

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

~~~~~

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**MUNICIPAL WATER AUTHORITY OF  
ALIQUIPPA**

ALIQUIPPA, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

WITH REPORT BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**

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

**TABLE OF CONTENTS**

|                                                                                                                             | <b><u>Page</u></b> |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------|
| <b>Independent Auditor's Report</b> .....                                                                                   | i-ii               |
| <b>Management's Discussion and Analysis</b> .....                                                                           | iii-vii            |
| <b>Exhibit A</b> – Statement of Net Position .....                                                                          | 1                  |
| <b>Exhibit B</b> - Statement of Revenues, Expenses and Changes in Net Position .....                                        | 2                  |
| <b>Exhibit C</b> - Statement of Cash Flows .....                                                                            | 3                  |
| <b>Notes to Financial Statements</b> .....                                                                                  | 4-21               |
| <br><b><u>Require Supplementary Information:</u></b>                                                                        |                    |
| Schedule of Changes in Net Pension Liability and Related Ratios .....                                                       | 22                 |
| Schedule of Actuarially Determined Pension Contribution and Related Ratios .....                                            | 23                 |
| Schedule of Funding Progress and Contributions from Employer .....                                                          | 24                 |
| <br><b><u>Supplementary Information:</u></b>                                                                                |                    |
| <b>Schedule 1</b> - Schedule of Budget and Actual Revenue and Expenses - Water Fund .....                                   | 25-26              |
| <b>Schedule 2</b> - Schedule of Budget and Actual Revenue and Expenses - Sewer Fund .....                                   | 27-28              |
| <b>Schedule 3</b> - Schedule of Receipts, Disbursements and Changes in Cash Balance<br>- 1994 and 2013 Trust Accounts ..... | 29                 |
| <b>Schedule 4</b> - Schedule of Receipts, Disbursements and Changes in Cash Balance<br>- Revenue Fund .....                 | 30                 |

# **Mark C. Turnley**

---

*Certified Public Accountant*

1000 3<sup>rd</sup> Avenue  
New Brighton, Pennsylvania 15066  
(724) 384-1081  
FAX (724) 384-8908

## **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, 2015, 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, 2015 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**

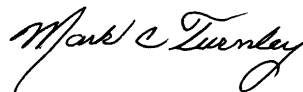
### ***Required Supplementary Information***

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 22-24 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

October 10, 2016  
New Brighton, Pennsylvania

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2015**

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, 2015. 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 2015 are as follows:

- Net position increased by \$199,632 in 2015.
- Total operating revenues were \$4,729,868 in 2015, an increase of \$126,462 from 2014. Total operating expenses increased by \$139,314 in 2015 to \$4,103,608. Accordingly, the authority experienced a net operating gain of \$626,260 for 2015, which was a decrease of \$12,852.
- Water and sewer rates did not increase for 2015. The quarterly water minimum is \$46.27 and the sewer minimum is \$39.08.
- The Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – “Accounting and Financial Reporting for Pensions” - for calendar year 2015. The Authority is now required to recognize an actuarially determined net pension liability on their statement of net position, along with deferred outflows and inflows related to their pension as a result of their employee pension plan. As of December 31, 2015, the net pension asset was \$1,218,954.

## **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, 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

A breakdown of the assets, liabilities and net position of the Authority for the years 2015 and 2014 is as follows:

|                                                                  | <u>2015</u>                 | <u>2014</u>                 | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|------------------------------------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Current Assets                                                   | \$ 2,274,551                | \$ 2,236,513                | \$ 38,038                            |
| Capital Assets                                                   | 11,216,152                  | 11,639,149                  | (422,997)                            |
| Restricted Assets                                                | 721,646                     | 837,740                     | (116,094)                            |
| Deferred Outflows of Resources                                   | 31,733                      | -                           | 31,733                               |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS<br/>OF RESOURCES</b>     | <b><u>\$ 14,244,082</u></b> | <b><u>\$ 14,713,403</u></b> | <b><u>\$ (469,320)</u></b>           |
| Current Liabilities                                              | \$ 1,276,750                | \$ 1,143,626                | \$ 133,124                           |
| Long-term Liabilities                                            | 5,874,334                   | 7,898,320                   | (2,023,986)                          |
| Deferred Inflows of Resources                                    | 15,091                      | -                           | 15,091                               |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS<br/>OF RESOURCES</b> | <b><u>\$ 7,166,175</u></b>  | <b><u>\$ 9,041,947</u></b>  | <b><u>\$ (1,875,771)</u></b>         |
| Investment in Capital Assets                                     | \$ 3,203,109                | \$ 2,839,476                | \$ 363,633                           |
| Restricted for Debt Service                                      | 721,646                     | 837,740                     | (116,094)                            |
| Unrestricted                                                     | 3,153,152                   | 1,994,240                   | 1,158,912                            |
| <b>TOTAL NET POSITION</b>                                        | <b><u>\$ 7,077,907</u></b>  | <b><u>\$ 5,671,456</u></b>  | <b><u>\$ 1,406,451</u></b>           |

The increase in capital assets was due mainly to expenses related to the metering project. There was \$105,476 in capital additions during the year. Current liabilities increased due to an increase in accounts payable. Long-term liabilities decreased due to a reduction in bonds and loans payable. Investment in Capital Assets (buildings, land, equipment and infrastructure) net of accumulated depreciation and related debt increased by \$363,633, due to the addition in capital assets offset by a decrease in bonds and loans payable.

A comparison of the Authority's revenues, expenses and changes in net position for the years 2015 and 2014 is as follows:

|                                 | <u>2015</u>                | <u>2014</u>                | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|---------------------------------|----------------------------|----------------------------|--------------------------------------|
| Operating Revenues              | \$ 4,729,868               | \$ 4,603,406               | \$ 126,462                           |
| Operating Expenses              | 4,103,608                  | 3,964,294                  | 139,314                              |
| <b>NET OPERATING INCOME</b>     | <b><u>\$ 626,260</u></b>   | <b><u>\$ 639,112</u></b>   | <b><u>\$ (12,852)</u></b>            |
| NonOperating Revenues           | \$ 95,549                  | \$ 78,438                  | \$ 17,111                            |
| NonOperating Expenses           | 522,176                    | 562,862                    | (40,686)                             |
| <b>NET NONOPERATING REVENUE</b> | <b><u>\$ (426,628)</u></b> | <b><u>\$ (484,424)</u></b> | <b><u>\$ 57,797</u></b>              |
| <b>CHANGE IN NET ASSETS</b>     | <b><u>\$ 199,632</u></b>   | <b><u>\$ 154,687</u></b>   | <b><u>\$ 44,945</u></b>              |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2015**

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

Actual water and sewer usage charges, a major component of operating revenues, increased in 2015 by \$73,398. 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 \$25,892 in 2015.

Non-Operating revenues increased by \$17,111 mainly as a result of a refund of a prior year expense reflected in 2015. The decrease in non-operating expenses reflects a decrease in the amount of debt service expensed mainly due to the issuance of Water and Sewer Revenue Bonds, Series of 2013.

A comparison of the operating expenses of the Authority for 2015 and 2014 is as follows:

|                                 | <u>2015</u>                | <u>2014</u>                | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|---------------------------------|----------------------------|----------------------------|--------------------------------------|
| Source of Supply                | \$ 57,560                  | \$ 57,220                  | \$ 340                               |
| Power and Pumping               | 571,151                    | 555,544                    | 15,607                               |
| Purification and Laboratory     | 545,363                    | 436,659                    | 108,704                              |
| Sewage Treatment                | 274,707                    | 232,079                    | 42,628                               |
| Transmission and Distribution   | 543,437                    | 632,343                    | (88,906)                             |
| Accounting and Collection       | 196,534                    | 207,976                    | (11,442)                             |
| General and Administrative      | 1,260,888                  | 1,190,420                  | 70,468                               |
| Depreciation                    | 653,968                    | 652,053                    | 1,915                                |
| <b>TOTAL OPERATING EXPENSES</b> | <b><u>\$ 4,103,608</u></b> | <b><u>\$ 3,964,294</u></b> | <b><u>\$ 139,314</u></b>             |

As reflected in Schedules 1 and 2 on pages 25 through 29 following the notes to the financial statements, expenses overall increased in all areas with the exception of transmission/distribution and accounting/collection expenses.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At December 31, 2015, the Authority had \$11,216,152 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 \$363,633, or approximately 3.6% from last year. The Authority had \$105,476 in capital additions during the 2015 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:

|                                      | <u>2015</u>                 | <u>2014</u>                 | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|--------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Wastewater Treatment Plant           | \$ 25,657,684               | \$ 25,657,684               | \$ -                                 |
| Water Plant                          | 27,068,441                  | 27,049,056                  | 19,385                               |
| Metering Project                     | 3,703,655                   |                             |                                      |
| Administration Furniture & Equipment | 2,438,457                   | 2,428,810                   | 9,647                                |
| Work in Progress                     | 61,091                      | 3,562,806                   | (3,501,715)                          |
|                                      | <u>\$ 58,929,328</u>        | <u>\$ 58,698,356</u>        | <u>\$ (3,472,683)</u>                |
| Accumulated Depreciation             | (47,713,176)                | (47,059,207)                | (653,969)                            |
|                                      | <b><u>\$ 11,216,152</u></b> | <b><u>\$ 11,639,149</u></b> | <b><u>\$ (4,126,652)</u></b>         |



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2015**

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

**DEBT ADMINISTRATION**

As of December 31, 2015 the Authority had total promissory note, capital lease and revenue bond principal indebtedness outstanding of \$8,140,849. The Authority's debt obligations are comprised of one outstanding note due to the Pennsylvania Infrastructure Investment Authority (PENNVEST), three Sewer Revenue Bond issues (1998, 2003, and 2013) and three ESB loans 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 through 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, 2015**

**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 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 \$1,292,703 during the 2016 calendar year.

