

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

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

**MUNICIPAL WATER AUTHORITY OF  
ALIQUIPPA**

ALIQUIPPA, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

WITH REPORT BY  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**

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

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# **Mark C. Turnley**

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

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

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

I have audited the accompanying basic financial statements of the Municipal Water Authority of Aliquippa as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for 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.

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#### **Opinion**

*American Institute of Certified Public Accountants  
Pennsylvania Institute of Certified Public Accountants*

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, 2018 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**

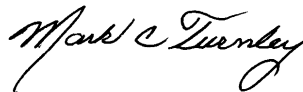
##### ***Required Supplementary Information***

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

July 22, 2019  
New Brighton, Pennsylvania

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2018**

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, 2018. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the 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 2018 are as follows:

- Net position increased by \$891,442 in 2018.
- Total operating revenues were \$6,215,381 in 2018, an increase of \$215,721 from 2017. Total operating expenses increased by \$384,392 in 2018 to \$4,954,182. Accordingly, the authority experienced a net operating gain of \$1,261,199 for 2018, which was a decrease of \$170,671.
- Water rates remained at a quarterly minimum of \$75.00 from 2017 to 2018. Quarterly sewer minimum rates increased from \$39.08 in 2017 to \$47.00 in 2018.
- 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 plans. As of December 31, 2018, the net pension asset was \$1,299,180.

## **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, 2018**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

A breakdown of the assets, liabilities and net position of the Authority for the years 2018 and 2017 is as follows:

|                                                                  | <u>2018</u>                 | <u>2017</u>                 | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|------------------------------------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Current Assets                                                   | \$ 5,170,603                | \$ 3,625,533                | \$ 1,545,070                         |
| Non-Current Assets                                               | 68,157                      | -                           | 68,157                               |
| Capital Assets                                                   | 11,520,734                  | 11,021,105                  | 499,629                              |
| Restricted Assets                                                | 9,854,842                   | 1,250,046                   | 8,604,796                            |
| Deferred Outflows of Resources                                   | 233,149                     | 132,466                     | 100,683                              |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS<br/>OF RESOURCES</b>     | <b><u>\$ 26,847,485</u></b> | <b><u>\$ 16,029,150</u></b> | <b><u>\$ 10,818,335</u></b>          |
| Current Liabilities                                              | \$ 1,533,584                | \$ 753,719                  | \$ 779,865                           |
| Long-term Liabilities                                            | 14,610,201                  | 5,425,789                   | 9,184,412                            |
| Deferred Inflows of Resources                                    | 136,001                     | 173,387                     | (37,386)                             |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS<br/>OF RESOURCES</b> | <b><u>\$ 16,279,786</u></b> | <b><u>\$ 6,352,895</u></b>  | <b><u>\$ 9,926,891</u></b>           |
| Investment in Capital Assets                                     | \$ (5,150,310)              | \$ 4,030,140                | \$ (9,180,450)                       |
| Restricted for Debt Service                                      | 9,854,842                   | 1,250,046                   | 8,604,796                            |
| Unrestricted                                                     | 5,863,167                   | 4,396,069                   | 1,467,098                            |
| <b>TOTAL NET POSITION</b>                                        | <b><u>\$ 10,567,699</u></b> | <b><u>\$ 9,676,255</u></b>  | <b><u>\$ 891,444</u></b>             |

The increase in current assets was primarily related to revenues exceeding expenses by \$941,442. Non-current assets increased due to the original issue discount related to Water and Sewer Revenue Bonds, Series of 2018. The increase in capital assets was due mainly to capital purchases exceeding depreciation during 2018. There was \$1,345,482 in capital additions during the year. Restricted assets increased due to the proceeds from Water and Sewer Revenue Bonds, Series of 2018 totaling \$10,000,000. Current and long-term liabilities also increased due to the proceeds from the bonds. Investment in Capital Assets (buildings, land, equipment and infrastructure) net of accumulated depreciation and related debt decreased by \$9,180,450, due to an increase in bonds payable.

