

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA
ALIQUIPPA, PENNSYLVANIA**

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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**MUNICIPAL WATER AUTHORITY OF  
ALIQUIPPA**

**ALIQUIPPA, PENNSYLVANIA**

**FINANCIAL STATEMENTS**

**AND**

**WITH REPORT BY  
CERTIFIED PUBLIC ACCOUNTANT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**ALIQUIPPA, PENNSYLVANIA**

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# **Mark C. Turnley**

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**Board of Directors  
Municipal Water Authority of Aliquippa**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying basic financial statements of the Municipal Water Authority of Aliquippa as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Municipal Water Authority of Aliquippa, Beaver County, Pennsylvania as of December 31, 2013 and the changes in financial position and cash flows thereof in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii-vii and defined benefit trust funds' historical pension information on pages 22-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Municipal Water Authority of Aliquippa's basic financial statements. The supplementary information (Schedules 1 through 4) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Mark C. Turnley, CPA

June 20, 2014  
Ambridge, Pennsylvania

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2013**

The discussion and analysis of the Municipal Water Authority of Aliquippa's financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2013 are as follows:

- Net position increased by \$110,182 in 2013.
- Total operating revenues were \$4,645,383 in 2013, an increase of \$179,700 from 2012. Total operating expenses increased by \$64,150 in 2013 to \$3,809,470. Accordingly, the authority experienced a net operating gain of \$835,913 for 2013, which was an increase of \$115,550.
- Water and sewer rates did not increase for 2013. The quarterly water minimum is \$46.27 and the sewer minimum is \$39.08.

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

The Annual Financial Report consists of the Management Discussion and Analysis (this section), basic financial statements, notes to those statements and supplemental schedules (water and sewer) detailing operating expenses. The schedules compare the operating expenses with the budget and prior year amounts. The primary purposes of Municipal Water Authority of Aliquippa's basic financial statements are as follows:

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

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2013**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

A breakdown of the assets, liabilities and net position of the Authority for the years 2013 and 2012 is as follows:

|                              | <b>2013</b>          | <b>2012</b>          | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|------------------------------|----------------------|----------------------|--------------------------------------|
| Current Assets               | \$ 2,403,909         | \$ 2,123,460         | \$ 280,449                           |
| Capital Assets               | 11,060,479           | 9,205,509            | 1,854,970                            |
| Restricted Assets            | 2,026,768            | 692,560              | 1,334,208                            |
| Other Assets                 | -                    | 96,852               | (96,852)                             |
| <b>TOTAL ASSETS</b>          | <b>\$ 15,491,156</b> | <b>\$ 12,118,382</b> | <b>\$ 3,372,775</b>                  |
| Current Liabilities          | \$ 1,139,245         | \$ 1,167,106         | \$ (27,861)                          |
| Long-term Liabilities        | 8,835,141            | 5,535,687            | 3,299,454                            |
| <b>TOTAL LIABILITIES</b>     | <b>\$ 9,974,386</b>  | <b>\$ 6,702,794</b>  | <b>\$ 3,271,593</b>                  |
| Investment in Capital Assets | \$ 1,315,431         | \$ 2,716,497         | \$ (1,401,066)                       |
| Restricted for Debt Service  | 2,026,768            | 692,560              | 1,334,208                            |
| Unrestricted                 | 2,174,571            | 2,006,531            | 168,040                              |
| <b>TOTAL NET POSITION</b>    | <b>\$ 5,516,770</b>  | <b>\$ 5,415,588</b>  | <b>\$ 101,182</b>                    |

The increase in capital assets was due mainly to expenses related to the metering project. There was \$2,457,195 in capital additions during the year. Current liabilities decreased due to accounts payable and current portion of long-term debt being lower than in the previous year. Long-term liabilities increased due to the issuance of Water & Sewer Revenue Bonds, Series of 2013 totaling \$4,000,000. Investment in Capital Assets (buildings, land, equipment and infrastructure) net of accumulated depreciation and related debt decreased by \$1,401,066, also due to the issuance of Water & Sewer Revenue Bonds, Series of 2013.

A comparison of the Authority's revenues, expenses and changes in net position for the years 2013 and 2012 is as follows:

|                                 | <b>2013</b>         | <b>2012</b>         | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|---------------------------------|---------------------|---------------------|--------------------------------------|
| Operating Revenues              | \$ 4,645,383        | \$ 4,465,683        | \$ 179,700                           |
| Operating Expenses              | 3,809,470           | 3,745,320           | 64,150                               |
| <b>NET OPERATING INCOME</b>     | <b>\$ 835,913</b>   | <b>\$ 720,363</b>   | <b>\$ 115,550</b>                    |
| NonOperating Revenues           | \$ 62,064           | \$ 135,404          | \$ (73,340)                          |
| NonOperating Expenses           | 699,944             | 445,027             | 254,917                              |
| <b>NET NONOPERATING REVENUE</b> | <b>\$ (637,880)</b> | <b>\$ (309,623)</b> | <b>\$ (328,257)</b>                  |
| <b>CHANGE IN NET ASSETS</b>     | <b>\$ 198,033</b>   | <b>\$ 410,739</b>   | <b>\$ (212,707)</b>                  |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2013**

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

Actual water and sewer usage charges, a major component of operating revenues, increased in 2013 by \$141,545. In addition to water and sewer usage charges, operating revenue also contains water and sewer tap-in fees and other miscellaneous sewer and water operating fees. Tap-in fees increased by \$23,810 in 2013.

Non-Operating revenues decreased by \$73,340 mainly as a result of Pennvest grant monies for the Raccoon Township system upgrade received in 2012. The increase in non-operating expenses reflects an increase in the amount of debt service expensed mainly due to the issuance of Water and Sewer Revenue Bonds, Series of 2013 totaling \$4,000,000.

A comparison of the operating expenses of the Authority for 2013 and 2012 is as follows:

|                                 | <b>2013</b>         | <b>2012</b>         | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|---------------------------------|---------------------|---------------------|--------------------------------------|
| Source of Supply                | \$ 69,021           | \$ 39,683           | \$ 29,338                            |
| Power and Pumping               | 611,532             | 524,687             | 86,845                               |
| Purification and Laboratory     | 474,249             | 488,648             | (14,399)                             |
| Sewage Treatment                | 207,170             | 280,065             | (72,895)                             |
| Transmission and Distribution   | 351,564             | 443,711             | (92,147)                             |
| Accounting and Collection       | 229,428             | 228,391             | 1,037                                |
| General and Administrative      | 1,264,281           | 1,156,409           | 107,872                              |
| Depreciation                    | 602,225             | 583,726             | 18,499                               |
| <b>TOTAL OPERATING EXPENSES</b> | <b>\$ 3,809,470</b> | <b>\$ 3,745,320</b> | <b>\$ 64,150</b>                     |

As reflected in Schedules 1 and 2 on pages 15 through 19 following the notes to the financial statements, expenses overall decreased mainly as a result of lower maintenance and repair expenses.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At December 31, 2013, the Authority had \$11,060,479 invested in capital assets, including land, treatment plant, furniture and equipment and vehicles net of depreciation. This amount represents a net increase (including additions, deletions, adjustments and depreciation) of \$1,854,970, or approximately 20.2% from last year. The Authority had \$2,457,195 in capital additions during the 2013 year which included the metering project, meters and hydrants, and various other capital expenses.

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

|                                      | <b>2013</b>          | <b>2012</b>         | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|--------------------------------------|----------------------|---------------------|--------------------------------------|
| Wastewater Treatment Plant           | \$ 25,627,975        | \$ 24,198,476       | \$ 1,429,499                         |
| Water Plant                          | 27,049,056           | 27,048,066          | 990                                  |
| Administration Furniture & Equipment | 2,399,810            | 2,384,005           | 15,805                               |
| Work in Progress                     | 2,390,792            | 1,379,891           | 1,010,901                            |
|                                      | \$ 57,467,633        | \$ 55,010,438       | \$ 2,457,195                         |
| Accumulated Depreciation             | (46,407,154)         | (45,804,929)        | (602,225)                            |
|                                      | <b>\$ 11,060,479</b> | <b>\$ 9,205,509</b> | <b>\$ 1,854,970</b>                  |



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2013**

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

**DEBT ADMINISTRATION**

As of December 31, 2013 the Authority had total promissory note, capital lease and revenue bond principal indebtedness outstanding of \$10,101,950. The Authority's debt obligations are comprised of one outstanding note due to the Pennsylvania Infrastructure Investment Authority (PENNVEST) and three Sewer Revenue Bond issues (1998, 2003, and 2013) as follows:

In January of 2001, the Authority borrowed \$4,393,092 from PENNVEST to fund renovations to the water treatment plant, installation of the south wellfield pump station and the construction of a new collector well. The terms of the note agreement call for principal and interest payments of 21,440 per month though January of 2007 and \$23,691.87 thereafter through maturity. The interest rate on the note is 1.692%. The note is scheduled to mature on January 1, 2022. The note is secured by the operating revenues of the Authority.

In August of 1998, the Authority issued \$1,820,000 of Water and Sewer Revenue Bonds, Refunding Series for the purpose of advance refunding Water and Sewer Revenue Bonds, Series of 1995; currently refunding a portion of its Water and Sewer Revenue Bonds, Series A of 1994; to purchase Raccoon Authority and to pay the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually at rates ranging between 5.5% and 5.55%. The bonds are scheduled to mature in November 15, 2020. The bonds are limited obligations of the Authority payable solely from the receipts and revenues of the Authority pledged under the Trust Indenture dated August of 1998.

In August of 2003, the Authority issued \$6,645,000 of Water and Sewer Revenue Bonds – Series of 2003 for the purpose of providing funds for capital projects and to pay the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually at rates ranging between 1.1 to 4.6%. The bonds are scheduled to mature on November 15, 2017. The bonds are limited obligations of the Authority payable solely from the receipts and revenues of the Authority pledged under the Trust Indenture dated August 15, 2003.

In April of 2013, the Authority issued \$4,000,000 of Water and Sewer Revenue Bonds – Series of 2013 for the purpose of providing funds for capital projects and to pay the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually at a rate of 5%. The bonds are scheduled to mature on May 15, 2026. The bonds are limited obligations of the Authority payable solely from the receipts and revenues of the Authority pledged under the Trust Indenture dated April 28, 2013.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2013**

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

In July of 2011, the Municipal Water Authority of Aliquippa, entered into a loan agreement with ESB Bank in the amount of \$29,115 for the purchase of a 2011 Chevrolet Express 2500 Truck. The terms of the loan call for five annual principal and interest payments of \$6,504.47 with an interest rate of 3.75%. The loan is scheduled to expire August 1, 2016.

In July of 2011, the Authority entered into a loan agreement with ESB Bank in the form of a line of credit to provide funds to build a booster station. The interest rate is 3.25% and the balance on the loan as of December 31, 2013 is \$149,986.

In September of 2011, the Municipal Water Authority of Aliquippa, entered into a loan agreement with ESB Bank in the amount of \$20,615 for the purchase of a 2011 Ford 150 Truck. The terms of the loan call for five annual principal and interest payments of \$4,606.90 with an interest rate of 3.75%. The loan is scheduled to expire October 1, 2016.

In October of 2012, the Municipal Water Authority of Aliquippa, entered into a loan agreement with ESB Bank in the amount of \$21,244 for the purchase of a 2013 Ford 150 Truck. The terms of the loan call for sixty (60) monthly principal and interest payments of \$379.74 with an interest rate of 2.75%. The loan is scheduled to expire October 1, 2017.

The Authority is scheduled to make principal and interest payments on their bond, note and lease obligations of approximately \$909,907 during the 2014 calendar year.

**ECONOMIC FACTORS**

Economic conditions in the Beaver County area have improved some during 2013.

**CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT**

Our financial report is designed to provide our customers, investors and creditors with a general overview of the Authority's finances and to show the Board of Directors' accountability for the money they administer on behalf of the communities served by the Municipal Water Authority of Aliquippa. If you have questions about this report or wish to request additional financial information, please contact the Municipal Water Authority of Aliquippa offices at 160 Hopewell Avenue, Aliquippa, PA 15001, (724)-375-5525.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

| <u>ASSETS</u>                               |                      | <u>LIABILITIES &amp; NET POSITION</u>              |                      |
|---------------------------------------------|----------------------|----------------------------------------------------|----------------------|
| <u>CURRENT ASSETS</u>                       |                      | <u>CURRENT LIABILITIES</u>                         |                      |
| Cash and cash equivalents                   | \$ 570,123           | Accounts payable - trade                           | \$ 49,793            |
| Investments                                 | 403,735              | Payroll withholding                                | 4,547                |
| Receivables (net of doubtful accounts)      | 766,815              | Customer deposits                                  | 126,791              |
| Accrued interest and utility revenues       | 433,200              | Accrued interest payable - bonds                   | 48,207               |
| Inventory - plant materials                 | 150,000              | Current portion - long-term debt                   | 909,907              |
| Prepaid expenses                            | 80,035               |                                                    |                      |
| <b>TOTAL CURRENT ASSETS</b>                 | <b>\$ 2,403,909</b>  | <b>TOTAL CURRENT LIABILITIES</b>                   | <b>\$ 1,139,245</b>  |
| <u>RESTRICTED ASSETS</u>                    |                      | <u>LONG-TERM DEBT AND OTHER LIABILITIES</u>        |                      |
| Investments                                 | \$ 2,026,768         | Revenue bonds payable - Series of 2003             | \$ 2,120,000         |
| <b>TOTAL RESTRICTED ASSETS</b>              | <b>\$ 2,026,768</b>  | Revenue bonds payable - Series of 1994             | 1,820,000            |
|                                             |                      | Revenue bonds payable - Series of 2013             | 3,944,800            |
|                                             |                      | Loans payable - PENNVEST                           | 2,019,664            |
|                                             |                      | Other Loans & Leases Payable                       | 197,487              |
|                                             |                      |                                                    | <b>\$ 10,101,951</b> |
|                                             |                      | Less: Current portion - long-term debt             | (909,907)            |
|                                             |                      |                                                    | <b>\$ 9,192,044</b>  |
|                                             |                      | Less: Unamortized loss on early retirement of debt | (356,903)            |
|                                             |                      | <b>TOTAL LONG-TERM DEBT AND OTHER LIABILITIES</b>  | <b>\$ 8,835,141</b>  |
| <u>PROPERTY, PLANT, AND EQUIPMENT</u>       | <b>\$ 11,060,479</b> | <b>TOTAL LIABILITIES</b>                           | <b>\$ 9,974,386</b>  |
| Investment in facilities                    |                      |                                                    |                      |
| Work in progress                            |                      | <u>NET POSITION</u>                                |                      |
| Less: Accumulated depreciation              |                      | Investment in Capital Assets                       | \$ 1,315,431         |
|                                             |                      | Restricted for Debt Service and Capital Projects   | 2,026,768            |
|                                             |                      | Unrestricted                                       | 2,174,571            |
| <b>TOTAL PROPERTY, PLANT, AND EQUIPMENT</b> | <b>\$ 15,491,156</b> | <b>TOTAL NET POSITION</b>                          | <b>\$ 5,516,770</b>  |
| <b>TOTAL ASSETS</b>                         |                      |                                                    |                      |

The accompanying notes are an integral part of these financial statements

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                                   | <u>WATER</u>                 | <u>SEWER</u>               | <u>TOTAL</u>               |
|---------------------------------------------------|------------------------------|----------------------------|----------------------------|
| <b><u>OPERATING REVENUES:</u></b>                 |                              |                            |                            |
| Domestic consumer                                 | \$ 1,793,368                 | \$ 908,930                 | \$ 2,702,298               |
| Commercial consumer                               | 334,005                      | 202,480                    | 536,485                    |
| Industrial consumer                               | 328,910                      | 27,940                     | 356,850                    |
| Sales to public                                   | -                            | 143,111                    | 143,111                    |
| Fire protection                                   | 225,107                      | -                          | 225,107                    |
| Sales to public authorities and other utilities   | 53,584                       | 470,634                    | 524,218                    |
| Customer penalties                                | 67,682                       | 41,707                     | 109,389                    |
| Turn on charges and nsf checks                    | 4,620                        | -                          | 4,620                      |
| Tap Fees                                          | 43,304                       | -                          | 43,304                     |
| <b>TOTAL OPERATING REVENUES</b>                   | <b><u>\$ 2,850,579</u></b>   | <b><u>\$ 1,794,803</u></b> | <b><u>\$ 4,645,383</u></b> |
| <b><u>OPERATING EXPENSES:</u></b>                 |                              |                            |                            |
| Source of supply                                  | \$ 18,474                    | \$ 50,547                  | \$ 69,022                  |
| Power and pumping                                 | 443,696                      | 167,836                    | 611,532                    |
| Purification and laboratory                       | 474,249                      | -                          | 474,249                    |
| Sewage treatment                                  | -                            | 207,170                    | 207,170                    |
| Transmission and distribution                     | 351,564                      | -                          | 351,564                    |
| Accounting and collection                         | 132,272                      | 97,156                     | 229,427                    |
| General and administrative                        | 955,008                      | 309,273                    | 1,264,281                  |
| Depreciation                                      | 449,427                      | 152,798                    | 602,225                    |
| <b>TOTAL OPERATING EXPENSES</b>                   | <b><u>\$ 2,824,690</u></b>   | <b><u>\$ 984,780</u></b>   | <b><u>\$ 3,809,470</u></b> |
| <b>NET OPERATING INCOME</b>                       | <b><u>\$ 25,889</u></b>      | <b><u>\$ 810,023</u></b>   | <b><u>\$ 835,913</u></b>   |
| <b><u>NON-OPERATING REVENUE AND EXPENSE</u></b>   |                              |                            |                            |
| Non-operating revenue                             | \$ 56,254                    | \$ 5,810                   | \$ 62,064                  |
| Non-operating expenses                            | (349,960)                    | (349,984)                  | (699,944)                  |
| <b>TOTAL NON-OPERATING REVENUE AND (EXPENSE)</b>  | <b><u>\$ (293,706)</u></b>   | <b><u>\$ (344,174)</u></b> | <b><u>\$ (637,880)</u></b> |
| <b>NET INCOME &lt;LOSS&gt;</b>                    | <b><u>\$ (267,817)</u></b>   | <b><u>\$ 465,849</u></b>   | <b><u>\$ 198,033</u></b>   |
| NET POSITION - January 1, 2013 (DEFICIT)          | (999,874)                    | 6,415,462                  | 5,415,588                  |
| Prior Period Adjustment                           | (96,851)                     | -                          | (96,851)                   |
| <b>NET POSITION - December 31, 2013 (DEFICIT)</b> | <b><u>\$ (1,364,542)</u></b> | <b><u>\$ 6,881,311</u></b> | <b><u>\$ 5,516,770</u></b> |

The accompanying notes are an integral part of these financial statements

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Cash received from water and sewer charges                    | \$ 4,506,343               |
| Cash received from other operating revenue                    | 47,924                     |
| Cash payments to employees for services                       | (1,105,094)                |
| Cash payments to suppliers for goods and services             | (2,085,030)                |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u>\$ 1,364,143</u></b> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

|                                                                                   |                           |
|-----------------------------------------------------------------------------------|---------------------------|
| Principal payments on debt                                                        | \$ (858,511)              |
| Interest expense                                                                  | (539,945)                 |
| Bond proceeds                                                                     | 4,000,000                 |
| Bond issue costs                                                                  | (160,000)                 |
| Capital purchases                                                                 | (2,458,721)               |
| <b>NET CASH PROVIDED &lt;USED&gt; BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ (17,177)</u></b> |

**CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:**

|                                                                                      |                         |
|--------------------------------------------------------------------------------------|-------------------------|
| Merchandising and other revenue                                                      | \$ 60,582               |
| <b>NET CASH PROVIDED &lt;USED&gt; BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ 60,582</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                                               |                              |
|---------------------------------------------------------------|------------------------------|
| Withdrawals from Investment Pools                             | \$ (1,219,208)               |
| Earnings on investments                                       | 1,484                        |
| <b>NET CASH PROVIDED &lt;USED&gt; BY INVESTING ACTIVITIES</b> | <b><u>\$ (1,217,724)</u></b> |

NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS \$ 189,824

CASH AND CASH EQUIVALENTS - JANUARY 1, 2013 380,299

CASH AND CASH EQUIVALENTS - DECEMBER 31, 2013 **\$ 570,123**

**RECONCILIATION OF OPERATING INCOME TO CASH FLOWS  
PROVIDED BY OPERATING ACTIVITIES:**

|                      |            |
|----------------------|------------|
| Net Operating Income | \$ 835,913 |
| Depreciation         | 602,225    |

**Changes in assets and liabilities:**

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| (Increase) Decrease in water/sewer receivables                | (77,261)                   |
| (Increase) Decrease in accrued utility revenues               | (14,278)                   |
| (Increase) Decrease in prepaids                               | 1,987                      |
| Increase (Decrease) in accounts payable                       | (6,364)                    |
| Increase (Decrease) in payroll liabilities                    | (97)                       |
| Increase (Decrease) in accrued interest                       | 21,595                     |
| Increase (Decrease) in customer deposits                      | 423                        |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u>\$ 1,364,143</u></b> |

The accompanying notes are an integral part of these financial statements

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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

**DESCRIPTION OF AUTHORITY**

The Municipal Water Authority of Aliquippa, Beaver County, Pennsylvania, was incorporated on September 4, 1953 as a public corporation of the Commonwealth of Pennsylvania, organized and existing under the Municipality Authorities Act of 1945. The Authority supplies water to residential, commercial, and industrial users of the City of Aliquippa and certain surrounding communities. The Authority has no stockholders nor equity holders, and revenue or other cash received must be disbursed for specific purposes in accordance with provisions of the Trust Indenture securing the Series of 1998 Water and Sewer Revenue Bond issue and the Third Supplemental Trust Indenture dated as of August 15, 2003 securing the Series of 2003 Water and Sewer Revenue Bond issue.

During 2013, the Authority adopted the provisions of Government Accounting Standards Board (GASB) No. 65, *'Items Previously Reported as Assets and Liabilities'* and GASB No. 66, *'Technical Corrections, an Amendment of GASB Statements No. 10 and 62'*.

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

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Municipal Authority of the Aliquippa consists of all funds, departments, boards and agencies that are not legally separate from the Authority. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the Authority's reporting entity because of the significance of their operating or financial relationships with the Authority. Based on the application of this criteria, the Municipal Authority of the Borough of Aliquippa has no component units.

**BASIS OF ACCOUNTING**

The Authority utilizes the accrual method of accounting. Under this method, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when the bill is paid. Inventory of plant materials represents management's estimate of inventory value as of December 31, 2013. Generally accepted accounting principles require that inventory be shown at cost, or market value if lower than cost. Accordingly, the accompanying financial statements do not present inventory in conformity with generally accepted accounting principles.

**ESTIMATES**

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

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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

**CASH AND CASH EQUIVALENTS**

For the purposes of the Statements of Net Position and Cash Flows, cash and cash equivalents include amounts in petty cash and demand deposit accounts held with ESB and Citizens Banks.

**INVESTMENTS**

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

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government of its agencies or instrumentalities
- III. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- IV. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of the governmental units.
- V. Shares of an investment company registered under the Investment Company Act of 1940, and registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Unrestricted investments include certificates of deposit with original maturity terms in excess of three months. Restricted investments include money market mutual funds invested by the Authority's trustee (The Bank of New York Trust Company). Restricted investments are made pursuant to and restricted by the applicable Trust Indenture securing the Series of 1998, 2003, and 2013 Water and Sewer Revenue Bonds and the aforementioned Municipality Authorities Act. Under the terms of the Trust Indentures securing the Series of 1998 and Series of 2003 Water and Sewer Revenue Bond issues, the Authority is required to maintain certain funds for current operating expenses, debt service requirements, capital expenditures and surplus funds. The Water Authority is in compliance with the aforementioned Trust Indenture and Municipal Authorities Act restrictions for investments as of December 31, 2013. Investments are stated at cost which approximates fair value.

**RECEIVABLES**

The Authority maintains its receivables at net realizable value. Monthly provisions are made to the allowance for doubtful accounts based on management's estimate of potential bad debt losses.

**INVENTORY - PLANT MATERIALS**

The Authority's inventory of plant materials, as reflected in Exhibit A, represents management's estimate of inventory value as of December 31, 2013.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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

**PROPERTY, PLANT AND EQUIPMENT**

All assets purchased by the Authority are recorded at cost and include betterments which extend the physical or economic life of the asset. Maintenance and repair costs are charged to operations as incurred. Donated facilities, if any, are recorded at fair value at the date title transfers to the Authority. Depreciation is provided on a straight-line basis over the estimated useful life of the asset as follows:

|                                  |             |
|----------------------------------|-------------|
| Water and Sewer Treatment Plants | 25-50 Years |
| Furniture and Equipment          | 3-10 Years  |
| Transportation Equipment         | 5-10 Years  |

Depreciation expense for 2013 was \$602,225.

**NET POSITION**

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

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

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

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

At December 31, 2013, the Municipal Water Authority of Aliquippa had the following carrying values on its cash and cash equivalent accounts held with Citizens and ESB Banks:

|                                                 | <b><u>Bank<br/>Balance</u></b> | <b><u>Carrying<br/>Value</u></b> |
|-------------------------------------------------|--------------------------------|----------------------------------|
| Citizens/ESB Banks                              | \$ 575,780                     | \$ 570,123                       |
| Certificates of Deposit<br>shown as investments | <u>403,735</u>                 | <u>403,735</u>                   |
|                                                 | <u>\$ 979,515</u>              | <u>\$ 973,858</u>                |



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (Continued)**

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

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013, \$729,515 of the Authority's bank balance total of \$979,515 is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Authority's name. In accordance with Act number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS**

The following represents the fair value of the Authority's investments at December 31, 2013:

|                                | <b><u>MARKET</u></b><br><b><u>VALUE</u></b> | <b><u>MATURITY</u></b> |
|--------------------------------|---------------------------------------------|------------------------|
| 1994 Debt Service Reserve Fund | \$ 691,273                                  | N/A                    |
| 1994 Surplus Fund              | 1,287                                       | N/A                    |
| 2013 Clearing Fund             | 4,000                                       | N/A                    |
| 2013 Debt Service Fund         | 17,345                                      | N/A                    |
| 2013 Construction Fund         | 1,312,863                                   | N/A                    |
|                                | <b><u>\$ 2,026,768</u></b>                  |                        |

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Investments in money market funds have the characteristics of open-end mutual funds and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Authority does not have a formal investment policy for custodial credit risk.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 3 – PROPERTY, PLANT AND EQUIPMENT**

A summary of the changes in the Authority's property, plant and equipment during the fiscal year is as follows:

|                                        | <b><u>12/31/2012</u></b>   | <b>Additions<br/>&lt;Deletions&gt;</b> | <b><u>12/31/2013</u></b>    |
|----------------------------------------|----------------------------|----------------------------------------|-----------------------------|
| Water Treatment Plant & Equipment      | \$ 24,198,476              | \$ 1,429,499                           | \$ 25,627,975               |
| Sewage Treatment Plant & Equipment     | 27,048,066                 | 990                                    | 27,049,056                  |
| Administration Furniture & Equipment   | 2,384,005                  | 15,805                                 | 2,399,810                   |
| Work in Progress - Telemetry Upgrade   | 15,615                     | (15,615)                               | -                           |
| Work in Progress - Racoon Pump Station | 1,364,276                  | (1,364,276)                            | -                           |
| Work in Progress - Metering Project    | -                          | 2,390,792                              | 2,390,792                   |
| Less:                                  | \$ 55,010,438              | \$ 2,457,195                           | \$ 57,467,633               |
| Accumulated Depreciation               | (45,804,929)               | (602,225)                              | (46,407,154)                |
|                                        | <b><u>\$ 9,205,509</u></b> | <b><u>\$ 1,854,970</u></b>             | <b><u>\$ 11,060,479</u></b> |

**NOTE 4 - RECEIVABLES**

Receivables represent money due the Authority at December 31, 2013 as follows:

|                                      |                          |
|--------------------------------------|--------------------------|
| Water and Sewer Billings             | \$ 777,902               |
| Less Allowance for Doubtful Accounts | (11,087)                 |
| <b>Net Receivables</b>               | <b><u>\$ 766,815</u></b> |

**NOTE 5 - WATER AND SEWER REVENUE BONDS**

In August of 1998, the Authority issued \$1,820,000 of Water and Sewer Revenue Bonds, Refunding Series for the purpose of advance refunding its Water and Sewer Revenue Bonds, Series of 1995, current refunding a portion of Series A of 1994, the purchase of Racoon Authority and to pay the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually in May and November at rates ranging between 5.5% and 5.55%. The bonds are scheduled to mature November 15, 2020. The bonds provide for certain early redemption options as set forth in the official statement of issue. The bonds are issued pursuant to the aforementioned Trust Indenture dated August 15, 1998. The bonds are limited obligations of the Authority payable solely from the receipts and revenues of the Authority pledged under the Indenture.

On August 15, 2003, the Authority issued Water and Sewer Revenue Bonds - Series of 2003 in the amount of \$6,645,000. Proceeds from the issue were used to current refund a portion of the Authority's Water and Sewer Revenue Bonds - Series of 1998, to provide funds for capital projects and to pay the costs and expenses related to the issuance of the bonds. Face value of the bonds is \$5,000 each at interest rates ranging from 1.1 to 4.6% over the life of the issue. Interest is due semi-annually on May 15 and November 15, with the bonds scheduled to mature on November 15, 2017. The bonds provide for early redemption options as set forth in the official statement of issue. The bonds are issued pursuant to the Trust Indenture dated March 15, 1994 as supplemented by a First Supplemental Trust Indenture dated as of June 1, 1995, the Second Supplemental Trust Indenture dated as of August 15, 1998 and the Third Supplemental Trust Indenture dated August 15, 2003. The bonds are limited obligations of the Authority payable solely from the receipts and revenues of the Authority pledged under the Indenture.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 5 - WATER AND SEWER REVENUE BONDS (Continued)**

On April 18, 2013, the Authority issued Water and Sewer Revenue Bonds - Series of 2013 in the amount of \$4,000,000. Proceeds from the issue provide funds for the 2013 Capital Program and to pay the costs and expenses related to the issuance of the bonds. Face value of the bonds is \$5,000 each at an interest rate of 5% over the life of the issue. Interest is due semi-annually on May 15 and November 15, with the bonds scheduled to mature on May 15, 2026. The bonds provide for early redemption options as set forth in the official statement of issue. The bonds are issued pursuant to the Trust Indenture dated March 15, 1994 as supplemented by a First Supplemental Trust Indenture dated as of June 1, 1995, the Second Supplemental Trust Indenture dated as of August 15, 1998, the Third Supplemental Trust Indenture dated August 15, 2003, and the Fourth Supplemental Trust Indenture dated April 18, 2013. The bonds are limited obligations of the Authority payable solely from the receipts and revenues of the Authority pledged under the Indenture.

The following is a summary of the debt service requirements of the Authority's Water and Sewer Revenue Bond Obligations as of December 31, 2013:

| <b>YEAR END<br/>DECEMBER 31,</b> | <b>1998<br/>PRINCIPAL</b> | <b>2003<br/>PRINCIPAL</b> | <b>2013<br/>PRINCIPAL</b> | <b>TOTAL<br/>INTEREST</b> | <b>TOTAL</b>         |
|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------|
| 2014                             | \$ -                      | \$ 495,000                | \$ 178,660                | \$ 386,014                | \$ 1,059,674         |
| 2015                             | -                         | 520,000                   | 137,260                   | 355,356                   | 1,012,616            |
| 2016                             | -                         | 540,000                   | 127,450                   | 325,119                   | 992,569              |
| 2017                             | -                         | 565,000                   | 210,850                   | 292,736                   | 1,068,586            |
| 2018                             | 585,000                   | -                         | 231,210                   | 262,752                   | 1,078,962            |
| 2019-2023                        | 1,235,000                 | -                         | 1,502,260                 | 784,763                   | 3,522,023            |
| 2024-2026                        | -                         | -                         | 1,557,110                 | 73,172                    | 1,630,282            |
|                                  | <u>\$ 1,820,000</u>       | <u>\$ 2,120,000</u>       | <u>\$ 3,944,800</u>       | <u>\$ 2,479,912</u>       | <u>\$ 10,364,712</u> |

**NOTE 6 - LOANS PAYABLE**

**PENNVEST**

In January of 2001, the Pennsylvania Infrastructure Investment Authority (PENNVEST) approved a \$4,393,092 loan to the Municipal Water Authority of Aliquippa for the purpose of renovations to the water treatment plant, installation of the south wellfield pump station and the construction of a new collector well. The loan will be for a period of 20 years with interest at a rate of 1.692%. Principal and interest payments will total \$21,440 per month through January of 2007 and \$23,691.87 thereafter through maturity. The loan is scheduled to expire January 1, 2022. The following summarizes the debt service obligation for this loan as of December 31, 2013:

| <b>YEAR</b> | <b>PRINCIPAL</b>    | <b>INTEREST</b>   | <b>TOTAL</b>        |
|-------------|---------------------|-------------------|---------------------|
| 2014        | \$ 222,203          | \$ 62,099         | \$ 284,302          |
| 2015        | 229,504             | 54,798            | 284,302             |
| 2016        | 237,044             | 47,258            | 284,302             |
| 2017        | 244,832             | 39,470            | 284,302             |
| 2018-2022   | 1,086,081           | 74,821            | 1,160,902           |
|             | <u>\$ 2,019,664</u> | <u>\$ 278,446</u> | <u>\$ 2,298,110</u> |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 7 – LOANS PAYABLE**

**ESB BANK**

In July of 2011, the Municipal Water Authority of Aliquippa, entered into a loan agreement with ESB Bank in the amount of \$29,115 for the purchase of a 2011 Chevrolet Express 2500 Truck. The terms of the loan call for five annual principal and interest payments of \$6,504.47 with an interest rate of 3.75%. The loan is scheduled to expire August 1, 2016.

**ESB BANK**

In September of 2011, the Municipal Water Authority of Aliquippa, entered into a loan agreement with ESB Bank in the amount of \$20,615 for the purchase of a 2011 Ford 150 Truck. The terms of the loan call for five annual principal and interest payments of \$4,606.90 with an interest rate of 3.75%. The loan is scheduled to expire October 1, 2016.

**ESB BANK**

In October of 2012, the Municipal Water Authority of Aliquippa, entered into a loan agreement with ESB Bank in the amount of \$21,244 for the purchase of a 2013 Ford 150 Truck. The terms of the loan call for sixty (60) monthly principal and interest payments of \$379.74 with an interest rate of 2.75%. The loan is scheduled to expire October 1, 2017.

The following summarizes the debt service obligation for these loans as of December 31, 2013:

| <b>YEAR</b> | <b>2011<br/>PRINCIPAL</b> | <b>2011<br/>PRINCIPAL</b> | <b>2012<br/>PRINCIPAL</b> | <b>INTEREST</b> | <b>TOTAL</b>     |
|-------------|---------------------------|---------------------------|---------------------------|-----------------|------------------|
| 2014        | \$ 5,806                  | \$ 4,107                  | \$ 4,131                  | \$ 1,624        | \$ 15,668        |
| 2015        | 6,044                     | 4,282                     | 4,265                     | 1,077           | 15,668           |
| 2016        | 6,269                     | 4,444                     | 4,384                     | 571             | 15,668           |
| 2017        | -                         | -                         | 3,769                     | 47              | 3,816            |
|             | <b>\$ 18,119</b>          | <b>\$ 12,833</b>          | <b>\$ 16,549</b>          | <b>\$ 3,319</b> | <b>\$ 47,004</b> |

**NOTE 8 – LINE OF CREDIT – ESB BANK**

In August of 2011, the Municipal Water Authority of Aliquippa, entered into a loan agreement for \$250,000 in the form of a line of credit with ESB Bank for the purpose providing funds to build a booster station. The interest rate is variable based on a year of 360 days, actual days elapsed. There were no draw downs on the line of credit in 2013 and \$84,547 in principal payments was made, leaving a balance of \$149,986 as of December 31, 2013.

**NOTE 9 – CHANGE IN LONG-TERM DEBT**

The following represents the changes in the Authority's long-term debt obligations during 2013:

|       | <b>Balance<br/>1/1/13</b> | <b>Additions</b>    | <b>Deletions</b>    | <b>Balance<br/>12/31/13</b> | <b>Due Within<br/>One Year</b> |
|-------|---------------------------|---------------------|---------------------|-----------------------------|--------------------------------|
| Bonds | \$ 4,415,000              | \$ 4,000,000        | \$ (530,200)        | \$ 7,884,800                | \$ 673,660                     |
| Notes | 2,545,462                 | -                   | (328,312)           | 2,217,150                   | 236,247                        |
|       | <b>\$ 6,960,462</b>       | <b>\$ 4,000,000</b> | <b>\$ (858,512)</b> | <b>\$ 10,101,950</b>        | <b>\$ 909,907</b>              |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 10 – OPERATING LEASE AGREEMENT**

In January of 2013, the Municipal Water Authority of Aliquippa entered into an operating lease agreement with Canon Financial Services, Inc. for the lease of a Canon copy machine. The terms of the lease call for 60 monthly payments of \$215 with the last payment due in January of 2018.

The following represents the future minimum rental payments on the lease obligation:

| <b><u>YEAR END</u></b><br><b><u>DEC. 31</u></b> | <b><u>ANNUAL</u></b><br><b><u>PAYMENTS</u></b> |
|-------------------------------------------------|------------------------------------------------|
| 2014                                            | \$ 2,580                                       |
| 2015                                            | 2,580                                          |
| 2016                                            | 2,580                                          |
| 2017                                            | 2,580                                          |
|                                                 | <u>\$ 10,320</u>                               |

**NOTE 11 - PENSION PLANS**

The Authority maintains two separate noncontributory defined benefit pension plans covering 1) the officers and managers of the Authority and 2) the remaining eligible employees of the Authority. The Authority also maintains a defined contribution plan for the remaining eligible employees.

**OFFICERS AND MANAGERS**

The officers and managers defined benefit pension plan was established on August 1, 1978, with plan assets being managed by the Principal Financial Group. In order to participate in this plan, officers and managers of the Authority must have attained the age of twenty-one (21) but not age sixty (60), and have completed one year of continuous service with the Authority. The plan actuary employs the Entry Age Normal cost method using the 2011 IRS Prescribed Mortality-Optional Combined Table for Small Plans with a valuation interest assumption of 5%. Salary increase assumptions are based on a sliding scale assuming a 3% increase each year until retirement. Retirement benefits equal 60% of average compensation over the last five years of employment times an accrued benefit adjustment reduced by the participant's paid up annuity. Vesting at 100% occurs after completion of five years of service. As of August 1, 2013, plan membership consisted of four (4) active participants. Pension expense for 2013 was \$85,218.

**STAFF EMPLOYEES**

**PRINCIPAL FINANCIAL GROUP**

A defined benefit pension plan covering all employees of the Authority, other than officers and managers, was established on December 1, 1975, with plan assets being managed by the Principal Financial Group. In order to participate in this plan, eligible employees must complete 1000 hours of continuous service with the Authority. The plan actuary employs the Entry Age Normal cost method using the RP-2000 Combined Healthy Mortality Table with rates projected to 2005 using scale AA and with a valuation interest assumption of 5.25%. Salary increase assumptions are based on a sliding scale. Monthly retirement benefits are equal to \$30 multiplied by years of service as of July 1, 2003, payable for life. The vesting schedule is 40% after four years of service, increasing by 5% the next two years and increasing by 10% per year after.

As of December 1, 2013, plan membership consisted of 13 active participants and 4 inactive participants. This plan was frozen on July 1, 2003. No further accrual service will be credited, no employees shall become active participants, no inactive or former participants will become active and no further benefits shall accrue on or after July 1, 2003.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 11 - PENSION PLANS (Continued)**

The plan's investment income was used to fund administrative costs. There are no long-term contracts for contributions as of December 31, 2013. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits.

As of August 1, 2013 for the Officers and Managers pension plan and December 1, 2013 for the Staff Employees pension plan, the Authority had the following investments in any one organization that represent five percent or more of the Net Position available for benefits:

|                                    | <b>OFFICERS<br/>AND<br/>MANAGERS</b> | <b>STAFF</b>        |
|------------------------------------|--------------------------------------|---------------------|
| Principal Financial Group (Market) | <b>\$ 672,196</b>                    | <b>\$ 1,518,176</b> |

The Authority's annual pension cost and net pension obligation to Principal Financial Group for the year ended August 1, 2013 for the Officers and Managers Plan is as follows. The staff plan was frozen in 2003 and has no net pension obligation:

|                                               | <b>OFFICERS/<br/>MANAGERS</b> |
|-----------------------------------------------|-------------------------------|
| Annual required contribution                  | \$ 10,290                     |
| Interest on net pension obligation            | (27,794)                      |
| Adjustment to annual required contribution    | (109,518)                     |
| Annual pension cost                           | \$ (147,602)                  |
| Contributions                                 | 10,290                        |
| Increase (decrease) in net pension obligation | \$ (157,892)                  |
| Net pension obligation beginning of year      | (555,882)                     |
| <b>Net pension obligation end of year</b>     | <b>\$ (713,774)</b>           |

**THREE YEAR TREND INFORMATION:**

| <b>FISCAL<br/>YEAR<br/>ENDING</b> | <b>ANNUAL<br/>PENSION<br/>COST (APC)</b> | <b>PERCENTAGE<br/>OF APC<br/>CONTRIBUTED</b> | <b>NET<br/>PENSION<br/>OBLIGATION</b> |
|-----------------------------------|------------------------------------------|----------------------------------------------|---------------------------------------|
| <b>OFFICERS/MANAGERS:</b>         |                                          |                                              |                                       |
| 8/1/2006                          | \$ 102,576                               | 127.0%                                       | \$ (569,466)                          |
| 8/1/2007                          | 116,920                                  | 122.0%                                       | (595,635)                             |
| 8/1/2008                          | 130,608                                  | 121.0%                                       | (622,425)                             |
| 8/1/2010                          | 124,629                                  | 153.0%                                       | (749,586)                             |
| <b>STAFF EMPLOYEES:</b>           |                                          |                                              |                                       |
| 12/1/2009                         | \$ -                                     | 0.0%                                         | \$ (785,451)                          |
| 12/1/2011                         | -                                        | 0.0%                                         | (851,430)                             |
| 12/1/2013                         | -                                        | 0.0%                                         | (974,146)                             |

**STEELWORKERS PENSION TRUST**

On July 1, 2003, the Authority entered into a trust agreement with the Steelworkers Pension Trust to contribute a fixed dollar amount for each covered employee. This plan covers staff other than officers and managers. Detailed financial information regarding this plan as of December 31, 2013 can be obtained by contacting the Steelworkers Pension Trust, Seven Neshaminy Interplex, Suite, 301, Trevose, PA 19053.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 12 - DEFERRED COMPENSATION PLAN**

The Municipal Water Authority of Aliquippa established a deferred compensation plan on January 21, 1993 in accordance with Section 457 of the Internal Revenue Code. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts remains the property of the Authority until distribution, subject only to the claims of the Authority's general creditors.

**NOTE 13 - ALLOCATION OF DEBT SERVICE INCOME AND EXPENSES**

Interest income earned by the Authority has been allocated between the water fund and the sewer fund for purposes of presentation in Exhibit B and the supplemental schedules. All debt service related expenses of the Series of 1994, Series of 2003, and Series of 2013 bond issues has not been allocated and is expensed all in the water fund.

**NOTE 14 - RISK MANAGEMENT**

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

**NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Authority, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2013, the Authority is unaware of any pending litigation.

**NOTE 16 - PRIOR PERIOD ADJUSTMENT**

The prior period adjustment, as reflected on Exhibit B, of \$96,851 is as a result of the implementation of Government Accounting Standards Board Statement No. 65, which requires a write off the unamortized amount of bond and note issuance costs at January 1, 2013.

**NOTE 17 - SUBSEQUENT EVENT**

The Authority evaluated its December 31, 2013 financial statements for events through the date of the financial statements. The Authority is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 18 – PENDING GASB PRONOUNCEMENTS**

In June 2012, GASB issued Statements No. 67 and 68, Accounting and Financial Reporting for Pensions, which amend GASB Statements Nos. 25 and 27. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of these Statements are effective for the Authority's December 31, 2014 and December 31, 2015 financial statements respectively.

In November of 2013, GASB issued Statement to. 71, 'Pension Transition for Contributions Made Subsequent to Measurement Date – an Amendment to GASB 68'. The primary objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The provisions of these Statements are effective for the Authority's December 31, 2015 financial statements.

The effects of the implementation of these standards on the Municipal Water Authority of Aliquippa's financial statements have not yet been determined.



***SUPPLEMENTARY  
INFORMATION***

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                          | BUDGET              | ACTUAL              | VARIANCE<br>over <under> |
|------------------------------------------|---------------------|---------------------|--------------------------|
| <b>OPERATING REVENUES:</b>               |                     |                     |                          |
| Domestic consumer                        | \$ 1,794,926        | \$ 1,793,368        | \$ (1,558)               |
| Commercial consumer                      | 269,769             | 334,005             | 64,236                   |
| Industrial consumer                      | 315,299             | 328,910             | 13,611                   |
| Private fire protection                  | 16,902              | 16,798              | (104)                    |
| Public fire protection                   | 201,103             | 208,309             | 7,206                    |
| Sales to public authorities              | 47,381              | 53,584              | 6,203                    |
| Customer penalties                       | 55,863              | 67,682              | 11,819                   |
| Turn on charges and nsf checks           | 4,680               | 4,620               | (60)                     |
| Water tap fees                           | 7,152               | 43,304              | 36,152                   |
| <b>TOTAL OPERATING REVENUES</b>          | <b>\$ 2,713,075</b> | <b>\$ 2,850,579</b> | <b>\$ 137,504</b>        |
| <b>NON-OPERATING REVENUES:</b>           |                     |                     |                          |
| Revenue from merchandising               | \$ 1,360            | \$ 1,410            | \$ 50                    |
| Interest revenue                         | -                   | 742                 | 742                      |
| Employee contribution                    | 24,053              | 29,640              | 5,587                    |
| Installation of remote dials             | 680                 | 390                 | (290)                    |
| Miscellaneous non-operating revenue      | 4,085               | 24,072              | 19,987                   |
| <b>TOTAL NON-OPERATING REVENUES</b>      | <b>\$ 30,178</b>    | <b>\$ 56,254</b>    | <b>\$ 26,076</b>         |
| <b>TOTAL REVENUES</b>                    | <b>\$ 2,743,253</b> | <b>\$ 2,906,834</b> | <b>\$ 163,581</b>        |
| <b>OPERATING EXPENSES:</b>               |                     |                     |                          |
| <b>SOURCES OF SUPPLY:</b>                |                     |                     |                          |
| Supplies and expenses                    | \$ 1,568            | \$ 18,474           | \$ 16,906                |
| <b>TOTAL SOURCES OF SUPPLY</b>           | <b>\$ 1,568</b>     | <b>\$ 18,474</b>    | <b>\$ 16,906</b>         |
| <b>POWER AND PUMPING:</b>                |                     |                     |                          |
| Operating labor                          | \$ 30,957           | \$ 28,196           | \$ (2,761)               |
| Supplies and expenses                    | 12,479              | 21,768              | 9,289                    |
| Maintenance of structure and improvement | 11,109              | 29,431              | 18,322                   |
| Maintenance of equipment                 | 12,766              | 28,408              | 15,642                   |
| Power purchased - J & L                  | 41,762              | 36,525              | (5,237)                  |
| Power purchased - soft. Plant            | 212,322             | 221,699             | 9,377                    |
| Power purchased - Ranney well            | 49,066              | 47,803              | (1,263)                  |
| Power purchased - booster station        | 10,568              | 12,870              | 2,302                    |
| Power purchased - Raccoon Township       | 19,265              | 16,608              | (2,657)                  |
| Tank Rd/Reservoir BC Jail                | 278                 | 388                 | 110                      |
| <b>TOTAL POWER AND PUMPING</b>           | <b>\$ 400,572</b>   | <b>\$ 443,696</b>   | <b>\$ 43,124</b>         |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                              | <b>BUDGET</b>       | <b>ACTUAL</b>       | <b>VARIANCE<br/>over &lt;under&gt;</b> |
|----------------------------------------------|---------------------|---------------------|----------------------------------------|
| <b>PURIFICATION AND LABORATORY:</b>          |                     |                     |                                        |
| Purification and lab labor                   | \$ 193,241          | \$ 160,601          | \$ (32,640)                            |
| Water testing                                | 9,498               | 8,017               | (1,481)                                |
| Supplies and expenses                        | 174,799             | 157,446             | (17,353)                               |
| Maintenance of structure and improvement     | 42,500              | 45,442              | 2,942                                  |
| Maintenance treatment plant equipment        | 96,340              | 102,743             | 6,403                                  |
| <b>TOTAL PURIFICATION &amp; LABORATORY</b>   | <b>\$ 516,378</b>   | <b>\$ 474,249</b>   | <b>\$ (42,129)</b>                     |
| <b>TRANSMISSION AND DISTRIBUTION:</b>        |                     |                     |                                        |
| Operation supplies and expense               | \$ 6,619            | \$ 4,706            | \$ (1,913)                             |
| Operation lines, hydrants and storage        | 7,883               | 10,241              | 2,358                                  |
| Maintenance supervision                      | 102,189             | 111,114             | 8,925                                  |
| Maintenance of structure and improvements    | 3,358               | 5,844               | 2,486                                  |
| Maintenance of mains                         | 168,323             | 71,257              | (97,066)                               |
| Maintenance of service line                  | 64,372              | 89,421              | 25,049                                 |
| Maintenance of meters                        | 18,342              | 6,006               | (12,336)                               |
| Maintenance of hydrants                      | 10,104              | 2,676               | (7,428)                                |
| Rents                                        | 267                 | 200                 | (67)                                   |
| Trucks and equipment maintenance             | 70,218              | 50,098              | (20,120)                               |
| Equipment (new truck)                        | 7,800               | -                   | (7,800)                                |
| <b>TOTAL TRANSMISSION &amp; DISTRIBUTION</b> | <b>\$ 459,475</b>   | <b>\$ 351,564</b>   | <b>\$ (107,911)</b>                    |
| <b>ACCOUNTING AND COLLECTION:</b>            |                     |                     |                                        |
| Customer order, meter reading                | \$ 85,409           | \$ 85,773           | \$ 364                                 |
| Customer billing and accounting              | 41,739              | 46,499              | 4,760                                  |
| <b>TOTAL ACCOUNTING AND COLLECTION</b>       | <b>\$ 127,148</b>   | <b>\$ 132,272</b>   | <b>\$ 5,124</b>                        |
| <b>GENERAL AND ADMINISTRATIVE:</b>           |                     |                     |                                        |
| Salaries - general offices                   | \$ -                | \$ 2,510            | \$ 2,510                               |
| Other office salaries                        | 53,774              | 93,684              | 39,910                                 |
| FICA Expense                                 | -                   | 85,582              | 85,582                                 |
| Office supplies and expense                  | 27,891              | 30,834              | 2,943                                  |
| Real estate taxes / Sohn Rd.                 | 287                 | 156                 | (131)                                  |
| Professional services                        | 59,544              | 66,587              | 7,043                                  |
| Insurance - PIRMA/General Liability          | 97,739              | 80,037              | (17,702)                               |
| Employees insurance and pension              | 383,449             | 461,206             | 77,757                                 |
| Salary pensions                              | 67,279              | 66,291              | (988)                                  |
| Miscellaneous expense                        | 21,399              | 20,666              | (733)                                  |
| Maintenance - general property               | -                   | 47,457              | 47,457                                 |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b>      | <b>\$ 711,362</b>   | <b>\$ 955,008</b>   | <b>\$ 243,646</b>                      |
| <b>Depreciation</b>                          | <b>\$ 420,187</b>   | <b>\$ 449,427</b>   | <b>\$ 29,240</b>                       |
| <b>TOTAL OPERATING EXPENSES</b>              | <b>\$ 2,636,690</b> | <b>\$ 2,824,690</b> | <b>\$ 188,000</b>                      |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                       | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE<br/>over &lt;under&gt;</u> |
|---------------------------------------|----------------------------|----------------------------|----------------------------------------|
| <b><u>NON-OPERATING EXPENSES:</u></b> |                            |                            |                                        |
| Interest expense - PENNVEST           | 34,606                     | 91,888                     | 57,282                                 |
| Interest expense on bonds             | 114,562                    | 173,601                    | 59,039                                 |
| Bond Issue Costs - Series of 2013     | -                          | 80,000                     | 80,000                                 |
| Loan interest - Ally                  | -                          | 39                         | 39                                     |
| Loan interest - ESB                   | -                          | 4,433                      | 4,433                                  |
| <b>TOTAL NON-OPERATING EXPENSES</b>   | <b><u>\$ 149,168</u></b>   | <b><u>\$ 349,960</u></b>   | <b><u>\$ 200,792</u></b>               |
| <b>TOTAL EXPENSES</b>                 | <b><u>\$ 2,785,858</u></b> | <b><u>\$ 3,174,650</u></b> | <b><u>\$ 388,792</u></b>               |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                           | BUDGET              | ACTUAL              | VARIANCE<br>over <under> |
|-------------------------------------------|---------------------|---------------------|--------------------------|
| <b><u>OPERATING REVENUES:</u></b>         |                     |                     |                          |
| Domestic consumer                         | \$ 882,136          | \$ 908,930          | \$ 26,794                |
| Commercial consumer                       | 164,409             | 202,480             | 38,071                   |
| Industrial consumer                       | 18,860              | 27,940              | 9,080                    |
| Sales to public                           | 130,823             | 143,111             | 12,288                   |
| Public authority                          | 449,926             | 470,634             | 20,708                   |
| Customer penalties                        | 34,554              | 41,707              | 7,153                    |
| Sewer Tap-ins                             | 10,990              | -                   | (10,990)                 |
| <b>TOTAL OPERATING REVENUES</b>           | <b>\$ 1,691,698</b> | <b>\$ 1,794,803</b> | <b>\$ 103,105</b>        |
| <b><u>NON-OPERATING REVENUES:</u></b>     |                     |                     |                          |
| Interest revenue                          | \$ -                | \$ 742              | \$ 742                   |
| Employee contribution                     | 5,207               | 5,070               | (137)                    |
| <b>TOTAL NON-OPERATING REVENUES</b>       | <b>\$ 5,207</b>     | <b>\$ 5,812</b>     | <b>\$ 605</b>            |
| <b>TOTAL REVENUES</b>                     | <b>\$ 1,696,905</b> | <b>\$ 1,800,615</b> | <b>\$ 103,710</b>        |
| <b><u>OPERATING EXPENSES:</u></b>         |                     |                     |                          |
| <b><u>SEWER LINES:</u></b>                |                     |                     |                          |
| Maintenance of sewer lines                | \$ 28,320           | \$ 39,090           | \$ 10,770                |
| Maintenance of sewer lines - J & L        | -                   | 11,458              | 11,458                   |
| <b>TOTAL SEWER LINES</b>                  | <b>\$ 28,320</b>    | <b>\$ 50,547</b>    | <b>\$ 22,227</b>         |
| <b><u>SEWER PUMPING:</u></b>              |                     |                     |                          |
| Operation labor                           | \$ 13,701           | \$ 11,112           | \$ (2,589)               |
| Purchased power                           | 77,773              | 75,117              | (2,656)                  |
| Supplies and expenses                     | 10,655              | 7,152               | (3,503)                  |
| Maintenance of structures and equipment   | 28,059              | 74,455              | 46,396                   |
| <b>TOTAL SEWER PUMPING</b>                | <b>\$ 130,188</b>   | <b>\$ 167,836</b>   | <b>\$ 37,648</b>         |
| <b><u>SEWAGE TREATMENT:</u></b>           |                     |                     |                          |
| Operating supervision                     | \$ 67,485           | \$ 20,581           | \$ (46,904)              |
| Labor                                     | 81,093              | 83,394              | 2,301                    |
| Purification and lab supplies             | 58,609              | 46,067              | (12,542)                 |
| Maintenance supervision and treatment     | 226                 | 42                  | (184)                    |
| Maintenance of structure and improvements | 235                 | 742                 | 507                      |
| Maintenance of equipment                  | 41,457              | 37,674              | (3,783)                  |
| Drying bed maintenance & disposal         | 23,019              | 7,483               | (15,536)                 |
| Trucks and equipment                      | 17,352              | 11,188              | (6,164)                  |
| <b>TOTAL SEWAGE TREATMENT</b>             | <b>\$ 289,476</b>   | <b>\$ 207,170</b>   | <b>\$ (82,306)</b>       |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                         | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>VARIANCE<br/>over &lt;under&gt;</u> |
|-----------------------------------------|---------------------|---------------------|----------------------------------------|
| <b>ACCOUNTING AND COLLECTION:</b>       |                     |                     |                                        |
| Meter reading and collection            | \$ 68,688           | \$ 65,352           | \$ (3,336)                             |
| Billing and collection                  | 30,809              | 31,803              | (30,455)                               |
| <b>TOTAL ACCOUNTING AND COLLECTION</b>  | <b>\$ 99,497</b>    | <b>\$ 97,156</b>    | <b>\$ (33,791)</b>                     |
| <b>GENERAL AND ADMINISTRATIVE:</b>      |                     |                     |                                        |
| General office salaries                 | \$ 42,436           | \$ 58,345           | \$ 15,909                              |
| Office supplies and expense             | 30,967              | 38,174              | 7,207                                  |
| Professional services                   | 16,953              | 13,690              | (3,263)                                |
| Insurance                               | 63,790              | 51,144              | (12,646)                               |
| Employee insurance & pension            | 147,198             | 102,094             | (45,104)                               |
| Salary pensions                         | 24,023              | 18,928              | (5,095)                                |
| Miscellaneous general expense           | 3,913               | 2,510               | (1,403)                                |
| Maintenance of general property         | 29,761              | 20,489              | (9,272)                                |
| Solicitor                               | 3,900               | 3,900               | -                                      |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b> | <b>\$ 362,941</b>   | <b>\$ 309,273</b>   | <b>\$ (53,668)</b>                     |
| <b>Depreciation</b>                     | <b>\$ 152,666</b>   | <b>\$ 152,798</b>   | <b>\$ 132</b>                          |
| <b>TOTAL OPERATING EXPENSES</b>         | <b>\$ 1,063,088</b> | <b>\$ 984,780</b>   | <b>\$ (109,758)</b>                    |
| <b><u>NON-OPERATING EXPENSES:</u></b>   |                     |                     |                                        |
| Refund of Prior Year Revenues           | \$ 34,607           | \$ 25               | \$ (34,582)                            |
| Interest Expense - PENNVEST             | 114,563             | 91,888              | (22,675)                               |
| Interest Expense - Bond Issues          | -                   | 173,600             | 173,600                                |
| Interest Expense - Loans                | -                   | 4,471               | 4,471                                  |
| Bond Issue Costs - Series of 2013       | -                   | 80,000              | 80,000                                 |
| <b>TOTAL NON-OPERATING EXPENSES</b>     | <b>\$ 149,170</b>   | <b>\$ 349,984</b>   | <b>\$ 200,814</b>                      |
| <b>TOTAL EXPENSES</b>                   | <b>\$ 1,212,258</b> | <b>\$ 1,334,764</b> | <b>\$ 91,056</b>                       |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**1994 TRUST ACCOUNTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                                       | 1994 DEBT<br>SERVICE<br>RESERVE<br>FUND | 1994<br>SURPLUS<br>FUND | 2013<br>CLEARING<br>FUND | 2013<br>DEBT<br>SERVICE<br>FUND | 2013<br>CONSTRUCTION<br>FUND | TOTAL               |
|-------------------------------------------------------|-----------------------------------------|-------------------------|--------------------------|---------------------------------|------------------------------|---------------------|
| <b>RECEIPTS:</b>                                      |                                         |                         |                          |                                 |                              |                     |
| Proceeds - 2013 Bond Issue                            | \$ -                                    | \$ -                    | \$ 4,000,000             | \$ -                            | \$ -                         | \$ 4,000,000        |
| Transfer from Clearing Fund                           | -                                       | -                       | -                        | 132,345                         | 3,703,655                    | 3,836,000           |
| <b>TOTAL RECEIPTS</b>                                 | <b>\$ -</b>                             | <b>\$ -</b>             | <b>\$ 4,000,000</b>      | <b>\$ 132,345</b>               | <b>\$ 3,703,655</b>          | <b>\$ 7,836,000</b> |
| <b>DISBURSEMENTS:</b>                                 |                                         |                         |                          |                                 |                              |                     |
| Project expenses                                      | \$ -                                    | \$ -                    | \$ -                     | \$ -                            | \$ 2,390,792                 | \$ 2,390,792        |
| Bond Issue Costs                                      | -                                       | -                       | 155,000                  | -                               | -                            | 155,000             |
| Miscellaneous                                         | -                                       | -                       | 5,000                    | -                               | -                            | 5,000               |
| Bond Interest Expense                                 | -                                       | -                       | -                        | 115,000                         | -                            | 115,000             |
| Transfers per Trust Indenture:                        |                                         |                         |                          |                                 |                              |                     |
| Debt Service Fund                                     | -                                       | -                       | 132,345                  | -                               | -                            | 132,345             |
| Transfer to Construction Fund                         | -                                       | -                       | 3,703,655                | -                               | -                            | 3,703,655           |
| <b>TOTAL DISBURSEMENTS</b>                            | <b>\$ -</b>                             | <b>\$ -</b>             | <b>\$ 3,996,000</b>      | <b>\$ 115,000</b>               | <b>\$ 2,390,792</b>          | <b>\$ 6,501,792</b> |
| <b>EXCESS RECEIPTS OVER<br/>(UNDER) DISBURSEMENTS</b> | <b>\$ -</b>                             | <b>\$ -</b>             | <b>\$ 4,000</b>          | <b>\$ 17,345</b>                | <b>\$ 1,312,863</b>          | <b>\$ 1,334,208</b> |
| <b>CASH BALANCE - January 1, 2013</b>                 | <b>691,273</b>                          | <b>1,287</b>            | <b>-</b>                 | <b>-</b>                        | <b>-</b>                     | <b>692,560</b>      |
| <b>CASH BALANCE - December 31, 2013</b>               | <b>\$ 691,273</b>                       | <b>\$ 1,287</b>         | <b>\$ 4,000</b>          | <b>\$ 17,345</b>                | <b>\$ 1,312,863</b>          | <b>\$ 2,026,768</b> |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE**  
**REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**RECEIPTS:**

|                         |           |                         |
|-------------------------|-----------|-------------------------|
| Water/Sewer Collections | \$        | 4,671,098               |
| Miscellaneous           |           | 47,924                  |
| <b>TOTAL RECEIPTS</b>   | <b>\$</b> | <b><u>4,719,022</u></b> |

**DISBURSEMENTS:**

|                                       |           |                         |
|---------------------------------------|-----------|-------------------------|
| Operating and Administrative Expenses | \$        | 3,091,544               |
| Debt Service Expenses                 |           | 1,152,368               |
| <b>TOTAL DISBURSEMENTS</b>            | <b>\$</b> | <b><u>4,243,912</u></b> |

|                                               |    |         |
|-----------------------------------------------|----|---------|
| EXCESS RECEIPTS OVER<br>(UNDER) DISBURSEMENTS | \$ | 475,110 |
|-----------------------------------------------|----|---------|

|                                |  |               |
|--------------------------------|--|---------------|
| CASH BALANCE - January 1, 2013 |  | <u>92,788</u> |
|--------------------------------|--|---------------|

|                                         |           |                       |
|-----------------------------------------|-----------|-----------------------|
| <b>CASH BALANCE - December 31, 2013</b> | <b>\$</b> | <b><u>567,898</u></b> |
|-----------------------------------------|-----------|-----------------------|



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLANS**  
**DECEMBER 31, 2013**

**SCHEDULES OF FUNDING PROGRESS:**

|                                 | (A)                             | (B)                               | (B-A)<br>(UAAL)                               | (A/B)           | (C)                | (B-A)/C                                 |
|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------------------|-----------------|--------------------|-----------------------------------------|
| ACTUARIAL<br>VALUATION<br>DATE  | ACTUARIAL<br>VALUE OF<br>ASSETS | ACTUARIAL<br>ACCRUED<br>LIABILITY | UNFUNDED<br>ACTUARIAL<br>ACCRUED<br>LIABILITY | FUNDED<br>RATIO | COVERED<br>PAYROLL | UAAL AS A<br>% OF<br>COVERED<br>PAYROLL |
| <b>OFFICERS &amp; MANAGERS:</b> |                                 |                                   |                                               |                 |                    |                                         |
| 8/1/2003                        | 922,417                         | 1,068,906                         | 146,489                                       | 86%             | 236,737            | 61.9%                                   |
| 8/1/2005                        | 487,685                         | 522,126                           | 34,441                                        | 93%             | 294,618            | 11.7%                                   |
| 8/1/2007                        | 812,679                         | 639,168                           | (173,511)                                     | 127%            | 302,308            | -57.4%                                  |
| 8/1/2009                        | 1,138,432                       | 892,115                           | (246,317)                                     | 128%            | 330,460            | -74.5%                                  |
| 8/1/2011                        | 1,637,730                       | 1,228,315                         | (409,415)                                     | 133%            | 376,665            | -108.7%                                 |
| 8/1/2013                        | 653,135                         | 428,543                           | (224,592)                                     | 152%            | 265,261            | -84.7%                                  |
| <b>STAFF:</b>                   |                                 |                                   |                                               |                 |                    |                                         |
| 12/1/2003                       | 1,581,648                       | 1,029,632                         | (552,016)                                     | 154%            | 913,430            | N/A                                     |
| 12/1/2005                       | 1,371,197                       | 625,217                           | (745,980)                                     | 219%            | 881,004            | N/A                                     |
| 12/1/2007                       | 1,291,571                       | 444,558                           | (847,013)                                     | 291%            | 818,942            | N/A                                     |
| 12/1/2009                       | 1,206,803                       | 421,352                           | (785,451)                                     | 286%            | 670,097            | N/A                                     |
| 12/1/2011                       | 1,303,192                       | 451,762                           | (851,430)                                     | 288%            | 699,495            | N/A                                     |
| 12/1/2013                       | 1,518,176                       | 544,030                           | (974,146)                                     | 279%            | 691,185            | N/A                                     |

**SCHEDULES OF EMPLOYER'S CONTRIBUTIONS:**

| YEAR ENDED<br>DECEMBER 31       | ANNUAL REQ.<br>CONTRIBUTION | PERCENTAGE<br>CONTRIBUTED |
|---------------------------------|-----------------------------|---------------------------|
| <b>OFFICERS &amp; MANAGERS:</b> |                             |                           |
| 2003                            | \$ 83,331                   | 100%                      |
| 2004                            | 130,081                     | 100%                      |
| 2005                            | 130,081                     | 100%                      |
| 2006                            | 130,081                     | 100%                      |
| 2007                            | 130,081                     | 100%                      |
| 2008                            | 157,398                     | 100%                      |
| 2009                            | 48,912                      | 100%                      |
| 2010                            | 43,169                      | 100%                      |
| 2011                            | 43,029                      | 100%                      |
| 2012                            | 30,504                      | 100%                      |
| 2013                            | 10,290                      | 100%                      |
| <b>STAFF:</b>                   |                             |                           |
| 1999                            | \$ -                        | 100%                      |
| 2000                            | -                           | 100%                      |
| 2001                            | -                           | 100%                      |
| 2002                            | -                           | 100%                      |
| 2003                            | -                           | 100%                      |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2013**

**NOTE 1 - TREND INFORMATION**

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

**NOTE 2 - ACTUARIAL ASSUMPTIONS AND METHODS**

The information presented in the preceding required supplementary information section was determined as part of the actuarial valuations for the officers and manager and the staff employees dated August 1, 2013 and December 1, 2013 respectively. Additional information included as part of this valuation is as follows:

Actuarial Cost Method – Entry Age Normal

Amortization Method – Level Dollar, Open

Remaining Amortization Period – N/A and 14 years

Asset Valuation Method – N/A and Contract Value

Investment Rate of return – 5.0% (O&M) / 5.0% Staff per annum

Salary Increase – Sliding Scale