**ECONOMIC FACTORS**

Economic conditions in the Beaver County area have improved some during 2015.

**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, 2015**

**ASSETS AND DEFERRED OUFLOW OF RESOURCES:****CURRENT ASSETS**

|                                        |                            |
|----------------------------------------|----------------------------|
| Cash and Cash Equivalents              | \$ 430,440                 |
| Investments                            | 409,163                    |
| Receivables (net of doubtful accounts) | 730,631                    |
| Accrued Utility Revenues               | 476,223                    |
| Inventory - Plant Materials            | 150,000                    |
| Prepaid Expenses                       | 78,094                     |
| <b>TOTAL CURRENT ASSETS</b>            | <b><u>\$ 2,274,551</u></b> |

**RESTRICTED ASSETS**

|                                |                          |
|--------------------------------|--------------------------|
| Investments                    | \$ 721,646               |
| <b>TOTAL RESTRICTED ASSETS</b> | <b><u>\$ 721,646</u></b> |

**PROPERTY AND EQUIPMENT**

|                                                |                             |
|------------------------------------------------|-----------------------------|
| Investment in Facilities                       | \$ 58,868,237               |
| Work in Progress                               | 61,091                      |
| Less: Accumulated Depreciation                 | (47,713,176)                |
| <b>TOTAL NET PROPERTY, PLANT AND EQUIPMENT</b> | <b><u>\$ 11,216,152</u></b> |

**DEFERRED OUTFLOW OF RESOURCES**

|                                            |                         |
|--------------------------------------------|-------------------------|
| Deferred Outflow Related to Pension        | \$ 31,733               |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b> | <b><u>\$ 31,733</u></b> |

**TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES**      **\$ 14,244,082**

**LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION:****CURRENT LIABILITIES**

|                                  |                            |
|----------------------------------|----------------------------|
| Accounts Payable                 | \$ 184,748                 |
| Payroll Withholding              | 4,778                      |
| Customer Deposits                | 126,829                    |
| Accrued Interest Payable - Bonds | 40,640                     |
| Current Portion - Long Term Debt | 919,755                    |
| <b>TOTAL CURRENT LIABILITIES</b> | <b><u>\$ 1,276,750</u></b> |

**LONG-TERM LIABILITIES**

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Revenue Bonds Payable - Series of 2003             | \$ 1,105,000        |
| Revenue Bonds Payable - Series of 1994             | 1,820,000           |
| Revenue Bonds Payable - Series of 2013             | 3,628,880           |
| Loans Payable - Pennvest                           | 1,567,957           |
| Other Loans and Leases Payable                     | 19,012              |
| Net Pension Liability (Asset)                      | (1,218,954)         |
|                                                    | <u>\$ 6,921,895</u> |
| Less: Current Portion Long Term Debt               | (919,755)           |
|                                                    | <u>\$ 6,002,140</u> |
| Less: Unamortized Loss on Early Retirement of Debt | (127,806)           |

**TOTAL LONG TERM DEBT AND OTHER LIABILITIES**      **\$ 5,874,334**

**DEFERRED INFLOW OF RESOURCES**

|                                           |                         |
|-------------------------------------------|-------------------------|
| Deferred Inflow Related to Pension        | \$ 15,091               |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b> | <b><u>\$ 15,091</u></b> |

**NET POSITION:**

|                                  |                            |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | \$ 3,203,109               |
| Restricted                       | 721,646                    |
| Unrestricted                     | 3,153,152                  |
| <b>TOTAL NET POSITION</b>        | <b><u>\$ 7,077,907</u></b> |

**TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION**      **\$ 14,244,082**

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, 2015**

|                                                   | <u>WATER</u>                 | <u>SEWER</u>               | <u>TOTAL</u>               |
|---------------------------------------------------|------------------------------|----------------------------|----------------------------|
| <b><u>OPERATING REVENUES:</u></b>                 |                              |                            |                            |
| Domestic consumer                                 | \$ 1,816,105                 | \$ 887,256                 | \$ 2,703,361               |
| Commercial consumer                               | 361,676                      | 200,344                    | 562,020                    |
| Industrial consumer                               | 334,538                      | 37,187                     | 371,726                    |
| Sales to public                                   | -                            | 166,237                    | 166,237                    |
| Fire protection                                   | 270,484                      | -                          | 270,484                    |
| Sales to public authorities and other utilities   | 36,909                       | 469,657                    | 506,566                    |
| Customer penalties                                | 60,203                       | 38,496                     | 98,698                     |
| Turn on charges and nsf checks                    | 5,044                        | -                          | 5,044                      |
| Tap Fees                                          | 41,663                       | 4,069                      | 45,732                     |
| <b>TOTAL OPERATING REVENUES</b>                   | <b><u>\$ 2,926,622</u></b>   | <b><u>\$ 1,803,246</u></b> | <b><u>\$ 4,729,868</u></b> |
| <b><u>OPERATING EXPENSES:</u></b>                 |                              |                            |                            |
| Source of supply                                  | \$ 4,861                     | \$ 52,698                  | \$ 57,560                  |
| Power and pumping                                 | 419,575                      | 151,576                    | 571,151                    |
| Purification and laboratory                       | 545,363                      | -                          | 545,363                    |
| Sewage treatment                                  | -                            | 274,707                    | 274,707                    |
| Transmission and distribution                     | 543,437                      | -                          | 543,437                    |
| Accounting and collection                         | 119,460                      | 77,073                     | 196,534                    |
| General and administrative                        | 939,890                      | 320,998                    | 1,260,888                  |
| Depreciation                                      | 500,661                      | 153,308                    | 653,969                    |
| <b>TOTAL OPERATING EXPENSES</b>                   | <b><u>\$ 3,073,247</u></b>   | <b><u>\$ 1,030,360</u></b> | <b><u>\$ 4,103,608</u></b> |
| <b>NET OPERATING INCOME</b>                       | <b><u>\$ (146,625)</u></b>   | <b><u>\$ 772,885</u></b>   | <b><u>\$ 626,260</u></b>   |
| <b><u>NON-OPERATING REVENUE AND EXPENSE</u></b>   |                              |                            |                            |
| Non-operating revenue                             | \$ 85,474                    | \$ 10,075                  | \$ 95,549                  |
| Non-operating expenses                            | (261,088)                    | (261,088)                  | (522,176)                  |
| <b>TOTAL NON-OPERATING REVENUE AND (EXPENSE)</b>  | <b><u>\$ (175,614)</u></b>   | <b><u>\$ (251,013)</u></b> | <b><u>\$ (426,629)</u></b> |
| <b>NET INCOME &lt;LOSS&gt;</b>                    | <b><u>\$ (322,239)</u></b>   | <b><u>\$ 521,872</u></b>   | <b><u>\$ 199,632</u></b>   |
| NET POSITION - January 1, 2015 (Restated)         | <u>(1,172,323)</u>           | <u>8,050,598</u>           | <u>6,878,275</u>           |
| <b>NET POSITION - December 31, 2015 (DEFICIT)</b> | <b><u>\$ (1,494,562)</u></b> | <b><u>\$ 8,572,470</u></b> | <b><u>\$ 7,077,907</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, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Cash received from water and sewer charges                    | \$ 4,654,356               |
| Cash received from other operating revenue                    | 24,605                     |
| Cash payments to employees for services                       | (1,070,367)                |
| Cash payments to suppliers for goods and services             | (2,223,168)                |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u>\$ 1,385,426</u></b> |

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

|                                                                                   |                              |
|-----------------------------------------------------------------------------------|------------------------------|
| Principal payments on debt                                                        | \$ (1,059,922)               |
| Interest expense                                                                  | (451,574)                    |
| Capital purchases                                                                 | (1,281,080)                  |
| <b>NET CASH PROVIDED &lt;USED&gt; BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ (2,792,576)</u></b> |

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

|                                                                                      |                         |
|--------------------------------------------------------------------------------------|-------------------------|
| Merchandising and other revenue                                                      | \$ 74,618               |
| <b>NET CASH PROVIDED &lt;USED&gt; BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ 74,618</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Withdrawals from Investment Pools                             | \$ 1,189,028               |
| Earnings on investments                                       | 3,821                      |
| <b>NET CASH PROVIDED &lt;USED&gt; BY INVESTING ACTIVITIES</b> | <b><u>\$ 1,192,849</u></b> |

NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS \$ (139,683)

CASH AND CASH EQUIVALENTS - JANUARY 1, 2015 570,123

CASH AND CASH EQUIVALENTS - DECEMBER 31, 2015 **\$ 430,440**

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

|                                                               |                                   |
|---------------------------------------------------------------|-----------------------------------|
| Net Operating Income                                          | \$ 626,260                        |
| Depreciation                                                  | 652,053                           |
| <b>Changes in assets and liabilities:</b>                     |                                   |
| (Increase) Decrease in water/sewer receivables                | 62,749                            |
| (Increase) Decrease in accrued utility revenues               | 14,626                            |
| (Increase) Decrease in prepaids                               | 3,953                             |
| Increase (Decrease) in accounts payable                       | 31,384                            |
| Increase (Decrease) in payroll liabilities                    | 8                                 |
| Increase (Decrease) in accrued interest                       | (3,787)                           |
| Increase (Decrease) in customer deposits                      | (1,820)                           |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u><u>\$ 1,385,426</u></u></b> |

The accompanying notes are an integral part of these financial statements

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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.

The financial statements of the Municipal Water Authority of Aliquippa have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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). During the 2015 calendar year, the Authority adopted the provisions of GASB Statement No. 67 '*Financial Reporting for Pension Plans*', an Amendment of GASB Statement No. 25, GASB Statement No. 68, '*Accounting and Financial Reporting for Pensions*', and GASB Statement No. 71, '*Pension Transition for Contributions made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*'. The more significant

**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, 2015. 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, 2015**

**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 Wesbanco 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, 2015. 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, 2015.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

**UNEARNED REVENUE**

Unearned revenue arises when the Authority receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**LONG-TERM DEBT FINANCING COSTS**

Bond issuance costs are recorded as expenditures in the year paid. During the 2015 calendar year, the Authority did not incur any bond issue costs.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and /or inflow of resources (expenses/expenditures or income/revenue) in the current period.

**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 2015 was \$653,969.

**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.



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

At December 31, 2015, the Municipal Water Authority of Aliquippa had the following carrying values on its cash and cash equivalent accounts held with Wesbanco and Citizens Banks:

|                                                 | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|-------------------------------------------------|-------------------------|---------------------------|
| Citizens/ESB Banks                              | \$ 500,314              | \$ 430,440                |
| Certificates of Deposit<br>shown as investments | 409,163                 | 409,163                   |
|                                                 | \$ 909,477              | \$ 839,603                |

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, 2015, \$656,054 of the Authority's bank balance total of \$896,408 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, 2015:

|                                | <b>MARKET<br/>VALUE</b> | <b>MATURITY</b> |
|--------------------------------|-------------------------|-----------------|
| 1994 Debt Service Reserve Fund | \$ 691,359              | N/A             |
| 1994 Surplus Fund              | 1,287                   | N/A             |
| 2013 Clearing Fund             | 4,000                   | N/A             |
| 2013 Construction Fund         | 25,000                  | N/A             |
|                                | \$ 721,646              |                 |

**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, 2015**

**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>12/31/2014</u></b>    | <b>Additions<br/>&lt;Deletions&gt;</b> | <b><u>12/31/2015</u></b>    |
|--------------------------------------|-----------------------------|----------------------------------------|-----------------------------|
| Water Treatment Plant & Equipment    | \$ 25,657,684               | \$ -                                   | \$ 25,657,684               |
| Sewage Treatment Plant & Equipment   | 27,049,056                  | 19,385                                 | 27,068,441                  |
| Metring Project                      | -                           | 3,703,655                              | 3,703,655                   |
| Administration Furniture & Equipment | 2,428,810                   | 9,647                                  | 2,438,457                   |
| Work in Progress - Metering Project  | <u>3,562,806</u>            | <u>(3,501,715)</u>                     | <u>61,091</u>               |
| Less:                                | \$ 58,698,356               | \$ 230,972                             | \$ 58,929,328               |
| Accumulated Depreciation             | <u>(47,059,207)</u>         | <u>(653,969)</u>                       | <u>(47,713,176)</u>         |
|                                      | <b><u>\$ 11,639,149</u></b> | <b><u>\$ (422,997)</u></b>             | <b><u>\$ 11,216,152</u></b> |

**NOTE 4 - RECEIVABLES**

Receivables represent money due the Authority at December 31, 2015 as follows:

|                                      |                          |
|--------------------------------------|--------------------------|
| Water and Sewer Billings             | \$ 741,718               |
| Less Allowance for Doubtful Accounts | (11,087)                 |
| <b>Net Receivables</b>               | <b><u>\$ 730,631</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 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 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, 2015**

**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, 2015:

| <b><u>YEAR END</u></b><br><b><u>DECEMBER 31,</u></b> | <b><u>1998</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>2003</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>2013</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>TOTAL</u></b><br><b><u>INTEREST</u></b> | <b><u>TOTAL</u></b>        |
|------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|----------------------------|
| 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                                                 | 615,000                                       | -                                             | 251,730                                       | 218,403                                       | 1,085,133                  |
| 2020                                                 | 620,000                                       | -                                             | 274,630                                       | 171,402                                       | 1,066,032                  |
| 2021-2025                                            | -                                             | -                                             | 1,762,520                                     | 448,868                                       | 2,211,388                  |
| 2026                                                 | -                                             | -                                             | 770,490                                       | 19,262                                        | 789,752                    |
|                                                      | <b><u>\$ 1,820,000</u></b>                    | <b><u>\$ 1,105,000</u></b>                    | <b><u>\$ 3,628,880</u></b>                    | <b><u>\$ 1,738,542</u></b>                    | <b><u>\$ 8,292,422</u></b> |

**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, 2015:

| <b><u>YEAR</u></b> | <b><u>PRINCIPAL</u></b>    | <b><u>INTEREST</u></b>   | <b><u>TOTAL</u></b>        |
|--------------------|----------------------------|--------------------------|----------------------------|
| 2016               | \$ 237,044                 | \$ 47,258                | \$ 284,302                 |
| 2017               | 244,832                    | 39,470                   | 284,302                    |
| 2018               | 252,876                    | 31,426                   | 284,302                    |
| 2019               | 261,184                    | 23,118                   | 284,302                    |
| 2020               | 269,766                    | 14,537                   | 284,303                    |
| 2021-2022          | 302,255                    | 5,738                    | 307,993                    |
|                    | <b><u>\$ 1,567,957</u></b> | <b><u>\$ 161,547</u></b> | <b><u>\$ 1,729,504</u></b> |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 6 – LOANS PAYABLE (Continued)**

**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, 2015:

| <u>YEAR</u> | <u>2011</u><br><u>PRINCIPAL</u> | <u>2011</u><br><u>PRINCIPAL</u> | <u>2012</u><br><u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u>     |
|-------------|---------------------------------|---------------------------------|---------------------------------|-----------------|------------------|
| 2016        | \$ 6,276                        | \$ 4,601                        | \$ 4,384                        | \$ 571          | \$ 15,832        |
| 2017        | -                               | -                               | 3,751                           | 47              | 3,798            |
|             | <u>\$ 6,276</u>                 | <u>\$ 4,601</u>                 | <u>\$ 8,135</u>                 | <u>\$ 618</u>   | <u>\$ 15,832</u> |

**NOTE 7 – CHANGE IN LONG-TERM DEBT**

The following represents the changes in the Authority's long-term debt obligations during 2015:

|       | <u>Balance 1/1/15</u> | <u>Additions</u> | <u>Deletions</u>  | <u>Balance 12/31/15</u> | <u>Due Within One Year</u> |
|-------|-----------------------|------------------|-------------------|-------------------------|----------------------------|
| Bonds | \$ 7,211,140          | \$ -             | \$ 657,260        | \$ 6,553,880            | \$ 667,450                 |
| Notes | 1,830,888             | -                | 243,918           | 1,586,970               | 252,305                    |
|       | <u>\$ 9,042,028</u>   | <u>\$ -</u>      | <u>\$ 901,178</u> | <u>\$ 8,140,850</u>     | <u>\$ 919,755</u>          |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – 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> |
|-------------------------------------------------|------------------------------------------------|
| 2016                                            | \$ 2,580                                       |
| 2017                                            | 2,580                                          |
|                                                 | <b><u>\$ 5,160</u></b>                         |

**NOTE 9 - 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.

**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, 2015 can be obtained by contacting the Steelworkers Pension Trust, Seven Neshaminy Interplex, Suite, 301, Treose, PA 19053. The Authority contributed \$102,283 to this plan in 2015.