A comparison of the Authority's revenues, expenses and changes in net position for the years 2018 and 2017 is as follows:

|                                 | <u>2018</u>                | <u>2017</u>                | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|---------------------------------|----------------------------|----------------------------|--------------------------------------|
| Operating Revenues              | \$ 6,215,381               | \$ 5,999,660               | \$ 215,721                           |
| Operating Expenses              | 4,954,182                  | 4,567,790                  | 386,392                              |
| <b>NET OPERATING INCOME</b>     | <b><u>\$ 1,261,199</u></b> | <b><u>\$ 1,431,870</u></b> | <b><u>\$ (170,671)</u></b>           |
| NonOperating Revenues           | \$ 107,410                 | \$ 87,630                  | \$ 19,780                            |
| NonOperating Expenses           | 477,165                    | 608,502                    | (131,337)                            |
| <b>NET NONOPERATING REVENUE</b> | <b><u>\$ (369,757)</u></b> | <b><u>\$ (520,874)</u></b> | <b><u>\$ 151,117</u></b>             |
| <b>CHANGE IN NET ASSETS</b>     | <b><u>\$ 891,442</u></b>   | <b><u>\$ 910,996</u></b>   | <b><u>\$ (19,554)</u></b>            |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2018**

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

Actual water and sewer usage charges, a major component of operating revenues, increased in 2018 by \$221,611 (3.8%), due to an increase in sewer rates from \$39.08 in 2017 to \$47.00 partway through 2018. 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 decreased by \$5,890 from 2017 to 2018. Operating expenses increased by \$386,392 (8.5%) primarily due to increases in salaries and benefits.

Non-Operating revenues decreased slightly by \$19,780. The decrease in non-operating expenses is mainly attributable to interest payments made on a Pennvest loan and other long-term debt prior to the issuance of Water and Sewer Revenue Bonds, Series of 2017.

A comparison of the operating expenses of the Authority for 2018 and 2017 is as follows:

|                                 | <b>2018</b>                | <b>2017</b>                | <b>INCREASE<br/>&lt;DECREASE&gt;</b> |
|---------------------------------|----------------------------|----------------------------|--------------------------------------|
| Source of Supply                | \$ 210,302                 | \$ 91,351                  | \$ 118,951                           |
| Power and Pumping               | 529,490                    | 533,713                    | (4,223)                              |
| Purification and Laboratory     | 552,106                    | 508,071                    | 44,035                               |
| Sewage Treatment                | 408,425                    | 450,961                    | (42,536)                             |
| Transmission and Distribution   | 829,454                    | 808,939                    | 20,515                               |
| General and Administrative      | 1,578,552                  | 1,365,576                  | 212,976                              |
| Depreciation                    | 845,854                    | 809,179                    | 36,675                               |
| <b>TOTAL OPERATING EXPENSES</b> | <b><u>\$ 4,954,182</u></b> | <b><u>\$ 4,567,790</u></b> | <b><u>\$ 386,392</u></b>             |

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At December 31, 2018, the Authority had \$11,520,734 invested in capital assets, including land, treatment plant, furniture and equipment and vehicles net of depreciation. This amount represents a net increase (including additions, deletions, adjustments and depreciation) of \$499,629, or approximately 4.53% from last year. The Authority had \$1,345,482 in capital additions during the 2018 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:



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2018**

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

**CAPITAL ASSETS (Continued)**

|                                      | <u>2018</u>                 | <u>2017</u>                 | <u>INCREASE<br/>&lt;DECREASE&gt;</u> |
|--------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Wastewater Treatment Plant           | \$ 26,338,673               | \$ 26,317,774               | \$ 20,899                            |
| Water Plant                          | 27,825,772                  | 27,671,892                  | 153,880                              |
| Metering Project                     | 3,703,655                   | 3,703,655                   | -                                    |
| Administration Furniture & Equipment | 2,438,457                   | 2,438,457                   | -                                    |
| Work in Progress                     | 1,376,273                   | 205,570                     | 1,170,703                            |
|                                      | <u>\$ 61,682,830</u>        | <u>\$ 60,337,348</u>        | <u>\$ 1,345,482</u>                  |
| Accumulated Depreciation             | (50,162,096)                | (49,316,243)                | (845,853)                            |
|                                      | <u><b>\$ 11,520,734</b></u> | <u><b>\$ 11,021,105</b></u> | <u><b>\$ 499,629</b></u>             |

**DEBT ADMINISTRATION**

As of December 31, 2018, the Authority had total indebtedness outstanding of \$16,835,000. The Authority's debt obligation is comprised of two Water and Sewer Revenue Bond issues (Series of 2017 and Series of 2018) 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.

On September 25, 2018, the Authority issued Water and Sewer Revenue Bonds - Series of 2018 in the amount of \$10,000,000. Proceeds from the issue will be used to provide funds for various capital projects of the Authority 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 3.0% and 3.75% with the bonds maturing on November 15, 2039. 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, the Fourth Supplemental Trust Indenture dated April 18, 2013, and the Fifth Supplemental Trust Indenture dated November 15, 2017. 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 obligations of approximately \$1,460,138 during the 2019 calendar year.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA  
BEAVER COUNTY, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
December 31, 2018**

**ECONOMIC FACTORS**

Economic conditions in the Beaver County area have improved some during 2018, primarily due to ongoing construction activities associated with the Shell Cracker Plant in Potter Township

**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 OUFLOWS OF RESOURCES:</b>                          | <b><u>2018</u></b>          |
|---------------------------------------------------------------------------|-----------------------------|
| <b><u>CURRENT ASSETS</u></b>                                              |                             |
| Cash and Cash Equivalents                                                 | \$ 2,915,893                |
| Investments - CD                                                          | 500,000                     |
| Receivables (net of doubtful accounts)                                    | 1,009,910                   |
| Accrued Utility Revenues                                                  | 552,798                     |
| Inventory - Plant Materials                                               | 150,000                     |
| Prepaid Expenses                                                          | 42,002                      |
| <b>TOTAL CURRENT ASSETS</b>                                               | <b><u>\$ 5,170,603</u></b>  |
| <b><u>NON-CURRENT ASSETS</u></b>                                          |                             |
| Unamortized Bond Discount - Series of 2018                                | \$ 68,157                   |
| <b>TOTAL NON-CURRENT ASSETS</b>                                           | <b><u>\$ 68,157</u></b>     |
| <b><u>RESTRICTED ASSETS</u></b>                                           |                             |
| Investments                                                               | \$ 9,854,842                |
| <b>TOTAL RESTRICTED ASSETS</b>                                            | <b><u>\$ 9,854,842</u></b>  |
| <b><u>PROPERTY AND EQUIPMENT</u></b>                                      |                             |
| Investment in Facilities                                                  | \$ 60,306,557               |
| Work in Progress                                                          | 1,376,273                   |
| Less: Accumulated Depreciation                                            | (50,162,096)                |
| <b>TOTAL NET PROPERTY, PLANT AND EQUIPMENT</b>                            | <b><u>\$ 11,520,734</u></b> |
| <b><u>DEFERRED OUFLOWS OF RESOURCES</u></b>                               |                             |
| Deferred Outflows Related to Pension                                      | \$ 233,149                  |
| <b>TOTAL DEFERRED OUFLOWS OF RESOURCES</b>                                | <b><u>\$ 233,149</u></b>    |
| <b>TOTAL ASSETS &amp; DEFERRED OUFLOWS OF RESOURCES</b>                   | <b><u>\$ 26,847,485</u></b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:</b>      |                             |
| <b><u>CURRENT LIABILITIES</u></b>                                         |                             |
| Accounts Payable                                                          | \$ 399,939                  |
| Payroll Withholding                                                       | 5,095                       |
| Customer Deposits                                                         | 154,228                     |
| Accrued Interest Payable - Bonds                                          | 74,322                      |
| Current Portion - Long Term Debt                                          | 900,000                     |
| <b>TOTAL CURRENT LIABILITIES</b>                                          | <b><u>\$ 1,533,584</u></b>  |
| <b><u>LONG-TERM LIABILITIES</u></b>                                       |                             |
| Revenue Bonds Payable - Series of 2017                                    | \$ 6,835,000                |
| Revenue Bonds Payable - Series of 2018                                    | 10,000,000                  |
| Unamortized Bond Premium - Series of 2017                                 | 110,347                     |
| Net Pension Liability (Asset)                                             | (1,299,180)                 |
|                                                                           | <u>\$ 15,646,167</u>        |
| Less: Current Portion Long Term Debt                                      | (900,000)                   |
|                                                                           | <u>\$ 14,746,167</u>        |
| Less: Unamortized Loss on Early Retirement of Debt                        | (135,966)                   |
| <b>TOTAL LONG TERM DEBT AND OTHER LIABILITIES</b>                         | <b><u>\$ 14,610,201</u></b> |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                               |                             |
| Deferred Inflows Related to Pension                                       | \$ 136,001                  |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b><u>\$ 136,001</u></b>    |
| <b>NET POSITION:</b>                                                      |                             |
| Net Investment in Capital Assets                                          | \$ (5,150,310)              |
| Restricted                                                                | 9,854,842                   |
| Unrestricted                                                              | 5,863,167                   |
| <b>TOTAL NET POSITION</b>                                                 | <b><u>\$ 10,567,699</u></b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b><u>\$ 26,847,485</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, 2018**

|                                                  | <u>WATER</u>               | <u>SEWER</u>               | <u>TOTAL</u>                |
|--------------------------------------------------|----------------------------|----------------------------|-----------------------------|
| <b><u>OPERATING REVENUES:</u></b>                |                            |                            |                             |
| Domestic consumer                                | \$ 3,209,332               | \$ 1,122,071               | \$ 4,331,404                |
| Commercial consumer                              | 413,493                    | 122,772                    | 536,264                     |
| Industrial consumer                              | 571,438                    | 19,538                     | 590,976                     |
| Sales to public                                  | -                          | 61,265                     | 61,265                      |
| Fire protection                                  | 76,349                     | -                          | 76,349                      |
| Sales to public authorities and other utilities  | 73,342                     | 390,751                    | 464,093                     |
| Customer penalties                               | 95,985                     | 43,744                     | 139,730                     |
| Turn on charges and nsf checks                   | 6,231                      | -                          | 6,231                       |
| Tap Fees                                         | 7,000                      | 2,069                      | 9,069                       |
| <b>TOTAL OPERATING REVENUES</b>                  | <b><u>\$ 4,453,170</u></b> | <b><u>\$ 1,762,211</u></b> | <b><u>\$ 6,215,381</u></b>  |
| <b><u>OPERATING EXPENSES:</u></b>                |                            |                            |                             |
| Source of supply                                 | \$ -                       | \$ 210,302                 | \$ 210,302                  |
| Power and pumping                                | 434,403                    | 95,087                     | 529,490                     |
| Purification and laboratory                      | 552,106                    | -                          | 552,106                     |
| Sewage treatment                                 | -                          | 408,425                    | 408,425                     |
| Transmission and distribution                    | 829,454                    | -                          | 829,454                     |
| General and administrative                       | 1,002,484                  | 576,068                    | 1,578,552                   |
| Depreciation                                     | 657,491                    | 188,363                    | 845,854                     |
| <b>TOTAL OPERATING EXPENSES</b>                  | <b><u>\$ 3,475,937</u></b> | <b><u>\$ 1,478,245</u></b> | <b><u>\$ 4,954,182</u></b>  |
| <b>NET OPERATING INCOME</b>                      | <b><u>\$ 977,233</u></b>   | <b><u>\$ 283,966</u></b>   | <b><u>\$ 1,261,199</u></b>  |
| <b><u>NON-OPERATING REVENUE AND EXPENSE</u></b>  |                            |                            |                             |
| Non-operating revenue                            | \$ 95,750                  | \$ 11,660                  | \$ 107,410                  |
| Non-operating expenses                           | (238,582)                  | (238,583)                  | (477,165)                   |
| <b>TOTAL NON-OPERATING REVENUE AND (EXPENSE)</b> | <b><u>\$ (142,834)</u></b> | <b><u>\$ (226,923)</u></b> | <b><u>\$ (369,756)</u></b>  |
| <b>NET INCOME &lt;LOSS&gt;</b>                   | <b><u>\$ 834,399</u></b>   | <b><u>\$ 57,043</u></b>    | <b><u>\$ 891,442</u></b>    |
| NET POSITION - January 1, 2018                   | <u>634,560</u>             | <u>9,041,697</u>           | <u>9,676,257</u>            |
| <b>NET POSITION - December 31, 2018</b>          | <b><u>\$ 1,468,959</u></b> | <b><u>\$ 9,098,740</u></b> | <b><u>\$ 10,567,699</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, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Cash received from water and sewer charges                    | \$ 5,969,745               |
| Cash received from other operating revenue                    | 155,030                    |
| Cash payments to employees for services                       | (1,391,647)                |
| Cash payments to suppliers for goods and services             | (2,780,282)                |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u>\$ 1,952,846</u></b> |

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

|                                                                                   |                            |
|-----------------------------------------------------------------------------------|----------------------------|
| Principal payments on debt                                                        | \$ (185,000)               |
| Bond proceeds - Series of 2018                                                    | 10,000,000                 |
| Interest expense                                                                  | (223,841)                  |
| Bond issue costs                                                                  | (253,324)                  |
| Capital purchases                                                                 | (1,345,482)                |
| <b>NET CASH PROVIDED &lt;USED&gt; BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ 7,992,353</u></b> |

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

|                                                                                      |                         |
|--------------------------------------------------------------------------------------|-------------------------|
| Merchandising and other revenue                                                      | \$ 95,998               |
| Other adjustments                                                                    | (10,803)                |
| <b>NET CASH PROVIDED &lt;USED&gt; BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b><u>\$ 85,195</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                                               |                              |
|---------------------------------------------------------------|------------------------------|
| Deposits to Investments                                       | \$ (9,104,797)               |
| Earnings on investments                                       | 11,412                       |
| <b>NET CASH PROVIDED &lt;USED&gt; BY INVESTING ACTIVITIES</b> | <b><u>\$ (9,093,385)</u></b> |

NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS \$ 937,009

**CASH AND CASH EQUIVALENTS - JANUARY 1, 2018** 1,978,884

**CASH AND CASH EQUIVALENTS - DECEMBER 31, 2018** **\$ 2,915,893**

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

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Net Operating Income                                          | \$ 1,261,199               |
| Depreciation                                                  | 845,854                    |
| <b>Changes in assets and liabilities:</b>                     |                            |
| (Increase) Decrease in water/sewer receivables                | (93,646)                   |
| (Increase) Decrease in accrued utility revenues               | (11,628)                   |
| (Increase) Decrease in prepaids                               | (2,786)                    |
| Increase (Decrease) in accounts payable                       | (3,465)                    |
| Increase (Decrease) pension related assets/liabilities        | (57,073)                   |
| Increase (Decrease) in payroll liabilities                    | (278)                      |
| Increase (Decrease) in customer deposits                      | 14,669                     |
| <b>NET CASH PROVIDED &lt;USED&gt; BY OPERATING ACTIVITIES</b> | <b><u>\$ 1,952,846</u></b> |

The accompanying notes are an integral part of these financial statements

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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 Indentures securing the Series of 2017 and Series of 2018 Water and Sewer Revenue Bond issues.

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, 2018. 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, 2018**

**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 and 2018 Water and Sewer Revenue Bonds and the aforementioned Municipality Authorities Act. Under the terms of the Trust Indentures securing the Series of 2017 and 2018 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, 2018. 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, 2018.

**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, 2018**

**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 2018 calendar year, the Authority paid \$253,324 in bond issuance costs related to Water and Sewer Revenue Bonds, Series of 2018.

**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 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 2018 was \$845,854.

**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, 2018**

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

**ADOPTION OF GASB PRONOUNCEMENTS**

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 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 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 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.

**PENDING GASB PRONOUNCEMENTS**

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

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

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

In March 9 of 2018, the GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*”. The primary objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. 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, 2018**

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

**PENDING GASB PRONOUNCEMENTS (Continued)**

In June of 2018, the GASB issued Statement No. 89, 'Accounting for Interest Cost Incurred before the end of a Construction Period'. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the Authority's December 31, 2010 financial statements.

In August of 2018, the GASB issued Statement No. 90, 'Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)'. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the Authority's December 31, 2019 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, 2018, 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     | \$ 3,037,836            | \$ 2,914,180              |
| CD Classified as Investment | 500,000                 | 500,000                   |
|                             | <b>\$ 3,537,836</b>     | <b>\$ 3,414,180</b>       |

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

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2018, \$3,283,990 of the Authority's bank balance total of \$3,537,836 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.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**INVESTMENTS**

The following represents the fair value of the Authority's investments at December 31, 2018:

|                                | <b><u>MARKET<br/>VALUE</u></b> | <b><u>MATURITY</u></b> |
|--------------------------------|--------------------------------|------------------------|
| 2017 Construction Fund         | \$ 176,289                     | N/A                    |
| 2017 Debt Service Fund         | 19                             | N/A                    |
| 2017 Debt Service Reserve Fund | 16                             | N/A                    |
| 2018 Construction Fund         | 9,678,518                      | N/A                    |
|                                | <b><u>\$ 9,854,842</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.

**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:

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**INVESTMENTS (Continued)**

**Fair Value Measurements: (Continued)**

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:

|                           | <b>Value</b>        | <b>Fair Value Measurements</b> |                |                |
|---------------------------|---------------------|--------------------------------|----------------|----------------|
|                           | <b>at 12/31/18</b>  | <b>Level 1</b>                 | <b>Level 2</b> | <b>Level 3</b> |
| Money Market Mutual Funds | <u>\$ 9,854,842</u> | <u>\$ 9,854,842</u>            | <u>\$ -</u>    | <u>\$ -</u>    |

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

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

|                                      | <b>12/31/2017</b>    | <b>Additions</b>         | <b>12/31/2018</b>    |
|--------------------------------------|----------------------|--------------------------|----------------------|
|                                      |                      | <b>&lt;Deletions&gt;</b> |                      |
| Water Treatment Plant & Equipment    | \$ 26,317,774        | \$ 20,899                | \$ 26,338,673        |
| Sewage Treatment Plant & Equipment   | 27,671,892           | 153,880                  | 27,825,772           |
| Metering Project                     | 3,703,655            | -                        | 3,703,655            |
| Administration Furniture & Equipment | 2,438,457            | -                        | 2,438,457            |
| Work in Progress                     | 205,570              | 1,170,703                | 1,376,273            |
| Less:                                | \$ 60,337,348        | \$ 1,345,482             | \$ 61,682,830        |
| Accumulated Depreciation             | (49,316,243)         | (845,854)                | (50,162,097)         |
|                                      | <u>\$ 11,021,105</u> | <u>\$ 499,628</u>        | <u>\$ 11,520,734</u> |

**NOTE 4 - RECEIVABLES**

Receivables represent money due the Authority at December 31, 2018 as follows:

|                                      |                            |
|--------------------------------------|----------------------------|
| Water and Sewer Billings             | \$ 1,020,997               |
| Less Allowance for Doubtful Accounts | (11,087)                   |
| <b>Net Receivables</b>               | <u><b>\$ 1,009,910</b></u> |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**SERIES OF 2017**

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 latest Supplemental Trust Indenture (Fifth) dated October 12, 2017. The bonds are limited obligations of the Authority payable solely from the receipts and revenues of the Authority pledged under the Indenture.

**SERIES OF 2018**

On September 25, 2018, the Authority issued Water and Sewer Revenue Bonds - Series of 2018 in the amount of \$10,000,000. Proceeds from the issue will be used to provide funds for various capital projects of the Authority 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 3.0% and 3.75% with the bonds maturing on November 15, 2039. 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 latest Supplemental Trust Indenture (Sixth) dated September 25, 2018. 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, 2018:

| <b><u>YEAR END</u></b><br><b><u>DECEMBER 31,</u></b> | <b><u>2017</u></b><br><b><u>BOND</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>2018</u></b><br><b><u>BOND</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>TOTAL</u></b><br><b><u>BOND</u></b><br><b><u>INTEREST</u></b> | <b><u>TOTAL</u></b>         |
|------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------|
| 2019                                                 | \$ 900,000                                                          | \$ -                                                                | \$ 560,138                                                          | \$ 1,460,138                |
| 2020                                                 | 910,000                                                             | -                                                                   | 514,450                                                             | 1,424,450                   |
| 2021                                                 | 935,000                                                             | -                                                                   | 490,900                                                             | 1,425,900                   |
| 2022                                                 | 960,000                                                             | -                                                                   | 458,900                                                             | 1,418,900                   |
| 2023                                                 | 880,000                                                             | -                                                                   | 429,500                                                             | 1,309,500                   |
| 2024-2028                                            | 2,250,000                                                           | 1,380,000                                                           | 1,888,325                                                           | 5,518,325                   |
| 2029-2033                                            | -                                                                   | 3,485,000                                                           | 1,370,138                                                           | 4,855,138                   |
| 2034-2038                                            | -                                                                   | 4,200,000                                                           | 652,973                                                             | 4,852,973                   |
| 2039                                                 | -                                                                   | 935,000                                                             | 35,063                                                              | 970,063                     |
|                                                      | <b><u>\$ 6,835,000</u></b>                                          | <b><u>\$ 10,000,000</u></b>                                         | <b><u>\$ 6,400,387</u></b>                                          | <b><u>\$ 23,235,387</u></b> |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 – CHANGE IN LONG-TERM DEBT**

The following represents the changes in the Authority's long-term debt obligations during 2018:

|       | <u>Balance 1/1/18</u> | <u>Additions</u>     | <u>Deletions</u>  | <u>Balance 12/31/18</u> | <u>Due Within One Year</u> |
|-------|-----------------------|----------------------|-------------------|-------------------------|----------------------------|
| Bonds | \$ 7,020,000          | \$ 10,000,000        | \$ 185,000        | \$ 16,835,000           | \$ 900,000                 |
|       | <u>\$ 7,020,000</u>   | <u>\$ 10,000,000</u> | <u>\$ 185,000</u> | <u>\$ 16,835,000</u>    | <u>\$ 900,000</u>          |

**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 – DEFINED BENEFIT PLANS**

**PLAN DESCRIPTIONS**

The Authority maintains two defined benefit pension plans covering 1) the officers and managers of the Authority (established on August 1, 1978) and, 2) the remaining eligible staff employees of the Authority (established on December 1, 1975). Officers and managers become plan participants once they have completed one year of continuous service with the Authority. Staff employees must have completed 1000 hours of continuous service with the Authority to become plan participants. The staff employees plan was frozen as of July 1, 2003 and as of that date the Authority entered into a trust agreement with the Steelworkers Pension Trust to contribute a fixed dollar amount for each covered staff employee (see Note 9). The defined benefit plans are governed by the Authority Board of Directors, which has delegated authority to manage certain Plan assets to Principal Financial Group. Plan provisions and contribution requirements are established and may be amended by the Authority. The activity of the Plans is reported in separate plan financial statements.

At August 31, 2018 and December 31, 2018 respectively, Plan membership consisted of the following:

|                                                                       | <u>OFFICERS &amp; MANAGERS</u> | <u>STAFF</u> |
|-----------------------------------------------------------------------|--------------------------------|--------------|
| Active plan members                                                   | 2                              | 11           |
| Inactive plan members and beneficiaries currently receiving benefits  | 0                              | 0            |
| Inactive plan members entitled to benefits but not yet receiving them | 1                              | 5            |
| Total                                                                 | <u>3</u>                       | <u>16</u>    |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 - PENSION PLANS – DEFINED BENEFIT PLANS (Continued)**

**BENEFITS PROVIDED**

**Officers and Managers**

*Retirement Benefit* – A participant becomes 100 percent vested after five years of continuous service. Eligibility for the normal retirement benefit is the age of 65, although early and late retirement options are also available. The normal pension benefit for employees is 60% of average compensation times accrued benefit adjustment, reduced by his paid-up annuity, if any, under Contract GA 503. An active participant's monthly accrued benefit shall not be less than \$30 of his paid-up annuity under GA 503.

*Pre-Retirement Death Benefit* – An active participant is eligible for a pre-retirement death benefit in the amount of the present value of a deferred monthly retirement benefit beginning at Normal Retirement Date and payable on the normal form. The deferred monthly retirement benefit shall be equal to the participant's Accrued Benefit on the date of death and paid to the participant's beneficiary in a lump sum.

**Staff Employees**

*Retirement Benefit* – Participants became 40% vested after four years of service, increasing by 5% the next two years and increasing by 10% per year for the next five years. Monthly retirement benefits are equal to \$30 multiplied by years of services as of July 1, 2003, payable for life.

**CONTRIBUTIONS**

**Officers and Managers**

The officers and managers defined benefit pension plan is funded by contributions based upon the calculation of the Minimum Municipal Obligation (MMO). During 2018, the employer contribution to the plan was \$24,347. There are no employee contributions required under the plan provisions.

**Staff Employees**

The staff employees plan was frozen as of July 1, 2003 so no contributions have been since that time.

**NET PENSION LIABILITY**

The Authority's net pension liability for the officers and managers plan was measured as of July 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 31, 2018. The net pension liability for the staff plan was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of 2

The components of the net pension liability as reported at December 31, 2018 is as follows:

|                                                                           | <b><u>Officers &amp;<br/>Managers</u></b> | <b><u>Staff</u></b>   |
|---------------------------------------------------------------------------|-------------------------------------------|-----------------------|
| Total pension liability                                                   | \$ 341,428                                | \$ 555,574            |
| Plan fiduciary net position                                               | 510,220                                   | 1,685,962             |
| Net pension liability (asset)                                             | <u>\$ (168,792)</u>                       | <u>\$ (1,130,388)</u> |
| Plan fiduciary net position as a percentage<br>of total pension liability | 149.44%                                   | 303.46%               |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 - PENSION PLANS – DEFINED BENEFIT PLANS (Continued)**

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

The changes in the net pension liability (asset) of the Authority's Officers and Managers Plan for the year ended December 31, 2018 was as follows:

|                                                   | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability (Asset)<br/>( c )</b> |
|---------------------------------------------------|----------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| <b>Balance, beginning of year</b>                 | <u>\$ 288,450</u>                            | <u>\$ 484,494</u>                                | <u>\$ (196,044)</u>                                |
| Changes for the year:                             |                                              |                                                  |                                                    |
| Service cost                                      | 29,970                                       | -                                                | 29,970                                             |
| Interest                                          | 13,533                                       | -                                                | 13,533                                             |
| Difference between expected<br>and actual results | (2,637)                                      | -                                                | (2,637)                                            |
| Assumption (gain)/loss                            | 12,112                                       | -                                                | 12,112                                             |
| Contributions-employer                            | -                                            | 40,515                                           | (40,515)                                           |
| