,593         | 14,593          | -                   | -              | -               | -              | -              | -               | 14,593         | 14,593         | 14,593          |
| Interceptor and Collector Systems                        | -              | -              | -               | 37,724              | 37,724         | 37,724          | -              | -              | -               | 37,724         | 37,724         | 37,724          |
| Buildings and Structures                                 | 22,378         | 22,378         | 22,378          | 56,534              | 56,534         | 56,534          | -              | -              | -               | 78,912         | 78,912         | 78,912          |
| Metering System  | 8,485          | 8,485          | 8,485           | 421                 | 421            | 421             | -              | -              | -               | 8,906          | 8,906          | 8,906           |
| Equipment and Furnishings                                | 20,193         | 10,897         | 6,283           | 38,067              | 26,650         | 21,885          | 12,745         | 5,132          | 2,746           | 71,005         | 42,679         | 30,914          |
| Capacity   | 1,208          | 1,208          | 1,208           | 1,116               | 1,116          | 1,116           | -              | -              | -               | 2,324          | 2,324          | 2,324           |
| LESS: Accumulated Depreciation                           | (41,238)       | (38,288)       | (35,338)        | (48,046)            | (43,270)       | (38,894)        | (12,310)       | (6,710)        | (1,310)         | (101,594)      | (88,268)       | (75,542)        |
| <b>Total Capital Assets</b>                              | <b>109,998</b> | <b>103,652</b> | <b>101,988</b>  | <b>94,195</b>       | <b>87,554</b>  | <b>87,165</b>   | <b>435</b>     | <b>(1,578)</b> | <b>1,436</b>    | <b>204,628</b> | <b>189,628</b> | <b>190,589</b>  |
| <b>Other Assets</b>                                      |                |                |                 |                     |                |                 |                |                |                 |                |                |                 |
| Long-term Portion of Receivables and Financing Contracts | -              | -              | -               | 2,483               | 2,483          | 2,483           | -              | -              | -               | 2,483          | 2,483          | 2,483           |
| Intangible Service Concession Arrangement                | -              | -              | -               | -                   | -              | -               | 247,290        | 247,290        | 247,290         | 247,290        | 247,290        | 247,290         |
| OPEB Asset   | 1,133          | 1,133          | 1,133           | -                   | -              | -               | -              | -              | -               | 1,133          | 1,133          | 1,133           |
| Other Miscellaneous Assets                               | -              | -              | -               | -                   | -              | -               | 1,631          | 1,631          | 1,631           | 1,631          | 1,631          | 1,631           |
| Facilities Planning Costs, Net                           | 162            | 162            | 162             | 370                 | 370            | 370             | -              | -              | -               | 532            | 532            | 532             |
| <b>Total Other Assets</b>                                | <b>1,295</b>   | <b>1,295</b>   | <b>1,295</b>    | <b>2,853</b>        | <b>2,853</b>   | <b>2,853</b>    | <b>248,921</b> | <b>248,921</b> | <b>248,921</b>  | <b>253,069</b> | <b>253,069</b> | <b>253,069</b>  |
| <b>Total Non-Current Assets</b>                          | <b>124,183</b> | <b>121,837</b> | <b>111,388</b>  | <b>97,385</b>       | <b>90,744</b>  | <b>90,355</b>   | <b>295,368</b> | <b>293,355</b> | <b>302,369</b>  | <b>516,936</b> | <b>505,936</b> | <b>504,112</b>  |
| <b>TOTAL ASSETS</b>                                      | <b>138,589</b> | <b>140,636</b> | <b>127,002</b>  | <b>111,958</b>      | <b>111,548</b> | <b>111,695</b>  | <b>307,772</b> | <b>310,845</b> | <b>317,564</b>  | <b>558,319</b> | <b>563,029</b> | <b>556,261</b>  |
| <b>Deferred Outflows</b>                                 |                |                |                 |                     |                |                 |                |                |                 |                |                |                 |
| Pensions   | 468            | 468            | 468             | 236                 | 236            | 236             | 1,739          | 1,739          | 1,739           | 2,443          | 2,443          | 2,443           |
| Refunding Loss on Bonds                                  | 307            | 307            | 307             | -                   | -              | -               | -              | -              | -               | 307            | 307            | 307             |
| <b>Total Deferred Outflows</b>                           | <b>775</b>     | <b>775</b>     | <b>775</b>      | <b>236</b>          | <b>236</b>     | <b>236</b>      | <b>1,739</b>   | <b>1,739</b>   | <b>1,739</b>    | <b>2,750</b>   | <b>2,750</b>   | <b>2,750</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                | <b>139,364</b> | <b>141,411</b> | <b>127,777</b>  | <b>112,194</b>      | <b>111,784</b> | <b>111,931</b>  | <b>309,511</b> | <b>312,584</b> | <b>319,303</b>  | <b>561,069</b> | <b>565,779</b> | <b>559,011</b>  |

**LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
BALANCE SHEET  
\$000**

[illegible]

LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
CASH FLOW (INDIRECT)  
\$000

|  | SUBURBAN WATER  |                |                |                | SUBURBAN WASTEWATER |                |                |                | CITY DIVISION   |                 |                 |                 | TOTAL LCA       |                 |                 |                 |
|--|-----------------|----------------|----------------|----------------|---------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2018<br>Budget  | 2017<br>Fcst   | 2017<br>Budget | 2016<br>Actual | 2018<br>Budget      | 2017<br>Fcst   | 2017<br>Budget | 2016<br>Actual | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  | 2018<br>Budget  | 2017<br>Fcst    | 2017<br>Budget  | 2016<br>Actual  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                 |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Operating Income (Loss)  | 803             | 650            | 319            | 1,414          | 289                 | (268)          | (298)          | (3,189)        | 11,167          | 9,909           | 9,347           | 10,008          | 12,259          | 10,291          | 9,368           | 8,233           |
| Adjustments:   | -               | -              | -              | -              | -                   | -              | -              | -              | -               | -               | -               | -               | -               | -               | -               | -               |
| Depreciation and Amortization  | 2,950           | 2,950          | 2,950          | 2,588          | 4,776               | 4,376          | 3,925          | 4,501          | 5,600           | 5,400           | 5,600           | 5,834           | 13,326          | 12,726          | 12,475          | 12,923          |
| Changes in Assets and Liabilities  | -               | -              | -              | 713            | -                   | -              | -              | (402)          | -               | -               | -               | (995)           | -               | -               | -               | (684)           |
| <b>Net Cash Provided By (Used In) Operating Activities</b>                     | <u>3,753</u>    | <u>3,600</u>   | <u>3,269</u>   | <u>4,715</u>   | <u>5,065</u>        | <u>4,108</u>   | <u>3,627</u>   | <u>910</u>     | <u>16,767</u>   | <u>15,309</u>   | <u>14,947</u>   | <u>14,847</u>   | <u>25,585</u>   | <u>23,017</u>   | <u>21,843</u>   | <u>20,472</u>   |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                        |                 |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Interest Received  | 125             | 125            | 200            | -              | 5                   | 5              | 119            | -              | 348             | 448             | 302             | 385             | 478             | 578             | 621             | 385             |
| Facility Improvements  | -               | -              | -              | -              | -                   | -              | -              | -              | -               | -               | -               | -               | -               | -               | -               | -               |
| Annual Lease Payments  | -               | -              | -              | -              | -                   | -              | -              | -              | (512)           | (508)           | (508)           | (500)           | (512)           | (508)           | (508)           | (500)           |
| Transfers From/To  | -               | -              | -              | (34)           | -                   | -              | -              | 77             | -               | -               | -               | (42)            | -               | -               | -               | 1               |
| <b>Net Cash Provided By (Used In) Non-Capital Financing Activities</b>         | <u>125</u>      | <u>125</u>     | <u>200</u>     | <u>(34)</u>    | <u>5</u>            | <u>5</u>       | <u>119</u>     | <u>77</u>      | <u>(164)</u>    | <u>(60)</u>     | <u>(206)</u>    | <u>(157)</u>    | <u>(34)</u>     | <u>70</u>       | <u>113</u>      | <u>(114)</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |                 |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Non-Operating Revenues Received  | 769             | 895            | 894            | 1,050          | 1,107               | 1,107          | 1,093          | 1,205          | 2,932           | 4,440           | 4,498           | 3,450           | 4,808           | 6,442           | 6,485           | 5,705           |
| Capital Spending   | (9,296)         | (4,718)        | (7,447)        | (4,186)        | (11,718)            | (5,066)        | (6,613)        | (2,425)        | (12,593)        | (10,346)        | (10,671)        | (13,877)        | (33,607)        | (20,130)        | (24,731)        | (20,488)        |
| Borrowing Proceeds   | -               | 15,292         | 5,900          | -              | -                   | -              | 10,875         | 395            | 1,720           | -               | -               | -               | 1,720           | 15,292          | 16,775          | 395             |
| Interest Payments  | (2,003)         | (1,587)        | (1,348)        | (1,051)        | (216)               | (216)          | (852)          | (195)          | (13,322)        | (13,048)        | (13,048)        | (13,048)        | (15,541)        | (14,851)        | (15,248)        | (14,294)        |
| Principal Payments   | (1,741)         | (1,637)        | (1,834)        | (1,640)        | (474)               | (474)          | (1,127)        | (618)          | (426)           | -               | -               | -               | (2,641)         | (2,111)         | (2,961)         | (2,258)         |
| <b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b> | <u>(12,271)</u> | <u>8,245</u>   | <u>(3,835)</u> | <u>(5,827)</u> | <u>(11,301)</u>     | <u>(4,649)</u> | <u>3,376</u>   | <u>(1,638)</u> | <u>(21,689)</u> | <u>(18,954)</u> | <u>(19,221)</u> | <u>(23,475)</u> | <u>(45,261)</u> | <u>(15,358)</u> | <u>(19,680)</u> | <u>(30,940)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                 |                |                |                |                     |                |                |                |                 |                 |                 |                 |                 |                 |                 |                 |
| Investment Maturities  | 4,000           | 1,160          | 284            | 4,852          | 3,480               | 2,470          | -              | 5,476          | -               | 6,000           | 6,000           | 10,000          | 7,480           | 9,630           | 6,284           | 20,328          |
| Investment Purchases   | -               | (8,785)        | -              | (4,520)        | -                   | -              | -              | (6,100)        | -               | -               | -               | -               | -               | (8,785)         | -               | (10,620)        |
| Interest Received on Investments   | -               | -              | -              | 89             | -                   | -              | -              | 114            | -               | -               | -               | -               | -               | -               | -               | 203             |
| <b>Net Cash Provided By (Used In) Investing Activities</b>                     | <u>4,000</u>    | <u>(7,625)</u> | <u>284</u>     | <u>421</u>     | <u>3,480</u>        | <u>2,470</u>   | <u>-</u>       | <u>(510)</u>   | <u>-</u>        | <u>6,000</u>    | <u>6,000</u>    | <u>10,000</u>   | <u>7,480</u>    | <u>845</u>      | <u>6,284</u>    | <u>9,911</u>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <u>(4,393)</u>  | <u>4,345</u>   | <u>(82)</u>    | <u>(725)</u>   | <u>(2,751)</u>      | <u>1,934</u>   | <u>7,122</u>   | <u>(1,161)</u> | <u>(5,086)</u>  | <u>2,295</u>    | <u>1,520</u>    | <u>1,215</u>    | <u>(12,230)</u> | <u>8,574</u>    | <u>8,560</u>    | <u>(671)</u>    |
| Cash - Beginning of Year   | <u>11,341</u>   | <u>6,996</u>   | <u>6,996</u>   | <u>7,721</u>   | <u>13,208</u>       | <u>11,274</u>  | <u>11,274</u>  | <u>12,435</u>  | <u>42,596</u>   | <u>40,301</u>   | <u>40,301</u>   | <u>39,086</u>   | <u>67,145</u>   | <u>58,571</u>   | <u>58,571</u>   | <u>59,242</u>   |
| <b>CASH - END OF YEAR</b>  | <u>6,948</u>    | <u>11,341</u>  | <u>6,914</u>   | <u>6,996</u>   | <u>10,457</u>       | <u>13,208</u>  | <u>18,396</u>  | <u>11,274</u>  | <u>37,510</u>   | <u>42,596</u>   | <u>41,821</u>   | <u>40,301</u>   | <u>54,915</u>   | <u>67,145</u>   | <u>67,131</u>   | <u>58,571</u>   |



LEHIGH COUNTY AUTHORITY  
2018 BUDGET  
CASH FLOW DETAILS

|                                    | SUBURBAN WATER        |                      | SUBURBAN WASTEWATER   |                      | CITY DIVISION         |                       | TOTAL LCA              |                       |
|------------------------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|------------------------|-----------------------|
|                                    | 2018<br>Budget        | 2017<br>Fcst         | 2018<br>Budget        | 2017<br>Fcst         | 2018<br>Budget        | 2017<br>Fcst          | 2018<br>Budget         | 2017<br>Fcst          |
| <b>SUMMARY OF ACCOUNT FLOWS</b>    |                       |                      |                       |                      |                       |                       |                        |                       |
| Cash - Operations                  | (1,066)               | 501                  | (1,120)               | 3,358                | (2,751)               | 985                   | (4,937)                | 4,844                 |
| Cash - Project Reserves            | (3,327)               | 3,844                | (1,631)               | (1,424)              | (2,335)               | 1,310                 | (7,293)                | 3,730                 |
| Cash - Restricted                  | -                     | -                    | -                     | -                    | -                     | -                     | -                      | -                     |
| <b>Total Cash Accounts</b>         | <u>(4,393)</u>        | <u>4,345</u>         | <u>(2,751)</u>        | <u>1,934</u>         | <u>(5,086)</u>        | <u>2,295</u>          | <u>(12,230)</u>        | <u>8,574</u>          |
| Investments - Operations           | -                     | -                    | -                     | -                    | -                     | -                     | -                      | -                     |
| Investments - Project Reserves     | (4,000)               | 7,625                | (3,480)               | (2,470)              | -                     | (6,000)               | (7,480)                | (845)                 |
| Investments - Restricted           | -                     | -                    | -                     | -                    | -                     | -                     | -                      | -                     |
| <b>Total Investments</b>           | <u>(4,000)</u>        | <u>7,625</u>         | <u>(3,480)</u>        | <u>(2,470)</u>       | <u>-</u>              | <u>(6,000)</u>        | <u>(7,480)</u>         | <u>(845)</u>          |
| <b>TOTAL FLOWS</b>                 | <u><b>(8,393)</b></u> | <u><b>11,970</b></u> | <u><b>(6,231)</b></u> | <u><b>(536)</b></u>  | <u><b>(5,086)</b></u> | <u><b>(3,705)</b></u> | <u><b>(19,710)</b></u> | <u><b>7,729</b></u>   |
| <b>SUMMARY OF ACCOUNT BALANCES</b> |                       |                      |                       |                      |                       |                       |                        |                       |
| Cash - Operations                  | 3,337                 | 4,403                | 8,823                 | 9,943                | 3,638                 | 6,389                 | 15,798                 | 20,735                |
| Cash - Project Reserves            | 783                   | 4,110                | 1,297                 | 2,928                | -                     | 2,335                 | 2,080                  | 9,373                 |
| Cash - Restricted                  | 2,828                 | 2,828                | 337                   | 337                  | 33,872                | 33,872                | 37,037                 | 37,037                |
| <b>Total Cash Accounts</b>         | <u>6,948</u>          | <u>11,341</u>        | <u>10,457</u>         | <u>13,208</u>        | <u>37,510</u>         | <u>42,596</u>         | <u>54,915</u>          | <u>67,145</u>         |
| Investments - Operations           | 7,249                 | 7,249                | -                     | -                    | -                     | -                     | 7,249                  | 7,249                 |
| Investments - Project Reserves     | 4,625                 | 8,625                | 2,383                 | 5,863                | -                     | -                     | 7,008                  | 14,488                |
| Investments - Restricted           | 925                   | 925                  | -                     | -                    | 12,140                | 12,140                | 13,065                 | 13,065                |
| <b>Total Investments</b>           | <u>12,799</u>         | <u>16,799</u>        | <u>2,383</u>          | <u>5,863</u>         | <u>12,140</u>         | <u>12,140</u>         | <u>27,322</u>          | <u>34,802</u>         |
| <b>TOTAL BALANCES</b>              | <u><b>19,747</b></u>  | <u><b>28,140</b></u> | <u><b>12,840</b></u>  | <u><b>19,071</b></u> | <u><b>49,650</b></u>  | <u><b>54,736</b></u>  | <u><b>82,237</b></u>   | <u><b>101,947</b></u> |
| <b>CASH &amp; INVESTMENTS</b>      |                       |                      |                       |                      |                       |                       |                        |                       |
| Operations                         | 10,586                | 11,652               | 8,823                 | 9,943                | 3,638                 | 6,389                 | 23,047                 | 27,984                |
| Capital Project Reserves           | 5,408                 | 12,735               | 3,680                 | 8,791                | -                     | 2,335                 | 9,088                  | 23,861                |
| Restricted                         | 3,753                 | 3,753                | 337                   | 337                  | 46,012                | 46,012                | 50,102                 | 50,102                |
| <b>TOTAL</b>                       | <u><b>19,747</b></u>  | <u><b>28,140</b></u> | <u><b>12,840</b></u>  | <u><b>19,071</b></u> | <u><b>49,650</b></u>  | <u><b>54,736</b></u>  | <u><b>82,237</b></u>   | <u><b>101,947</b></u> |



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## MEMORANDUM

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**TO:** LCA Board of Directors  
**FROM:** Liesel Gross  
**DATE:** October 16, 2017  
**RE:** LCA City Division – Financial Condition Assessment & Planning Project

### **Action Requested:**

**Professional Services Authorization – CH2M -- \$210,000**

(Base Fee: \$130,000; Subconsultant Allowance: \$80,000)

LCA City Division financial modeling, planning and evaluation work as described in the memo below and attached proposal.

### **Overview**

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Over the past several months, Lehigh County Authority staff and Board of Directors have been reviewing the financial conditions of the City Division water and sewer systems, which LCA operates under the terms of a 50-year lease agreement with the City of Allentown. These discussions have illuminated several key factors that make this system fundamentally different from the rest of LCA's operation from a financial perspective. Some of these key factors include:

**System Age** – The City water and sewer systems are very old, and many components are nearing the end of their useful lives. As discussed in September when the water master plan was presented, several critical components at the water plant (such as the filters and water intake structures) are beyond the end of their operating lifespan by several decades. This results in a requirement to invest heavily in capital improvements to ensure customers continue to receive the high quality, reliable services they have come to expect from LCA.

**Revenue Restrictions** – Unlike other LCA systems where rates can be modified over time to address these critical system needs, the lease agreement offers limited opportunities to increase revenues for the City Division. However, the lease does provide for some options to increase revenues through the schedule of rates (Schedule 3 within the agreement), which should be fully explored, and a capital cost recovery mechanism for larger projects, if they are approved by the City.

**Debt Load** – In 2013, LCA issued \$308 million in bonds to pay the City the large upfront payment for the lease, establish required reserve funds and pre-fund about \$32 million in capital improvements. This has resulted in a high debt load and annual debt payments of about \$14 million. This leaves little room for additional borrowing to pay for actual water and sewer system improvements.

**Short Lease Life** – In other portions of LCA's service area, we view our service to the community to be a "forever" commitment. Water and sewer services will be needed in the Lehigh Valley as long as the community exists! In Allentown, the 50-year time span of the lease makes the commitment a bit different. While our desire is to provide the community with the same excellent service LCA provides elsewhere, our ability to finance projects, and the method of scheduling and prioritizing those projects,

*Every drop matters. Every customer counts.*

may be significantly different because of the “short” timeframe in which we have to fund those important system upgrades.

These factors are highlighted here as a backdrop for the more detailed discussion LCA must have about how to operate, maintain, repair and replace the City Division system over the next 45 years to ensure the continued protection of public health and the environment.

### **City Division Financial Performance 2013-2017**

As illustrated on the summary chart below, LCA’s financial performance under the lease has reached an important milestone in which initial project reserves have been depleted, on schedule as predicted via LCA’s initial lease modeling efforts. However, revenues are not yet generating excess operating cash at a level that will allow capital improvements to be funded internally. This requires additional discussion and evaluation of alternatives to boost revenues, decrease expenses, schedule/prioritize capital improvements, and determine the best method of financing future system improvements.

#### **LCA - ALLENTOWN DIVISION: FINANCIAL PERFORMANCE - SUMMARY (2013-2017)**

| <b><u>\$000's</u></b>                                | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b> | <b><u>2017 (Fcst)</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|---------------------------|
| TOTAL REVENUE  | \$14,167           | \$30,588           | \$26,964           | \$31,673           | \$32,031                  |
| TOTAL O&M EXPENSE (excludes depreciation)            | (5,090)            | (16,595)           | (15,200)           | (15,831)           | (16,723)                  |
| ANNUAL CITY PAYMENTS                                 | -                  | -                  | -                  | (500)              | (504)                     |
| INTEREST   | 3                  | 113                | 424                | 387                | 448                       |
| <b>OPERATING CASH AVAILABLE FOR DEBT SERVICE</b>     | <b>\$ 9,080</b>    | <b>\$14,106</b>    | <b>\$12,188</b>    | <b>\$15,729</b>    | <b>\$15,252</b>           |
| DEBT SERVICE   | (10,213)           | (13,048)           | (13,048)           | (13,048)           | (13,048)                  |
| <b>NET CASH FLOW FROM OPERATIONS</b>                 | <b>\$ (1,133)</b>  | <b>\$ 1,058</b>    | <b>\$ (860)</b>    | <b>\$ 2,681</b>    | <b>\$ 2,204</b>           |
| <b>BALANCE OF 2013 BOND FUND FOR CAPEX (\$31.8M)</b> | <b>\$30,408</b>    | <b>\$27,747</b>    | <b>\$18,210</b>    | <b>5,185</b>       | <b>\$ -</b>               |
| CAPEX FUNDED FROM INITIAL 2013 BOND ISSUE            | 1,443              | 2,661              | 9,537              | 13,025             | 5,185                     |
| CAPEX FUNDED FROM REVENUES/REIMBURSEMENTS            | 246                | 821                | 543                | 852                | 5,452                     |
| <b>TOTAL CAPITAL IMPROVEMENTS</b>                    | <b>\$ 1,689</b>    | <b>\$ 3,482</b>    | <b>\$ 10,080</b>   | <b>\$ 13,877</b>   | <b>\$ 10,637</b>          |

This information highlights positive performance in some regards as LCA has overcome cash-flow challenges experienced in the initial years of the lease so that positive cash flow is being generated from operations. However, when compared to the \$10 million or more per year needed in capital improvements, the need for a second look is apparent.

### **Recommended Path Forward**

As discussed at the October 9, 2017 Board meeting, LCA staff recommends a short, targeted planning project to draw on the expertise of leaders in the field of public finance, rate-setting, capital improvements planning, legal agreements, and financial forecasting.

The goals of the project are:

- Develop a detailed, user-friendly and flexible model of the City Division financial conditions that can be used to predict future performance based on a variety of scenarios and inputs.
- Review provisions within the lease agreement, trust indenture and other related contractual documents to develop a list of options and ideas to achieve improved financial performance in the City Division.
- Evaluate status of known capital improvements and develop a methodology to prioritize future system improvements, assess potential for return on these investments, and evaluate / mitigate risk associated with shifting project schedules based on funding availability.
- Discover, investigate and model alternatives not currently contemplated.
- Develop recommendations, with analysis of expected results, for Board consideration to ensure long-term financial sustainability of the City Division.

To complete this project, LCA envisions a team of trusted advisors will begin meeting in late October, with work continuing through January 2018, and recommendations offered for Board consideration by the end of February 2018. Depending on the recommendations offered, a draft amendment to the 2018 Budget for LCA's City Division may also be prepared and presented to illustrate the impact of implementing the recommendations.

As described in the attached proposal, LCA has secured the services of CH2M to lead this effort. CH2M is a national expert in water and sewer system operations and has been operating LCA's Industrial Wastewater Pretreatment Plant for more than 20 years. Their expertise lies in not only system operations, but also capital improvements planning, engineering, public-private partnerships (P3s), asset management, financial valuation, infrastructure planning and finance and more. The firm was actively engaged in the operational evaluation of the Allentown water and sewer system during the lease bid process. Their role in this project will be to facilitate and coordinate the team's activities, secure additional external expertise that may be needed, develop an initial financial model for team review and expansion, and perform in-depth evaluation of LCA's capital improvements prioritization and risk assessment process.

Other team members to be brought on as a subcontractor to CH2M's engagement would include:

**Financial Advisor** – Public Financial Management (PFM), Raftelis, or similar

**Utility Rate Expert** – Shambaugh Utility Services, Keystone Alliance Consulting, or similar

**Legal / Bond Counsel** – McNees, Wallace & Nurick (already engaged by LCA - see description attached to CH2M proposal)

By authorizing CH2M to facilitate this project, with a not-to-exceed contract of \$210,000 (which includes a Base Fee of \$130,000 plus an allowance for subconsultants in the amount of \$80,000), LCA staff believes the work will be completed in a thoughtful and timely manner so that a series of recommendations may be presented to the Board for additional consideration early in the New Year.

# **Scope of Work to Lehigh County Authority (LCA) for Independent Assessment of Allentown Water/Sewer System Financial Condition & Long-Term Planning Support**

## **Purpose and Objectives**

This project will examine LCA's financial performance under the lease agreement with Allentown for water and sewer service and provide recommendations for actions to address the system's financial needs in the short- and long-term time horizons. The analysis will:

- Develop a flexible and robust financial model to predict performance under various scenarios and to support the analysis of options for improving LCA's financial performance under the lease agreement
- Identify and evaluate options for improving LCA's financial performance under the terms of the existing lease agreement
- Identify and evaluate options to improve the equity and financial performance of LCA's Allentown water and sewer systems using tools and approaches that fall outside the scope of the lease agreement (for example, alternative financing options, capital project delivery options, etc.)
- Develop an analysis & prioritization process the LCA can use for selection of capital improvements and prioritization and scheduling of the long-term capital improvements plan
- Evaluate options to improve revenue stability and adequacy
- Evaluate rate affordability to LCA's customers in the City of Allentown under all options, and develop mitigating strategies as appropriate
- Develop a list of recommendations based upon the evaluations listed above for LCA's consideration and implementation
- Provide a financial model and associated documentation for LCA's future use

CH2M HILL Engineers Inc. (CH2M) will lead this project and facilitate collaboration with several outside consultants on rates, legal, and funding options and issues, as they relate to the lease agreement and financial model development and analyses. Final responsibility for delivery of this scope of work will lie with CH2M.

## **Scope of Work**

The CH2M team shall execute work under this authorization using the following Tasks:

- Task 1 – Kick-off Meeting and Project Management
- Task 2 – Review Lease Agreement and LCA's financial performance under Lease Agreement
- Task 3 – Prepare Draft Financial Analysis Tool
- Task 4 – Review Planned Capital Improvements and Schedule and Priorities
- Task 5 – Workshop with LCA Staff
- Task 6 – Revise Tool and Evaluate Options

- Task 7 – Workshop with LCA Staff and Consultants
- Task 8 – Presentation of Results
- Task 9 – Model Training and Support

### **Task 1 – Kickoff Meeting and Project Management**

Upon receiving LCA Board approval to proceed, the CH2M team shall facilitate a project kickoff meeting with the LCA staff and other team members to review the agreed upon scope and expectations, project goals, assumptions and risks, schedule and communications. This meeting shall also focus on developing an understanding of the LCA expectations in terms of the format, framework, and outputs from the financial model, and additional assistance required to complete this project. We will also review a data request list with LCA staff and develop a schedule for provision of this information to the CH2M team.

This meeting will also be used to confirm LCA's overall goals and objectives for the project, and how those align with LCA's current strategic objectives. We will discuss criteria that could be used to evaluate LCA's capital improvement program toward meeting those goals and objectives. Financial metrics to be used to evaluate LCA's performance will also be identified.

Weekly conference calls will be held with the core CH2M and LCA team to ensure forward momentum and questions are being discussed in a timely manner between formal in-person workshops, which are planned for approximately once per month. A monthly summary will be provided to LCA with the activities completed in the past period, upcoming activities, and any identified project risks.

### **Task 2 – Review Lease Agreement and LCA's financial performance under Lease Agreement**

Consultant team will review the LCA's existing agreement with the City of Allentown for provision of water and sewer service, and summarize the key provisions of that agreement that influence revenue generation and operating / capital expense trends. To the extent that LCA is not fully utilizing all revenue opportunities provided within the lease, these will be identified and summarized in this effort. We will also review the actual financial performance of the LCA under the terms of that agreement since its inception in 2013. This task is intended to provide all team members with a strong common baseline understanding of factors influencing current performance, as well as limitations and opportunities within the lease arrangement, serving as a platform for the remaining tasks in this project.

### **Task 3 – Prepare Draft Financial Analysis Tool**

Based on the conceptual discussion of the framework for the tool to be discussed with LCA staff during the prior tasks, the CH2M team shall prepare a draft working version of a proforma financial model of LCA's water and sewer system that will be used to evaluate the LCA's future financial performance for providing water and sewer service to the City of Allentown. The tool shall be a Microsoft Excel-based tool, designed to provide detailed projections of the LCA's financial performance over a 10-year projection period, with less detailed projections for the full life of the lease, through the year 2062. Key inputs / outputs of the draft model will include:

- Revenue projections based on provisions in the lease agreement
- Operational expense projections based on industry accepted standards for expense inflation
- Debt related expenses associated with LCA's 2013 bond issue for the lease

- Debt related expenses associated with new borrowing anticipated for capital improvements
- Preliminary capital improvements expense projections (see Task 4 below)
- Calculation of debt service coverage ratios
- Calculation of accumulated cash and reserve balances
- Other key performance indicators that may be determined through team discussion

#### Task 4 – Review Planned Capital Improvements and Schedule and Priorities

LCA has expressed an interest in an enhanced capital improvement plan (CIP) evaluation and prioritization framework to help guide the selection of projects and timing of projects for its capital budgeting and finance program. A Business Case Evaluation (BCE) framework will be used to rigorously evaluate alternative projects that achieve a particular goal or objective. Once the best alternatives for meeting specific goals and objectives are identified, a prioritization process will be utilized to evaluate the entire capital improvement program to prioritize expenditures in terms of providing the highest return to LCA and its customers within the limits of its available funding for capital improvements.

The prioritization process will begin during a workshop with LCA staff, first identifying evaluation criteria of importance to the LCA. These criteria will then be weighted in terms of their importance to meeting LCA's overall goals and objectives. Performance measures will then be developed for each criteria, to allow objective scoring of each project's expected performance toward meeting the LCA's overall goals and objectives. The scoring of each project will allow the projects to be ranked, and then prioritized within the limits of LCA's available funding for capital improvements.

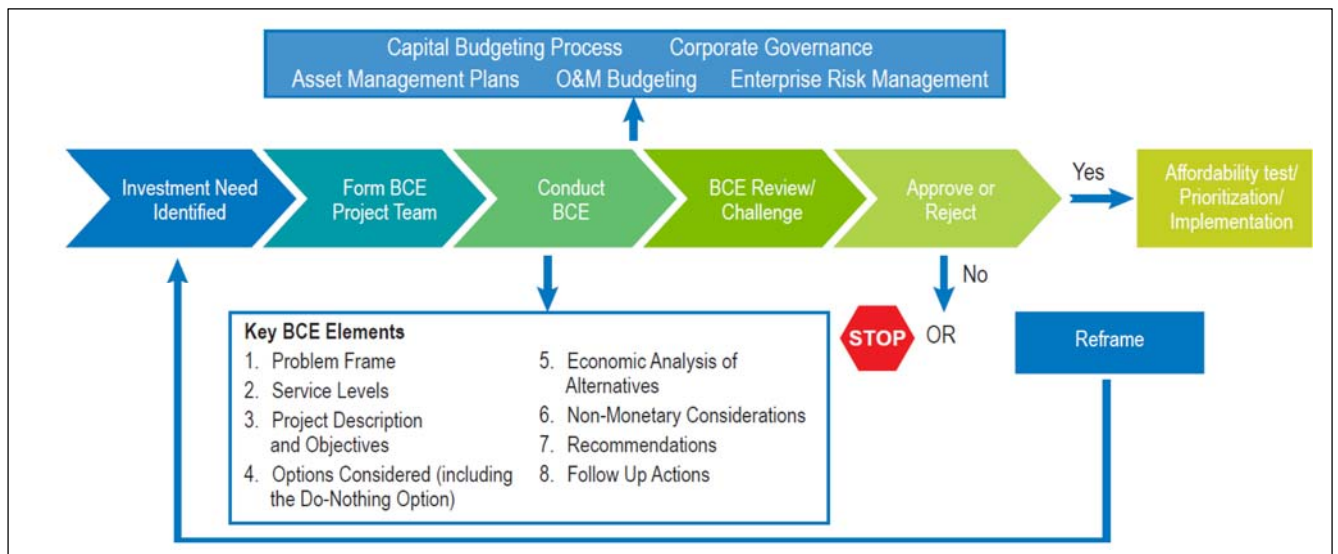


Figure 1- Example BCE Approach/Framework

To streamline project delivery and to fully utilize the expertise of additional team members who will be brought on to support this effort, it is anticipated that Tasks 3 and 4 will run concurrently.

### **Task 5 – Progress Workshop**

A half-day workshop will then be held with LCA staff to review the findings of the analyses conducted and financial model. This will include:

- Review of terms of LCA agreement with the City of Allentown
- Evaluation of LCA's financial performance under the Allentown agreement
- Review opportunities to improve LCA's financial performance through a sensitivity analysis of the draft financial model
- Review draft financial model and preliminary proforma projections under existing lease terms
- Preliminary results of capital improvement BCEs and prioritization approach
- Discussion of options for further investigation to improve LCA financial performance. While additional options are likely to be discovered through this process, we expect to focus on a wide range of opportunities including:
  - Revenue generation utilizing full scope of opportunities within the lease
  - Management of existing debt including refinancing opportunities
  - Capital improvements financing and strategies to achieve a return on these investments
  - Operational efficiency
  - Opportunities that fall outside the scope of the lease agreement such as private fire protection services, review of municipal service arrangements, etc.
  - Alternative organizational structures
- Review of project schedule and adjustment as needed.

### **Task 6 – Revise Tool and Evaluate Options**

The financial model will be revised based on comments received during the workshop and then used to evaluate options identified to improve LCA's financial metrics and overall service to its customers. Impact of adjustments to capital improvement schedule and prioritization will also be considered.

Depending on the opportunities selected for further evaluation, additional meetings, discussions and analysis will be required to fully understand the feasibility and predicted financial impact of each option.

### **Task 7 – Results Workshop**

The results of the financial evaluation of options for improving LCA's financial performance will be presented at a workshop with LCA staff. Recommendations for steps LCA could take to improve its financial position will be presented, discussed and finalized.



## **Task 8 – Summary Report and Presentation of Results**

The results of the analysis will be summarized in a short summary report. The results will then be presented to the LCA Board for their consideration. LCA staff expects to accompany this presentation with a draft budget amendment for its 2018 “City Division” budget that illustrates the impact of implementing the key recommendations offered in this report.

## **Task 9 – Model Support**

An electronic copy of the financial model will be provided to the LCA for its use in conducting further evaluations of options. A user guide for use of the model will also be provided. The model will be provided in Excel format, and the guide will be in PowerPoint and/or Word format.

## **Schedule**

Assuming project approval is provided by November 1, 2017, the CH2M team will complete the proposed work by March 31, 2018. The tentative schedule for each task would be:

- Task 1 – Kickoff – Early November Meeting
- Tasks 2 and 3 – Review Lease and Draft Financial Model – November/December
- Task 4 – Capital Improvement Prioritization – November/December
- Task 5 – Progress Workshop – Early January
- Task 6 – Revisions and Options Evaluation – January
- Task 7 – Results Workshop – Early February
- Task 8 – Summary Report & Presentation of Recommendations – Late February
- Task 9 – Model Support Documentation – March

## **Proposed Team**

The CH2M technical team will be led by **Dave Green**, who is a principal financial consultant at CH2M with over 40 years experience with public sector clients in North America on a variety of financial and capital program evaluations. **Joe Nattress**, P.E. will be the project manager, and work directly with Dave to ensure on-time delivery of the project to the satisfaction of LCA. The CH2M team will also include:

- **Dennis Jackson** – Principal Consultant – Dennis has more than 20 years experience in financial strategies, financial benchmarking, and affordability analyses for public and private clients in water, wastewater, and stormwater market areas.
- **Elliot Wheeler**- Principal Consultant – Elliot has almost 20 years experience in pursuing and managing innovative contract vehicles for public clients, including Public-Private-Partnerships (P3s) and Design-Build-Operate agreements. Elliot is familiar to LCA and was involved in previous work on the Allentown Lease Concession.
- **Eva Chan** – Project Consultant – Eva has over 20 years experience in public works projects in the analysis and development of various P3 agreements, particularly in transportation. She will bring this experience outside of the water utility world to examine applicability to the lease agreement.

- **Keith Bishton** – Project Consultant – Keith has over 15 years experience in the development of various financial models and financing strategies for capital improvements in the water utility industry. He will be the principal developer for the LCA financial model from the CH2M team.

Additional external team members will be brought in to support this effort and provide expertise in specific areas required to complete a comprehensive review of LCA's financial performance under the lease agreement. Expected partners, and the expertise they will lend to the project, include:

Financial Consultant / Advisor: Public Financial Management (PFM), Raftelis, or similar  
A financial consultant will support the development of the financial model for this project and provide expert analysis of financing options for existing debt and future capital improvements. The selected consultant for this work is expected to bring broad knowledge of the public financing arena, current and predicted market conditions, alternative financing methods, etc. CH2M expects a financial consultant to be brought on immediately to participate in initial team meetings and to assist with detailed analysis of LCA financial data.

Utility Rate Consultant: Shambaugh Utility Consulting, Raftelis, or similar  
A rate consultant will provide essential support for this project through the evaluation of any proposed rate structures, cost-of-service evaluations, and analysis of long-term rate affordability. It is noteworthy that large cities across the nation are beginning to adopt income-based rate structures for systems that require significant and costly capital investments to repair and replace critical infrastructure. While this may or may not be found to be applicable in LCA's service area, having a rate expert available with experience in this arena will be helpful to the project.

Legal Advisor (and Bond Counsel, if needed): McNees, Wallace and Nurick (MWN)  
Review of the lease agreement, trust indenture for LCA's 2013 bonds, and other contractual requirements will be essential to fully exploring opportunities that are available, or evaluating options that should be explored further. CH2M understands that LCA has previously retained MWN for related legal matters, and we recommend continuing this arrangement for this project to ensure timely and thorough evaluations can be completed. See MWN scope attached.

Note: Any financing tasks or costs, including underwriting fees and other related expenses that may be incurred to further analyze and implement specific financing alternatives that may be discovered through this project, are excluded from the project scope, team makeup and project costs.

## **Project Cost**

CH2M will perform this work under the terms and conditions of the master services agreement currently in force between CH2M HILL Engineers, Inc. and LCA (executed May 24, 2013). Costs will be billed to LCA on a time and materials basis with a not-to-exceed value as listed in Table 1.

CH2M's costs will be considered as the Base Fee for this project. In addition to the Base Fee, a project allowance of \$80,000 has been provided for subconsultants. All subcontractors managed by CH2M will be billed at cost plus a 5% fee. Specific scope and budget will be negotiated with subconsultants upon approval of this scope of work. If the required budget exceeds the allowance, LCA will be notified and a determination made to either increase the allowance or decrease the scope of work.

Alternatively, LCA may wish to contract directly with advisors as described above, in which case CH2M's invoicing would be limited to the Base Fee (CH2M labor and expenses only).

*Table 1 – Total Fee*

|                             | <b>Labor Cost</b> | <b>Expenses</b> | <b>Subcontract</b> | <b>Total</b> |
|-----------------------------|-------------------|-----------------|--------------------|--------------|
| <b>CH2M Base Fee</b>        | \$110,750         | \$15,250        | -                  | \$126,000    |
| <b>Others</b>               | TBD               | TBD             | \$80,000           | \$80,000     |
| <b>CH2M Subcontract Fee</b> | -                 | -               | \$4,000            | \$4,000      |
|                             |                   |                 |                    |              |
| <b>Grand Total</b>          |                   |                 |                    | \$210,000    |

**McNees Wallace & Nurick LLC**  
**Proposal to Lehigh County Authority**  
**to Provide Legal, Financial and Operational Services**  
**Related to Allentown Lease**

Jim Dougherty  
Kathy Pape  
Aly Hylander  
Amy York  
October 18, 2017

[www.mcneeslaw.com](http://www.mcneeslaw.com)



**Proposed MWN Team Members**

■ **Jim Dougherty, Partner**

- More than 38 years in the utility industry, with extensive experience representing municipal, industrial and institutional organizations before state and federal regulatory agencies and advising municipal clients on valuation and monetization of municipal assets. Jim was co-lead counsel for LCA in the COA transaction.

■ **Kathy Pape, Of Counsel**

- 39 years in legal, financial and operational roles with water and wastewater companies and regulators, including American Water, Aqua America and General Waterworks (now Suez). Kathy has significant experience as utility "insider" with insight into municipal and public sector services.

■ **Aly Hylander, Associate**

- Associate in the Energy and Environmental practice group, who represents commercial and industrial consumers of gas, electric and water services.

■ **Amy York, Rate & Regulatory Analyst**

- More than 16 years of experience in the Energy Industry, with experience in analytics of all fixed utilities and CEP certification by the Association of Energy Engineers.



## MWN Contributions to Project: LCA Financial Condition Assessment

- Analysis & presentation of Concession Agreement terms
  - Provide legal guidance as to Concession/Op Standards rights and obligations
  - Assess legal and regulatory risks
- Support for Analysis of Alternatives and Opportunities
  - Provide legal guidance on alternatives to be evaluated
  - Analyze industry-accepted standards for operating under P2 and P3 arrangements
  - Offer private and public utility perspectives on system operations, capital improvements planning, industry and regulatory trends
- Rate / Financial Model Review & Support based on the above
- Trust Indenture review & support for analysis of financing alternatives

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## Cost Proposal

- **Fixed Fee cap of not-to-exceed \$10,000/month for 4 months**
  - Does not include fees for Bond Counsel services, if needed
  - May be extended should implementation of solutions require legal support
- **Open to Alternative Fee Arrangements:**
  - Hourly rate basis included in existing LCA engagement fee schedule
  - Subcontract to CH2M as project team lead
  - Other

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Lehigh County Authority

1053 Spruce Road \* P.O. Box 3348 \* Allentown, PA 18106-0348  
(610)398-2503 \* FAX (610)398-8413 \* Email: [service@lehighcountyauthority.org](mailto:service@lehighcountyauthority.org)

## PROFESSIONAL SERVICES AUTHORIZATION

(To be signed by Professional and returned to the Authority)

**Professional:** CH2M  
1717 Arch Street  
Suite 4400  
Philadelphia, PA 19103

**Date:** 10/23/2017

**Requested By:** Liesel Gross, CEO

**Approvals**

**Department Head:** \_\_\_\_\_

**Chief Executive Officer:** \_\_\_\_\_

**Description of Services:**

This project will examine LCA's financial performance under the lease agreement with Allentown for water and sewer service and provide recommendations for actions to address the system's financial needs in the short- and long-term time horizons. The analysis will:

- Develop a flexible and robust financial model to predict performance under various scenarios and to support the analysis of options for improving LCA's financial performance under the lease agreement
- Identify and evaluate options for improving LCA's financial performance
- Develop a capital improvements analysis & prioritization process
- Evaluate options to improve revenue stability and adequacy, and rate affordability
- Develop a list of recommendations for LCA's consideration and implementation
- Provide a financial model and associated staff training for LCA's future use

CH2M will lead this project and facilitate collaboration with several outside consultants on rates, legal, and funding options and issues, as they relate to the lease agreement and financial model development and analyses. Final responsibility for delivery of this scope of work will lie with CH2M.

Additional details on CH2M's scope of work provided in the attached proposal.

**Cost Estimate (not to be exceeded without further authorization):**

|                         |           |
|-------------------------|-----------|
| Base Fee                | \$130,000 |
| Subconsultant Allowance | \$ 80,000 |
| Total Authorization:    | \$210,000 |

**Timetable and Completion Deadline:**

Assuming project approval is provided by November 1, 2017, the CH2M team would complete the proposed work by March 31, 2018.

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(For Authority Use Only)

**Authorization Completion:**

**Approval:** \_\_\_\_\_ **Actual Cost:** \_\_\_\_\_ **Date:** \_\_\_\_\_

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## MEMORANDUM

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**Date:** October 23, 2017

**To:** Lehigh County Authority Board of Directors  
**From:** Phil DePoe, Capital Works Program Manager  
**Subject:** 2018-2022 LCA Capital Plan – FINAL DRAFT

Please note that the Administration Capital, Suburban Water Capital, and the Allentown Wastewater Capital Plans have not changed since the last Board distribution on September 25<sup>th</sup>.

### **UPDATES TO THE ALLENTOWN DIVISION 2018-2022 WATER CAPITAL PLAN**

The following changes have occurred since the last distribution (9/25/17) of the Preliminary Final Allentown Division Water Capital Plan:

- The proposed Roof Phase 2 and 3 Project (AD-W-13) has been eliminated indefinitely. Total reduction is \$671,000. It is important to note the replacement of these roofs (thirteen in total – located in various locations throughout the system) are identified in the annual Indenture Report prepared by Arcadis. The replacement of these roofs were designed in 2016 and are “bid ready” when funds are available.
- An additional \$20,000 has been added to the 2018 Various Water System Related Studies Project (AD-W-9). The 2018 intent for this \$40,000 allocation is to solicit an engineer to prepare a detailed alternative analysis for the proposed filter upgrade project. This document will then be used when submitting the supporting documentation for consideration as major capital to the City at the appropriate time.
- The \$200,000 that was allocated in 2018 for the proposed Filter Upgrade Project (AD-W-22) has been eliminated. The intent for this \$200,000 was to perform a pilot study to determine filter media sizes and to begin the design. This pilot study has been postponed until 2019.
- The Water Main Replacements Project (AD-W-7) has been reduced from \$4,800,000/year to \$3,200,000/year. Total reduction is \$8,000,000. The Lease Agreement requires that two miles of water main are to be replaced every year. The three previous water main cycles have averaged a total project cost of approximately \$2,900,000 for two miles. The previous amount of \$4,800,000 identified in the Capital Plan assumed that 2.5 miles would be installed. This amount also assumed that contractor bids would not be favorable.

The 2018-2022 Allentown Division Water Capital Plan has been reduced from \$59,622,000 to \$50,771,000 via the above mentioned revisions.

Attached is the revised 2018-2022 Allentown Division Water Capital Summary Sheet and the relevant sheets that were modified.

### **UPDATES TO THE SUBURBAN DIVISION 2018-2022 WASTEWATER CAPITAL PLAN**

The following changes have occurred since the last distribution (9/25/17) of the Preliminary Final Suburban Division Wastewater Capital Plan:

- The \$900,000 that was allocated in 2018 for the proposed Pretreatment Plant Improvements Projects (SD-S-22) has been reduced to \$800,000. This reduction was due to project scope modifications.

The 2018-2022 Suburban Division Wastewater Capital Plan has been reduced from \$40,061,750 to \$39,961,750 via the above mentioned revisions.

Attached is the revised 2018-2022 Suburban Division Wastewater Capital Summary Sheet and the relevant sheets that were modified.



ALLENTOWN DIVISION  
WATER

LEHIGH COUNTY AUTHORITY  
ALLENTOWN DIVISION  
2018-2022 CAPITAL PROGRAM  
WATER

| Project # | Name or Title of Proposal                                | (1) Pri. Type | Funding (1) | Approval Stage (1) | Project Cost         |                     | This Capital Program |                      |                      |                      |                      |                      | Project Category (1) |            |
|-----------|--|---------------|-------------|--------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------|
|           |  |               |             |                    | Total Cost           | Prior to Years (2)  | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | Total                | Primary              | Secondary  |
|           | <b>LCA FUNDED PROJECTS</b>                               |               |             |                    |                      |                     |                      |                      |                      |                      |                      |                      |                      |            |
|           | <b>Annual</b>  |               |             |                    |                      |                     |                      |                      |                      |                      |                      |                      |                      |            |
| AD-W-A    | Annual Projects  | Regular       | LCA         | A                  | \$ 7,289,000         | \$ 29,000           | \$ 1,531,000         | \$ 1,499,000         | \$ 1,510,000         | \$ 1,510,000         | \$ 1,210,000         | \$ 7,260,000         | AM - Varies          | Sys Imp    |
|           | <b>Subtotal</b>  |               |             |                    | <b>\$ 7,289,000</b>  | <b>\$ 29,000</b>    | <b>\$ 1,531,000</b>  | <b>\$ 1,499,000</b>  | <b>\$ 1,510,000</b>  | <b>\$ 1,510,000</b>  | <b>\$ 1,210,000</b>  | <b>\$ 7,260,000</b>  |                      |            |
|           | <b>Previously Authorized</b>                             |               |             |                    |                      |                     |                      |                      |                      |                      |                      |                      |                      |            |
| AD-W-7    | Water Main Replacements                                  | LCA-MCI       | CCRC        | V                  | \$ 16,000,000        | \$ -                | \$ 3,200,000         | \$ 3,200,000         | \$ 3,200,000         | \$ 3,200,000         | \$ 3,200,000         | \$ 16,000,000        | CA/OS                | AM - High  |
| AD-W-9    | Various Water System Related Studies                     | Regular       | LCA         | V                  | \$ 121,000           | \$ -                | \$ 40,000            | \$ 21,000            | \$ 20,000            | \$ 20,000            | \$ 20,000            | \$ 121,000           | CA/OS                | Planning   |
|           | <b>Subtotal</b>  |               |             |                    | <b>\$ 16,121,000</b> | <b>\$ -</b>         | <b>\$ 3,240,000</b>  | <b>\$ 3,221,000</b>  | <b>\$ 3,220,000</b>  | <b>\$ 3,220,000</b>  | <b>\$ 3,220,000</b>  | <b>\$ 16,121,000</b> |                      |            |
|           | <b>Pending Authorization</b>                             |               |             |                    |                      |                     |                      |                      |                      |                      |                      |                      |                      |            |
| AD-W-10   | Emergency Power at WFP - Crystal & Schantz Springs Pumps | LCA-MCI       | CCRC        | P                  | \$ 1,790,000         | \$ -                | \$ -                 | \$ -                 | \$ -                 | \$ 890,000           | \$ 900,000           | \$ 1,790,000         | Sys Imp              | Efficiency |
| AD-W-11   | Schantz Spring Main Replacement & Leak Rehabilitation    | S-7-MCI       | CCRC        | P                  | \$ 2,290,000         | \$ 1,955,000        | \$ 335,000           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 335,000           | CA/OS                | AM - Med   |
| AD-W-21   | Fixed-Base Meter Reading System                          | Regular       | LCA         | P                  | \$ 1,705,000         | \$ -                | \$ -                 | \$ -                 | \$ 1,705,000         | \$ -                 | \$ -                 | \$ 1,705,000         | Efficiency           | Sys Imp    |
| AD-W-22   | Filter Upgrades  | LCA-MCI       | CCRC        | P                  | \$ 12,140,000        | \$ -                | \$ -                 | \$ 7,020,000         | \$ 5,120,000         | \$ -                 | \$ -                 | \$ 12,140,000        | Sys Imp              | Efficiency |
| AD-W-23   | Intake Upgrades  | LCA-MCI       | CCRC        | P                  | \$ 11,120,000        | \$ -                | \$ -                 | \$ -                 | \$ 440,000           | \$ 5,340,000         | \$ 5,340,000         | \$ 11,120,000        | Sys Imp              | Efficiency |
|           | <b>Subtotal</b>  |               |             |                    | <b>\$ 29,045,000</b> | <b>\$ 1,955,000</b> | <b>\$ 335,000</b>    | <b>\$ 7,020,000</b>  | <b>\$ 7,265,000</b>  | <b>\$ 6,230,000</b>  | <b>\$ 6,240,000</b>  | <b>\$ 27,090,000</b> |                      |            |
|           | <b>TOTAL LCA FUNDED PROJECTS</b>                         |               |             |                    | <b>\$ 52,455,000</b> | <b>\$ 1,984,000</b> | <b>\$ 5,106,000</b>  | <b>\$ 11,740,000</b> | <b>\$ 11,995,000</b> | <b>\$ 10,960,000</b> | <b>\$ 10,670,000</b> | <b>\$ 50,471,000</b> |                      |            |
|           | <b>CITY FUNDED PROJECTS</b>                              |               |             |                    |                      |                     |                      |                      |                      |                      |                      |                      |                      |            |
| AD-W-15   | Ittron/AMR Meter Project                                 | UW            | Allentown   | V                  | \$ 300,000           | \$ -                | \$ 140,000           | \$ 40,000            | \$ 40,000            | \$ 40,000            | \$ 40,000            | \$ 300,000           | CA/OS                | Efficiency |
|           | <b>TOTAL CITY FUNDED PROJECTS</b>                        |               |             |                    | <b>\$ 300,000</b>    | <b>\$ -</b>         | <b>\$ 140,000</b>    | <b>\$ 40,000</b>     | <b>\$ 40,000</b>     | <b>\$ 40,000</b>     | <b>\$ 40,000</b>     | <b>\$ 300,000</b>    |                      |            |
|           | <b>GRAND TOTAL</b>                                       |               |             |                    | <b>\$ 52,755,000</b> | <b>\$ 1,984,000</b> | <b>\$ 5,246,000</b>  | <b>\$ 11,780,000</b> | <b>\$ 12,035,000</b> | <b>\$ 11,000,000</b> | <b>\$ 10,710,000</b> | <b>\$ 50,771,000</b> |                      |            |

(1) Reference Glossary of Acronyms & Terms found immediately after the Table of Contents  
(2) Includes estimate of expenditures through 2017.

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN DIVISION  
CAPITAL PLAN  
2018–2022**

**SUMMARY**

The Allentown Division Capital Plan (Plan) is a five year plan that covers the years 2018 through 2022. The Plan includes water and wastewater projects to assure facility / infrastructure reliability and to comply with the Lease required projects. It also includes projects and studies deemed necessary by LCA, where the latter will identify and evaluate upgrades and improvements that will be incorporated in future Capital Plans. The Lease requires that LCA submit a 5-year Capital Plan to the City for review and approval.

The projects identified in the Plan fall into two primary categories, those funded by LCA and those funded by the City, with the latter further categorized as Administrative Order (AO) projects and Uncompleted Work (UW).

*Administrative Order (AO) Projects:* This includes projects necessary to bring the City's wastewater system into compliance with the US Environmental Protection Agency (USEPA) Administrative Order to eliminate Sanitary Sewer Overflows / By-passes at Outfall 003 of the wastewater treatment plant. Pursuant to the Concession Lease Agreement (Lease), the City is responsible for making all decisions related to this work and for funding said work. LCA is responsible for the execution of the work.

*Uncompleted Work (UW) Projects:* This category includes projects that the City expected to be completed before the Lease began, but were not completed prior to the Lease start. The City and LCA reached an agreement providing that LCA will manage these projects but be reimbursed by the City for all project costs. Of these projects, the WWTP Bar Rack, Sanitary Sewer Evaluation Study, WWTP SCADA Upgrades, WFP Chemical Building Roof Replacements, the alternate remedy for the Schantz Spring Chlorine Booster Station and Rehabilitation of the 28<sup>th</sup> Street Elevated Tank, have been completed by LCA since the Lease inception.

Funding by Budget Area and category is as follows:

| CAPITAL FUNDING 2018-2022 |                     |                  |                     |                     |                     |
|---------------------------|---------------------|------------------|---------------------|---------------------|---------------------|
| Budget Area               | LCA                 | CITY             |                     |                     | Totals              |
|                           |                     | UW               | AO                  | Sub-Total           |                     |
| Water                     | \$50,471,000        | \$300,000        | \$0                 | \$300,000           | \$50,771,000        |
| Wastewater                | \$11,593,000        | \$0              | \$20,340,000        | \$20,340,000        | \$31,933,000        |
| <b>Totals</b>             | <b>\$62,064,000</b> | <b>\$300,000</b> | <b>\$20,340,000</b> | <b>\$20,640,000</b> | <b>\$82,704,000</b> |

**Water Projects:** Focus on regulatory compliance, asset management, immediate and future needs at the Water Filtration Plant (WFP) and addressing the Lease operating standards. Projects of note include the completion of filter upgrades and the intake improvements that were identified in the WFP Master Plan. The recently completed WFP Master Plan identified capital improvements to address future regulatory requirements and/or operational needs. The installation of Emergency Power (generators) at the WFP will assure water production from Schantz and Crystal Springs during a power outage. Funding is also provided to replace a leaking segment of the Schantz Spring main located on Martin Luther King Blvd, the annual replacement of 2-miles of aged and/or failing spun and pit cast water main as required by the Lease and other infrastructure replacement as needed.

**Wastewater Projects:** The Projects focus on regulatory compliance, asset management, immediate and future needs at the Wastewater Treatment Plant (WWTP) and addressing the Lease operating standards. Projects of note include the Phase 1A Administrative Order improvements, replacement of the two-aged Electrical Substations at the WWTP, a WWTP Master Plan that will identify capital improvements to address future regulatory requirements and/or operational needs and for the replacement and/or rehabilitation of defective sewer mains when warranted.

Additional information regarding these and other projects can be found in the Plan's individual Project Detail Sheets.

**Supplemental Revenues:** Under the Concession Agreement, LCA is able to charge Capital Cost Recovery Fees and Capital Recovery Fees to City customers. These charges will be applied to all Major Capital Improvements (MCI), which are defined as projects exceeding \$1 million (indexed for inflation in the future) within the proposed Plan. We expect the projects to generate capital cost recovery charges, which over the span of the Plan will rise from \$889,000 in 2018 to \$4,062,000 in 2022 - generating total charges of \$12,237,000 over the five year period.

## **FINANCIAL JUSTIFICATION**

In 2018 and beyond, LCA anticipates that Capital Projects will be funded through a combination of available reserves, operating surplus and/or additional borrowings.

| <b>2018-2022 Capital Plan Allentown Division Funding Sources</b> |                      |                           |                         |                      |                     |                  |                      |
|--|----------------------|---------------------------|-------------------------|----------------------|---------------------|------------------|----------------------|
|  | <b>LCA SOURCES</b>   |                           |                         |                      | <b>CITY SOURCES</b> |                  |                      |
| <b>Budget Area</b>   | <b>Contributions</b> | <b>Operating Reserves</b> | <b>Capital Reserves</b> | <b>New Borrowing</b> | <b>AO</b>           | <b>UW</b>        | <b>Total Sources</b> |
| Water  | \$0                  | \$16,619,000              | \$13,000,000            | \$21,152,000         | \$0                 | \$300,000        | \$50,771,000         |
| Wastewater   | \$0                  | \$16,000,000              | \$12,636,000            | \$3,297,000          | \$28,940,000        | \$0              | \$31,933,000         |
| <b>Totals</b>  | <b>\$0</b>           | <b>\$32,619,000</b>       | <b>\$25,636,000</b>     | <b>\$24,449,000</b>  | <b>\$28,940,000</b> | <b>\$300,000</b> | <b>\$82,704,000</b>  |

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN DIVISION - CAPITAL IMPROVEMENTS PLAN  
PROJECT DETAIL SHEET**

|                      |                         |                   |                  |                  |                 |                     |        |
|----------------------|-------------------------|-------------------|------------------|------------------|-----------------|---------------------|--------|
| <b>Project Name</b>  | WATER MAIN REPLACEMENTS |                   |                  |                  |                 |                     |        |
| <b>Budget Area</b>   | Water                   | <b>Department</b> | Capital Works    | <b>Date</b>      | 10/5/2017       | <b>Project No.</b>  | AD-W-7 |
| <b>Location</b>      | Allentown               |                   |                  | <b>Prj. Type</b> | LCA-MCI         | <b>Prj. Funding</b> | CCRC   |
| <b>Prj. Category</b> | <b>Primary</b>          | CA/OS             | <b>Secondary</b> | AM - High        | <b>Preparer</b> |                     | JMP    |

| Purpose of Expenditure (check all that apply)                       |                                     |  |
|---|-------------------------------------|--|
| <input checked="" type="checkbox"/> New Facility                    |                                     | Correct Known or Potential Safety Issue        |
| <input type="checkbox"/> Existing Facility - Rehabilitation/Upgrade |                                     | Equipment Obsolete                             |
| <input type="checkbox"/> Scheduled Replacement                      |                                     | Comply with Regulatory Requirements            |
| <input checked="" type="checkbox"/> Improved Service                | <input checked="" type="checkbox"/> | Equipment/Infrastructure at End of Useful Life |
| <input type="checkbox"/> Study                                      |                                     | Other (explain):                               |

| Additional Information                         |     |          |
|--|-----|----------|
| Expected Useful Life (Years)                   | 100 | Comments |
| Approx. No. of Customers Benefitted            | N/A |          |
| Is this System part of a Common User Rate?     | N/A |          |
| Will the Project Require Obtaining Land Rights | N/A |          |

| Detailed Project Description   |
|--|
| Through the Operating Standards of the Concession Agreement, LCA is required to replace 2-miles of pipe per year until such time as the City deems it not necessary as a majority of the City's water distribution system is pit cast iron or spun cast iron mains. Some of the pit cast mains date back to the turn of the century, however the spun cast mains have a higher failure. Although the entire system will be evaluated, LCA will work closely with the City Streets department to coordinate main replacements in advance of the annual City Street paving schedule. <b>Note: In 2017, LCA did not execute any main replacements and instead utilized 2-miles of main replacement credit from previous cycles to comply with the Lease requirements. The required main replacements will resume in 2018 with the replacement of approximately 2-miles of water main.</b> |

| Purpose and Needs to be Met by the Project   |
|--|
| Replacing cast iron mains will reduce the frequency of breaks in the system causing customer outages and will reduce the potential for damage which can occur to private property. |

| Project Status - Describe what work, if any has been completed or underway for this project  |
|--|
| As of July 2017, the construction of 7.69 miles have been completed. Currently the prioritization of 2-miles of main replacements for 2018 are underway. Additionally the prioritizing of the next 5 years' worth of water main replacements is also being conducted at this time. |

| Annual Cost Impact              |             |
|---------------------------------|-------------|
| Operating - Increase/(Decrease) | N/A         |
| Debt Service                    | \$ -        |
| <b>Net</b>                      | <b>\$ -</b> |

