

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

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

**MUNICIPAL WATER AUTHORITY OF  
ALIQUIPPA**

ALIQUIPPA, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

WITH REPORT BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
DECEMBER 31, 2017**

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

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

### **Independent Auditor's Report**

#### **Report on Financial Statements**

I have audited the accompanying basic financial statements of the Municipal Water Authority of Aliquippa as of and for the year ended December 31, 2017, 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, 2017 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**

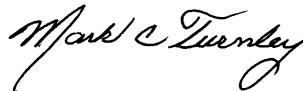
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii-vi and defined benefit trust funds' historical pension information on pages 18-20 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 3) 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

August 6, 2018  
New Brighton, Pennsylvania

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2017**

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, 2017. 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 2017 are as follows:

- Net position increased by \$910,996 in 2017.
- Total operating revenues were \$5,999,660 in 2017, a decrease of \$272,640 from 2016. Total operating expenses increased by \$354,502 in 2017 to \$4,567,790. Accordingly, the authority experienced a net operating gain of \$1,431,870 for 2017, which was an decrease of \$627,141.
- Water rates remained at a quarterly minimum of \$75.00 from 2016 to 2017. Quarterly sewer minimum rates remained at \$39.08 from 2016 to 2017.
- The Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – “Accounting and Financial Reporting for Pensions” – during 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, 2017, the net pension asset was \$1,380,176.

## **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, 2017**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

A breakdown of the assets, liabilities and net position of the Authority for the years 2017 and 2016 is as follows:

|                                                                  | <u>2017</u>                 | <u>2016</u>                 | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|------------------------------------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Current Assets                                                   | \$ 3,625,533                | \$ 3,135,071                | \$ 490,462                           |
| Capital Assets                                                   | 11,021,105                  | 11,174,722                  | (153,617)                            |
| Restricted Assets                                                | 1,250,046                   | 697,193                     | 552,853                              |
| Deferred Outflows of Resources                                   | <u>132,466</u>              | <u>26,497</u>               | <u>105,969</u>                       |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS<br/>OF RESOURCES</b>     | <b><u>\$ 16,029,150</u></b> | <b><u>\$ 15,033,484</u></b> | <b><u>\$ 995,667</u></b>             |
| Current Liabilities                                              | \$ 753,719                  | \$ 1,321,918                | \$ (568,199)                         |
| Long-term Liabilities                                            | 5,425,789                   | 4,926,331                   | 499,458                              |
| Deferred Inflows of Resources                                    | <u>173,387</u>              | <u>19,976</u>               | <u>153,411</u>                       |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS<br/>OF RESOURCES</b> | <b><u>\$ 6,352,895</u></b>  | <b><u>\$ 6,268,226</u></b>  | <b><u>\$ 84,670</u></b>              |
| Investment in Capital Assets                                     | \$ 4,030,140                | \$ 2,929,195                | \$ 1,100,945                         |
| Restricted for Debt Service                                      | 1,250,046                   | 697,193                     | 552,853                              |
| Unrestricted                                                     | <u>4,396,069</u>            | <u>5,138,870</u>            | <u>(742,801)</u>                     |
| <b>TOTAL NET POSITION</b>                                        | <b><u>\$ 9,676,255</u></b>  | <b><u>\$ 8,765,258</u></b>  | <b><u>\$ 910,997</u></b>             |

The decrease in capital assets was due mainly to expenses related depreciation expense being more than capital purchases. There was \$655,562 in capital additions during the year. Current liabilities increased due to an in current portion of long-term debt. 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 \$1,100,945, due to an increase in bonds and loans payable.

A comparison of the Authority's revenues, expenses and changes in net position for the years 2017 and 2016 is as follows:

|                                 | <u>2017</u>                | <u>2016</u>                | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|---------------------------------|----------------------------|----------------------------|--------------------------------------|
| Operating Revenues              | \$ 5,999,660               | \$ 6,272,300               | \$ (272,640)                         |
| Operating Expenses              | 4,567,790                  | 4,213,288                  | 354,502                              |
| <b>NET OPERATING INCOME</b>     | <b><u>\$ 1,431,870</u></b> | <b><u>\$ 2,059,012</u></b> | <b><u>\$ (627,142)</u></b>           |
| NonOperating Revenues           | \$ 87,630                  | \$ 91,591                  | \$ (3,961)                           |
| NonOperating Expenses           | 608,502                    | 463,251                    | 145,251                              |
| <b>NET NONOPERATING REVENUE</b> | <b><u>\$ (520,874)</u></b> | <b><u>\$ (371,660)</u></b> | <b><u>\$ (149,212)</u></b>           |
| <b>CHANGE IN NET ASSETS</b>     | <b><u>\$ 910,996</u></b>   | <b><u>\$ 1,687,351</u></b> | <b><u>\$ (776,354)</u></b>           |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2017**

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

Actual water and sewer usage charges, a major component of operating revenues, decreased in 2017 by \$285,127 (4.7%), due to a decrease in consumption. In addition to water and sewer usage charges, operating revenue also contains penalties, water and sewer tap-in fees, and other miscellaneous water and sewer operating fees. Other operating revenues increased by \$12,487 from 2016 to 2017.

Non-Operating revenues decreased slightly by \$3,960. The increase in non-operating expenses is mainly attributable to bond issuance costs related to the issuance of Water and Sewer Revenue Bonds, Series of 2017.

A comparison of the operating expenses of the Authority for 2016 and 2017 is as follows:

|                                 | <u>2017</u>                | <u>2016</u>                | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|---------------------------------|----------------------------|----------------------------|--------------------------------------|
| Source of Supply                | \$ 91,351                  | \$ 34,187                  | \$ 57,164                            |
| Power and Pumping               | 533,713                    | 571,102                    | (37,389)                             |
| Purification and Laboratory     | 508,071                    | 382,760                    | 125,311                              |
| Sewage Treatment                | 450,961                    | 268,600                    | 182,361                              |
| Transmission and Distribution   | 808,939                    | 796,433                    | 12,506                               |
| General and Administrative      | 1,365,576                  | 1,366,318                  | (742)                                |
| Depreciation                    | 809,179                    | 793,888                    | 15,291                               |
| <b>TOTAL OPERATING EXPENSES</b> | <b><u>\$ 4,567,790</u></b> | <b><u>\$ 4,213,288</u></b> | <b><u>\$ 354,502</u></b>             |

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At December 31, 2017, the Authority had \$11,021,105 invested in capital assets, including land, treatment plant, furniture and equipment and vehicles net of depreciation. This amount represents a net decrease (including additions, deletions, adjustments and depreciation) of \$153,617, or approximately 1.37% from last year. The Authority had \$655,562 in capital additions during the 2017 year which 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>2017</u>                 | <u>2016</u>                 | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|--------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Wastewater Treatment Plant           | \$ 26,317,774               | \$ 25,827,896               | \$ 489,878                           |
| Water Plant                          | 27,671,892                  | 27,304,852                  | 367,040                              |
| Metering Project                     | 3,703,655                   | 3,703,655                   | -                                    |
| Administration Furniture & Equipment | 2,438,457                   | 2,438,457                   | -                                    |
| Work in Progress                     | 205,570                     | 406,926                     | (201,356)                            |
|                                      | <u>\$ 60,337,348</u>        | <u>\$ 59,681,786</u>        | <u>\$ 655,562</u>                    |
| Accumulated Depreciation             | (49,316,243)                | (48,507,064)                | (809,179)                            |
|                                      | <b><u>\$ 11,021,105</u></b> | <b><u>\$ 11,174,722</u></b> | <b><u>\$ (153,617)</u></b>           |



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2017**

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

**DEBT ADMINISTRATION**

As of December 31, 2017, the Authority had total indebtedness outstanding of \$7,020,000. The Authority's debt obligation is comprised of one Water and Sewer Revenue Bond issue (2017) as follows:

On October 12, 2017, the Authority issued Water and Sewer Revenue Bonds - Series of 2017 in the amount of \$7,020,000. Proceeds from the issue will be used to provide funds for various capital projects of the Authority, to refund, on a current refunding basis, the Authority's Water and Sewer Revenue Bonds – Series of 1998, to refund, on a current refunding basis, the Authority's Pennvest Note, to refund on an advanced refunding basis, the Authority's Water and Sewer Revenue Bonds – Series of 2013, and to pay the costs of issuing and insuring the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. Interest rates range between 1.08% and 2.25% with the bonds maturing on May 15, 2026. The bonds provide for early redemption options for those bonds maturing on or after November 15, 2023 as detailed 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 Authority is scheduled to make principal and interest payments on their bond obligation of approximately \$348,061 during the 2018 calendar year.