**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.

As of December 1, 2015, plan membership consisted of 11 active participants and 5 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 contributions shall be made or benefits shall accrue on or after July 1, 2003.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – AUTHORITY PENSION PLANS (Continued)**

**STAFF EMPLOYEES-PRINCIPAL FINANCIAL GROUP (Continued)**

**Changes in Net Pension Liability:**

|                                                       | <b>Total Pension<br/>Liability (Asset)<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability (Asset)<br/>( c )</b> |
|-------------------------------------------------------|------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| <b>Balance, November 30, 2014</b>                     | \$ 571,232                                           | \$ 1,585,973                                     | \$ (1,014,741)                                     |
| Changes for the year:                                 |                                                      |                                                  |                                                    |
| Service cost                                          | -                                                    | -                                                | -                                                  |
| Interest                                              | 26,931                                               | -                                                | 26,931                                             |
| Changes in benefit terms                              | -                                                    | -                                                | -                                                  |
| Differences between expected and<br>actual experience | (8,986)                                              | -                                                | (8,986)                                            |
| Contributions-employer                                | -                                                    | -                                                | -                                                  |
| Contributions-employee                                | -                                                    | -                                                | -                                                  |
| Net investment income                                 | -                                                    | 51,482                                           | (51,482)                                           |
| Benefit payments                                      | (66,037)                                             | (66,037)                                         | -                                                  |
| Actuarial & other administrative costs                | -                                                    | (253)                                            | 253                                                |
| Net changes                                           | (48,092)                                             | (14,808)                                         | (33,284)                                           |
| <b>Balance, November 30, 2015</b>                     | \$ 523,140                                           | \$ 1,571,165                                     | \$ (1,048,025)                                     |

**Sensitivity of the net pension (asset) liability to changes in the discount rate:**

The following presents the net pension (asset) liability of the Municipal Water Authority of Aliquippa's pension plan, calculated using the discount rate of 5%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate:

| <b>1% Decrease<br/>4.00%</b> | <b>Current<br/>Discount Rate<br/>5.00%</b> | <b>1% Increase<br/>6.00%</b> |
|------------------------------|--------------------------------------------|------------------------------|
| \$ (958,413)                 | \$ (1,048,025)                             | \$ (1,121,065)               |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – AUTHORITY PENSION PLANS (Continued)**

**STAFF EMPLOYEES-PRINCIPAL FINANCIAL GROUP (Continued)**

**Payable to the Pension Plan:**

At November 30, 2015, the Authority did not owe anything to the Plan.

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED  
INFLOWS OF RESOURCES RELATED TO PENSIONS**

**Components of Pension Expense for the Year Ended November 30, 2015:**

|                                                                                         |           |                 |
|-----------------------------------------------------------------------------------------|-----------|-----------------|
| Service Cost                                                                            | \$        | -               |
| Interest on the total pension liability                                                 |           | 26,931          |
| Recognition of differences between expected and actual experience                       |           | (1,498)         |
| Changes in benefit terms                                                                |           | -               |
| Recognition of changes of assumptions                                                   |           | -               |
| Employee contributions                                                                  |           | -               |
| Projected earnings on pension plan investments                                          |           | (77,662)        |
| Recognition of differences between projected and actual earnings<br>on plan investments |           | 5,236           |
| Pension plan administrative expense                                                     |           | 253             |
| Other changes in fiduciary net position                                                 |           | -               |
| <b>Total pension expense</b>                                                            | <b>\$</b> | <b>(46,740)</b> |

For the year ended November 30, 2015, total reported deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

|                                                                                        | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|----------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Differences between expected<br>and actual experience                                  | \$ -                                                 | \$ 7,488                                            |
| Changes of assumptions                                                                 | -                                                    | -                                                   |
| Net difference between<br>projected and actual earnings<br>on pension plan investments | 20,944                                               | -                                                   |
| <b>TOTAL</b>                                                                           | <b><u>\$ 20,944</u></b>                              | <b><u>\$ 7,488</u></b>                              |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – AUTHORITY PENSION PLANS (Continued)**

**STAFF EMPLOYEES-PRINCIPAL FINANCIAL GROUP (Continued)**

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

| <b>Year ended</b>          |         |
|----------------------------|---------|
| <b><u>November 30,</u></b> |         |
| 2016                       | 3,738   |
| 2017                       | 3,738   |
| 2018                       | 3,738   |
| 2019                       | 3,738   |
| 2020                       | (1,496) |
| Thereafter                 | -       |

**OFFICERS AND MANAGERS-PRINCIPAL FINANCIAL GROUP**

The officers and managers defined benefit pension plan was established on August 1, 1978, with plan assets being managed by the Principal Financial Group.

**Plan membership consisted of the following as of August 1, 2015:**

|                                     |                 |
|-------------------------------------|-----------------|
| Active plan members                 | 3               |
| Retirees and beneficiaries          |                 |
| currently receiving benefits        | 0               |
| Terminated employees entitled to    |                 |
| benefits but not yet receiving them | <u>0</u>        |
| Total                               | <u><u>3</u></u> |

**A summary of the plan’s provisions is as follows:**

**Participation Requirement:** Any officer or manager employed on a full-time basis by the Authority who has attained the age of twenty-one (21) but not age sixty (60), and has completed one year of continuous service with the Authority

**Normal Retirement:** Age 65

**Early Retirement:** Age 60

**Monthly Retirement Benefit:** Monthly annuity payable for ten years and payable for life. 60% of average compensation times accrued benefit adjustment, reduced by paid-up annuity, if any under Contract GA 503. An active participant’s monthly accrued benefit shall not be less than \$30 of his paid-up annuity under GA 503. For early retirement, accrued benefit on early retirement date is reduced by 6 2/3% for each year up to five and 3 1/3% for each year between five and ten that the early retirement date precedes the normal retirement date.



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 - AUTHORITY PENSION PLANS (Continued)**

**OFFICERS AND MANAGERS-PRINCIPAL FINANCIAL GROUP (Continued)**

**Death Benefits:** Lump sum paid on the present value of a deferred monthly retirement benefit beginning at normal retirement date and payable on the normal form. The deferred monthly retirement benefit shall be equal to the participant's accrued benefit on date of death.

**Disability Benefit:** None

**Employer Contributions:** The Authority follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contribution and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. Any financial requirement established by the MMO which exceeds contributions must be funded by the employer. Employer pension expense for the year ended December 31, 2015 \$10,000.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings.

**Deposit and Investment Risk Disclosures:**

**Deposits**

At December 31, 2015 the plan held no deposits.

*Custodial credit risk* for deposits is the risk that the plan's deposits will not be returned in the event of a failure of the bank or trustee holding the deposits. The plan has no deposit policy for custodial credit risk.

**Investments**

The plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy.

*Credit Risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The plan has no investment policy for credit risk. Separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated.

| <b>Investment<br/>Type</b> | <b>Fair<br/>Value</b> | <b>Credit<br/>Rating</b> |
|----------------------------|-----------------------|--------------------------|
| Large US Equity            | \$ 118,501            | Not rated                |
| Fixed Income               | 579,441               | Not rated                |
| <b>Total</b>               | <b>\$ 697,942</b>     |                          |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 - AUTHORITY PENSION PLANS (Continued)**

**OFFICERS AND MANAGERS-PRINCIPAL FINANCIAL GROUP (Continued)**

**Deposit and Investment Risk Disclosures: (Continued)**

**Investments (Continued)**

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The plan places no limit on the amount that may be invested in any one issuer. Accounts held at the Principal Financial Group are not subject to concentration of credit risk.

*Interest Rate Risk* for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The plan has no investment policy for interest rate risk. The maturities of the plan's investments are listed on the table below.

| <b>Investment<br/>Types</b> | <b>Fair<br/>Value</b> | <b>Investment<br/>Maturities<br/>Less than 1 yr</b> |
|-----------------------------|-----------------------|-----------------------------------------------------|
| Large US Equity             | \$ 118,501            | \$ 118,501                                          |
| Fixed Income                | 579,441               | 579,441                                             |
| Total                       | \$ 697,942            | \$ 697,942                                          |

**NET PENSION (ASSET) LIABILITY**

The components of the net pension asset at July 31, 2015 are as follows:

|                                             |    |                     |
|---------------------------------------------|----|---------------------|
| Total pension asset*                        | \$ | 527,013             |
| Plan fiduciary net position                 |    | 697,942             |
| Net pension asset                           |    | <b>\$ (170,929)</b> |
| Plan fiduciary net position as a percentage |    |                     |
| of the total pension asset                  |    | 132%                |

\* The total pension asset was determined by an actuarial valuation as of July 31, 2015 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

**Actuarial Cost Method:** Entry Age Normal  
**Asset Valuation Method:** 4 Year Smoothing Level Dollar  
**Amortization Method:** Level dollar, closed  
**Remaining Amortization Period:** 11 years (aggregate)  
**Mortality:** 2015 IRS Prescribed mortality  
**Projected Salary Increases:** 3% including inflation  
**Underlying Inflation Rate:** 2.2%  
**Expected Long-Term**  
**Rate of Return:** 5%, applied to all periods

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 - AUTHORITY PENSION PLANS (Continued)**

**OFFICERS AND MANAGERS-PRINCIPAL FINANCIAL GROUP (Continued)**

**NET PENSION (ASSET) LIABILITY (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2015 are summarized in the following table:

| <b>Asset Class</b>                      | <b>Target<br/>Allocation</b> | <b>Long-Term Expected<br/>Real Rate of Return</b> |
|-----------------------------------------|------------------------------|---------------------------------------------------|
| Large US Equity                         | 16%                          | 7.45-8.80%                                        |
| Fixed Income                            | 84%                          | 4.15-4.25%                                        |
| Cash                                    | 5%                           | 0%-1.00%                                          |
| Long-term Rate of Return on Investments |                              |                                                   |
| Assumption Used                         |                              | 5%                                                |

There has been no change to the long-term rate of return on investments since the last report.

**Discount Rate:**

The discount rate used to measure the total pension liability is 5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions would continue at the current rates and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through the lifetime of the plan. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – AUTHORITY PENSION PLANS (Continued)**

**OFFICERS AND MANAGERS-PRINCIPAL FINANCIAL GROUP (Continued)**

**Changes in Net Pension Liability:**

|                                                       | <b>Total Pension<br/>Liability (Asset)<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability (Asset)<br/>( c )</b> |
|-------------------------------------------------------|------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| <b>Balance, beginning of year</b>                     | \$ 460,197                                           | \$ 652,274                                       | \$ (192,077)                                       |
| Changes for the year:                                 |                                                      |                                                  |                                                    |
| Service cost                                          | 30,417                                               | -                                                | 30,417                                             |
| Interest                                              | 24,531                                               | -                                                | 24,531                                             |
| Changes in benefit terms                              | -                                                    | -                                                | -                                                  |
| Differences between expected and<br>actual experience | 11,868                                               | -                                                | 11,868                                             |
| Contributions-employer                                | -                                                    | 10,000                                           | (10,000)                                           |
| Contributions-employee                                | -                                                    | -                                                | -                                                  |
| Net investment income                                 | -                                                    | 41,988                                           | (41,988)                                           |
| Benefit payments                                      | -                                                    | -                                                | -                                                  |
| Actuarial & other administrative costs                | -                                                    | (6,320)                                          | 6,320                                              |
| Net changes                                           | <u>66,816</u>                                        | <u>45,668</u>                                    | <u>21,148</u>                                      |
| <b>Balance, End of Year</b>                           | <u>\$ 527,013</u>                                    | <u>\$ 697,942</u>                                | <u>\$ (170,929)</u>                                |

**Sensitivity of the net pension (asset) liability to changes in the discount rate:**

The following presents the net pension (asset) liability of the Municipal Water Authority of Aliquippa's pension plan, calculated using the discount rate of 5%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4%) or 1 percentage point higher (6%) than the current rate:

| <b>1% Decrease<br/>4.00%</b> | <b>Current<br/>Discount Rate<br/>5.00%</b> | <b>1% Increase<br/>6.00%</b> |
|------------------------------|--------------------------------------------|------------------------------|
| \$ (89,556)                  | \$ (170,929)                               | \$ (240,574)                 |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – AUTHORITY PENSION PLANS (Continued)**

**OFFICERS AND MANAGERS-PRINCIPAL FINANCIAL GROUP (Continued)**

**Payable to the Pension Plan:**

At December 31, 2015, the Authority did not owe anything to the Plan.

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED  
INFLOWS OF RESOURCES RELATED TO PENSIONS**

**Components of Pension Expense for the Year Ended December 31, 2015:**

|                                                                                         |           |                      |
|-----------------------------------------------------------------------------------------|-----------|----------------------|
| Service Cost                                                                            | \$        | 30,417               |
| Interest on the total pension liability                                                 |           | 24,531               |
| Recognition of differences between expected and actual experience                       |           | 11,868               |
| Changes in benefit terms                                                                |           | -                    |
| Recognition of changes of assumptions                                                   |           | -                    |
| Employee contributions                                                                  |           | -                    |
| Projected earnings on pension plan investments                                          |           | -                    |
| Recognition of differences between projected and actual earnings<br>on plan investments |           | -                    |
| Pension plan administrative expense                                                     |           | -                    |
| Other changes in fiduciary net position                                                 |           | -                    |
| <b>Total pension expense</b>                                                            | <b>\$</b> | <b><u>66,816</u></b> |

For the year ended December 31, 2015, total reported deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

|                                                                                        | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|----------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Differences between expected<br>and actual experience                                  | \$ 10,789                                            | \$ -                                                |
| Changes of assumptions                                                                 | -                                                    | -                                                   |
| Net difference between<br>projected and actual earnings<br>on pension plan investments | -                                                    | 7,603                                               |
| TOTAL                                                                                  | <b><u>\$ 10,789</u></b>                              | <b><u>\$ 7,603</u></b>                              |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – AUTHORITY PENSION PLANS (Continued)**

**OFFICERS AND MANAGERS-PRINCIPAL FINANCIAL GROUP (Continued)**

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED  
INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

| <b>Year ended</b>   |       |
|---------------------|-------|
| <b>December 31,</b> |       |
| 2016                | (822) |
| 2017                | (822) |
| 2018                | (822) |
| 2019                | (821) |
| 2020                | 1,079 |
| Thereafter          | 5,394 |

**10 - 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 11 - 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 12 - 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 13 – COMMITMENTS AND CONTINGENT LIABILITIES**

The Authority, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2015, the Authority is unaware of any pending litigation.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 14 – PENDING GASB PRONOUNCEMENTS**

In February of 2015, the Government Accounting Standards Board (GASB) issued Statement No. 72, 'Fair Value Measurement and Application'. The primary objective of this Statement is to clarify the definition of fair value, establish general principles for measuring fair value and enhances disclosure about fair value measurements. The provisions of this Statement are effective for the Municipal Water Authority of Aliquippa's June 30, 2016 financial statements.

In June of 2015, the GASB issued Statement No. 76, 'The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments'. The primary objective of this Statement is to reduce the Generally Accepted Accounting Principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The provisions of this Statement are effective for the Municipal Water Authority of Aliquippa's June 30, 2016 financial statements.

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for the Municipal Water Authority of Aliquippa's December 31, 2017 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.

**NOTE 15 – RESTATEMENT OF NET POSITION**

Effective January 1, 2015, the Municipal Water Authority of Aliquippa implemented Government Accounting Standards Board (GASB) Statements No. 67, 68 and 71, which require the accounting for unfunded pension liability pension plan (Note 6). Accordingly, the Authority's net position as of January 1, 2015 was restated as follows:

|                                                       |           |                         |
|-------------------------------------------------------|-----------|-------------------------|
| <b>NET POSITION AS PREVIOUSLY REPORTED 12/31/14</b>   | <b>\$</b> | <b>5,671,457</b>        |
| <br>NET PENSION LIABILITY (MEASUREMENT DATE) 12/31/15 |           | <u>1,206,818</u>        |
| <br>TOTAL PRIOR PERIOD ADJUSTMENT                     |           | <u>1,206,818</u>        |
| <br><b>NET POSTION AS RESTATED JANUARY 1, 2015</b>    | <b>\$</b> | <b><u>6,878,275</u></b> |

**NOTE 16 – SUBSEQUENT EVENT**

The Authority evaluated its December 31, 2015 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.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

|                                                                           | <b>Officers &amp;<br/>Managers Plan<br/>Measurement<br/>Date<br/>7/31/2015</b> | <b>Staff<br/>Plan<br/>Measurement<br/>Date<br/>11/30/2015</b> |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------|
| <b>Total Pension Liability-Beginning</b>                                  | \$ 460,197                                                                     | \$ 571,232                                                    |
| Service Cost                                                              | 30,417                                                                         | -                                                             |
| Interest                                                                  | 24,531                                                                         | 26,931                                                        |
| Differences Between Expected and Actual Experience                        | 11,868                                                                         | (8,986)                                                       |
| Benefit payments, including Refunds of Members Contributions              | -                                                                              | (66,037)                                                      |
| Net Change in Total Pension Liability                                     | <u>\$ 66,816</u>                                                               | <u>\$ (48,092)</u>                                            |
| <b>Total Pension Liability-Ending</b>                                     | <u>\$ 527,013</u>                                                              | <u>\$ 523,140</u>                                             |
| <br>                                                                      |                                                                                |                                                               |
| Plan Fiduciary Net Position-Beginning                                     | \$ 652,274                                                                     | \$ 1,585,973                                                  |
| Contributions-employer                                                    | 10,000                                                                         | -                                                             |
| Contributions-employee                                                    | -                                                                              | -                                                             |
| Net Investment Income                                                     | 41,988                                                                         | 51,482                                                        |
| Market Value Investment Income                                            | -                                                                              | -                                                             |
| Benefit payments, including Refunds of Employee Contributions             | -                                                                              | (66,037)                                                      |
| Administrative Expense                                                    | (6,320)                                                                        | (253)                                                         |
| Additional Administrative Expense                                         | -                                                                              | -                                                             |
| Change in Plan Fiduciary Net Position                                     | <u>\$ 45,668</u>                                                               | <u>\$ (14,808)</u>                                            |
| <br>                                                                      |                                                                                |                                                               |
| Plan Fiduciary Net Position-Ending                                        | <u>\$ 697,942</u>                                                              | <u>\$ 1,571,165</u>                                           |
| <br>                                                                      |                                                                                |                                                               |
| Net Pension Liability-Ending                                              | <u>\$ (170,929)</u>                                                            | <u>\$ (1,048,025)</u>                                         |
| <br>                                                                      |                                                                                |                                                               |
| <b>RATIOS:</b>                                                            |                                                                                |                                                               |
| Plan Fiduciary Net Position as a<br>Percentage of Total Pension Liability | 132.43%                                                                        | 300.33%                                                       |
| <br>                                                                      |                                                                                |                                                               |
| Covered-employee Payroll                                                  | \$ 215,200                                                                     | n/a                                                           |
| <br>                                                                      |                                                                                |                                                               |
| Net Pension Liability as a Percentage<br>of Covered-employee Payroll      | -79.43%                                                                        | n/a                                                           |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar year 2015 only.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**Officers & Managers Plan:**

|                                     | <b>7/31/2015</b> |
|-------------------------------------|------------------|
| Actuarially Determined Contribution | \$ 13,209        |
| Contributions                       | 13,209           |
| Contribution Deficiency (Excess)    | \$ -             |

**RATIOS:**

|                                                              |            |
|--------------------------------------------------------------|------------|
| Covered-employee Payroll                                     | \$ 215,200 |
| Contributions as a Percentage of<br>Covered-employee Payroll | 6.14%      |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar year 2015 only.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS FROM EMPLOYER**  
**DEFINED BENEFIT PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**SCHEDULES OF FUNDING PROGRESS:**

| <u>ACTUARIAL VALUATION DATE</u> | <u>(A)<br/>ACTUARIAL VALUE OF ASSETS</u> | <u>(B)<br/>ACTUARIAL ACCRUED LIABILITY</u> | <u>(B-A)<br/>(UAAL)<br/>UNFUNDED ACTUARIAL ACCRUED LIABILITY</u> | <u>(A/B)<br/>FUNDED RATIO</u> | <u>(C)<br/>COVERED PAYROLL</u> | <u>(B-A)/C<br/>UAAL AS A % OF COVERED PAYROLL</u> |
|---------------------------------|------------------------------------------|--------------------------------------------|------------------------------------------------------------------|-------------------------------|--------------------------------|---------------------------------------------------|
| <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%                                            |
| 8/1/2015                        | 713,788                                  | 527,013                                    | (186,775)                                                        | 135%                          | 215,200                        | -86.8%                                            |
| <b>STAFF: (Frozen Plan)</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                                               |
| 12/1/2015                       | 1,571,165                                | 523,140                                    | (1,048,025)                                                      | 300%                          | 577,125                        | N/A                                               |

**SCHEDULES OF EMPLOYER'S CONTRIBUTIONS:**

| <u>YEAR ENDED DECEMBER 31</u>   | <u>ANNUAL REQ. CONTRIBUTION</u> | <u>PERCENTAGE CONTRIBUTED</u> |
|---------------------------------|---------------------------------|-------------------------------|
| <b>OFFICERS &amp; MANAGERS:</b> |                                 |                               |
| 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%                          |
| 2014                            | 13,209                          | 100%                          |
| 2015                            | 10,000                          | 100%                          |

***SUPPLEMENTARY  
INFORMATION***

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                            | BUDGET              | ACTUAL              | VARIANCE<br>over <under> |
|--------------------------------------------|---------------------|---------------------|--------------------------|
| <b>OPERATING REVENUES:</b>                 |                     |                     |                          |
| Domestic consumer                          | \$ 1,750,000        | \$ 1,816,105        | \$ 66,105                |
| Commercial consumer                        | 323,400             | 361,676             | 38,276                   |
| Industrial consumer                        | 324,505             | 334,538             | 10,033                   |
| Private fire protection                    | 17,000              | 16,435              | (565)                    |
| Public fire protection                     | 200,000             | 254,049             | 54,049                   |
| Sales to public authorities                | 40,000              | 36,909              | (3,091)                  |
| Customer penalties                         | 55,000              | 60,203              | 5,203                    |
| Turn on charges and nsf checks             | 6,000               | 5,044               | (956)                    |
| Water tap fees                             | -                   | 41,663              | 41,663                   |
| <b>TOTAL OPERATING REVENUES</b>            | <b>\$ 2,715,905</b> | <b>\$ 2,926,622</b> | <b>\$ 210,717</b>        |
| <b>NON-OPERATING REVENUES:</b>             |                     |                     |                          |
| Revenue from merchandising                 | \$ -                | \$ 2,800            | \$ 2,800                 |
| Interest revenue                           | -                   | 1,375               | 1,375                    |
| Employee contribution                      | 41,600              | 40,900              | (700)                    |
| Refund of prior year expenses              | -                   | 19,823              | 19,823                   |
| Miscellaneous non-operating revenue        | 10,000              | 20,577              | 10,577                   |
| <b>TOTAL NON-OPERATING REVENUES</b>        | <b>\$ 51,600</b>    | <b>\$ 85,474</b>    | <b>\$ 33,874</b>         |
| <b>TOTAL REVENUES</b>                      | <b>\$ 2,767,505</b> | <b>\$ 3,012,097</b> | <b>\$ 244,592</b>        |
| <b>OPERATING EXPENSES:</b>                 |                     |                     |                          |
| <b>SOURCES OF SUPPLY:</b>                  |                     |                     |                          |
| Supplies and expenses                      | \$ -                | \$ 4,861            | \$ 4,861                 |
| <b>TOTAL SOURCES OF SUPPLY</b>             | <b>\$ -</b>         | <b>\$ 4,861</b>     | <b>\$ 4,861</b>          |
| <b>POWER AND PUMPING:</b>                  |                     |                     |                          |
| Operating labor                            | \$ 10,000           | \$ 27,020           | \$ 17,020                |
| Supplies and expenses                      | 10,000              | 4,849               | (5,151)                  |
| Maintenance of structure and improvement   | 25,000              | 9,176               | (15,824)                 |
| Maintenance of equipment                   | 25,000              | -                   | (25,000)                 |
| Capital Improvement- Meter well            | -                   | 1,330               | 1,330                    |
| Power purchased - J & L                    | 41,000              | 42,520              | 1,520                    |
| Power purchased - Soft. Plant              | -                   | 233,202             | 233,202                  |
| Power purchased - Ranney Well              | 60,000              | 62,695              | 2,695                    |
| Power purchased - Booster Station          | 16,000              | 12,057              | (3,943)                  |
| Power purchased - Raccoon Township         | 21,000              | 19,049              | (1,951)                  |
| Tank Rd/Reservoir BC Jail                  | -                   | 240                 | 240                      |
| 1st Alley Pump                             | -                   | 7,436               | 7,436                    |
| <b>TOTAL POWER AND PUMPING</b>             | <b>\$ 208,000</b>   | <b>\$ 419,575</b>   | <b>\$ 211,575</b>        |
| <b>PURIFICATION AND LABORATORY:</b>        |                     |                     |                          |
| Purification and lab labor                 | \$ 270,000          | \$ 150,500          | \$ (119,500)             |
| Water testing                              | 15,000              | 14,021              | (979)                    |
| Supplies and expenses                      | 163,000             | 224,863             | 61,863                   |
| Maintenance of structure and improvement   | 30,000              | 21,392              | (8,608)                  |
| Maintenance treatment plant equipment      | 30,000              | 102,058             | 72,058                   |
| Maintenance of back wash                   | 2,500               | 16,906              | 14,406                   |
| Utilities                                  | 231,200             | 5,051               | (226,149)                |
| Outside services                           | 5,000               | 10,572              | 5,572                    |
| <b>TOTAL PURIFICATION &amp; LABORATORY</b> | <b>\$ 746,700</b>   | <b>\$ 545,363</b>   | <b>\$ (201,337)</b>      |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                              | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|----------------------------------------------|---------------------|---------------------|----------------------------------------------|
| <b>TRANSMISSION AND DISTRIBUTION:</b>        |                     |                     |                                              |
| Operation salaries - regular                 | \$ 315,000          | \$ -                | \$ (315,000)                                 |
| Operation supplies and expense               | -                   | 9,195               | 9,195                                        |
| Outside Services - maintenance               | 5,000               | 38,734              | 33,734                                       |
| Operation lines, hydrants and storage        | 150,000             | 851                 | (149,149)                                    |
| Maintenance supervision                      | -                   | 116,621             | 116,621                                      |
| Maintenance of structure and improvements    | 30,000              | 211                 | (29,789)                                     |
| Maintenance of mains                         | -                   | 183,593             | 183,593                                      |
| Maintenance of service line                  | -                   | 65,426              | 65,426                                       |
| Maintenance of meters                        | 10,000              | 61,796              | 51,796                                       |
| Maintenance of hydrants                      | 10,000              | 18,309              | 8,309                                        |
| Rents                                        | 2,000               | 100                 | (1,900)                                      |
| Trucks and equipment maintenance             | 25,000              | 16,595              | (8,405)                                      |
| Vehicle/equipment maintenance                | 25,000              | 15,569              | (9,431)                                      |
| Fuel                                         | 15,000              | 16,439              | 1,439                                        |
| <b>TOTAL TRANSMISSION &amp; DISTRIBUTION</b> | <b>\$ 587,000</b>   | <b>\$ 543,437</b>   | <b>\$ (43,563)</b>                           |
| <b>ACCOUNTING AND COLLECTION:</b>            |                     |                     |                                              |
| Customer order, meter reading                | \$ -                | \$ 74,532           | \$ 74,532                                    |
| Customer billing and accounting              | -                   | 44,928              | 44,928                                       |
| <b>TOTAL ACCOUNTING AND COLLECTION</b>       | <b>\$ -</b>         | <b>\$ 119,460</b>   | <b>\$ 119,460</b>                            |
| <b>GENERAL AND ADMINISTRATIVE:</b>           |                     |                     |                                              |
| Salaries - general offices                   | \$ 1,500            | \$ 2,082            | \$ 582                                       |
| Other office salaries                        | 135,000             | 54,267              | (80,733)                                     |
| FICA Expense                                 | -                   | 82,338              | 82,338                                       |
| Office supplies and expense                  | 20,000              | 42,159              | 22,159                                       |
| Real estate taxes / Sohn Rd.                 | 225                 | 162                 | (63)                                         |
| Professional services                        | 49,800              | 62,653              | 12,853                                       |
| Insurance - PIRMA/General Liability          | 73,800              | 109,238             | 35,438                                       |
| Employees insurance and pension              | 360,000             | 413,672             | 53,672                                       |
| Salary pensions                              | 36,000              | 64,256              | 28,256                                       |
| Miscellaneous expense                        | 10,000              | 29,796              | 19,796                                       |
| Maintenance - general property               | 6,000               | 22,270              | 16,270                                       |
| Postage                                      | 4,200               | 8,847               | 4,647                                        |
| Uniform/Clothing allowance                   | 1,200               | -                   | (1,200)                                      |
| Utilities                                    | 10,800              | 26,531              | 15,731                                       |
| Dues, Memberships, Subscriptions             | 900                 | 642                 | (258)                                        |
| Software                                     | 7,200               | 600                 | (6,600)                                      |
| Office Equipment                             | 3,000               | 4,302               | 1,302                                        |
| Travel and Education                         | 1,500               | 16,075              | 14,575                                       |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b>      | <b>\$ 721,125</b>   | <b>\$ 939,890</b>   | <b>\$ 218,765</b>                            |
| <b>Depreciation</b>                          | <b>\$ -</b>         | <b>\$ 500,661</b>   | <b>\$ 500,661</b>                            |
| <b>TOTAL OPERATING EXPENSES</b>              | <b>\$ 2,262,825</b> | <b>\$ 3,073,247</b> | <b>\$ 810,422</b>                            |
| <b>NON-OPERATING EXPENSES:</b>               |                     |                     |                                              |
| Interest expense - PENNVEST                  | 142,151             | 27,400              | (114,751)                                    |
| Interest expense on bonds                    | 506,308             | 233,062             | (273,246)                                    |
| Bond Issue Costs - Series of 2013            | 50,630              | -                   | (50,630)                                     |
| Loan interest - ESB                          | 7,834               | 626                 | (7,208)                                      |
| <b>TOTAL NON-OPERATING EXPENSES</b>          | <b>\$ 706,923</b>   | <b>\$ 261,088</b>   | <b>\$ (445,835)</b>                          |
| <b>TOTAL EXPENSES</b>                        | <b>\$ 2,969,748</b> | <b>\$ 3,334,335</b> | <b>\$ 364,587</b>                            |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                           | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|-------------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>         |                            |                            |                                              |
| Domestic consumer                         | \$ 800,000                 | \$ 887,256                 | \$ 87,256                                    |
| Commercial consumer                       | 190,000                    | 200,344                    | 10,344                                       |
| Industrial consumer                       | 30,000                     | 37,187                     | 7,187                                        |
| Sales to public                           | 150,000                    | 166,237                    | 16,237                                       |
| Public authority                          | 470,000                    | 469,657                    | (343)                                        |
| Customer penalties                        | 35,000                     | 38,496                     | 3,496                                        |
| Sewer Tap-ins                             | -                          | 4,069                      | 4,069                                        |
| <b>TOTAL OPERATING REVENUES</b>           | <b><u>\$ 1,675,000</u></b> | <b><u>\$ 1,803,246</u></b> | <b><u>\$ 128,246</u></b>                     |
| <b><u>NON-OPERATING REVENUES:</u></b>     |                            |                            |                                              |
| Interest revenue                          | \$ -                       | \$ 1,375                   | \$ 1,375                                     |
| Employee contribution                     | 13,000                     | 8,700                      | (4,300)                                      |
| <b>TOTAL NON-OPERATING REVENUES</b>       | <b><u>\$ 13,000</u></b>    | <b><u>\$ 10,075</u></b>    | <b><u>\$ (2,925)</u></b>                     |
| <b>TOTAL REVENUES</b>                     | <b><u>\$ 1,688,000</u></b> | <b><u>\$ 1,813,321</u></b> | <b><u>\$ 125,321</u></b>                     |
| <b><u>OPERATING EXPENSES:</u></b>         |                            |                            |                                              |
| <b>SEWER LINES:</b>                       |                            |                            |                                              |
| Maintenance of sewer lines                | \$ 45,000                  | \$ 52,532                  | \$ 7,532                                     |
| Outside Services                          | 50,000                     | -                          | (50,000)                                     |
| Maintenance of sewer lines - J & L        | -                          | -                          | -                                            |
| Capital Improvements - J & L              | -                          | 167                        | 167                                          |
| <b>TOTAL SEWER LINES</b>                  | <b><u>\$ 95,000</u></b>    | <b><u>\$ 52,698</u></b>    | <b><u>\$ (42,302)</u></b>                    |
| <b>SEWER PUMPING:</b>                     |                            |                            |                                              |
| Operation labor                           | \$ 90,000                  | \$ 29,039                  | \$ (60,961)                                  |
| Purchased power                           | 45,500                     | 82,890                     | 37,390                                       |
| Supplies and expenses                     | -                          | 9,162                      | 9,162                                        |
| Maintenance of structures and equipment   | 75,000                     | 30,485                     | (44,515)                                     |
| <b>TOTAL SEWER PUMPING</b>                | <b><u>\$ 210,500</u></b>   | <b><u>\$ 151,576</u></b>   | <b><u>\$ (58,924)</u></b>                    |
| <b>SEWAGE TREATMENT:</b>                  |                            |                            |                                              |
| Operating supervision                     | \$ -                       | \$ 23,976                  | \$ 23,976                                    |
| Labor                                     | 10,000                     | 127,611                    | 117,611                                      |
| Purification and lab supplies             | 15,000                     | 19,533                     | 4,533                                        |
| Chlorine                                  | 12,000                     | 3,840                      | (8,160)                                      |
| Outside services                          | 5,000                      | 31,719                     | 26,719                                       |
| Maintenance supervision and treatment     | -                          | -                          | -                                            |
| Maintenance of structure and improvements | 1,000                      | 486                        | (514)                                        |
| Maintenance of equipment                  | 25,000                     | 12,053                     | (12,948)                                     |
| Clarifier Repairs                         | -                          | 13,050                     | 13,050                                       |
| Drying bed maintenance & disposal         | 15,000                     | -                          | (15,000)                                     |
| Utilities                                 | -                          | 17,339                     | 17,339                                       |
| Maintenance of meters                     | -                          | 10,082                     | 10,082                                       |
| Vehicle Rentals                           | 500                        | -                          | (500)                                        |
| Vehicle maintenance                       | 7,000                      | 6,262                      | (738)                                        |
| Fuel                                      | 10,000                     | 2,398                      | (7,602)                                      |
| Trucks and equipment                      | 8,000                      | 6,358                      | (1,642)                                      |
| <b>TOTAL SEWAGE TREATMENT</b>             | <b><u>\$ 108,500</u></b>   | <b><u>\$ 274,707</u></b>   | <b><u>\$ 166,207</u></b>                     |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                         | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|-----------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b>ACCOUNTING AND COLLECTION:</b>       |                            |                            |                                              |
| Meter reading and collection            | \$ -                       | \$ 48,984                  | \$ 48,984                                    |
| Billing and collection                  | -                          | 28,089                     | 354                                          |
| <b>TOTAL ACCOUNTING AND COLLECTION</b>  | <b><u>\$ -</u></b>         | <b><u>\$ 77,073</u></b>    | <b><u>\$ 49,338</u></b>                      |
| <b>GENERAL AND ADMINISTRATIVE:</b>      |                            |                            |                                              |
| Board Salaries                          | \$ 1,500                   | \$ -                       | \$ (1,500)                                   |
| General office salaries                 | 90,000                     | 28,235                     | (61,765)                                     |
| Office supplies and expense             | 40,000                     | 28,621                     | (11,379)                                     |
| Professional services                   | 24,800                     | 44,566                     | 19,766                                       |
| Insurance- General Liability            | 49,200                     | 69,528                     | 20,328                                       |
| Employee insurance & pension            | 240,000                    | 90,849                     | (149,151)                                    |
| Salary pensions                         | 9,000                      | 3,486                      | (5,514)                                      |
| Miscellaneous general expense           | 2,500                      | 7,449                      | 4,949                                        |
| Maintenance of general property         | 4,000                      | 9,484                      | 5,484                                        |
| Solicitor                               | -                          | 9,904                      | 9,904                                        |
| Utilities- Telephone                    | 2,400                      | 12,689                     | 10,289                                       |
| Utilities- Gas                          | 1,440                      | -                          | (1,440)                                      |
| Utilities- Cellular                     | 1,440                      | 1,872                      | 432                                          |
| Uniforms/clothing allowance             | 800                        | -                          | (800)                                        |
| Postage                                 | 2,800                      | 8,163                      | 5,363                                        |
| Dues, memberships, subscriptions        | 600                        | 612                        | 12                                           |
| Software                                | 4,800                      | 600                        | (4,200)                                      |
| Office equipment                        | 2,000                      | 3,342                      | 1,342                                        |
| Travel and Education                    | 1,000                      | 1,597                      | 597                                          |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b> | <b><u>\$ 478,280</u></b>   | <b><u>\$ 320,998</u></b>   | <b><u>\$ (157,282)</u></b>                   |
| <b>Depreciation</b>                     | <b><u>\$ -</u></b>         | <b><u>\$ 153,308</u></b>   | <b><u>\$ 153,308</u></b>                     |
| <b>TOTAL OPERATING EXPENSES</b>         | <b><u>\$ 892,280</u></b>   | <b><u>\$ 1,030,360</u></b> | <b><u>\$ 110,345</u></b>                     |
| <b>NON-OPERATING EXPENSES:</b>          |                            |                            |                                              |
| Interest expense - PENNVEST             | \$ 142,151                 | \$ 27,400                  | \$ (114,751)                                 |
| Interest expense on bonds               | 506,308                    | 233,062                    | (273,246)                                    |
| Bond Issue Costs - Series of 2013       | 50,630                     | -                          | (50,630)                                     |
| Loan interest - ESB                     | 7,834                      | 626                        | (7,208)                                      |
| <b>TOTAL NON-OPERATING EXPENSES</b>     | <b><u>\$ 706,923</u></b>   | <b><u>\$ 261,088</u></b>   | <b><u>\$ (445,835)</u></b>                   |
| <b>TOTAL EXPENSES</b>                   | <b><u>\$ 1,599,203</u></b> | <b><u>\$ 1,291,448</u></b> | <b><u>\$ (335,490)</u></b>                   |



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 TRUST ACCOUNTS  
 FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                               | <b>1994 DEBT<br/>SERVICE &amp;<br/>DEBT<br/>SERVICE<br/>RESERVE</b> | <b>1994<br/>SURPLUS<br/>FUND</b> | <b>2013<br/>CLEARING<br/>FUND</b> | <b>2013<br/>DEBT<br/>SERVICE<br/>FUND</b> | <b>2013<br/>CONSTRUCTION<br/>FUND</b> | <b>TOTAL</b>        |
|-----------------------------------------------|---------------------------------------------------------------------|----------------------------------|-----------------------------------|-------------------------------------------|---------------------------------------|---------------------|
| <b>RECEIPTS:</b>                              |                                                                     |                                  |                                   |                                           |                                       |                     |
| Interest Income                               | \$ 415                                                              | \$ -                             | \$ -                              | \$ -                                      | \$ -                                  | \$ 415              |
| Transfer from Municipal Authority             | 688,415                                                             | -                                | -                                 | 323,873                                   | -                                     | 1,012,288           |
| <b>TOTAL RECEIPTS</b>                         | <b>\$ 688,830</b>                                                   | <b>\$ -</b>                      | <b>\$ -</b>                       | <b>\$ 323,873</b>                         | <b>\$ -</b>                           | <b>\$ 1,012,703</b> |
| <b>DISBURSEMENTS:</b>                         |                                                                     |                                  |                                   |                                           |                                       |                     |
| Project expenses                              | \$ -                                                                | \$ -                             | \$ -                              | \$ -                                      | \$ 115,849                            | \$ 115,849          |
| Bond Principal                                | 520,000                                                             | -                                | -                                 | 137,260                                   | -                                     | 657,260             |
| Bond Interest Expense                         | 168,744                                                             | -                                | -                                 | 186,613                                   | -                                     | 355,357             |
| <b>TOTAL DISBURSEMENTS</b>                    | <b>\$ 688,744</b>                                                   | <b>\$ -</b>                      | <b>\$ -</b>                       | <b>\$ 323,873</b>                         | <b>\$ 115,849</b>                     | <b>\$ 1,128,466</b> |
| EXCESS RECEIPTS OVER<br>(UNDER) DISBURSEMENTS | \$ 86                                                               | \$ -                             | \$ -                              | \$ -                                      | \$ (115,849)                          | \$ (115,763)        |
| CASH BALANCE - January 1, 2015                | 691,273                                                             | 1,287                            | 4,000                             | -                                         | 140,849                               | 837,409             |
| <b>CASH BALANCE - December 31, 2015</b>       | <b>\$ 691,359</b>                                                   | <b>\$ 1,287</b>                  | <b>\$ 4,000</b>                   | <b>\$ -</b>                               | <b>\$ 25,000</b>                      | <b>\$ 721,646</b>   |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE**  
**REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**RECEIPTS:**

|                         |    |                            |
|-------------------------|----|----------------------------|
| Water/Sewer Collections | \$ | 4,654,356                  |
| Miscellaneous           |    | 100,318                    |
| <b>TOTAL RECEIPTS</b>   |    | <b><u>\$ 4,754,674</u></b> |

**DISBURSEMENTS:**

|                                       |    |                            |
|---------------------------------------|----|----------------------------|
| Operating and Administrative Expenses | \$ | 3,293,535                  |
| Debt Service Expenses                 |    | 1,511,496                  |
| <b>TOTAL DISBURSEMENTS</b>            |    | <b><u>\$ 4,805,031</u></b> |

|                                               |    |                          |
|-----------------------------------------------|----|--------------------------|
| EXCESS RECEIPTS OVER<br>(UNDER) DISBURSEMENTS | \$ | (50,357)                 |
| CASH BALANCE - January 1, 2015                |    | <u>480,797</u>           |
| <b>CASH BALANCE - December 31, 2015</b>       |    | <b><u>\$ 430,440</u></b> |