| Revenue Impact                                  |     |
|---|-----|
| Gain/(Loss) in Annual Revenue                   | N/A |
| Assessment, Contribution in Aid-of-Construction | N/A |
| Other   |     |

| Borrowing Information |         |
|-----------------------|---------|
| Interest Rate         | 5.5000% |
| Term (Years)          | 30      |

| Explanation if Necessary |
|--------------------------|
|                          |

|                     |                         |
|---------------------|-------------------------|
| <b>Project No.</b>  | AD-W-7                  |
| <b>Project Name</b> | WATER MAIN REPLACEMENTS |

| Estimated Project Costs : |                      |
|---------------------------|----------------------|
| LCA Staff                 | \$ 650,000           |
| Land Acquisition          | \$ -                 |
| Construction/Equipment    | \$ 11,750,000        |
| Professional Services     | \$ 1,450,000         |
| Other                     | \$ 650,000           |
| Contingencies             | \$ 1,500,000         |
| <b>Total Project Cost</b> | <b>\$ 16,000,000</b> |

| Project Estimate Level |                      |
|------------------------|----------------------|
|                        | Conceptual Estimate  |
| <b>X</b>               | Preliminary Estimate |
|                        | Budget Estimate      |
|                        | Definitive Estimate  |

|  |                      |
|--|----------------------|
| <b>Requested in this Capital Program</b> | <b>\$ 16,000,000</b> |
|--|----------------------|

| Source of Funds |      |              |                    |           |                           |
|-----------------|------|--------------|--------------------|-----------|---------------------------|
|                 |      | Need         | Source             |           |                           |
|                 |      |              | Operating Revenues | Borrowing | Assessment, Contr.-in-Aid |
| Prior Years     |      | \$ -         |                    |           |                           |
| 1st Year        | 2018 | \$ 3,200,000 |                    |           | \$ 3,200,000              |
| 2nd Year        | 2019 | \$ 3,200,000 |                    |           | \$ 3,200,000              |
| 3rd Year        | 2020 | \$ 3,200,000 |                    |           | \$ 3,200,000              |
| 4th Year        | 2021 | \$ 3,200,000 |                    |           | \$ 3,200,000              |
| 5th Year        | 2022 | \$ 3,200,000 |                    |           | \$ 3,200,000              |

|  |
|--|
|  |
|--|

**LEHIGH COUNTY AUTHORITY  
ALLENTOWN DIVISION - CAPITAL IMPROVEMENTS PLAN  
PROJECT DETAIL SHEET**

|                      |                                      |                   |                  |                  |                 |                     |        |
|----------------------|--------------------------------------|-------------------|------------------|------------------|-----------------|---------------------|--------|
| <b>Project Name</b>  | VARIOUS WATER SYSTEM RELATED STUDIES |                   |                  |                  |                 |                     |        |
| <b>Budget Area</b>   | Water                                | <b>Department</b> | Capital Works    | <b>Date</b>      | 10/5/2017       | <b>Project No.</b>  | AD-W-9 |
| <b>Location</b>      | Allentown                            |                   |                  | <b>Prj. Type</b> | Regular         | <b>Prj. Funding</b> | LCA    |
| <b>Prj. Category</b> | <b>Primary</b>                       | CA/OS             | <b>Secondary</b> | Planning         | <b>Preparer</b> |                     | PMD    |

| Purpose of Expenditure <i>(check all that apply)</i>                |   |
|---|---|
| <input type="checkbox"/> New Facility                               | <input type="checkbox"/> Correct Known or Potential Safety Issue        |
| <input type="checkbox"/> Existing Facility - Rehabilitation/Upgrade | <input type="checkbox"/> Equipment Obsolete                             |
| <input type="checkbox"/> Scheduled Replacement                      | <input type="checkbox"/> Comply with Regulatory Requirements            |
| <input type="checkbox"/> Improved Service                           | <input type="checkbox"/> Equipment/Infrastructure at End of Useful Life |
| <input checked="" type="checkbox"/> Study                           | <input type="checkbox"/> Other (explain):                               |

| Additional Information                         |     |                 |
|--|-----|-----------------|
| Expected Useful Life (Years)                   | 20  | <b>Comments</b> |
| Approx. No. of Customers Benefitted            | N/A |                 |
| Is this System part of a Common User Rate?     | N/A |                 |
| Will the Project Require Obtaining Land Rights | N/A |                 |

| Detailed Project Description   |
|--|
| <p>This project consists of the following: <b>1. West End Pressure Booster Station Feasibility Study (to begin in 2020):</b> conduct a study to assess the location, cost, etc. for a pump station/storage tank on the city's west end where typical pressures have historically been only slightly higher than the regulatory limit of 20 psi. The remaining years will have money set aside for unforeseen studies that may be needed.</p> |

| Purpose and Needs to be Met by the Project   |
|--|
| <p>The project ensures the highest quality water and to plan for future upgrades at the WFP in order to meet water production needs. Focus will be made on keeping both ground water sources fully operational and reliable (as the groundwater is less costly to treat than surface water).</p> |

| Project Status - Describe what work, if any has been completed or underway for this project |
|---|
| <p>The Master Plan was completed in 2017.</p>   |

| Annual Cost Impact                     |             |
|--|-------------|
| Operating - <i>Increase/(Decrease)</i> | N/A         |
| Debt Service                           | \$ -        |
| <b>Net</b>                             | <b>\$ -</b> |

| Revenue Impact                        |     |
|---------------------------------------|-----|
| <i>Gain/(Loss )</i> in Annual Revenue | N/A |
| Assessment, Contribution              | N/A |
| in Aid-of-Construction                |     |
| Other                                 |     |

| Borrowing Information |         |
|-----------------------|---------|
| Interest Rate         | 5.5000% |
| Term (Years)          | 30      |

| Explanation if Necessary |
|--------------------------|
|                          |



|                     |                                      |
|---------------------|--------------------------------------|
| <b>Project No.</b>  | AD-W-9                               |
| <b>Project Name</b> | VARIOUS WATER SYSTEM RELATED STUDIES |

| Estimated Project Costs : |                   |
|---------------------------|-------------------|
| LCA Staff                 | \$ 50,000         |
| Land Acquisition          | \$ -              |
| Construction/Equipment    | \$ -              |
| Professional Services     | \$ 70,000         |
| Other                     | \$ -              |
| Contingencies             | \$ 1,000          |
| <b>Total Project Cost</b> | <b>\$ 121,000</b> |

| Project Estimate Level |                      |
|------------------------|----------------------|
|                        | Conceptual Estimate  |
| <b>X</b>               | Preliminary Estimate |
|                        | Budget Estimate      |
|                        | Definitive Estimate  |

|  |                   |
|--|-------------------|
| <b>Requested in this Capital Program</b> | <b>\$ 121,000</b> |
|--|-------------------|

| Source of Funds |      |           |                    |           |                           |           |
|-----------------|------|-----------|--------------------|-----------|---------------------------|-----------|
|                 |      | Need      | Source             |           |                           |           |
|                 |      |           | Operating Revenues | Borrowing | Assessment, Contr.-in-Aid | Reserves  |
| Prior Years     |      | \$ -      |                    |           |                           |           |
| 1st Year        | 2018 | \$ 40,000 |                    |           |                           | \$ 40,000 |
| 2nd Year        | 2019 | \$ 21,000 |                    |           |                           | \$ 21,000 |
| 3rd Year        | 2020 | \$ 20,000 |                    |           |                           | \$ 20,000 |
| 4th Year        | 2021 | \$ 20,000 |                    |           |                           | \$ 20,000 |
| 5th Year        | 2022 | \$ 20,000 |                    |           |                           | \$ 20,000 |

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**LEHIGH COUNTY AUTHORITY  
ALLENTOWN DIVISION - CAPITAL IMPROVEMENTS PLAN  
PROJECT DETAIL SHEET**

|                      |                 |                   |                  |                  |                 |                     |         |
|----------------------|-----------------|-------------------|------------------|------------------|-----------------|---------------------|---------|
| <b>Project Name</b>  | FILTER UPGRADES |                   |                  |                  |                 |                     |         |
| <b>Budget Area</b>   | Water           | <b>Department</b> | Operations       | <b>Date</b>      | 7/13/2017       | <b>Project No.</b>  | AD-W-22 |
| <b>Location</b>      | Allentown       |                   |                  | <b>Prj. Type</b> | LCA-MCI         | <b>Prj. Funding</b> | CCRC    |
| <b>Prj. Category</b> | <b>Primary</b>  | Sys Imp           | <b>Secondary</b> | Efficiency       | <b>Preparer</b> |                     | PMD     |

| Purpose of Expenditure (check all that apply) |  |
|---|--|
| New Facility                                  | Correct Known or Potential Safety Issue  |
| Existing Facility - Rehabilitation/Upgrade    | <input checked="" type="checkbox"/> Equipment Obsolete                             |
| Scheduled Replacement                         | Comply with Regulatory Requirements  |
| Improved Service                              | <input checked="" type="checkbox"/> Equipment/Infrastructure at End of Useful Life |
| Study   | Other (explain):   |

| Additional Information                         |        |  |
|--|--------|--|
| Expected Useful Life (Years)                   | Varies | <b>Comments</b>  |
| Approx. No. of Customers Benefitted            | *      | *All customers of the City of Allentown, Central Lehigh Division and bulk water sales to other municipalities. |
| Is this System part of a Common User Rate?     | N/A    |  |
| Will the Project Require Obtaining Land Rights | N/A    |  |

| Detailed Project Description  |
|---|
| The filter underdrains are approximately 58 years old and are beyond their nominal useful life. A recent inspection of the underdrain in Filter No. 6 determined that the underdrains are in poor condition and must soon be replaced. In addition, a number of filter components are obsolete including the filter control valves and filter control panels. There has been difficulty in obtaining spare parts. Properly functioning filter underdrains and optimized filter media and backwash routines will be critical to maintaining regulatory compliance. |

| Purpose and Needs to be Met by the Project   |
|--|
| Primary benefit will be enhanced regulatory compliance, improved operability and reduced maintenance. Secondary benefits include better asset management and process reliability. In addition, replacing the underdrains and rebuilding the filters will allow for the addition of air scour auxiliary wash and modified media configuration, which will improve reliability and performance of the filters. |

| Project Status - Describe what work, if any has been completed or underway for this project      |
|--|
| This evaluation was completed in 2017 as part of the Water Filtration Plant Master Plan project. |

| Annual Cost Impact              |             |
|---------------------------------|-------------|
| Operating - Increase/(Decrease) | N/A         |
| Debt Service                    | \$ -        |
| <b>Net</b>                      | <b>\$ -</b> |

| Revenue Impact                                  |     |
|---|-----|
| Gain/(Loss) in Annual Revenue                   | N/A |
| Assessment, Contribution in Aid-of-Construction | N/A |
| Other   |     |

| Borrowing Information |         |
|-----------------------|---------|
| Interest Rate         | 5.5000% |
| Term (Years)          | 30      |

| Explanation if Necessary |
|--------------------------|
|                          |

|                     |                 |  |
|---------------------|-----------------|--|
| <b>Project No.</b>  | AD-W-22         |  |
| <b>Project Name</b> | FILTER UPGRADES |  |

| Estimated Project Costs : |                      |
|---------------------------|----------------------|
| LCA Staff                 | \$ 130,000           |
| Land Acquisition          | \$ -                 |
| Construction/Equipment    | \$ 10,800,000        |
| Professional Services     | \$ 1,150,000         |
| Other                     | \$ -                 |
| Contingencies             | \$ 60,000            |
| <b>Total Project Cost</b> | <b>\$ 12,140,000</b> |

| Project Estimate Level |                      |
|------------------------|----------------------|
|                        | Conceptual Estimate  |
| <b>X</b>               | Preliminary Estimate |
|                        | Budget Estimate      |
|                        | Definitive Estimate  |

|  |                      |
|--|----------------------|
| <b>Requested in this Capital Program</b> | <b>\$ 12,140,000</b> |
|--|----------------------|

| Source of Funds |      |              |                    |           |                                       |
|-----------------|------|--------------|--------------------|-----------|---------------------------------------|
|                 |      | Need         | Source             |           |                                       |
|                 |      |              | Operating Revenues | Borrowing | Assessment, Contr.-in-Aid<br>Reserves |
| Prior Years     |      | \$ -         |                    |           |                                       |
| 1st Year        | 2018 | \$ -         |                    |           |                                       |
| 2nd Year        | 2019 | \$ 7,020,000 |                    |           | \$ 7,020,000                          |
| 3rd Year        | 2020 | \$ 5,120,000 |                    |           | \$ 5,120,000                          |
| 4th Year        | 2021 | \$ -         |                    |           |                                       |
| 5th Year        | 2022 | \$ -         |                    |           |                                       |

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SUBURBAN DIVISION  
WASTEWATER

LEHIGH COUNTY AUTHORITY  
SUBURBAN DIVISION  
2018-2022 CAPITAL PROGRAM  
WASTEWATER

| Project # | Name or Title of Proposal                                    | (1) Proj. Type | (1) Proj. Funding | Approval Stage (1) | Project Cost         |                     | This Capital Program |                     |                      |                     |                     |                      | Project Category (1) |            |
|-----------|--|----------------|-------------------|--------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|------------|
|           |  |                |                   |                    | Total Cost           | Prior Years' (2)    | 2018 Year -1         | 2019 Year -2        | 2020 Year -3         | 2021 Year -4        | 2022 Year -5        | Grand Total          | Primary              | Secondary  |
|           |  |                |                   |                    |                      |                     |                      |                     |                      |                     |                     |                      |                      |            |
|           | <b>Annual</b>  |                |                   |                    |                      |                     |                      |                     |                      |                     |                     |                      |                      |            |
| SD-S-A    | Annual Projects  | Regular        | LCA               | A                  | \$ 2,671,750         | \$ 525,000          | \$ 865,750           | \$ 304,750          | \$ 478,750           | \$ 263,750          | \$ 233,750          | \$ 2,146,750         | AM - Varies          | N/A        |
| SD-S-22   | Pretreatment Plant Improvements                              | Regular        | LCA               | A                  | \$ 4,000,000         | \$ -                | \$ 800,000           | \$ 800,000          | \$ 800,000           | \$ 800,000          | \$ 800,000          | \$ 4,000,000         | AM - Varies          | Sys Imp    |
|           | <b>Subtotal</b>  |                |                   |                    | <b>\$ 6,671,750</b>  | <b>\$ 525,000</b>   | <b>\$ 1,665,750</b>  | <b>\$ 1,104,750</b> | <b>\$ 1,278,750</b>  | <b>\$ 1,063,750</b> | <b>\$ 1,033,750</b> | <b>\$ 6,146,750</b>  |                      |            |
|           | <b>Previously Authorized</b>                                 |                |                   |                    |                      |                     |                      |                     |                      |                     |                     |                      |                      |            |
| SD-S-3    | Central Lehigh County WW Capacity Planning & Expansion       | Regular        | LCA               | V                  | \$ 1,715,000         | \$ 1,100,000        | \$ 315,000           | \$ 75,000           | \$ 75,000            | \$ 75,000           | \$ 75,000           | \$ 615,000           | New Cust             | N/A        |
| SD-S-4    | Spring Creek Force Main Air/Vacuum Valve Replacements        | Regular        | LCA               | V                  | \$ 180,000           | \$ 10,000           | \$ 170,000           | \$ -                | \$ -                 | \$ -                | \$ -                | \$ 170,000           | Sys Imp              | N/A        |
| SD-S-6    | Wynnewood I & I Investigation & Remediation Program          | Regular        | LCA               | V                  | \$ 500,000           | \$ 250,000          | \$ 20,000            | \$ 230,000          | \$ -                 | \$ -                | \$ -                | \$ 250,000           | AM - Varies          | Regulatory |
| SD-S-7    | Wynnewood Terrace WWTP Remediation & Replacement             | Regular        | LCA               | V                  | \$ 1,510,000         | \$ 110,000          | \$ 1,000,000         | \$ 400,000          | \$ -                 | \$ -                | \$ -                | \$ 1,400,000         | AM - High            | N/A        |
| SD-S-13   | Sand Spring WWTP Remediation & Replacement                   | Regular        | LCA               | S                  | \$ 1,510,000         | \$ 110,000          | \$ 800,000           | \$ 600,000          | \$ -                 | \$ -                | \$ -                | \$ 1,400,000         | AM - High            | N/A        |
| SD-S-15   | Park Pump Station Rehabilitation/Improvements                | AO             | LCA               | P                  | \$ 4,760,000         | \$ 300,000          | \$ 3,000,000         | \$ 1,400,000        | \$ 60,000            | \$ -                | \$ -                | \$ 4,460,000         | AM - High            | Regulatory |
| SD-S-17   | Heidelberg Heights I & I Investigation & Remediation Program | Regular        | LCA               | V                  | \$ 390,000           | \$ 25,000           | \$ 200,000           | \$ 140,000          | \$ 25,000            | \$ -                | \$ -                | \$ 365,000           | AM - Varies          | Regulatory |
| SD-S-18   | Heidelberg Heights WWTP Rehabilitation                       | Regular        | LCA               | P                  | \$ 505,000           | \$ 75,000           | \$ 30,000            | \$ 50,000           | \$ 300,000           | \$ 25,000           | \$ 25,000           | \$ 430,000           | AM - High            | N/A        |
| SD-S-24   | Signatory I & I Investigation & Remediation Program          | AO             | LCA               | V                  | \$ 8,255,000         | \$ 4,500,000        | \$ 1,585,000         | \$ 1,300,000        | \$ 470,000           | \$ 200,000          | \$ 200,000          | \$ 3,755,000         | Regulatory           | Sys Imp    |
| SD-S-25   | Lynn Township WWTP Upgrades & Expansion                      | Regular        | LCA               | D-Partial          | \$ 5,083,755         | \$ 615,755          | \$ 606,000           | \$ 89,000           | \$ 1,887,000         | \$ 1,886,000        | \$ -                | \$ 4,468,000         | AM - High            | N/A        |
| SD-S-26   | Lynn Township I & I Investigation & Remediation Program      | Regular        | LCA               | P                  | \$ 320,000           | \$ 30,000           | \$ 125,000           | \$ 125,000          | \$ 40,000            | \$ -                | \$ -                | \$ 290,000           | AM - High            | Regulatory |
| SD-S-27   | Spring Creek Pump Station Upgrades                           | AO             | LCA               | D                  | \$ 581,000           | \$ 359,000          | \$ 222,000           | \$ -                | \$ -                 | \$ -                | \$ -                | \$ 222,000           | Sys Imp              | Efficiency |
|           | <b>Subtotal</b>  |                |                   |                    | <b>\$ 25,309,755</b> | <b>\$ 7,484,755</b> | <b>\$ 8,073,000</b>  | <b>\$ 4,409,000</b> | <b>\$ 2,857,000</b>  | <b>\$ 2,186,000</b> | <b>\$ 300,000</b>   | <b>\$ 17,825,000</b> |                      |            |
|           | <b>Pending Authorization</b>                                 |                |                   |                    |                      |                     |                      |                     |                      |                     |                     |                      |                      |            |
| SD-S-2    | Interceptor Access Easement Acquisitions                     | Regular        | LCA               | P                  | \$ 330,000           | \$ -                | \$ 60,000            | \$ 100,000          | \$ 100,000           | \$ 50,000           | \$ 20,000           | \$ 330,000           | Efficiency           | Sys Imp    |
| SD-S-8    | Western Weisenberg WWTP Mechanical Screen                    | Regular        | LCA               | P                  | \$ 340,000           | \$ -                | \$ -                 | \$ 40,000           | \$ 300,000           | \$ -                | \$ -                | \$ 340,000           | Efficiency           | N/A        |
| SD-S-12   | Park Pump Station Force Main Rehabilitation                  | AO             | LCA               | P                  | \$ 2,550,000         | \$ 50,000           | \$ 1,500,000         | \$ 1,000,000        | \$ -                 | \$ -                | \$ -                | \$ 2,500,000         | AM - High            | N/A        |
| SD-S-16   | Park Pump Station - Sister Station                           | AO             | LCA               | P                  | \$ 180,000           | \$ -                | \$ -                 | \$ 60,000           | \$ 10,000            | \$ 10,000           | \$ 100,000          | \$ 180,000           | Regulatory           | AM - High  |
| SD-S-19   | Heidelberg Heights WWTP Mechanical Screen                    | Regular        | LCA               | P                  | \$ 340,000           | \$ -                | \$ -                 | \$ 40,000           | \$ 300,000           | \$ -                | \$ -                | \$ 340,000           | Efficiency           | N/A        |
| SD-S-28   | WLI - Trexlertown Area Interceptor Upgrade                   | AO             | LCA               | P                  | \$ 12,300,000        | \$ -                | \$ 300,000           | \$ 500,000          | \$ 6,000,000         | \$ 5,000,000        | \$ 500,000          | \$ 12,300,000        | Regulatory           | Sys Imp    |
|           | <b>Subtotal</b>  |                |                   |                    | <b>\$ 16,040,000</b> | <b>\$ 50,000</b>    | <b>\$ 1,860,000</b>  | <b>\$ 1,740,000</b> | <b>\$ 6,710,000</b>  | <b>\$ 5,060,000</b> | <b>\$ 620,000</b>   | <b>\$ 15,990,000</b> |                      |            |
|           | <b>GRAND TOTAL</b>   |                |                   |                    | <b>\$ 48,021,505</b> | <b>\$ 8,059,755</b> | <b>\$ 11,598,750</b> | <b>\$ 7,253,750</b> | <b>\$ 10,845,750</b> | <b>\$ 8,309,750</b> | <b>\$ 1,953,750</b> | <b>\$ 39,961,750</b> |                      |            |

(1) Reference Glossary of Acronyms & Terms found immediately after the Table of Contents

(2) Includes estimate of expenditures through 2017.

**LEHIGH COUNTY AUTHORITY  
SUBURBAN DIVISION  
WASTEWATER  
5-YEAR CAPITAL PLAN  
2018–2022**

**CAPITAL FINANCING JUSTIFICATION**

Capital additions to the Wastewater System are justified by calculating the operating cash available based upon projections of revenues over the five year period. Beyond the operating cash available, remaining sources are project reserves from previous debt issuance and any new borrowing required.

The table below summarizes the capital project sourcing by year and each major financial sourcing category:

| <b>CAPITAL FINANCING SOURCES</b>      |                     |                    |                     |                    |                    |                     |
|---------------------------------------|---------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
|                                       | <b>2018</b>         | <b>2019</b>        | <b>2020</b>         | <b>2021</b>        | <b>2022</b>        | <b>TOTAL</b>        |
| Project Costs                         | \$11,598,750        | \$7,253,750        | \$10,845,750        | \$8,309,750        | \$1,953,750        | \$39,961,750        |
| <b><i>Sources of Funding:</i></b>     |                     |                    |                     |                    |                    |                     |
| Operating Cash Available for Projects | \$594,000           | \$6,116,000        | \$826,000           | \$7,107,000        | \$716,000          | \$15,359,000        |
| Capital Reserves                      | \$11,004,750        | \$1,137,750        | \$1,169,750         | \$1,202,750        | \$1,237,750        | \$15,752,750        |
| New Borrowing                         | -                   | -                  | \$8,850,000         | -                  | -                  | \$8,850,000         |
| <b>TOTAL FUNDING</b>                  | <b>\$11,598,750</b> | <b>\$7,253,750</b> | <b>\$10,845,750</b> | <b>\$8,309,750</b> | <b>\$1,953,750</b> | <b>\$39,961,750</b> |

Total project spending will amount to \$39,961,750. Ongoing revenues are expected to finance the ongoing capital improvements for projects associated with the LCA Wastewater Treatment Plant (SD-S-22). Annual revenues for this facility are generated from the treatment of the Boston Beer, Hilton Homewood Suites and trucked-in hauler waste as well as removal credits from treatment of all sewer flows upstream of the pretreatment plant.

New borrowing is planned in 2020 for \$6,000,000 for Phase 1 Administrative Order (AO) work. Debt Service for all AO projects will be reimbursed directly from the municipal signatories served by the Western Lehigh Interceptor and Little Lehigh Relief Interceptor via the terms of the intermunicipal service agreements.

This plan also assumes an additional \$2,850,000 will be borrowed for the other non-AO project work. However, these non-AO projects serve a very small customer base of about 2,500 homes and businesses, and affordability of each project will need to be assessed prior to authorization and borrowing.

Sourcing of Projects and Debt Service related to various systems is as follows:

| BY SYSTEM                               | PROJECTS                  | TOTAL               | OPERATING RESERVES  | CAPITAL RESERVES    | NEW DEBT           |
|---|---------------------------|---------------------|---------------------|---------------------|--------------------|
| Annual Projects                         | SA                        | \$2,146,750         | \$2,146,750         | -                   | -                  |
| Western Lehigh Interceptor              | S2, S3, S4, S24, S27, S28 | \$17,392,000        | -                   | \$8,542,000         | \$8,850,000        |
| LCA Wastewater Treatment Plant          | S22                       | \$4,000,000         | \$4,000,000         | -                   | -                  |
| Common Rate Collector Systems           | S6, S7, S13, S18, S19     | \$3,820,000         | \$3,820,000         | -                   | -                  |
| Arcadia West                            | S8, S17                   | \$705,000           | \$705,000           | -                   | -                  |
| Lynn Township                           | S25, S26                  | \$4,758,000         | \$4,687,250         | \$70,750            | -                  |
| Little Lehigh Relief Interceptor System | S12, S15, S16             | \$7,140,000         | -                   | \$7,140,000         | -                  |
|   | <b>TOTAL</b>              | <b>\$39,961,750</b> | <b>\$15,359,000</b> | <b>\$15,752,750</b> | <b>\$8,850,000</b> |

**LEHIGH COUNTY AUTHORITY  
SUBURBAN DIVISION - CAPITAL IMPROVEMENTS PLAN  
PROJECT DETAIL SHEET**

|                      |  |                   |                  |                  |                 |                     |         |
|----------------------|--|-------------------|------------------|------------------|-----------------|---------------------|---------|
| <b>Project Name</b>  | PRETREATMENT PLANT IMPROVEMENTS                                |                   |                  |                  |                 |                     |         |
| <b>Budget Area</b>   | Wastewater   | <b>Department</b> | Capital Works    | <b>Date</b>      | 9/25/2017       | <b>Project No.</b>  | SD-S-22 |
| <b>Location</b>      | LCA Pretreatment Plant ( <i>Industrial Blvd &amp; Rt 100</i> ) |                   |                  | <b>Prj. Type</b> | Regular         | <b>Prj. Funding</b> | LCA     |
| <b>Prj. Category</b> | <b>Primary</b>   | AM - Varies       | <b>Secondary</b> | Sys Imp          | <b>Preparer</b> |                     | CEV     |

| Purpose of Expenditure ( <i>check all that apply</i> )                         |  |
|--|--|
| <input type="checkbox"/> New Facility  | <input type="checkbox"/> Correct Known or Potential Safety Issue                   |
| <input checked="" type="checkbox"/> Existing Facility - Rehabilitation/Upgrade | <input checked="" type="checkbox"/> Equipment Obsolete                             |
| <input type="checkbox"/> Scheduled Replacement                                 | <input type="checkbox"/> Comply with Regulatory Requirements                       |
| <input type="checkbox"/> Improved Service                                      | <input checked="" type="checkbox"/> Equipment/Infrastructure at End of Useful Life |
| <input type="checkbox"/> Study   | <input type="checkbox"/> Other (explain):  |

| Additional Information                         |     |   |
|--|-----|---|
| Expected Useful Life (Years)                   | 20  | <b>Comments</b>   |
| Approx. No. of Customers Benefitted            | **  | Provides pretreatment for industrial customers such as Boston Beer, Coca-Cola, Nestle Waters, Niagara, Ocean Spray, Bimbo and others. |
| Is this System part of a Common User Rate?     | N/A |   |
| Will the Project Require Obtaining Land Rights | No  |   |

| Detailed Project Description  |
|---|
| This capital project is a comprehensive phased multi-year program to address the continued reliability and functionality of the LCA Wastewater Pre-treatment Plant. Long range program components include upgrading or replacing the aging cryogenic system, waste hauler receiving system improvements, facility SCADA system installation for process monitoring and control improvements, aeration tank process optimization, final settling process expansion, final clarifier drive re-builds, sludge dewatering equipment re-builds, digester boiler replacement, access road/concrete pavement construction, door replacements, roof replacements and HVAC sytem upgrades. |

| Purpose and Needs to be Met by the Project   |
|--|
| Capital improvements at the facility have been underfunded for years. The lack of expenditures, corrosive environment, 24/7 operation since 1990 and significantly increased industrial loading rates all drive the need for repairs, replacements and potential process expansions or modifications. The Capital Plan endeavors to maintain the reliability and structural integrity of the physical plant with the objective of maintaining a high level of service and profitability. |

| Project Status - Describe what work, if any has been completed or underway for this project  |
|--|
| An annual program to rebuild the belt filter presses was started in 2015. Also there is an annual pavement reconstruction project on the waste hauler route used by large trucks within the plant site to replace asphalt pavement with concrete pavement. |

| Annual Cost Impact              |             |
|---------------------------------|-------------|
| Operating - Increase/(Decrease) | N/A         |
| Debt Service                    | \$ -        |
| <b>Net</b>                      | <b>\$ -</b> |

| Revenue Impact                                  |     |
|---|-----|
| Gain/(Loss ) in Annual Revenue                  | N/A |
| Assessment, Contribution in Aid-of-Construction | N/A |
| Other   |     |

| Borrowing Information |         |
|-----------------------|---------|
| Interest Rate         | 5.5000% |
| Term (Years)          | 30      |

| Explanation if Necessary |
|--------------------------|
|                          |



|                     |                                 |
|---------------------|---------------------------------|
| <b>Project No.</b>  | SD-S-22                         |
| <b>Project Name</b> | PRETREATMENT PLANT IMPROVEMENTS |

| Estimated Project Costs : |                     |
|---------------------------|---------------------|
| LCA Staff                 | \$ 200,000          |
| Land Acquisition          | \$ -                |
| Construction/Equipment    | \$ 3,600,000        |
| Professional Services     | \$ 200,000          |
| Other                     | \$ -                |
| Contingencies             | \$ -                |
| <b>Total Project Cost</b> | <b>\$ 4,000,000</b> |

|  |                     |
|--|---------------------|
| <b>Requested in this Capital Program</b> | <b>\$ 4,000,000</b> |
|--|---------------------|

| Project Estimate Level                                  |  |
|---|--|
| <input checked="" type="checkbox"/> Conceptual Estimate |  |
| <input type="checkbox"/> Preliminary Estimate           |  |
| <input type="checkbox"/> Budget Estimate                |  |
| <input type="checkbox"/> Definitive Estimate            |  |

| Source of Funds |      |            |                    |           |                                       |
|-----------------|------|------------|--------------------|-----------|---------------------------------------|
|                 |      | Need       | Source             |           |                                       |
|                 |      |            | Operating Revenues | Borrowing | Assessment, Contr.-in-Aid<br>Reserves |
| Prior Years     |      | \$ -       |                    |           |                                       |
| 1st Year        | 2018 | \$ 800,000 |                    |           | \$ 800,000                            |
| 2nd Year        | 2019 | \$ 800,000 |                    |           | \$ 800,000                            |
| 3rd Year        | 2020 | \$ 800,000 |                    |           | \$ 800,000                            |
| 4th Year        | 2021 | \$ 800,000 |                    |           | \$ 800,000                            |
| 5th Year        | 2022 | \$ 800,000 |                    |           | \$ 800,000                            |

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# LEHIGH COUNTY AUTHORITY

FINANCIAL REPORT – SEPTEMBER 2017

## FINANCIAL REPORT SEPTEMBER 2017

### 1. SUMMARY

#### A. Month

| MONTH                                 | SEPTEMBER 2017 |             |           |             |  |           |           |           |
|---------------------------------------|----------------|-------------|-----------|-------------|--|-----------|-----------|-----------|
|                                       | Actual         | Forecast    | Budget    | Prior Year  |  | FC Var    | Bud Var   | PY Var    |
| <b>Income Statement</b>               |                |             |           |             |  |           |           |           |
| Suburban Water                        | (27,655)       | (42,931)    | 58,011    | 101,452     |  | 15,276    | (85,666)  | (129,106) |
| Suburban Wastewater                   | (23,245)       | (186,660)   | (34,470)  | (56,474)    |  | 163,415   | 11,225    | 33,229    |
| City Division                         | (504,315)      | (1,805,575) | (535,231) | (830,221)   |  | 1,301,260 | 30,916    | 325,906   |
| <b>Cash Flow Statement (Indirect)</b> |                |             |           |             |  |           |           |           |
| Suburban Water                        | (34,758)       | (439,252)   | (461,222) | (323,372)   |  | 404,494   | 426,464   | 288,614   |
| Suburban Wastewater                   | 136,952        | (355,680)   | (327,416) | 191,776     |  | 492,632   | 464,368   | (54,824)  |
| City Division                         | 871,549        | (216,501)   | 1,072,597 | (1,257,012) |  | 1,088,050 | (201,048) | 2,128,561 |

#### Net income

All three funds are reporting negative net incomes for the month, however, the net incomes for all three funds are better than the forecasted losses.

Suburban Water net income was \$15k better than forecast due to lower operating expenses and lower non-operating expenses as a result of lower expensed capex.

Suburban Wastewater net income was \$163k better than forecast due, mostly, to higher non-operating revenues from higher tapping fees.

City Division net income was \$1.3m higher than forecast due to higher operating revenues, lower operating expenses, and lower non-operating expenses on lower expensed capex.

#### Cash Flow

City Division and Suburban Wastewater cash flows were positive for the month while Suburban Water was negative. All three funds, however, had cash flows that were better than forecast.

Suburban Water cash flows were \$404k better than forecast due to lower capex.

Suburban Wastewater cash flows were \$493k better than forecast due to higher cash from operations along with lower capex.

City Division cash flows were \$1.1m better than forecast due to higher cash from operations and lower capex.

## B. YTD

| YTD                                       | SEPTEMBER 2017 |             |             |             |  |           |            |             |
|---|----------------|-------------|-------------|-------------|--|-----------|------------|-------------|
|   | Actual         | Forecast    | Budget      | Prior Year  |  | FC Var    | Bud Var    | PY Var      |
| <b>Income Statement</b>                   |                |             |             |             |  |           |            |             |
| Suburban Water                            | (17,571)       | (222,713)   | (66,391)    | 725,116     |  | 205,143   | 48,820     | (742,686)   |
| Suburban Wastewater                       | 199,687        | 34,468      | (258,569)   | 396,867     |  | 165,220   | 458,256    | (197,181)   |
| City Division                             | (3,337,725)    | (7,474,629) | (7,835,384) | (6,620,167) |  | 4,136,905 | 4,497,659  | 3,282,443   |
| <b>Cash Flow Statement (Indirect)</b>     |                |             |             |             |  |           |            |             |
| Suburban Water                            | 14,426,822     | 13,545,811  | 1,160,512   | 174,802     |  | 881,011   | 13,266,310 | 14,252,020  |
| Suburban Wastewater                       | 1,419,995      | 313,287     | (2,895,083) | 2,055,305   |  | 1,106,708 | 4,315,078  | (635,310)   |
| City Division                             | 2,466,855      | (848,821)   | (144,793)   | 2,796,733   |  | 3,315,676 | 2,611,648  | (329,878)   |
| <b>Debt Service Coverage Ratio</b>        |                |             |             |             |  |           |            |             |
| Suburban Water                            | 1.36           | 1.37        | 1.25        | 1.86        |  | (0.01)    | 0.11       | (0.50)      |
| Suburban Wastewater                       | 7.84           | 7.07        | 2.39        | 7.22        |  | 0.77      | 5.45       | 0.62        |
| City Division                             | 1.24           | 1.20        | 1.16        | 1.40        |  | 0.05      | 0.09       | (0.16)      |
| <b>YTD Cash Flow Statement (Adjusted)</b> |                |             |             |             |  |           |            |             |
| Suburban Water                            | (865,184)      | (1,746,195) | (4,739,488) | 174,802     |  | 881,011   | 3,874,304  | (1,039,986) |
| Suburban Wastewater                       | 1,419,995      | 313,287     | (2,895,083) | 2,055,305   |  | 1,106,708 | 4,315,078  | (635,310)   |
| City Division                             | 2,466,855      | (848,821)   | (144,793)   | 2,796,733   |  | 3,315,676 | 2,611,648  | (329,878)   |

### Net income

Suburban Water is the lone fund reporting a positive net income so far for this year. Suburban Wastewater and City Division are negative through the year so far. However, all three of the funds have net incomes that are better than forecast and better than budget.

Suburban Water has a net income that is \$205k better than forecast and \$48k better than budget. Against forecast, net income is better due to the effect of lower operating expenses that made up for lower operating revenues and due to lower expensed capex that made up for lower tapping fees with additional help from lower interest expense. Against budget, net income is better due to lower operating expenses that more than offset lower operating revenues with erosion of some of that effect due to higher fees on borrowings.

Suburban Wastewater net income is \$165k better than forecast and \$458k better than budget. The forecast variance is due to higher non-operating revenues from higher tapping fees. The budget variance is due to higher tapping fees and lower expensed capex.

City Division net income is \$4.1m better than forecast and \$4.5m better than budget. The forecast variance is due to higher operating revenues along with higher project reimbursement and lower expensed capex. The budget variance is due to higher operating revenues and lower expensed capex.

### Cash Flows

All three funds have cash flows so far this year that are positive. Additionally, the cash flows on all three funds are better than both forecast and budget.

Suburban Water cash flow is \$881k better than forecast and \$3.9m better than budget after adjusting for borrowing. In both cases, primary drivers of these favorable variances is lower capital spending.

Suburban Wastewater cash flow is \$1.1m better than forecast and \$4.3m better than budget. Again, the primary factor in this is lower capital spending.

City Division cash flow is \$3.3m better than forecast and \$2.6m better than budget. This is also primarily due to lower capital spending against forecast and budget.

## Debt Service Coverage Ratio

All three funds have a debt service coverage ratio that is better than the internal target of 1.20 and in line with or better than budget. Suburban Water is off only slightly to forecast.

## 2. SUBURBAN WATER

### A. Month

| MONTH - SUBURBAN WATER            |           | SEPTEMBER 2017 |           |            |          |          |           |
|-----------------------------------|-----------|----------------|-----------|------------|----------|----------|-----------|
| Income Statement                  | Actual    | Forecast       | Budget    | Prior Year | FC Var   | Bud Var  | PY Var    |
| Operating Revenues                | 785,512   | 822,622        | 822,065   | 819,811    | (37,110) | (36,553) | (34,299)  |
| Operating (Expenses)              | (777,156) | (836,103)      | (734,533) | (680,217)  | 58,947   | (42,623) | (96,939)  |
| Operating Income                  | 8,356     | (13,481)       | 87,532    | 139,594    | 21,837   | (79,176) | (131,238) |
| Non-Operating Revenues (Expenses) | 86,925    | 73,407         | 66,167    | 44,539     | 13,518   | 20,758   | 42,385    |
| Income Before Interest            | 95,281    | 59,926         | 153,699   | 184,134    | 35,355   | (58,418) | (88,853)  |
| Interest Income                   | 7,895     | 14,143         | 16,667    | 4,617      | (6,248)  | (8,772)  | 3,278     |
| Interest Expense                  | (130,831) | (117,000)      | (112,355) | (87,299)   | (13,831) | (18,476) | (43,532)  |
| Capital Contributions             | -         | -              | -         | -          | -        | -        | -         |
| NET INCOME                        | (27,655)  | (42,931)       | 58,011    | 101,452    | 15,276   | (85,666) | (129,106) |

Net income was negative but was \$15k better than forecast due to lower operating expenses and lower non-operating expenses from lower expensed capex.

Operating revenues were down as higher commercial/industrial revenues were more than offset by lower residential and lower public fire service revenues.

Operating expenses were lower due to lower purchased services and lower equipment purchases.

Non-operating revenues (expenses) were favorable as lower tapping fees were more than offset by lower capex charged to expense.

| MONTH - SUBURBAN WATER           |           | SEPTEMBER 2017 |           |            |          |          |           |
|----------------------------------|-----------|----------------|-----------|------------|----------|----------|-----------|
| Cash Flow Statement (Indirect)   | Actual    | Forecast       | Budget    | Prior Year | FC Var   | Bud Var  | PY Var    |
| Net Income                       | (27,655)  | (42,931)       | 58,011    | 101,452    | 15,276   | (85,666) | (129,106) |
| Add: Depreciation & Amortization | 245,832   | 245,832        | 245,833   | 245,832    | -        | (1)      | -         |
| Add: Non-Cash Interest Expense   | (1)       | (2,000)        | -         | (0)        | 1,999    | (1)      | (1)       |
| Add: Capex Charged to Expense    | 241       | 25,314         | 8,333     | 70         | (25,073) | (8,092)  | 171       |
| Principal Payments               | (68,836)  | (139,000)      | (152,816) | (136,759)  | 70,164   | 83,980   | 67,923    |
| Investments Converting To Cash   | -         | -              | -         | -          | -        | -        | -         |
| New Borrowing                    | -         | -              | -         | -          | -        | -        | -         |
| Capital Expenditures             | (184,339) | (526,467)      | (620,583) | (533,967)  | 342,128  | 436,244  | 349,627   |
| NET FUND CASH FLOWS              | (34,758)  | (439,252)      | (461,222) | (323,372)  | 404,494  | 426,464  | 288,614   |

Cash flow was negative but was \$404k better than forecast on lower principal payments and lower capex.

## B. YTD

| YTD - SUBURBAN WATER              | SEPTEMBER 2017  |                  |                 |                |                |               |                  |
|-----------------------------------|-----------------|------------------|-----------------|----------------|----------------|---------------|------------------|
| Income Statement                  | Actual          | Forecast         | Budget          | Prior Year     | FC Var         | Bud Var       | PY Var           |
| Operating Revenues                | 6,606,291       | 6,813,527        | 6,810,095       | 6,568,771      | (207,236)      | (203,804)     | 37,520           |
| Operating (Expenses)              | (6,021,836)     | (6,253,321)      | (6,610,797)     | (5,539,669)    | 231,485        | 588,961       | (482,166)        |
| Operating Income                  | 584,455         | 560,206          | 199,298         | 1,029,101      | 24,249         | 385,157       | (444,646)        |
| Non-Operating Revenues (Expenses) | 510,919         | 370,665          | 595,503         | 445,982        | 140,254        | (84,584)      | 64,937           |
| Income Before Interest Expense    | 1,095,374       | 930,870          | 794,801         | 1,475,083      | 164,504        | 300,573       | (379,709)        |
| Interest Income                   | 63,389          | 82,286           | 150,003         | 42,327         | (18,897)       | (86,614)      | 21,062           |
| Interest Expense                  | (1,176,334)     | (1,235,870)      | (1,011,195)     | (792,294)      | 59,536         | (165,139)     | (384,040)        |
| Capital Contributions             | -               | -                | -               | -              | -              | -             | -                |
| <b>NET INCOME</b>                 | <b>(17,571)</b> | <b>(222,713)</b> | <b>(66,391)</b> | <b>725,116</b> | <b>205,143</b> | <b>48,820</b> | <b>(742,686)</b> |

Net income for the year is negative but \$205k better than forecast.

### Compared to Forecast

Operating revenues are down due to lower revenues from industrial/commercial, residential, and public fire service segments.

Operating expenses are lower due to lower spending on maintenance services, water purchases, and equipment purchases.

Non-operating revenues (expenses) are favorable due to lower expensed capital which more than made up for lower tapping fees and lower project reimbursement.

Interest income was lower than forecast and interest expense was lower.

### Compared to budget

Operating revenues are down as higher industrial/commercial revenues have been more than offset by lower large industrial, lower residential, and lower public fire revenues.

Operating expenses are lower due to lower spending on maintenance services, water purchases, miscellaneous services, and equipment purchases.

Non-operating revenues (expenses) are unfavorable due to lower inspection & review fees and lower project reimbursement which was partially offset by lower expensed capital.

Interest income is down to budget, while interest expense is higher on higher borrowing.

| YTD - SUBURBAN WATER             | SEPTEMBER 2017    |                   |                  |                |                |                   |                   |
|----------------------------------|-------------------|-------------------|------------------|----------------|----------------|-------------------|-------------------|
| Cash Flow Statement (Indirect)   | Actual            | Forecast          | Budget           | Prior Year     | FC Var         | Bud Var           | PY Var            |
| Net Income                       | (17,571)          | (222,713)         | (66,391)         | 725,116        | 205,143        | 48,820            | (742,686)         |
| Add: Depreciation & Amortization | 2,212,488         | 2,212,488         | 2,212,497        | 2,212,488      | -              | (9)               | -                 |
| Add: Non-Cash Interest Expense   | (105,776)         | (6,000)           | -                | (0)            | (99,776)       | (105,776)         | (105,776)         |
| Add: Capex Charged to Expense    | 5,267             | 227,823           | 74,997           | 3,099          | (222,556)      | (69,730)          | 2,167             |
| Principal Payments               | (1,163,248)       | (1,219,596)       | (1,375,344)      | (1,215,605)    | 56,347         | 212,096           | 52,356            |
| Investments Converting To Cash   | -                 | -                 | -                | -              | -              | -                 | -                 |
| New Borrowing                    | 15,292,006        | 15,292,006        | 5,900,000        | -              | -              | 9,392,006         | 15,292,006        |
| Capital Expenditures             | (1,796,344)       | (2,738,197)       | (5,585,247)      | (1,550,296)    | 941,853        | 3,788,903         | (246,048)         |
| <b>NET FUND CASH FLOWS</b>       | <b>14,426,822</b> | <b>13,545,811</b> | <b>1,160,512</b> | <b>174,802</b> | <b>881,011</b> | <b>13,266,310</b> | <b>14,252,020</b> |

If we adjust the cash flows for all of the differences created by borrowing variances, cash flow so far this year would be negative but would be \$881k better than forecast and \$3.9m better than budget.

Compared to forecast, cash flows are up on lower capital spending

Compared to budget, cash flows are better due to lower capital spending as well.

### 3. SUBURBAN WASTEWATER

#### A. Month

| MONTH - SUBURBAN WASTEWATER       | SEPTEMBER 2017  |                  |                 |                 |                |               |               |
|-----------------------------------|-----------------|------------------|-----------------|-----------------|----------------|---------------|---------------|
| Income Statement                  | Actual          | Forecast         | Budget          | Prior Year      | FC Var         | Bud Var       | PY Var        |
| Operating Revenues                | 1,438,871       | 1,431,242        | 1,506,946       | 1,513,218       | 7,629          | (68,075)      | (74,347)      |
| Operating (Expenses)              | (1,647,397)     | (1,638,270)      | (1,546,447)     | (1,622,293)     | (9,127)        | (100,950)     | (25,104)      |
| Operating Income                  | (208,526)       | (207,028)        | (39,501)        | (109,075)       | (1,498)        | (169,025)     | (99,451)      |
| Non-Operating Revenues (Expenses) | 202,648         | 38,010           | 66,083          | 68,679          | 164,638        | 136,565       | 133,969       |
| Income Before Interest Expense    | (5,879)         | (169,018)        | 26,582          | (40,396)        | 163,139        | (32,461)      | 34,518        |
| Interest Income                   | 105             | 389              | 9,917           | 1,131           | (284)          | (9,812)       | (1,026)       |
| Interest Expense                  | (17,471)        | (18,031)         | (70,969)        | (17,209)        | 560            | 53,498        | (263)         |
| Capital Contributions             | -               | -                | -               | -               | -              | -             | -             |
| <b>NET INCOME</b>                 | <b>(23,245)</b> | <b>(186,660)</b> | <b>(34,470)</b> | <b>(56,474)</b> | <b>163,415</b> | <b>11,225</b> | <b>33,229</b> |

Net income was negative but was \$163k better than forecast due to favorable non-operating revenues.

Operating revenue was slightly favorable to forecast with no major variances across revenues segments.

Operating expenses were slightly higher than forecast with purchased services and purchased materials up just a bit to forecast.

Non-operating revenues (expenses) were higher than forecast due to higher tapping fees.

| MONTH - SUBURBAN WASTEWATER      | SEPTEMBER 2017 |                  |                  |                |                |                |                 |
|----------------------------------|----------------|------------------|------------------|----------------|----------------|----------------|-----------------|
| Cash Flow Statement (Indirect)   | Actual         | Forecast         | Budget           | Prior Year     | FC Var         | Bud Var        | PY Var          |
| Net Income                       | (23,245)       | (186,660)        | (34,470)         | (56,474)       | 163,415        | 11,225         | 33,229          |
| Add: Depreciation & Amortization | 364,694        | 364,694          | 327,083          | 334,133        | -              | 37,611         | 30,561          |
| Add: Non-Cash Interest Expense   | 2,644          | 2,847            | -                | 2,961          | (203)          | 2,644          | (317)           |
| Add: Capex Charged to Expense    | -              | 86               | 25,000           | 322            | (86)           | (25,000)       | (322)           |
| Principal Payments               | (26,057)       | (39,500)         | (93,946)         | (42,081)       | 13,443         | 67,889         | 16,024          |
| Investments Converting To Cash   | -              | -                | -                | -              | -              | -              | -               |
| New Borrowing                    | -              | -                | -                | -              | -              | -              | -               |
| Capital Expenditures             | (181,085)      | (497,147)        | (551,083)        | (47,085)       | 316,062        | 369,998        | (134,000)       |
|                                  |                |                  |                  |                |                |                |                 |
| <b>NET FUND CASH FLOWS</b>       | <b>136,952</b> | <b>(355,680)</b> | <b>(327,416)</b> | <b>191,776</b> | <b>492,632</b> | <b>464,368</b> | <b>(54,824)</b> |

Cash flows were positive and \$493k better than forecast on higher cash from operations and lower capex.

## B. YTD

| YTD - SUBURBAN WASTEWATER         | SEPTEMBER 2017 |               |                  |                |                |                |                  |
|-----------------------------------|----------------|---------------|------------------|----------------|----------------|----------------|------------------|
| Income Statement                  | Actual         | Forecast      | Budget           | Prior Year     | FC Var         | Bud Var        | PY Var           |
| Operating Revenues                | 12,675,127     | 12,626,581    | 13,614,175       | 13,423,728     | 48,545         | (939,048)      | (748,601)        |
| Operating (Expenses)              | (13,348,000)   | (13,285,430)  | (13,918,023)     | (13,993,495)   | (62,570)       | 570,023        | 645,495          |
|                                   |                |               |                  |                |                |                |                  |
| Operating Income                  | (672,873)      | (658,848)     | (303,848)        | (569,767)      | (14,025)       | (369,025)      | (103,106)        |
|                                   |                |               |                  |                |                |                |                  |
| Non-Operating Revenues (Expenses) | 1,030,614      | 852,094       | 594,747          | 1,113,756      | 178,520        | 435,867        | (83,141)         |
|                                   |                |               |                  |                |                |                |                  |
| Income Before Interest Expense    | 357,741        | 193,246       | 290,899          | 543,989        | 164,497        | 66,842         | (186,248)        |
|                                   |                |               |                  |                |                |                |                  |
| Interest Income                   | 3,234          | 3,502         | 89,253           | 7,355          | (268)          | (86,019)       | (4,121)          |
| Interest Expense                  | (161,288)      | (162,280)     | (638,721)        | (154,476)      | 992            | 477,433        | (6,812)          |
| Capital Contributions             | -              | -             | -                | -              | -              | -              | -                |
|                                   |                |               |                  |                |                |                |                  |
| <b>NET INCOME</b>                 | <b>199,687</b> | <b>34,468</b> | <b>(258,569)</b> | <b>396,867</b> | <b>165,220</b> | <b>458,256</b> | <b>(197,181)</b> |

For the year, net income is positive and is better than forecast by \$165k and better than budget by \$458k.

### Compared to forecast

Operating revenues are favorable as slightly lower signatory revenues have been more than offset by higher revenues from the Wastewater Treatment Plant.

Operating expenses are higher than forecast due to lower spending on maintenance services and contract operator costs being more than offset by higher treatment, transportation, and removal costs. Purchased materials and purchased equipment are up a bit to forecast as well.

Non-operating revenues (expenses) are favorable due to higher tapping fees.

### Compared to budget

Operating revenues are down to budget with major unfavorable variances in the Wastewater Treatment Plant for hauler fees, and industrial charges that are partially offset by favorable variances from the signatory group.

Operating expenses are down to budget with most of that coming from lower spending on maintenance services and contract operator costs with some offset from higher treatment & transportation costs.



Non-operating revenues (expenses) are favorable to budget due to higher tapping fees along with lower expensed capital.

| YTD - SUBURBAN WASTEWATER        | SEPTEMBER 2017   |                |                    |                  |                  |                  |                  |
|----------------------------------|------------------|----------------|--------------------|------------------|------------------|------------------|------------------|
| Cash Flow Statement (Indirect)   | Actual           | Forecast       | Budget             | Prior Year       | FC Var           | Bud Var          | PY Var           |
| Net Income                       | 199,687          | 34,468         | (258,569)          | 396,867          | 165,219          | 458,256          | (197,181)        |
| Add: Depreciation & Amortization | 3,282,246        | 3,282,246      | 2,943,747          | 3,007,197        | -                | 338,499          | 275,049          |
| Add: Non-Cash Interest Expense   | 25,220           | 25,623         | -                  | 26,758           | (403)            | 25,220           | (1,538)          |
| Add: Capex Charged to Expense    | 681              | 776            | 225,000            | 1,468            | (95)             | (224,319)        | (787)            |
| Principal Payments               | (328,667)        | (355,499)      | (845,514)          | (365,582)        | 26,832           | 516,847          | 36,916           |
| Investments Converting To Cash   | -                | -              | -                  | -                | -                | -                | -                |
| New Borrowing                    | -                | -              | -                  | -                | -                | -                | -                |
| Capital Expenditures             | (1,759,172)      | (2,674,327)    | (4,959,747)        | (1,011,402)      | 915,155          | 3,200,575        | (747,770)        |
| <b>NET FUND CASH FLOWS</b>       | <b>1,419,995</b> | <b>313,287</b> | <b>(2,895,083)</b> | <b>2,055,305</b> | <b>1,106,708</b> | <b>4,315,078</b> | <b>(635,310)</b> |

No borrowing for this fund so cash flows so far this year are positive and \$1.1m better than forecast and \$4.3m better than budget.

Compared to forecast, cash flows are up due to higher cash from operations along with lower capital spending.

Compared to budget, cash flows are up on higher funds generated by operations along with lower capital spending.

#### 4. CITY DIVISION

##### A. Month

| MONTH - CITY DIVISION             | SEPTEMBER 2017   |                    |                  |                  |                  |               |                |
|-----------------------------------|------------------|--------------------|------------------|------------------|------------------|---------------|----------------|
| Income Statement                  | Actual           | Forecast           | Budget           | Prior Year       | FC Var           | Bud Var       | PY Var         |
| Operating Revenues                | 2,747,814        | 2,684,708          | 2,966,984        | 2,919,242        | 63,106           | (219,170)     | (171,428)      |
| Operating (Expenses)              | (2,046,800)      | (2,089,693)        | (1,871,840)      | (2,029,319)      | 42,893           | (174,960)     | (17,481)       |
| Operating Income                  | 701,015          | 595,015            | 1,095,144        | 889,923          | 106,000          | (394,129)     | (188,909)      |
| Non-Operating Revenues (Expenses) | 32,887           | (1,174,984)        | (283,834)        | (405,157)        | 1,207,871        | 316,721       | 438,044        |
| Income Before Interest Expense    | 733,902          | (579,969)          | 811,310          | 484,766          | 1,313,871        | (77,408)      | 249,135        |
| Interest Income                   | 24,724           | 37,335             | 25,167           | 471              | (12,611)         | (443)         | 24,253         |
| Interest Expense                  | (1,262,941)      | (1,262,941)        | (1,371,708)      | (1,315,458)      | -                | 108,767       | 52,517         |
| Capital Contributions             | -                | -                  | -                | -                | -                | -             | -              |
| <b>NET INCOME</b>                 | <b>(504,315)</b> | <b>(1,805,575)</b> | <b>(535,231)</b> | <b>(830,221)</b> | <b>1,301,260</b> | <b>30,916</b> | <b>325,906</b> |

Net income for the month was negative but was \$1.3m better than forecast.

Operating revenues were up to forecast on higher water revenues and higher residential wastewater revenues offset partly by lower signatory wastewater revenues.

Operating expenses were lower than forecast as higher purchased services were more than offset by lower purchased materials and supplies.

Non-operating revenues (expenses) were favorable to forecast as higher tapping fees were aided by lower expensed capex.

| MONTH - CITY DIVISION                 | SEPTEMBER 2017 |                  |                  |                    |                  |                  |                  |
|---------------------------------------|----------------|------------------|------------------|--------------------|------------------|------------------|------------------|
|                                       | Actual         | Forecast         | Budget           | Prior Year         | FC Var           | Bud Var          | PY Var           |
| <b>Cash Flow Statement (Indirect)</b> |                |                  |                  |                    |                  |                  |                  |
| Net Income                            | (504,315)      | (1,805,575)      | (535,231)        | (830,221)          | 1,301,260        | 30,916           | 325,906          |
| Add: Depreciation & Amortization      | 450,000        | 450,000          | 466,667          | 450,000            | -                | (16,667)         | -                |
| Add: Non-Cash Interest Expense        | 1,262,941      | 1,262,941        | 1,371,708        | 1,315,458          | -                | (108,767)        | (52,517)         |
| Add: Capex Charged to Expense         | 39,044         | 1,213,324        | 658,667          | 504,635            | (1,174,280)      | (619,623)        | (465,592)        |
| Principal Payments                    | -              | -                | -                | -                  | -                | -                | -                |
| Cash Outlays on Lease & Lease Reserve | -              | -                | -                | (250,000)          | -                | -                | 250,000          |
| Investments Converting To Cash        | -              | -                | -                | -                  | -                | -                | -                |
| New Borrowing                         | -              | -                | -                | -                  | -                | -                | -                |
| Capital Expenditures                  | (376,120)      | (1,337,191)      | (889,214)        | (2,446,884)        | 961,071          | 513,094          | 2,070,764        |
| <b>NET FUND CASH FLOWS</b>            | <b>871,549</b> | <b>(216,501)</b> | <b>1,072,597</b> | <b>(1,257,012)</b> | <b>1,088,050</b> | <b>(201,048)</b> | <b>2,128,561</b> |

Cash flows for the month were positive and were \$1.1m better than forecast. This was driven by higher cash generated by operations along with lower capital spending.

## B. YTD

| YTD - CITY DIVISION               | SEPTEMBER 2017     |                    |                    |                    |                  |                  |                  |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
|                                   | Actual             | Forecast           | Budget             | Prior Year         | FC Var           | Bud Var          | PY Var           |
| <b>Income Statement</b>           |                    |                    |                    |                    |                  |                  |                  |
| Operating Revenues                | 24,478,771         | 23,977,372         | 23,684,551         | 26,044,528         | 501,399          | 794,220          | (1,565,757)      |
| Operating (Expenses)              | (16,508,504)       | (16,446,701)       | (16,846,560)       | (17,049,447)       | (61,803)         | 338,056          | 540,943          |
| Operating Income                  | 7,970,267          | 7,530,671          | 6,837,991          | 8,995,081          | 439,595          | 1,132,276        | (1,024,814)      |
| Non-Operating Revenues (Expenses) | (231,994)          | (3,974,847)        | (2,554,506)        | (2,664,853)        | 3,742,853        | 2,322,512        | 2,432,859        |
| Income Before Interest Expense    | 7,738,273          | 3,555,824          | 4,283,485          | 6,330,228          | 4,182,449        | 3,454,788        | 1,408,045        |
| Interest Income                   | 290,472            | 336,016            | 226,503            | 204,185            | (45,544)         | 63,969           | 86,287           |
| Interest Expense                  | (11,366,469)       | (11,366,469)       | (12,345,372)       | (13,154,580)       | -                | 978,903          | 1,788,111        |
| Capital Contributions             | -                  | -                  | -                  | -                  | -                | -                | -                |
| <b>NET INCOME</b>                 | <b>(3,337,725)</b> | <b>(7,474,629)</b> | <b>(7,835,384)</b> | <b>(6,620,167)</b> | <b>4,136,905</b> | <b>4,497,659</b> | <b>3,282,443</b> |

Net income for the year is negative but better than forecast by \$4.1m and better than budget by \$4.5m

### Compared to forecast

Operating revenues are up to budget with water up by \$382k and wastewater up by \$119k. Water is up due to higher residential/commercial revenues. Wastewater is up due to higher residential/commercial revenues as well along with higher hauler revenues and higher leachate program revenues.

Operating expenses are slightly higher than forecast as higher purchased services have been partially offset by lower purchased materials & supplies.

Non-operating revenues (expenses) are favorable due to lower capital charged to expense and from higher project reimbursement.

### Compared to budget

Operating revenues are up to budget with water up by \$781k and wastewater up by \$13k. Water is up due to higher residential/commercial revenues. Wastewater is up due to higher residential/commercial revenues and higher signatory revenues along with higher hauler revenues and higher leachate program revenues.

Operating expenses are lower due to lower purchased materials & supplies.

Non-operating revenues (expenses) are favorable due to lower capital costs charged to expense partially offset by lower tapping fees and lower project reimbursement revenues.

| YTD - CITY DIVISION                   | SEPTEMBER 2017   |                  |                  |                  |                  |                  |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash Flow Statement (Indirect)        | Actual           | Forecast         | Budget           | Prior Year       | FC Var           | Bud Var          | PY Var           |
| Net Income                            | (3,337,725)      | (7,474,629)      | (7,835,384)      | (6,620,167)      | 4,136,905        | 4,497,659        | 3,282,443        |
| Add: Depreciation & Amortization      | 4,050,000        | 4,050,000        | 4,200,003        | 4,500,000        | -                | (150,003)        | (450,000)        |
| Add: Non-Cash Interest Expense        | 4,842,608        | 4,842,608        | 5,821,511        | 13,154,580       | -                | (978,903)        | (8,311,972)      |
| Add: Capex Charged to Expense         | 1,023,481        | 4,319,915        | 5,928,003        | 2,391,131        | (3,296,434)      | (4,904,522)      | (1,367,651)      |
| Principal Payments                    | -                | -                | -                | -                | -                | -                | -                |
| Cash Outlays on Lease & Lease Reserve | (252,000)        | (252,000)        | (256,000)        | (500,000)        | -                | 4,000            | 248,000          |
| Investments Converting To Cash        | -                | -                | -                | -                | -                | -                | -                |
| New Borrowing                         | -                | -                | -                | -                | -                | -                | -                |
| Capital Expenditures                  | (3,859,509)      | (6,334,715)      | (8,002,926)      | (10,128,811)     | 2,475,206        | 4,143,417        | 6,269,302        |
| <b>NET FUND CASH FLOWS</b>            | <b>2,466,855</b> | <b>(848,821)</b> | <b>(144,793)</b> | <b>2,796,733</b> | <b>3,315,676</b> | <b>2,611,648</b> | <b>(329,878)</b> |

YTD cash flow is positive and \$3.3m better than forecast and \$2.6m better than budget.

Compared to forecast, cash flows are up on higher cash generated by operations along with lower capital spending.

Compared to budget, cash flows are up on higher cash generated by operations along with lower capital spending.

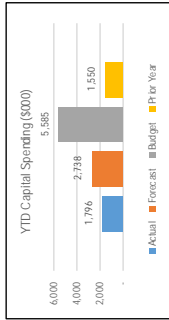
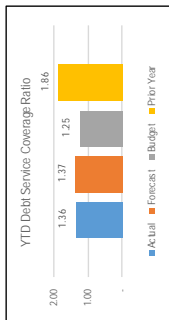
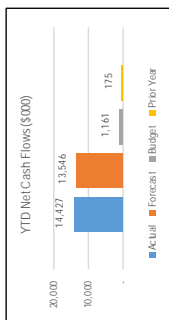
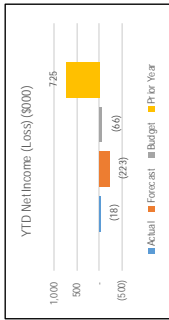
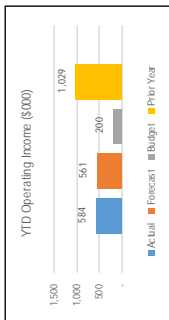
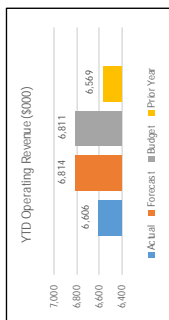
## 5. FULL YEAR FORECAST

The Q3 Forecast is in the table below for reference.

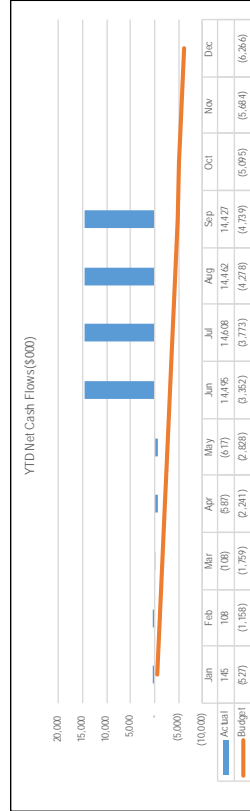
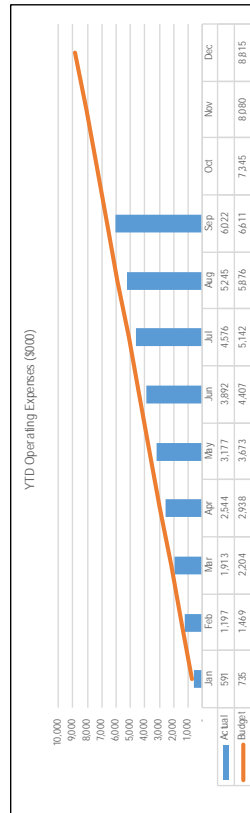
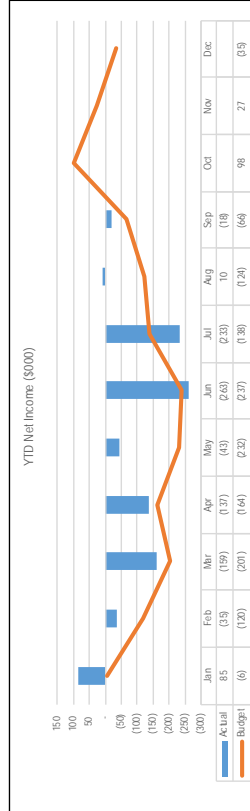
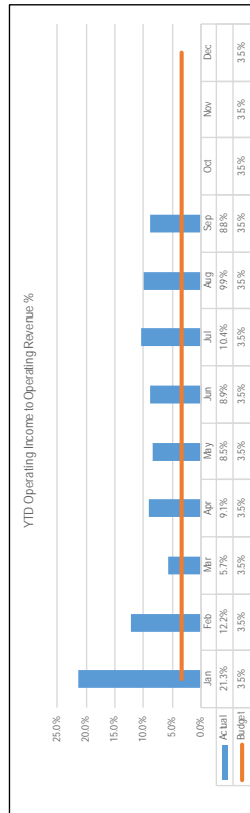
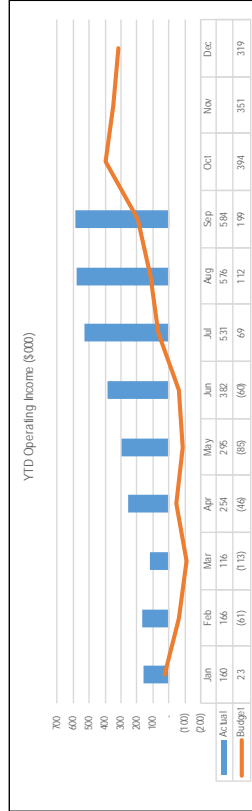
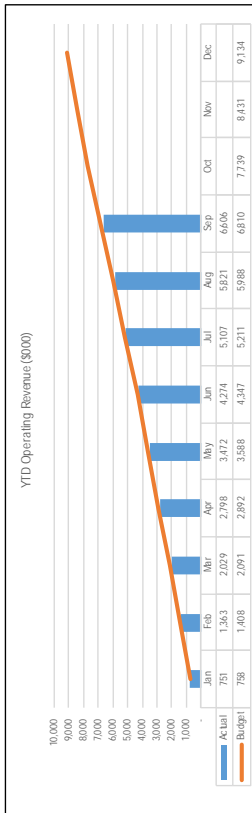
|                             |             |              |              | Variance to |              |
|-----------------------------|-------------|--------------|--------------|-------------|--------------|
|                             | Forecast    | Budget       | Last FC      | Budget      | Last FC      |
| INCOME STATEMENT            |             |              |              |             |              |
| Suburban Water              | (21,018)    | (34,673)     | (240,736)    | 13,655      | 219,718      |
| Suburban Wastewater         | 326,504     | (237,977)    | (235,352)    | 564,481     | 561,856      |
| City Division               | (9,623,562) | (10,217,568) | (10,277,443) | 594,006     | 653,881      |
| TOTAL LCA                   | (9,318,077) | (10,490,218) | (10,753,531) | 1,172,141   | 1,435,454    |
| CASH FLOW STATEMENT         |             |              |              |             |              |
| Suburban Water              | 13,118,480  | (81,469)     | 8,746,795    | 13,199,950  | 4,371,685    |
| Suburban Wastewater         | (501,737)   | 7,121,675    | 37,287,310   | (7,623,412) | (37,789,047) |
| City Division               | (3,705,185) | (4,479,360)  | (4,538,598)  | 774,175     | 833,413      |
| TOTAL LCA                   | 8,911,558   | 2,560,846    | 41,495,507   | 6,350,712   | (32,583,950) |
| DEBT SERVICE COVERAGE RATIO |             |              |              |             |              |
| Suburban Water              | 1.38        | 1.27         | 1.20         | 0.12        | 0.19         |
| Suburban Wastewater         | 7.96        | 2.45         | 2.52         | 5.51        | 5.44         |
| City Division               | 1.22        | 1.21         | 1.18         | 0.01        | 0.04         |

We will be developing a forecast for the remainder of this year after the budget process is completed.

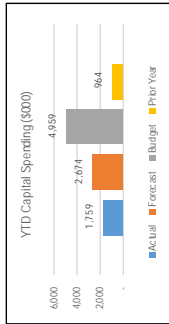
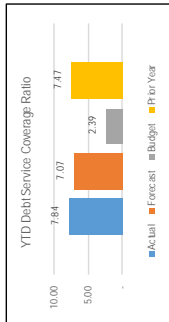
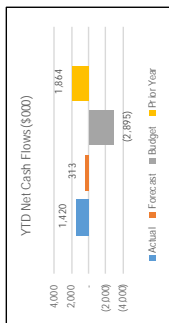
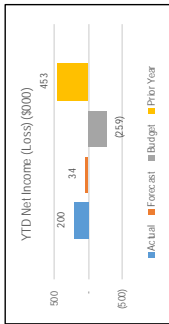
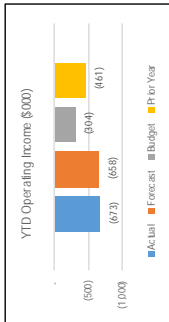
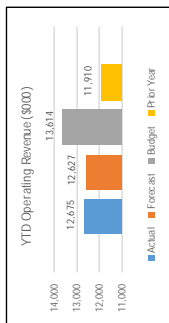
# DASHBOARD - SUBURBAN WATER SEPTEMBER 2017



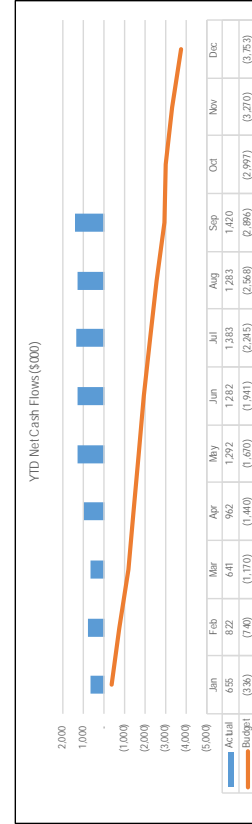
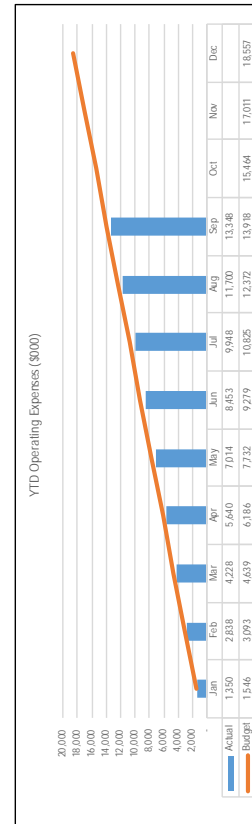
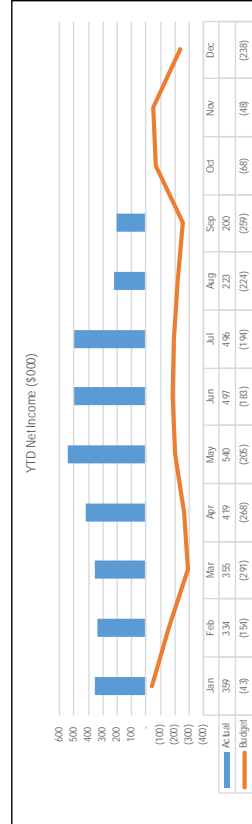
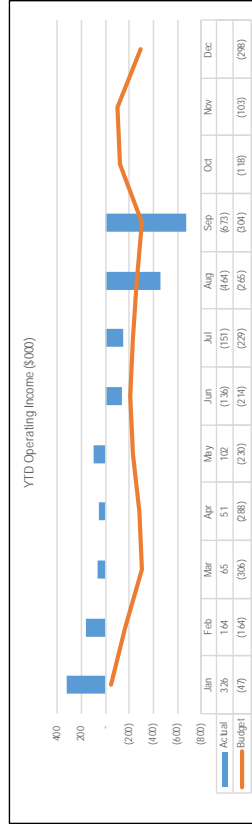
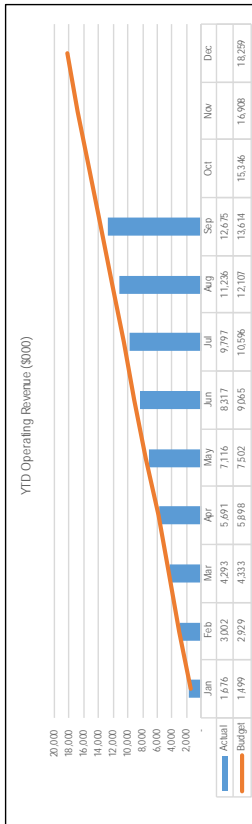
|                                    | Actual | Forecast | Budget | Prior Yr | Variance to |
|------------------------------------|--------|----------|--------|----------|-------------|
| <b>YTD COMPARATIVE (\$000)</b>     |        |          |        |          |             |
| Operating Revenues                 | 6,606  | 6,814    | 6,811  | 6,569    | (205)       |
| Less: Operating Expenses           | 6,022  | 6,233    | 6,611  | 5,540    | 589         |
| <b>Operating Income</b>            | 584    | 581      | 200    | 1,029    | 384         |
| Other income (expenses)            | (602)  | (784)    | (266)  | (304)    | (336)       |
| <b>Net Income</b>                  | (18)   | (223)    | (66)   | 726      | 48          |
| <b>Debt Service Coverage Ratio</b> | 1.36   | 1.37     | 1.25   | 1.86     | 0.11        |
| <b>Net Cash Flows</b>              | 14,427 | 13,546   | 1,161  | 175      | 13,266      |



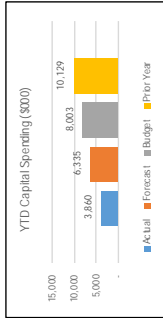
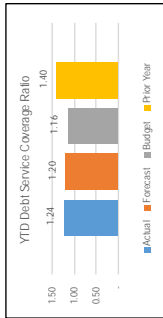
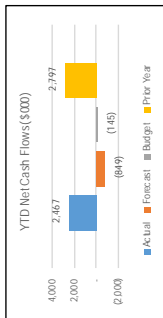
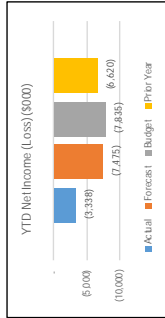
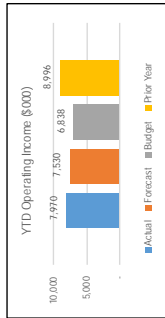
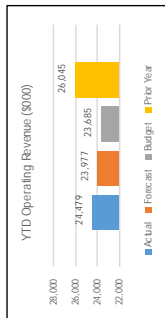
# DASHBOARD - SUBURBAN WASTEWATER SEPTEMBER 2017



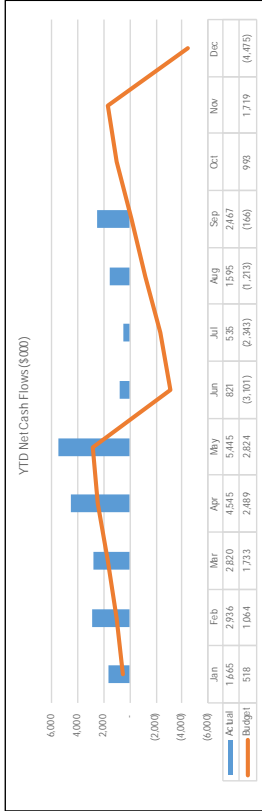
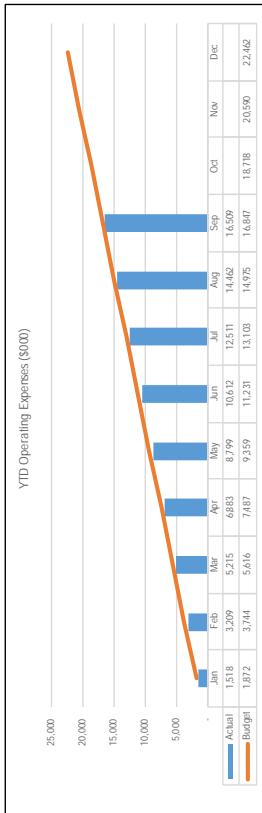
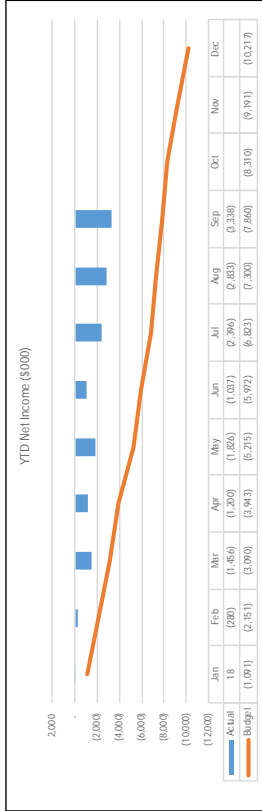
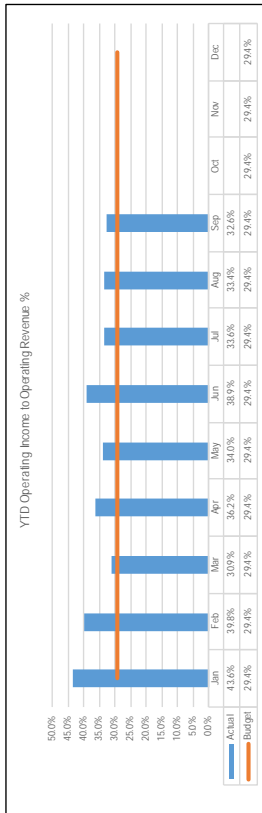
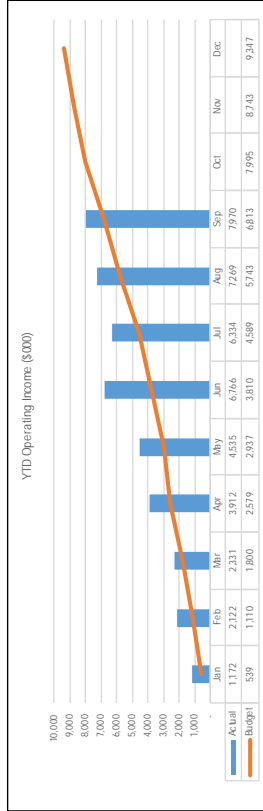
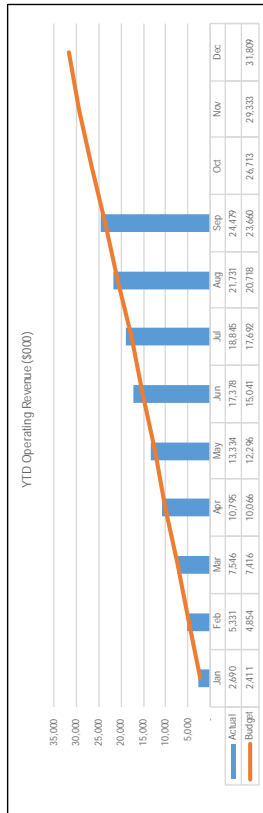
| YTD COMPARATIVE (\$000)     |        |          |         | Variance to |          |        |            |
|-----------------------------|--------|----------|---------|-------------|----------|--------|------------|
|                             | Actual | Forecast | Budget  | Prior Year  | Forecast | Budget | Prior Year |
| Operating Revenues          | 12,675 | 12,627   | 13,614  | 11,910      | 48       | (939)  | 765        |
| Less: Operating Expenses    | 13,348 | 13,285   | 13,918  | 12,371      | (63)     | 570    | (977)      |
| Operating Income            | (673)  | (658)    | (304)   | (461)       | (15)     | (369)  | (212)      |
| Other Income (expenses)     | 873    | 692      | 45      | 914         | 181      | 828    | (41)       |
| Net Income                  | 200    | 34       | (259)   | 453         | 166      | 459    | (253)      |
| Debt Service Coverage Ratio | 7.84   | 7.07     | 2.39    | 7.47        | 0.77     | 5.45   | 0.37       |
| Net Cash Flows              | 1,420  | 313      | (2,895) | 1,864       | 1,107    | 4,315  | (444)      |



# DASHBOARD - CITY DIVISION SEPTEMBER 2017



| YTD COMPARATIVE (\$000) |                |                |                | Variance to  |              |              |  |
|-------------------------|----------------|----------------|----------------|--------------|--------------|--------------|--|
| Actual                  | FC             | Budget         | PY             | FC           | Budget       | PY           |  |
| Operating Revenues      | 23,977         | 23,685         | 26,045         | 502          | 794          | 1,566        |  |
| Less Operating Expenses | 16,509         | 16,447         | 17,049         | (62)         | 338          | 540          |  |
| Operating Income        | 7,970          | 7,530          | 8,996          | 440          | 1,132        | (1,026)      |  |
| Other Income (expenses) | (11,308)       | (15,005)       | (14,673)       | 3,697        | 3,365        | 4,308        |  |
| <b>Net Income</b>       | <b>(3,338)</b> | <b>(7,475)</b> | <b>(6,620)</b> | <b>4,137</b> | <b>4,497</b> | <b>3,282</b> |  |
| Debt Service Coverage   | 1.24           | 1.20           | 1.16           | 0.04         | 0.08         | (0.16)       |  |
| <b>Net Cash Flows</b>   | <b>2,467</b>   | <b>(849)</b>   | <b>(145)</b>   | <b>2,797</b> | <b>3,316</b> | <b>(330)</b> |  |



| LEHIGH COUNTY AUTHORITY        |           |           |                |          |          |                |                                       |  |           |
|--------------------------------|-----------|-----------|----------------|----------|----------|----------------|---------------------------------------|--|-----------|
| SUBURBAN WATER                 |           |           |                |          |          |                |                                       |  |           |
| MONTHLY FINANCIAL STATEMENTS   |           |           |                |          |          |                |                                       |  |           |
| MONTH - SUBURBAN WATER         |           |           |                |          |          |                |                                       |  |           |
| Income Statement               |           |           |                |          |          |                |                                       |  |           |
| Actual                         | Forecast  | Budget    | SEPTEMBER 2017 |          |          | SEPTEMBER 2017 |                                       |  | PV Var    |
| 785,512                        | 822,622   | 822,665   | 819,811        | FC Var   | Bud Var  | PY Var         | Income Statement                      |  |           |
| (777,156)                      | (836,103) | (734,533) | (680,217)      | 58,947   | (42,623) | (96,999)       | Operating Revenues                    |  | (203,804) |
|                                |           |           |                |          |          |                | Operating (Expenses)                  |  | 588,961   |
| 8,356                          | (13,481)  | 87,532    | 139,594        | 21,837   | (79,176) | (131,238)      | Operating Income                      |  | (444,646) |
| 86,925                         | 73,407    | 66,167    | 44,539         | 13,518   | 20,758   | 42,385         | Non-Operating Revenues (Expenses)     |  | 64,937    |
| 95,281                         | 59,926    | 153,699   | 184,134        | 35,355   | (58,418) | (88,853)       | Income Before Interest Expense        |  | 379,709   |
| 7,895                          | 14,143    | 16,667    | 4,617          | (6,248)  | (8,772)  | 3,278          | Interest Income                       |  | 21,062    |
| (130,831)                      | (117,000) | (112,355) | (87,259)       | (13,831) | (18,476) | (43,532)       | Interest Expense                      |  | (384,040) |
| -                              | -         | -         | -              | -        | -        | -              | Capital Contributions                 |  | -         |
| (27,655)                       | (42,931)  | 58,011    | 101,452        | 15,276   | (85,666) | (129,106)      | NET INCOME                            |  | (742,686) |
| MONTH - SUBURBAN WATER         |           |           |                |          |          |                |                                       |  |           |
| Cash Flow Statement (Indirect) |           |           |                |          |          |                |                                       |  |           |
| Actual                         | Forecast  | Budget    | SEPTEMBER 2017 |          |          | SEPTEMBER 2017 |                                       |  | PV Var    |
| (27,655)                       | (42,931)  | 58,011    | 101,452        | FC Var   | Bud Var  | PY Var         | Cash Flow Statement (Indirect)        |  |           |
| 245,832                        | 245,832   | 245,833   | 245,832        | 1,999    | (1)      | (1)            | Net Income                            |  | (742,686) |
| (1)                            | (2,000)   | -         | (0)            | -        | (1)      | (1)            | Add: Depreciation & Amortization      |  | (9)       |
| 241                            | 25,314    | 8,333     | 70             | (25,073) | (8,092)  | 171            | Add: Non-Cash Interest Expense        |  | (105,776) |
| (68,836)                       | (139,000) | (152,816) | (136,759)      | 70,164   | 83,980   | 67,923         | Add: Capex Charged to Expense         |  | (105,776) |
| -                              | -         | -         | -              | -        | -        | -              | Principal Payments                    |  | (105,776) |
| -                              | -         | -         | -              | -        | -        | -              | Investments Converting To Cash        |  | (105,776) |
| (184,339)                      | (526,467) | (620,583) | (533,967)      | 342,128  | 436,244  | 349,627        | New Borrowing                         |  | (105,776) |
|                                |           |           |                |          |          |                | Capital Expenditures                  |  | (105,776) |
| (34,758)                       | (489,252) | (461,222) | (323,372)      | 404,494  | 426,464  | 288,614        | NET FUND CASH FLOWS                   |  | (105,776) |
| MONTH - SUBURBAN WATER         |           |           |                |          |          |                |                                       |  |           |
| Cash Flow Statement (Direct)   |           |           |                |          |          |                |                                       |  |           |
| Actual                         | Forecast  | Budget    | SEPTEMBER 2017 |          |          | SEPTEMBER 2017 |                                       |  | PV Var    |
| 785,512                        | 822,622   | 822,665   | 819,811        | FC Var   | Bud Var  | PY Var         | Cash Flow Statement (Direct)          |  |           |
| (531,324)                      | (590,271) | (488,700) | (434,385)      | 58,947   | (42,624) | (96,999)       | Operating Revenues                    |  | (203,804) |
| 7,895                          | 14,143    | 16,667    | 4,617          | (6,248)  | (8,772)  | 3,278          | Operating Expenses (Ex Depreciation)  |  | (482,166) |
|                                |           |           |                |          |          |                | Interest Income                       |  | 21,062    |
| 262,083                        | 246,494   | 350,032   | 390,044        | 15,589   | (87,949) | (127,960)      | Cash Available For Debt Service       |  | (482,166) |
| (130,832)                      | (119,000) | (112,355) | (87,259)       | (11,832) | (18,477) | (43,533)       | Interest Payments                     |  | (482,166) |
| (68,836)                       | (139,000) | (152,816) | (136,759)      | 70,164   | 83,980   | 67,923         | Principal Payments                    |  | (482,166) |
| 62,416                         | (11,506)  | 84,861    | 165,986        | 73,922   | (22,445) | (103,570)      | Net Cash Available After Debt Service |  | (482,166) |
| 86,925                         | 73,407    | 66,167    | 44,539         | 13,518   | 20,758   | 42,385         | Non-Operating Revenues (Expenses)     |  | (482,166) |
| 241                            | 25,314    | 8,333     | 70             | (25,073) | (8,092)  | 171            | Add: Capex Charged to Expense         |  | (482,166) |
| (21,417)                       | (24,233)  | (27,833)  | -              | 2,816    | 6,416    | (21,417)       | Less: Project Reimbursement           |  | (482,166) |
| -                              | -         | -         | -              | -        | -        | -              | Non-Cash Working Capital Changes      |  | (482,166) |
| 128,164                        | 62,982    | 131,528   | 210,595        | 65,182   | (3,364)  | (82,480)       | Net Cash Available For Capital        |  | (482,166) |
| 21,417                         | 24,233    | 27,833    | -              | (2,816)  | (6,416)  | 21,417         | Project Reimbursement                 |  | (482,166) |
| -                              | -         | -         | -              | -        | -        | -              | Capital Contributions                 |  | (482,166) |
| -                              | -         | -         | -              | -        | -        | -              | Investments Converting To Cash        |  | (482,166) |
| -                              | -         | -         | -              | -        | -        | -              | New Borrowing                         |  | (482,166) |
| (184,339)                      | (526,467) | (620,583) | (533,967)      | 342,128  | 436,244  | 349,627        | Capital Expenditures                  |  | (482,166) |
| (34,758)                       | (489,252) | (461,222) | (323,372)      | 404,494  | 426,464  | 288,614        | NET FUND CASH FLOWS                   |  | (482,166) |
| DEBT SERVICE COVERAGE RATIO    |           |           |                |          |          |                |                                       |  |           |
| 327,831                        | 320,982   | 396,699   | 434,652        |          |          |                | Total Cash Available For Debt Service |  | 37,520    |
| 199,667                        | 258,000   | 265,171   | 224,058        |          |          |                | Debt Service                          |  | (482,166) |
| 1.64                           | 1.24      | 1.50      | 1.94           |          |          |                | DSCR                                  |  | (482,166) |



|                                       |                |             |             |             |         |                |           |             |           |
|---------------------------------------|----------------|-------------|-------------|-------------|---------|----------------|-----------|-------------|-----------|
| LEHIGH COUNTY AUTHORITY               |                |             |             |             |         |                |           |             |           |
| SUBURBAN WASTEWATER                   |                |             |             |             |         |                |           |             |           |
| MONTHLY FINANCIAL STATEMENTS          |                |             |             |             |         |                |           |             |           |
| MONTH - SUBURBAN WASTEWATER           |                |             |             |             |         |                |           |             |           |
| Income Statement                      | SEPTEMBER 2017 |             |             |             |         | SEPTEMBER 2017 |           |             |           |
|                                       | Actual         | Forecast    | Budget      | Prior Year  | FC Var  | Bud Var        | PV Var    | Bud Var     | PV Var    |
| Operating Revenues                    | 1,438,871      | 1,431,242   | 1,506,946   | 1,513,218   | 7,629   | (68,075)       | (74,347)  | (939,048)   | (748,601) |
| Operating (Expenses)                  | (1,647,397)    | (1,638,270) | (1,546,447) | (1,622,293) | (9,127) | (100,950)      | (25,104)  | 570,023     | 645,495   |
| Operating Income                      | (208,526)      | (207,028)   | (39,501)    | (109,075)   | (1,498) | (169,025)      | (99,451)  | (369,035)   | (103,106) |
| Non-Operating Revenues (Expenses)     | 202,648        | 38,010      | 66,083      | 68,679      | 164,638 | 136,565        | 133,969   | 178,520     | 435,867   |
| Income Before Interest Expense        | (5,879)        | (169,018)   | 26,582      | (40,396)    | 163,139 | (32,461)       | 34,518    | 164,497     | 66,842    |
| Interest Income                       | 105            | 389         | 9,917       | 1,131       | (284)   | (9,812)        | (1,026)   | (268)       | (4,121)   |
| Interest Expense                      | (17,471)       | (18,031)    | (70,969)    | (17,209)    | 560     | 53,498         | (263)     | 992         | 477,433   |
| Capital Contributions                 | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| NET INCOME                            | (23,245)       | (186,660)   | (34,470)    | (56,474)    | 163,415 | 11,225         | 33,229    | 165,220     | 458,256   |
| MONTH - SUBURBAN WASTEWATER           |                |             |             |             |         |                |           |             |           |
| Cash Flow Statement (Indirect)        | SEPTEMBER 2017 |             |             |             |         | SEPTEMBER 2017 |           |             |           |
|                                       | Actual         | Forecast    | Budget      | Prior Year  | FC Var  | Bud Var        | PV Var    | Bud Var     | PV Var    |
| Net Income                            | (23,245)       | (186,660)   | (34,470)    | (56,474)    | 163,415 | 11,225         | 33,229    | 165,219     | 458,256   |
| Add: Depreciation & Amortization      | 364,694        | 2,847       | 327,083     | 334,133     | -       | 37,611         | 30,561    | 3,007,197   | 275,049   |
| Add: Non-Cash Interest Expense        | -              | -           | -           | 2,961       | (203)   | 2,644          | (317)     | -           | (403)     |
| Add: Capex Charged to Expense         | -              | 86          | 25,000      | 322         | (86)    | (25,000)       | (322)     | (95)        | (224,319) |
| Principal Payments                    | (26,057)       | (30,500)    | (93,946)    | (42,081)    | 13,443  | 67,889         | 16,024    | (365,582)   | 516,847   |
| Investments Converting To Cash        | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| New Borrowing                         | -              | (497,147)   | (551,083)   | (47,085)    | 316,062 | 369,998        | (134,000) | 915,155     | 3,200,575 |
| Capital Expenditures                  | (181,085)      | (497,147)   | (551,083)   | (47,085)    | 316,062 | 369,998        | (134,000) | (2,674,327) | (747,770) |
| NET FUND CASH FLOWS                   | 136,952        | (355,680)   | (327,416)   | 191,776     | 492,632 | 464,368        | (54,824)  | 1,106,708   | 4,315,078 |
| MONTH - SUBURBAN WASTEWATER           |                |             |             |             |         |                |           |             |           |
| Cash Flow Statement (Direct)          | SEPTEMBER 2017 |             |             |             |         | SEPTEMBER 2017 |           |             |           |
|                                       | Actual         | Forecast    | Budget      | Prior Year  | FC Var  | Bud Var        | PV Var    | Bud Var     | PV Var    |
| Operating Revenues                    | 1,438,871      | 1,431,242   | 1,506,946   | 1,513,218   | 7,629   | (68,075)       | (74,347)  | 48,545      | (939,048) |
| Operating Expenses (Ex Depreciation)  | (1,282,703)    | (1,273,576) | (1,219,364) | (1,288,160) | (9,127) | (63,339)       | 5,457     | (62,570)    | 906,522   |
| Interest Income                       | 105            | 389         | 9,917       | 1,131       | (284)   | (9,812)        | (1,026)   | (268)       | (4,121)   |
| Cash Available For Debt Service       | 156,272        | 158,055     | 297,499     | 226,188     | (1,783) | (141,227)      | (69,916)  | 13,128      | 196,388   |
| Interest Payments                     | (14,827)       | (15,184)    | (70,969)    | (14,247)    | 357     | 56,142         | (579)     | 589         | 502,653   |
| Principal Payments                    | (26,057)       | (30,500)    | (93,946)    | (42,081)    | 13,443  | 67,889         | 16,024    | 26,832      | 516,847   |
| Net Cash Available After Debt Service | 115,389        | 103,371     | 132,584     | 169,860     | 12,018  | (17,195)       | (54,471)  | 13,128      | 902,955   |
| Non-Operating Revenues (Expenses)     | 202,648        | 38,010      | 66,083      | 68,679      | 164,638 | 136,565        | 133,969   | 178,520     | 435,867   |
| Add: Capex Charged to Expense         | -              | 86          | 25,000      | 322         | (86)    | (25,000)       | (322)     | (95)        | (224,319) |
| Less: Project Reimbursement           | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| Non-Cash Working Capital Changes      | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| Net Cash Available For Capital        | 318,037        | 141,467     | 223,667     | 238,861     | 176,570 | 94,370         | 79,176    | 191,553     | 1,114,503 |
| Project Reimbursement                 | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| Capital Contributions                 | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| Investments Converting To Cash        | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| New Borrowing                         | -              | -           | -           | -           | -       | -              | -         | -           | -         |
| Capital Expenditures                  | (181,085)      | (497,147)   | (551,083)   | (47,085)    | 316,062 | 369,998        | (134,000) | 915,155     | 3,200,575 |
| NET FUND CASH FLOWS                   | 136,952        | (355,680)   | (327,416)   | 191,776     | 492,632 | 464,368        | (54,824)  | 1,106,708   | 4,315,078 |
| DEBT SERVICE COVERAGE RATIO           |                |             |             |             |         |                |           |             |           |
| Total Cash Available For Debt Service | 358,920        | 196,151     | 388,582     | 295,189     |         |                |           |             |           |
| Debt Service                          | 40,883         | 54,684      | 164,915     | 56,328      |         |                |           |             |           |
| DSCR                                  | 8.78           | 3.59        | 2.36        | 5.24        |         |                |           |             |           |

| LEHIGH COUNTY AUTHORITY        |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
|--------------------------------|-------------|-------------|-------------|-------------|-----------|-----------|--|--|--|--|--|--|--|--|--|--|
| MONTHLY FINANCIAL STATEMENTS   |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| MONTH - CITY DIVISION          |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| Income Statement               |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| Actual                         | Forecast    | Budget      | Prior Year  | FC Var      | Bud Var   | PV Var    |  |  |  |  |  |  |  |  |  |  |
| 2,747,814                      | 2,684,708   | 2,966,984   | 2,919,242   | 63,106      | (219,170) | (171,428) |  |  |  |  |  |  |  |  |  |  |
| (2,046,800)                    | (2,089,693) | (1,871,840) | (2,029,319) | 42,893      | (174,960) | (17,481)  |  |  |  |  |  |  |  |  |  |  |
| 701,015                        | 595,015     | 1,095,144   | 889,923     | 106,000     | (394,129) | (188,909) |  |  |  |  |  |  |  |  |  |  |
| 32,887                         | (1,174,984) | (283,834)   | (405,157)   | 1,207,871   | 316,721   | 438,044   |  |  |  |  |  |  |  |  |  |  |
| 733,902                        | (579,969)   | 811,310     | 484,766     | 1,313,871   | (77,408)  | 249,135   |  |  |  |  |  |  |  |  |  |  |
| 24,724                         | 37,335      | 25,167      | 471         | (12,611)    | (443)     | 24,253    |  |  |  |  |  |  |  |  |  |  |
| (1,262,941)                    | (1,262,941) | (1,371,708) | (1,315,458) | -           | 108,767   | 52,517    |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| (504,315)                      | (1,805,579) | (535,231)   | (830,221)   | 1,301,260   | 30,916    | 325,906   |  |  |  |  |  |  |  |  |  |  |
| MONTH - CITY DIVISION          |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| Cash Flow Statement (Indirect) |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| Actual                         | Forecast    | Budget      | Prior Year  | FC Var      | Bud Var   | PV Var    |  |  |  |  |  |  |  |  |  |  |
| (504,315)                      | (1,805,575) | (535,231)   | (830,221)   | 1,301,260   | 30,916    | 325,906   |  |  |  |  |  |  |  |  |  |  |
| 450,000                        | 450,000     | 466,667     | 450,000     | -           | (16,667)  | -         |  |  |  |  |  |  |  |  |  |  |
| 1,262,941                      | 1,262,941   | 1,371,708   | 1,315,458   | -           | (108,767) | (52,517)  |  |  |  |  |  |  |  |  |  |  |
| 39,044                         | 1,213,324   | 658,667     | 504,635     | (1,174,280) | (619,623) | (465,592) |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | (250,000)   | -           | -         | 250,000   |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| (376,120)                      | (1,337,191) | (889,214)   | (2,446,884) | 961,071     | 513,094   | 2,070,764 |  |  |  |  |  |  |  |  |  |  |
| 871,549                        | (216,501)   | 1,072,597   | (1,257,012) | 1,088,050   | (201,048) | 2,128,561 |  |  |  |  |  |  |  |  |  |  |
| MONTH - CITY DIVISION          |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| Cash Flow Statement (Direct)   |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| Actual                         | Forecast    | Budget      | Prior Year  | FC Var      | Bud Var   | PV Var    |  |  |  |  |  |  |  |  |  |  |
| 2,747,814                      | 2,684,708   | 2,966,984   | 2,919,242   | 63,106      | (219,170) | (171,428) |  |  |  |  |  |  |  |  |  |  |
| (1,996,800)                    | (1,639,693) | (1,405,173) | (1,579,319) | 42,893      | (191,627) | (17,481)  |  |  |  |  |  |  |  |  |  |  |
| 24,724                         | 37,335      | 25,167      | 471         | (12,611)    | (443)     | 24,253    |  |  |  |  |  |  |  |  |  |  |
| 1,175,739                      | 1,082,350   | 1,586,978   | 1,340,394   | 93,389      | (411,239) | (164,655) |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| 1,175,739                      | 1,082,350   | 1,586,978   | 1,340,394   | 93,389      | (411,239) | (164,655) |  |  |  |  |  |  |  |  |  |  |
| 32,887                         | (1,174,984) | (283,834)   | (405,157)   | 1,207,871   | 316,721   | 438,044   |  |  |  |  |  |  |  |  |  |  |
| 39,044                         | 1,213,324   | 658,667     | 504,635     | (1,174,280) | (619,623) | (465,592) |  |  |  |  |  |  |  |  |  |  |
| -                              | (20,599)    | (327,750)   | -           | 20,599      | 327,750   | -         |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | 250,000   |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| 1,247,669                      | 1,100,091   | 1,634,061   | 1,189,872   | 147,578     | (386,392) | 57,797    |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | 20,599      | 327,750     | -           | (20,599)  | -         |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| -                              | -           | -           | -           | -           | -         | -         |  |  |  |  |  |  |  |  |  |  |
| (376,120)                      | (1,337,191) | (889,214)   | (2,446,884) | 961,071     | 513,094   | 2,070,764 |  |  |  |  |  |  |  |  |  |  |
| 871,549                        | (216,501)   | 1,072,597   | (1,257,012) | 1,088,050   | (201,048) | 2,128,561 |  |  |  |  |  |  |  |  |  |  |
| MONTH - CITY DIVISION          |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| NET FUND CASH FLOWS            |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| 1,205,669                      | 1,058,091   | 1,992,061   | 1,405,752   |             |           |           |  |  |  |  |  |  |  |  |  |  |
| 1,087,310                      | 1,087,310   | 1,031,060   |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| 1.11                           | 0.97        | 1.46        | 1.36        |             |           |           |  |  |  |  |  |  |  |  |  |  |
| MONTH - CITY DIVISION          |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| DEBT SERVICE COVERAGE RATIO    |             |             |             |             |           |           |  |  |  |  |  |  |  |  |  |  |
| 12,165,489                     | 11,698,360  | 11,310,244  | 13,745,351  |             |           |           |  |  |  |  |  |  |  |  |  |  |
| 9,785,790                      | 9,785,790   | 9,785,790   | 9,785,790   |             |           |           |  |  |  |  |  |  |  |  |  |  |
| 1.24                           | 1.20        | 1.16        | 1.40        |             |           |           |  |  |  |  |  |  |  |  |  |  |

Presented: October 23, 2017

None.