**ECONOMIC FACTORS**

Economic conditions in the Beaver County area have improved some during 2017.

**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,**

| <b>ASSETS AND DEFERRED OUFLOW OF RESOURCES:</b>                          | <b>2017</b>                 |
|--------------------------------------------------------------------------|-----------------------------|
| <b><u>CURRENT ASSETS</u></b>                                             |                             |
| Cash and Cash Equivalents                                                | \$ 1,978,884                |
| Receivables (net of doubtful accounts)                                   | 916,263                     |
| Accrued Utility Revenues                                                 | 541,170                     |
| Inventory - Plant Materials                                              | 150,000                     |
| Prepaid Expenses                                                         | 39,216                      |
| <b>TOTAL CURRENT ASSETS</b>                                              | <b><u>\$ 3,625,533</u></b>  |
| <b><u>RESTRICTED ASSETS</u></b>                                          |                             |
| Investments                                                              | \$ 1,250,046                |
| <b>TOTAL RESTRICTED ASSETS</b>                                           | <b><u>\$ 1,250,046</u></b>  |
| <b><u>PROPERTY AND EQUIPMENT</u></b>                                     |                             |
| Investment in Facilities                                                 | \$ 60,131,778               |
| Work in Progress                                                         | 205,570                     |
| Less: Accumulated Depreciation                                           | (49,316,243)                |
| <b>TOTAL NET PROPERTY, PLANT AND EQUIPMENT</b>                           | <b><u>\$ 11,021,105</u></b> |
| <b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>                              |                             |
| Deferred Outflow Related to Pension                                      | \$ 132,466                  |
| <b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>                               | <b><u>\$ 132,466</u></b>    |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOW OF RESOURCES</b>                  | <b><u>\$ 16,029,150</u></b> |
| <b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION:</b>      |                             |
| <b><u>CURRENT LIABILITIES</u></b>                                        |                             |
| Accounts Payable                                                         | \$ 403,404                  |
| Payroll Withholding                                                      | 5,372                       |
| Customer Deposits                                                        | 139,560                     |
| Accrued Interest Payable - Bonds                                         | 20,383                      |
| Current Portion - Long Term Debt                                         | 185,000                     |
| <b>TOTAL CURRENT LIABILITIES</b>                                         | <b><u>\$ 753,719</u></b>    |
| <b><u>LONG-TERM LIABILITIES</u></b>                                      |                             |
| Revenue Bonds Payable - Series of 2017                                   | \$ 7,020,000                |
| Unamortized Bond Premium - Series of 2017                                | 125,060                     |
| Net Pension Liability (Asset)                                            | (1,380,176)                 |
|                                                                          | <u>\$ 5,764,884</u>         |
| Less: Current Portion Long Term Debt                                     | (185,000)                   |
|                                                                          | <u>\$ 5,579,884</u>         |
| Less: Unamortized Loss on Early Retirement of Debt                       | (154,095)                   |
| <b>TOTAL LONG TERM DEBT AND OTHER LIABILITIES</b>                        | <b><u>\$ 5,425,789</u></b>  |
| <b><u>DEFERRED INFLOW OF RESOURCES</u></b>                               |                             |
| Deferred Inflow Related to Pension                                       | \$ 173,387                  |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                | <b><u>\$ 173,387</u></b>    |
| <b>NET POSITION:</b>                                                     |                             |
| Net Investment in Capital Assets                                         | \$ 4,030,140                |
| Restricted                                                               | 1,250,046                   |
| Unrestricted                                                             | 4,396,069                   |
| <b>TOTAL NET POSITION</b>                                                | <b><u>\$ 9,676,255</u></b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b> | <b><u>\$ 16,029,150</u></b> |

The accompanying notes are an integral part of these financial statements

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                                  | <u>WATER</u>               | <u>SEWER</u>               | <u>TOTAL</u>               |
|--------------------------------------------------|----------------------------|----------------------------|----------------------------|
| <b><u>OPERATING REVENUES:</u></b>                |                            |                            |                            |
| Domestic consumer                                | \$ 2,984,349               | \$ 863,496                 | \$ 3,847,845               |
| Commercial consumer                              | 478,844                    | 128,423                    | 607,267                    |
| Industrial consumer                              | 563,654                    | 8,121                      | 571,774                    |
| Sales to public                                  | -                          | 88,836                     | 88,836                     |
| Fire protection                                  | 232,332                    | -                          | 232,332                    |
| Sales to public authorities and other utilities  | 67,034                     | 423,651                    | 490,685                    |
| Customer penalties                               | 92,500                     | 34,614                     | 127,114                    |
| Turn on charges and nsf checks                   | 5,312                      | -                          | 5,312                      |
| Tap Fees                                         | 18,425                     | 10,069                     | 28,494                     |
| <b>TOTAL OPERATING REVENUES</b>                  | <b><u>\$ 4,442,450</u></b> | <b><u>\$ 1,557,210</u></b> | <b><u>\$ 5,999,660</u></b> |
| <b><u>OPERATING EXPENSES:</u></b>                |                            |                            |                            |
| Source of supply                                 | \$ -                       | \$ 91,351                  | \$ 91,351                  |
| Power and pumping                                | 436,181                    | 97,532                     | 533,713                    |
| Purification and laboratory                      | 508,071                    | -                          | 508,071                    |
| Sewage treatment                                 | -                          | 450,961                    | 450,961                    |
| Transmission and distribution                    | 808,939                    | -                          | 808,939                    |
| General and administrative                       | 869,456                    | 496,120                    | 1,365,576                  |
| Depreciation                                     | 638,838                    | 170,341                    | 809,179                    |
| <b>TOTAL OPERATING EXPENSES</b>                  | <b><u>\$ 3,261,485</u></b> | <b><u>\$ 1,306,305</u></b> | <b><u>\$ 4,567,790</u></b> |
| <b>NET OPERATING INCOME</b>                      | <b><u>\$ 1,180,964</u></b> | <b><u>\$ 250,906</u></b>   | <b><u>\$ 1,431,870</u></b> |
| <b><u>NON-OPERATING REVENUE AND EXPENSE</u></b>  |                            |                            |                            |
| Non-operating revenue                            | \$ 72,142                  | \$ 15,488                  | \$ 87,630                  |
| Non-operating expenses                           | (359,107)                  | (249,395)                  | (608,502)                  |
| <b>TOTAL NON-OPERATING REVENUE AND (EXPENSE)</b> | <b><u>\$ (286,965)</u></b> | <b><u>\$ (233,907)</u></b> | <b><u>\$ (520,874)</u></b> |
| <b>NET INCOME &lt;LOSS&gt;</b>                   | <b><u>\$ 893,999</u></b>   | <b><u>\$ 16,999</u></b>    | <b><u>\$ 910,996</u></b>   |
| NET POSITION - January 1, 2017 (DEFICIT)         | <u>(259,439)</u>           | <u>9,024,698</u>           | <u>8,765,259</u>           |
| <b>NET POSITION - December 31, 2017</b>          | <b><u>\$ 634,560</u></b>   | <b><u>\$ 9,041,697</u></b> | <b><u>\$ 9,676,255</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, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Cash received from water and sewer charges                    | \$ 6,284,703               |
| Cash received from other operating revenue                    | 33,806                     |
| Cash payments to employees for services                       | (1,293,235)                |
| Cash payments to suppliers for goods and services             | (2,229,590)                |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u>\$ 2,795,684</u></b> |

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

|                                                                                   |                              |
|-----------------------------------------------------------------------------------|------------------------------|
| Principal payments on debt                                                        | \$ (7,265,163)               |
| Bond proceeds - Series of 2017                                                    | 7,020,000                    |
| Interest expense                                                                  | (365,978)                    |
| Bond issue costs                                                                  | (223,555)                    |
| Capital purchases                                                                 | (655,563)                    |
| <b>NET CASH PROVIDED &lt;USED&gt; BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ (1,490,259)</u></b> |

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

|                                                                                      |                         |
|--------------------------------------------------------------------------------------|-------------------------|
| Merchandising and other revenue                                                      | \$ 81,374               |
| Other adjustments                                                                    | 5,018                   |
| Refund of prior year revenues                                                        | (35,178)                |
| <b>NET CASH PROVIDED &lt;USED&gt; BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ 51,214</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Deposits to Investments                                       | \$ (552,853)               |
| Earnings on investments                                       | 6,256                      |
| <b>NET CASH PROVIDED &lt;USED&gt; BY INVESTING ACTIVITIES</b> | <b><u>\$ (546,597)</u></b> |

|                                                      |                            |
|------------------------------------------------------|----------------------------|
| NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS | \$ 810,042                 |
| <b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2017</b>   | <b><u>1,168,842</u></b>    |
| <b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017</b> | <b><u>\$ 1,978,884</u></b> |

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

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Net Operating Income                                          | \$ 1,431,870               |
| Depreciation                                                  | 809,179                    |
| <b>Changes in assets and liabilities:</b>                     |                            |
| (Increase) Decrease in water/sewer receivables                | 310,121                    |
| (Increase) Decrease in accrued utility revenues               | 8,728                      |
| (Increase) Decrease in prepaids                               | 730                        |
| Increase (Decrease) in accounts payable                       | 276,166                    |
| Increase (Decrease) pension related assets/liabilities        | (52,386)                   |
| Increase (Decrease) in payroll liabilities                    | 606                        |
| Increase (Decrease) in customer deposits                      | 10,670                     |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u>\$ 2,795,684</u></b> |

The accompanying notes are an integral part of these financial statements

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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 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).

**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 Authority 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, 2017. 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, 2017**

**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. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

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 2017 Water and Sewer Revenue Bonds and the aforementioned Municipality Authorities Act. Under the terms of the Trust Indentures securing the Series of 2017 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 Authority is in compliance with the aforementioned Trust Indenture and Municipal Authorities Act restrictions for investments as of December 31, 2017. 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, 2017.

**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.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**LONG-TERM DEBT FINANCING COSTS**

Bond issuance costs are recorded as expenditures in the year paid. During the 2017 calendar year, the Authority paid \$223,554 in bond issuance costs related to Water and Sewer Revenue Bonds, Series of 2017.

**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 outflows and /or inflows 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 2017 was \$809,179.

**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, 2017**

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

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the Authority's 2017 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the Authority's financial statements.

GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The primary objective of this Statement is to address reporting by OPEB plans that administer benefits on behalf of governments. This Statement replaces Statement No. 43. The Statement had no material impact on the Authority.

GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants*". The primary objective of this Statement is to address accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for the election to measure all of its investments at amortized costs for financial reporting purposes. This pronouncement required additional disclosures related to investments, which have been incorporated into Note 2.

GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14*". The primary objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement had no material impact on the Authority.

GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreement*". The primary objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement had no material impact on the Authority.

GASB issued Statement No. 82, "*Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*". The primary objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67, "Financial Reporting for Pension Plans," No. 68, "Accounting and Financial Reporting for Pensions," and No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The Statement had no material impact on the Authority.

**PENDING GASB PRONOUNCEMENTS**

In June of 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The primary objective of this Statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45. The provisions of this Statement are effective for the Authority's December 31, 2018 financial statements.

In November of 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The primary objective of this Statement is to provide financial statement users with information about 'asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the Authority's December 31, 2019 financial statements.



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**PENDING GASB PRONOUNCEMENTS (Continued)**

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

In March of 2017, the GASB issued Statement No. 85, '*Omnibus 2017*'. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of this Statement are effective for the Authority's December 31, 2018 financial statements.

In May of 2017, the GASB issued Statement No. 86, '*Certain Debt Extinguishment Issues*'. The primary objective of this Statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information. The provisions of this Statement are effective for the Authority's December 31, 2018 financial statements.

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

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

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

At December 31, 2017, the Municipal Water Authority of Aliquippa had the following carrying values on its cash and cash equivalent accounts held with Citizens and Wesbanco Banks:

|                         | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|-------------------------|-------------------------|---------------------------|
| Citizens/Wesbanco Banks | \$ 2,013,451            | \$ 1,978,884              |

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.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**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, 2017, \$1,759,447 of the Authority's bank balance total of \$2,013,451 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, 2017:

|                                | <b><u>MARKET<br/>VALUE</u></b> | <b><u>MATURITY</u></b> |
|--------------------------------|--------------------------------|------------------------|
| 1994 Debt Service Reserve Fund | \$ 51,599                      | N/A                    |
| 1994 Surplus Fund              | 1,295                          | N/A                    |
| 2013 Clearing Fund             | 3,960                          | N/A                    |
| 2013 Debt Service Fund         | 191,665                        | N/A                    |
| 2017 Construction Fund         | 1,001,527                      | N/A                    |
|                                | <b><u>\$ 1,250,046</u></b>     |                        |

**Custodial Credit Risk**

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

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations.

**Interest Rate Risk:**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:**

The Authority places no limit on the amount it may invest in any one issuer.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**INVESTMENTS (Continued)**

**Fair Value Measurements:**

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

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

Level 1- Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

Level 2- Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

Level 3- Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following schedule presents the Investments of the Authority by level within the fair value hierarchy:

|            | Value<br>at 12/31/17 | Fair Value Measurements |         |         |
|------------|----------------------|-------------------------|---------|---------|
|            |                      | Level 1                 | Level 2 | Level 3 |
| BNY MELLON | \$ 1,250,046         | \$ 1,250,046            | \$ -    | \$ -    |

**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:

|                                      | 12/31/2016                  | Additions                  | 12/31/2017                  |
|--------------------------------------|-----------------------------|----------------------------|-----------------------------|
|                                      |                             | <Deletions>                |                             |
| Water Treatment Plant & Equipment    | \$ 25,827,896               | \$ 489,878                 | \$ 26,317,774               |
| Sewage Treatment Plant & Equipment   | 27,304,852                  | 367,040                    | 27,671,892                  |
| Metering Project                     | 3,703,655                   | -                          | 3,703,655                   |
| Administration Furniture & Equipment | 2,438,457                   | -                          | 2,438,457                   |
| Work in Progress                     | 406,926                     | (201,356)                  | 205,570                     |
| Less:                                | \$ 59,681,786               | \$ 655,562                 | \$ 60,337,348               |
| Accumulated Depreciation             | (48,507,064)                | (809,179)                  | (49,316,243)                |
|                                      | <b><u>\$ 11,174,722</u></b> | <b><u>\$ (153,617)</u></b> | <b><u>\$ 11,021,105</u></b> |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 4 - RECEIVABLES**

Receivables represent money due the Authority at December 31, 2017 as follows:

|                                      |                                 |
|--------------------------------------|---------------------------------|
| Water and Sewer Billings             | \$ 927,350                      |
| Less Allowance for Doubtful Accounts | (11,087)                        |
| <b>Net Receivables</b>               | <b><u><u>\$ 916,263</u></u></b> |

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

On October 12, 2017, the Authority issued Water and Sewer Revenue Bonds - Series of 2017 in the amount of \$7,020,000. Proceeds from the issue will be used to provide funds for various capital projects of the Authority, to refund, on a current refunding basis, the Authority's Water and Sewer Revenue Bonds – Series of 1998, to refund, on a current refunding basis, the Authority's Pennvest Note, to refund on an advanced refunding basis, the Authority's Water and Sewer Revenue Bonds – Series of 2013, and to pay the costs of issuing and insuring the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. Interest rates range between 1.08% and 2.25% with the bonds maturing on May 15, 2026. The bonds provide for early redemption options for those bonds maturing on or after November 15, 2023 as detailed 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, 2017:

| <b><u>YEAR END</u></b><br><b><u>DECEMBER 31,</u></b> | <b><u>BOND</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>BOND</u></b><br><b><u>INTEREST</u></b> | <b><u>TOTAL</u></b>               |
|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|-----------------------------------|
| 2018                                                 | \$ 185,000                                    | \$ 163,061                                   | \$ 348,061                        |
| 2019                                                 | 900,000                                       | 161,063                                      | 1,061,063                         |
| 2020                                                 | 910,000                                       | 149,812                                      | 1,059,812                         |
| 2021                                                 | 935,000                                       | 126,242                                      | 1,061,242                         |
| 2022                                                 | 960,000                                       | 94,263                                       | 1,054,263                         |
| 2023-2026                                            | 3,130,000                                     | 146,670                                      | 3,276,670                         |
|                                                      | <b><u><u>\$ 7,020,000</u></u></b>             | <b><u><u>\$ 841,111</u></u></b>              | <b><u><u>\$ 7,861,111</u></u></b> |

**NOTE 6 – CHANGE IN LONG-TERM DEBT**

The following represents the changes in the Authority's long-term debt obligations during 2017:

|       | <b><u>Balance 1/1/17</u></b>      | <b><u>Additions</u></b>           | <b><u>Deletions</u></b>           | <b><u>Balance 12/31/17</u></b>    | <b><u>Due Within One Year</u></b> |
|-------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Bonds | \$ 5,886,430                      | \$ 7,020,000                      | \$ 5,886,430                      | \$ 7,020,000                      | \$ 185,000                        |
| Notes | 1,378,732                         | -                                 | 1,378,732                         | -                                 | -                                 |
|       | <b><u><u>\$ 7,265,162</u></u></b> | <b><u><u>\$ 7,020,000</u></u></b> | <b><u><u>\$ 7,265,162</u></u></b> | <b><u><u>\$ 7,020,000</u></u></b> | <b><u><u>\$ 185,000</u></u></b>   |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 7 – OPERATING LEASE AGREEMENT**

In June of 2017, 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 \$238 with the last payment due in July of 2022.

**NOTE 8 - 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.

**PRINCIPAL FINANCIAL GROUP**

**OFFICERS AND MANAGERS**

The officers and managers defined benefit pension plan was established on August 1, 1978, with plan assets being managed by the Principal Financial Group. In order to participate in this plan, officers and managers of the Authority must have attained the age of twenty-one (21) but not age sixty (60), and have completed one year of continuous service with the Authority. The plan actuary employs the Entry Age Normal cost method using the 2011 IRS Prescribed Mortality-Optional Combined Table for Small Plans with a valuation interest assumption of 5%. Salary increase assumptions are based on a sliding scale assuming a 3% increase each year until retirement. Retirement benefits equal 60% of average compensation over the last five years of employment times an accrued benefit adjustment reduced by the participant's paid up annuity. Vesting at 100% occurs after completion of five years of service. As of August 1, 2017, plan membership consisted of two (2) active participants and one (1) terminated vested participant. Pension expense for 2017 was \$40,515.

**STAFF EMPLOYEES**

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

As of December 1, 2017, 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 benefits shall accrue on or after July 1, 2003.

The plan's investment income was used to fund administrative costs. There are no long-term contracts for contributions as of December 31, 2017. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 8 - PENSION PLANS (Continued)**

**Pension Plan Investment Policy:**

The purpose of the Investment Policy Statement (IPS) is to set forth the objectives, policies, and guidelines for the investment of the assets of the Authority's Police and General Employees' Pension Plans. Authority Council reserves the right to establish or amend any or all portions of the IPS. The IPS defines target allocations for the plan assets as reflected under the Long-Term Expected Rate of Return on Investments. As of the current year, the investment manager's stated allocations are as follows:

| <u>Asset Class</u>   | <u>Target Allocation</u> |
|----------------------|--------------------------|
| US Equity -large cap | 16.3%                    |
| Core bond            | 83.7%                    |

Additional information on the Investment Policy of the fund, including allowable asset classes, concentrations, and risk control measures can be found in the formal IPS which may be requested from the Authority or Investment Consultant.

**NET PENSION LIABILITY**

The Municipal Water Authority of Aliquippa's net pension liability for both the manager's and staff plans were measured as of December 31, 2017. Total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement based on census data as of January 1, 2017 for the manager's pension plan:

- Actuarial Cost Method – Entry Age Normal
- Investment Rate of Return – 5%
- Projected Salary Increases – 3%
- Underlying Inflation Rate – 2.25%
- Cost of Living Adjustments – 2.25%
- Mortality Table – RP 2000 Mortality Table Projected to the Valuation Date
- Employee Termination – None
- Retirement (Managers) – 60% at normal retirement age
- Disability - None

**Long-Term Expected Rate of Return on Investments:**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future real rates of return is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation were provided through a poll of major investment advisory firms and are summarized as follows:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|-----------------------------------------------|
| US Equity - large cap | 16%                      | 7.45%                                         |
| Domestic Equity       | 84%                      | 4.15%                                         |

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

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 8 - PENSION PLANS (Continued)**

**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, expenses would continue at their current level, and that the employer would contribute the Minimum Municipal Obligation in the future. 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.

**CHANGES IN THE NET PENSION LIABILITY – MANAGERS PENSION PLAN**

|                                                   | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|---------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>Balance, beginning of year</b>                 | <b>\$ 430,022</b>                            | <b>\$ 696,643</b>                                | <b>\$ (266,621)</b>                        |
| Changes for the year:                             |                                              |                                                  |                                            |
| Service cost                                      | 19,380                                       | -                                                | 19,380                                     |
| Interest                                          | 17,929                                       | -                                                | 17,929                                     |
| Difference between expected<br>and actual results | 45,024                                       | -                                                | 45,024                                     |
| Assumption (gain)/loss                            | 35,168                                       | -                                                | 35,168                                     |
| Plan change                                       | -                                            | -                                                | -                                          |
| Contributions-employer                            | -                                            | 1,250                                            | (1,250)                                    |
| Contributions-employee                            | -                                            | -                                                | -                                          |
| Net investment income                             | -                                            | 61,779                                           | (61,779)                                   |
| Benefit payments                                  | (259,073)                                    | (259,073)                                        | -                                          |
| Actuarial costs                                   | -                                            | -                                                | -                                          |
| Administrative costs                              | -                                            | (16,105)                                         | 16,105                                     |
| Net changes                                       | <u>(141,572)</u>                             | <u>(212,149)</u>                                 | <u>70,577</u>                              |
| <b>Balance, End of Year</b>                       | <b>\$ 288,450</b>                            | <b>\$ 484,494</b>                                | <b>\$ (196,044)</b>                        |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 8 - PENSION PLANS (Continued)**

**CHANGES IN THE NET PENSION LIABILITY – STAFF EMPLOYEES’ PENSION PLAN**

|                                   | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|-----------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>Balance, beginning of year</b> | \$ 549,297                                   | \$ 1,658,716                                     | \$ (1,109,419)                             |
| Changes for the year:             |                                              |                                                  |                                            |
| Service cost                      | -                                            | -                                                | -                                          |
| Interest                          | 25,970                                       | -                                                | 25,970                                     |
| Experience (gain)/loss            | (35,026)                                     | -                                                | (35,026)                                   |
| Assumption (gain)/loss            | 51,954                                       | -                                                | 51,954                                     |
| Plan change                       | -                                            | -                                                | -                                          |
| Contributions-employer            | -                                            | -                                                | -                                          |
| Contributions-employee            | -                                            | -                                                | -                                          |
| Net investment income             | -                                            | 117,610                                          | (117,610)                                  |
| Benefit payments                  | (60,544)                                     | (60,544)                                         | -                                          |
| Actuarial costs                   | -                                            | -                                                | -                                          |
| Administrative costs              | -                                            | -                                                | -                                          |
| Net changes                       | <u>(17,647)</u>                              | <u>57,066</u>                                    | <u>(74,713)</u>                            |
| <b>Balance, End of Year</b>       | <u>\$ 531,650</u>                            | <u>\$ 1,715,782</u>                              | <u>\$ (1,184,132)</u>                      |

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

The following presents the net pension liability (asset) of the Municipal Water Authority of Aliquippa’s manager’s and staff employees’ pension plans, calculated using the discount rate of 4.25% for the manager’s plan and 4.50% for the staff employees’ plan, 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 or 1 percentage point higher than the current rate:

|                      | <b>1% Decrease<br/>(3.25%)</b> | <b>Current<br/>Discount Rate<br/>(4.25%)</b> | <b>1% Increase<br/>(5.25%)</b> |
|----------------------|--------------------------------|----------------------------------------------|--------------------------------|
| Manager’s Plan       | \$ (140,239)                   | \$ (196,044)                                 | \$ (241,500)                   |
|                      |                                | <b>Current<br/>Discount Rate<br/>(4.50%)</b> | <b>1% Increase<br/>(5.50%)</b> |
| Staff Employees Plan | \$ (1,100,057)                 | \$ (1,184,132)                               | \$ (1,252,636)                 |



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 8 - PENSION PLANS (Continued)**

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

For the year ended December 31, 2017, total reported deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

|                                                                                  | ----MANAGER'S ----                   |                                     | -- STAFF EMPLOYEES --                |                                     |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience                               | \$ 48,652                            | \$ 94,975                           | \$ -                                 | \$ 32,513                           |
| Changes of assumptions                                                           | 31,780                               | -                                   | 41,562                               | -                                   |
| Net difference between projected and actual earnings on pension plan investments | -                                    | 11,560                              | 10,472                               | 34,339                              |
| TOTAL                                                                            | <u>\$ 80,432</u>                     | <u>\$ 106,535</u>                   | <u>\$ 52,034</u>                     | <u>\$ 66,852</u>                    |

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

| Year ended<br>December 31, | MANAGER'S<br>PLAN | Year ended<br>December 31, | STAFF<br>EMPLOYEES<br>PENSION<br>PLAN |
|----------------------------|-------------------|----------------------------|---------------------------------------|
| 2018                       | \$ (23,856)       | 2018                       | \$ (1,911)                            |
| 2019                       | (23,855)          | 2019                       | (1,911)                               |
| 2020                       | (21,954)          | 2020                       | (7,146)                               |
| 2021                       | 3,610             | 2021                       | (3,850)                               |
| 2022                       | 9,990             | 2022                       | -                                     |
| Thereafter                 | 29,962            | Thereafter                 | -                                     |
|                            | -                 |                            |                                       |

**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, 2017 can be obtained by contacting the Steelworkers Pension Trust, Seven Neshaminy Interplex, Suite, 301, Trevose, PA 19053.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 9 - 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 10 - 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 11 – COMMITMENTS AND CONTINGENT LIABILITIES**

The Authority, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2017, the Authority is unaware of any pending litigation.

**NOTE 12 – SUBSEQUENT EVENT**

The Authority evaluated its December 31, 2017 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)**

|                                                                           | Manager's<br>Plan<br>Measurement<br>Date<br><u>7/31/2017</u> | Manager's<br>Plan<br>Measurement<br>Date<br><u>7/31/2016</u> | Manager's<br>Plan<br>Measurement<br>Date<br><u>7/31/2015</u> | Staff<br>Employees<br>Measurement<br>Date<br><u>12/31/2017</u> | Staff<br>Employees<br>Measurement<br>Date<br><u>12/31/2016</u> |
|---------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| <b>Total Pension Liability-Beginning</b>                                  | \$ 430,022                                                   | \$ 527,013                                                   | \$ 460,197                                                   | \$ 549,297                                                     | \$ 523,140                                                     |
| Service Cost                                                              | 19,380                                                       | 32,460                                                       | 30,417                                                       | -                                                              | -                                                              |
| Interest                                                                  | 17,929                                                       | 27,974                                                       | 24,531                                                       | 25,970                                                         | 26,157                                                         |
| Benefit payments, including Refunds of Members Contributions              | (259,073)                                                    | -                                                            | -                                                            | (60,544)                                                       | -                                                              |
| Differences Between Expected and Actual Experience                        | 45,024                                                       | (158,293)                                                    | 11,868                                                       | (35,026)                                                       | -                                                              |
| Changes in Assumptions                                                    | 35,168                                                       | 868                                                          | -                                                            | 51,953                                                         | -                                                              |
| Net Change in Total Pension Liability                                     | <u>\$ (141,572)</u>                                          | <u>\$ (96,991)</u>                                           | <u>\$ 66,816</u>                                             | <u>\$ (17,647)</u>                                             | <u>\$ 26,157</u>                                               |
| <b>Total Pension Liability-Ending</b>                                     | <u>\$ 288,450</u>                                            | <u>\$ 430,022</u>                                            | <u>\$ 527,013</u>                                            | <u>\$ 531,650</u>                                              | <u>\$ 549,297</u>                                              |
| <br>                                                                      |                                                              |                                                              |                                                              |                                                                |                                                                |
| Plan Fiduciary Net Position-Beginning                                     | \$ 696,643                                                   | \$ 697,942                                                   | \$ 652,274                                                   | \$ 1,658,716                                                   | \$ 1,571,165                                                   |
| Contributions-employer                                                    | 1,250                                                        | -                                                            | 10,000                                                       | -                                                              | -                                                              |
| Contributions-employee                                                    | -                                                            | -                                                            | -                                                            | -                                                              | -                                                              |
| Benefit payments, including Refunds of Employee Contributions             | (259,073)                                                    | -                                                            | -                                                            | (60,544)                                                       | -                                                              |
| Net Investment Income                                                     | 61,779                                                       | 5,102                                                        | 41,988                                                       | 117,610                                                        | 87,564                                                         |
| Market Value Investment Income                                            | -                                                            | -                                                            | -                                                            | -                                                              | -                                                              |
| Administrative Expense                                                    | (16,105)                                                     | (6,401)                                                      | (6,320)                                                      | -                                                              | (13)                                                           |
| Additional Administrative Expense                                         | -                                                            | -                                                            | -                                                            | -                                                              | -                                                              |
| Change in Plan Fiduciary Net Position                                     | <u>\$ (212,149)</u>                                          | <u>\$ (1,299)</u>                                            | <u>\$ 45,668</u>                                             | <u>\$ 57,066</u>                                               | <u>\$ 87,551</u>                                               |
| Plan Fiduciary Net Position-Ending                                        | <u>\$ 484,494</u>                                            | <u>\$ 696,643</u>                                            | <u>\$ 697,942</u>                                            | <u>\$ 1,715,782</u>                                            | <u>\$ 1,658,716</u>                                            |
| <br>                                                                      |                                                              |                                                              |                                                              |                                                                |                                                                |
| Net Pension Liability-Ending                                              | <u>\$ (196,044)</u>                                          | <u>\$ (266,621)</u>                                          | <u>\$ (170,929)</u>                                          | <u>\$ (1,184,132)</u>                                          | <u>\$ (1,109,419)</u>                                          |
| <br>                                                                      |                                                              |                                                              |                                                              |                                                                |                                                                |
| <b>RATIOS:</b>                                                            |                                                              |                                                              |                                                              |                                                                |                                                                |
| Plan Fiduciary Net Position as a<br>Percentage of Total Pension Liability | 167.96%                                                      | 162.00%                                                      | 132.43%                                                      | 322.73%                                                        | 301.97%                                                        |
| <br>                                                                      |                                                              |                                                              |                                                              |                                                                |                                                                |
| Covered-employee Payroll                                                  | \$ 156,952                                                   | \$ 137,777                                                   | \$ 215,200                                                   | \$ -                                                           | \$ -                                                           |
| <br>                                                                      |                                                              |                                                              |                                                              |                                                                |                                                                |
| Net Pension Liability as a Percentage<br>of Covered-employee Payroll      | -124.91%                                                     | -193.52%                                                     | -79.43%                                                      |                                                                |                                                                |

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

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

|                                                              | <u>Manager's<br/>Plan<br/>7/31/2017</u> | <u>Manager's<br/>Plan<br/>7/31/2016</u> | <u>Manager's<br/>Plan<br/>7/31/2015</u> |
|--------------------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| Actuarially Determined Contribution                          | \$ 1,250                                | \$ 7,521                                | \$ 13,209                               |
| Contributions                                                | <u>1,250</u>                            | <u>10,000</u>                           | <u>13,209</u>                           |
| Contribution Deficiency (Excess)                             | <u>\$ -</u>                             | <u>\$ (2,479)</u>                       | <u>\$ -</u>                             |
| <b>RATIOS:</b>                                               |                                         |                                         |                                         |
| Covered-employee Payroll                                     | \$ 156,952                              | \$ 137,777                              | \$ 215,200                              |
| Contributions as a Percentage of<br>Covered-employee Payroll | 0.80%                                   | 7.26%                                   | 6.14%                                   |

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

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN NET OF INVESTMENT EXPENSE**  
**MANAGERS PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**DECEMBER 31, 2017**

| <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> |
|-------------------|-------------------|-------------------|
| 10.31%            | 74.00%            | 6.46%             |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for the four most recent years.

***SUPPLEMENTARY  
INFORMATION***

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                          | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|------------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>        |                            |                            |                                              |
| Domestic consumer                        | \$ 2,850,000               | \$ 2,984,349               | \$ 134,349                                   |
| Commercial consumer                      | 550,000                    | 478,844                    | (71,156)                                     |
| Industrial consumer                      | 545,000                    | 563,654                    | 18,654                                       |
| Private fire protection                  | 20,000                     | 24,227                     | 4,227                                        |
| Public fire protection                   | 290,000                    | 208,105                    | (81,895)                                     |
| Sales to public authorities              | 60,000                     | 67,034                     | 7,034                                        |
| Customer penalties                       | 75,000                     | 92,500                     | 17,500                                       |
| Turn on charges and nsf checks           | 5,000                      | 5,312                      | 312                                          |
| Water tap fees                           | -                          | 18,425                     | 18,425                                       |
| <b>TOTAL OPERATING REVENUES</b>          | <b><u>\$ 4,395,000</u></b> | <b><u>\$ 4,442,450</u></b> | <b><u>\$ 47,450</u></b>                      |
| <b><u>NON-OPERATING REVENUES:</u></b>    |                            |                            |                                              |
| Revenue from merchandising               | \$ -                       | \$ 2,468                   | \$ 2,468                                     |
| Interest revenue                         | -                          | 3,128                      | 3,128                                        |
| Employee contribution                    | 53,040                     | 44,900                     | (8,140)                                      |
| Refund of prior year expenses            | -                          | 186                        | 186                                          |
| Miscellaneous non-operating revenue      | 15,500                     | 21,460                     | 5,960                                        |
| <b>TOTAL NON-OPERATING REVENUES</b>      | <b><u>\$ 68,540</u></b>    | <b><u>\$ 72,142</u></b>    | <b><u>\$ 3,602</u></b>                       |
| <b>TOTAL REVENUES</b>                    | <b><u>\$ 4,463,540</u></b> | <b><u>\$ 4,514,592</u></b> | <b><u>\$ 51,052</u></b>                      |
| <b><u>OPERATING EXPENSES:</u></b>        |                            |                            |                                              |
| <b>POWER AND PUMPING:</b>                |                            |                            |                                              |
| Operation meals                          | \$ 10,000                  | \$ 979                     | \$ (9,021)                                   |
| Supplies and expenses                    | 10,000                     | 10,320                     | 320                                          |
| Maintenance of structure and improvement | 25,000                     | 2,472                      | (22,528)                                     |
| Maintenance of equipment                 | 25,000                     | 24,281                     | (719)                                        |
| Power purchased - J & L                  | 48,000                     | 38,924                     | (9,076)                                      |
| Power purchased - Soft. Plant            | 250,000                    | 265,608                    | 15,608                                       |
| Power purchased - Ranney Well            | 63,000                     | 60,814                     | (2,186)                                      |
| Power purchased - Booster Station        | 15,000                     | 22,054                     | 7,054                                        |
| Power purchased - Raccoon Township       | 25,000                     | 4,002                      | (20,998)                                     |
| Tank Rd/Reservoir BC Jail                | 250                        | 258                        | 8                                            |
| 1st Alley Pump                           | -                          | 6,469                      | 6,469                                        |
| <b>TOTAL POWER AND PUMPING</b>           | <b><u>\$ 471,250</u></b>   | <b><u>\$ 436,181</u></b>   | <b><u>\$ (35,069)</u></b>                    |



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                              | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|----------------------------------------------|---------------------|---------------------|----------------------------------------------|
| <b>PURIFICATION AND LABORATORY:</b>          |                     |                     |                                              |
| Purification and lab labor                   | \$ 285,000          | \$ 189,972          | \$ (95,028)                                  |
| Water testing                                | 15,000              | 11,472              | (3,528)                                      |
| Supplies and expenses                        | 158,000             | 132,655             | (25,345)                                     |
| Outside services - plant                     | 15,000              | 38,402              | 23,402                                       |
| Maintenance of structure and improvement     | 25,000              | 9,233               | (15,767)                                     |
| Maintenance treatment plant labor            | 100,000             | 121,187             | 21,187                                       |
| Maintenance of back wash                     | 2,500               | 352                 | (2,148)                                      |
| Utilities                                    | 7,500               | 4,797               | (2,703)                                      |
| <b>TOTAL PURIFICATION &amp; LABORATORY</b>   | <b>\$ 608,000</b>   | <b>\$ 508,071</b>   | <b>\$ (99,929)</b>                           |
| <b>TRANSMISSION AND DISTRIBUTION:</b>        |                     |                     |                                              |
| Operation supplies and expense               | \$ 268,000          | \$ 389,586          | \$ 121,586                                   |
| Outside Services - maintenance               | 75,000              | 178,503             | 103,503                                      |
| Maintenance of lines/operation               | 250,000             | 139,960             | (110,040)                                    |
| Maintenance of structure and improvements    | 25,000              | 1,542               | (23,458)                                     |
| Maintenance of meters                        | 75,000              | 50,395              | (24,605)                                     |
| Maintenance of hydrants                      | 25,000              | 15,665              | (9,335)                                      |
| Capital Improvement                          | 521,522             | 1,783               | (519,738)                                    |
| Rents                                        | 2,000               | 100                 | (1,900)                                      |
| Purchase of trucks and equipment             | 25,000              | 3,276               | (21,724)                                     |
| Vehicle/equipment maintenance                | 25,000              | 10,232              | (14,768)                                     |
| Fuel                                         | 20,000              | 17,898              | (2,102)                                      |
| <b>TOTAL TRANSMISSION &amp; DISTRIBUTION</b> | <b>\$ 1,311,522</b> | <b>\$ 808,939</b>   | <b>\$ (502,583)</b>                          |
| <b>GENERAL AND ADMINISTRATIVE:</b>           |                     |                     |                                              |
| Salaries - general offices                   | \$ -                | \$ 2,600            | \$ 2,600                                     |
| Managers salary                              | 84,000              | 74,777              | (9,223)                                      |
| Other office salaries                        | 90,000              | 86,512              | (3,488)                                      |
| FICA Expense                                 | -                   | 49,548              | 49,548                                       |
| Office supplies and expense                  | 30,000              | 27,542              | (2,458)                                      |
| Real estate taxes / Sohn Rd.                 | 225                 | 172                 | (53)                                         |
| Professional services                        | 40,700              | 39,090              | (1,610)                                      |
| Insurance - PIRMA/General Liability          | 62,500              | 72,959              | 10,459                                       |
| Employees insurance and pension              | 315,000             | 359,909             | 44,909                                       |
| Salary pensions                              | 104,000             | 67,828              | (36,172)                                     |
| Miscellaneous expense                        | 25,000              | 27,050              | 2,050                                        |
| Maintenance - general property               | 7,000               | -                   | (7,000)                                      |
| Postage                                      | 11,000              | 12,447              | 1,447                                        |
| Uniform/Clothing allowance                   | 5,000               | 12,277              | 7,277                                        |
| Utilities                                    | 16,900              | 30,656              | 13,756                                       |
| Dues, Memberships, Subscriptions             | 1,600               | 3,735               | 2,135                                        |
| Software                                     | 6,000               | -                   | (6,000)                                      |
| Travel and Education                         | 1,500               | 764                 | (736)                                        |
| Office equipment                             | 2,500               | 1,590               | (910)                                        |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b>      | <b>\$ 802,925</b>   | <b>\$ 869,456</b>   | <b>\$ 66,531</b>                             |
| <b>Depreciation</b>                          | <b>\$ -</b>         | <b>\$ 638,838</b>   | <b>\$ 638,838</b>                            |
| <b>TOTAL OPERATING EXPENSES</b>              | <b>\$ 3,193,697</b> | <b>\$ 3,261,485</b> | <b>\$ 67,789</b>                             |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                       | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|---------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b><u>NON-OPERATING EXPENSES:</u></b> |                            |                            |                                              |
| Interest expense - PENNVEST           | \$ 285,000                 | \$ 37,978                  | \$ (247,022)                                 |
| Interest expense on bonds             | 893,586                    | 186,602                    | (706,984)                                    |
| Bond Issue Costs - Series of 2017     | 89,359                     | 134,133                    | 44,774                                       |
| Interest expense - truck lease        | 1,898                      | 394                        | (1,504)                                      |
| <b>TOTAL NON-OPERATING EXPENSES</b>   | <b><u>\$ 1,269,843</u></b> | <b><u>\$ 359,107</u></b>   | <b><u>\$ (910,736)</u></b>                   |
| <b>TOTAL EXPENSES</b>                 | <b><u>\$ 4,463,540</u></b> | <b><u>\$ 3,620,592</u></b> | <b><u>\$ (842,947)</u></b>                   |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                       | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|---------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>     |                            |                            |                                              |
| Domestic consumer                     | \$ 875,000                 | \$ 863,496                 | \$ (11,504)                                  |
| Commercial consumer                   | 205,000                    | 128,423                    | (76,577)                                     |
| Industrial consumer                   | 30,000                     | 8,121                      | (21,879)                                     |
| Sales to public                       | 165,000                    | 88,836                     | (76,164)                                     |
| Public authority                      | 470,000                    | 423,651                    | (46,349)                                     |
| Customer penalties                    | 35,000                     | 34,614                     | (386)                                        |
| Sewer Tap-ins                         | -                          | 10,069                     | 10,069                                       |
| <b>TOTAL OPERATING REVENUES</b>       | <b><u>\$ 1,780,000</u></b> | <b><u>\$ 1,557,210</u></b> | <b><u>\$ (222,790)</u></b>                   |
| <b><u>NON-OPERATING REVENUES:</u></b> |                            |                            |                                              |
| Interest revenue                      | \$ -                       | \$ 3,128                   | \$ 3,128                                     |
| Employee contribution                 | 12,480                     | 12,360                     | (120)                                        |
| <b>TOTAL NON-OPERATING REVENUES</b>   | <b><u>\$ 12,480</u></b>    | <b><u>\$ 15,488</u></b>    | <b><u>\$ 3,008</u></b>                       |
| <b>TOTAL REVENUES</b>                 | <b><u>\$ 1,792,480</u></b> | <b><u>\$ 1,572,698</u></b> | <b><u>\$ (219,782)</u></b>                   |
| <b><u>OPERATING EXPENSES:</u></b>     |                            |                            |                                              |
| <b>SEWER LINES:</b>                   |                            |                            |                                              |
| Maintenance of sewer lines            | \$ 55,000                  | \$ 49,394                  | \$ (5,606)                                   |
| Capital Improvements                  | 140,000                    | 41,957                     | (98,043)                                     |
| <b>TOTAL SEWER LINES</b>              | <b><u>\$ 195,000</u></b>   | <b><u>\$ 91,351</u></b>    | <b><u>\$ (103,649)</u></b>                   |
| <b>SEWER PUMPING:</b>                 |                            |                            |                                              |
| Purchased power                       | \$ 89,350                  | \$ 76,423                  | \$ 5,898                                     |
| Supplies and expenses                 | -                          | (160)                      | (160)                                        |
| Maintenance of pump station           | 20,000                     | 20,930                     | 930                                          |
| Non-salary compensation - meals       | 800                        | 340                        | (460)                                        |
| <b>TOTAL SEWER PUMPING</b>            | <b><u>\$ 110,150</u></b>   | <b><u>\$ 97,532</u></b>    | <b><u>\$ 6,207</u></b>                       |
| <b>SEWAGE TREATMENT:</b>              |                            |                            |                                              |
| Labor                                 | \$ 322,000                 | \$ 276,300                 | \$ (45,700)                                  |
| Purification and lab supplies         | 20,000                     | 6,154                      | (13,846)                                     |
| Chlorine                              | 10,000                     | 4,649                      | (5,352)                                      |
| Maintenance of structures             | 1,000                      | 4,207                      | 3,207                                        |
| Outside services                      | 50,000                     | 39,604                     | (10,396)                                     |
| Maintenance of equipment              | 25,000                     | 10,630                     | (14,370)                                     |
| Drying bed maintenance & disposal     | 17,500                     | 46,083                     | 28,583                                       |
| Outside services                      | 5,000                      | 30,528                     | 25,528                                       |
| Utilities                             | 18,000                     | 15,660                     | (2,340)                                      |
| Maintenance of meters                 | -                          | 4,248                      | 4,248                                        |
| Rentals                               | 500                        | -                          | (500)                                        |
| Vehicle maintenance                   | 7,500                      | 7,266                      | (234)                                        |
| Fuel                                  | 3,000                      | 2,356                      | (644)                                        |
| Trucks and equipment                  | 15,000                     | 3,276                      | (11,724)                                     |
| <b>TOTAL SEWAGE TREATMENT</b>         | <b><u>\$ 494,500</u></b>   | <b><u>\$ 450,961</u></b>   | <b><u>\$ (43,539)</u></b>                    |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                         | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|-----------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b>GENERAL AND ADMINISTRATIVE:</b>      |                            |                            |                                              |
| Board salaries                          | \$ -                       | \$ 2,600                   | \$ 2,600                                     |
| General office salaries                 | 107,000                    | 86,512                     | (20,488)                                     |
| Managers salaries                       | 84,000                     | 74,777                     | (9,223)                                      |
| FICA expense                            | -                          | 49,548                     | 49,548                                       |
| Office supplies and expense             | 30,000                     | 20,669                     | (9,331)                                      |
| Professional services                   | 47,400                     | 31,923                     | (15,477)                                     |
| Insurance- General Liability            | 41,000                     | 37,583                     | (3,417)                                      |
| Employee insurance & pension            | 336,500                    | 140,241                    | (196,259)                                    |
| Salary pensions                         | 78,000                     | 4,445                      | (73,555)                                     |
| Miscellaneous general expense           | 7,000                      | 9,855                      | 2,855                                        |
| Maintenance of general property         | 15,000                     | 3,163                      | (11,837)                                     |
| Solicitor Expenses                      | 6,000                      | -                          | (6,000)                                      |
| Utilities- Telephone                    | 15,000                     | 15,468                     | 468                                          |
| Utilities- Power                        | -                          | 17                         | 17                                           |
| Utilities - Gas                         | 3,400                      | -                          | (3,400)                                      |
| Utilities- Cellular                     | 2,500                      | 2,314                      | (186)                                        |
| Uniforms/clothing allowance             | 1,500                      | 3,675                      | 2,175                                        |
| Postage                                 | 8,100                      | 12,380                     | 4,280                                        |
| Dues, memberships, subscriptions        | 500                        | -                          | (500)                                        |
| Software                                | 6,000                      | -                          | (6,000)                                      |
| Office equipment                        | 2,500                      | 589                        | (1,911)                                      |
| Travel and Education                    | 1,000                      | 362                        | (639)                                        |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b> | <b><u>\$ 792,400</u></b>   | <b><u>\$ 496,120</u></b>   | <b><u>\$ (296,280)</u></b>                   |
| <b>Depreciation</b>                     | <b><u>\$ -</u></b>         | <b><u>\$ 170,341</u></b>   | <b><u>\$ 170,341</u></b>                     |
| <b>TOTAL OPERATING EXPENSES</b>         | <b><u>\$ 1,592,050</u></b> | <b><u>\$ 1,306,305</u></b> | <b><u>\$ (266,920)</u></b>                   |
| <b><u>NON-OPERATING EXPENSES:</u></b>   |                            |                            |                                              |
| Refund of Prior Year Revenues           | \$ -                       | \$ 35,178                  | \$ 35,178                                    |
| Interest expense on bonds               | 175,000                    | 124,401                    | (50,599)                                     |
| Bond Issue Costs - Series of 2017       | 17,500                     | 89,422                     | 71,922                                       |
| Interest expense - truck lease          | 1,899                      | 394                        | (1,505)                                      |
| <b>TOTAL NON-OPERATING EXPENSES</b>     | <b><u>\$ 194,399</u></b>   | <b><u>\$ 249,395</u></b>   | <b><u>\$ 54,996</u></b>                      |
| <b>TOTAL EXPENSES</b>                   | <b><u>\$ 1,786,449</u></b> | <b><u>\$ 1,555,700</u></b> | <b><u>\$ (211,924)</u></b>                   |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**TRUST ACCOUNTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                                               | 1994 DEBT<br>SERVICE &<br>DEBT SERVICE<br>RESERVE<br>FUND | 1994<br>SURPLUS<br>FUND | 2013<br>CLEARING<br>FUND | 2013<br>DEBT SERVICE<br>FUND | 2017<br>CLEARING<br>FUND | 2017<br>CONSTRUCTION<br>FUND | TOTAL               |
|-----------------------------------------------|-----------------------------------------------------------|-------------------------|--------------------------|------------------------------|--------------------------|------------------------------|---------------------|
| <b>RECEIPTS:</b>                              |                                                           |                         |                          |                              |                          |                              |                     |
| Interest Income                               | \$ 4,422                                                  | \$ 7                    | \$ -                     | \$ -                         | \$ -                     | \$ 2                         | \$ 4,431            |
| Transfers                                     | -                                                         | -                       | -                        | 191,663                      | -                        | 1,001,525                    | 1,193,188           |
| Bond Proceeds                                 | -                                                         | -                       | -                        | -                            | 7,020,000                | -                            | 7,020,000           |
| Original Issue Premium                        | -                                                         | -                       | -                        | -                            | 126,899                  | -                            | 126,899             |
| Transfer from Municipal Authority             | 685,563                                                   | -                       | -                        | 383,321                      | -                        | -                            | 1,068,884           |
| <b>TOTAL RECEIPTS</b>                         | <b>\$ 689,985</b>                                         | <b>\$ 7</b>             | <b>\$ -</b>              | <b>\$ 574,984</b>            | <b>\$ 7,146,899</b>      | <b>\$ 1,001,527</b>          | <b>\$ 9,413,402</b> |
| <b>DISBURSEMENTS:</b>                         |                                                           |                         |                          |                              |                          |                              |                     |
| Transfers                                     | \$ 695,423                                                | \$ -                    | \$ -                     | \$ -                         | \$ 497,765               | \$ -                         | \$ 1,193,188        |
| Bond Issue Costs                              | -                                                         | -                       | -                        | -                            | 223,554                  | -                            | 223,554             |
| Deferred Interest on Advance Refunding        | -                                                         | -                       | -                        | -                            | 156,361                  | -                            | 156,361             |
| Pennvest Principal                            | -                                                         | -                       | -                        | -                            | 1,108,280                | -                            | 1,108,280           |
| Bond Principal                                | 565,000                                                   | -                       | -                        | 210,850                      | 5,110,580                | -                            | 5,886,430           |
| Bond Interest Expense                         | 69,908                                                    | -                       | -                        | 172,469                      | 50,359                   | -                            | 292,736             |
| <b>TOTAL DISBURSEMENTS</b>                    | <b>\$ 1,330,331</b>                                       | <b>\$ -</b>             | <b>\$ -</b>              | <b>\$ 383,319</b>            | <b>\$ 7,146,899</b>      | <b>\$ -</b>                  | <b>\$ 8,860,549</b> |
| EXCESS RECEIPTS OVER<br>(UNDER) DISBURSEMENTS | \$ (640,346)                                              | \$ 7                    | \$ -                     | \$ 191,665                   | \$ -                     | \$ 1,001,527                 | \$ 552,853          |
| CASH BALANCE - January 1, 2017                | 691,945                                                   | 1,288                   | 3,960                    | -                            | -                        | -                            | 697,193             |
| <b>CASH BALANCE - December 31, 2017</b>       | <b>\$ 51,599</b>                                          | <b>\$ 1,295</b>         | <b>\$ 3,960</b>          | <b>\$ 191,665</b>            | <b>\$ -</b>              | <b>\$ 1,001,527</b>          | <b>\$ 1,250,046</b> |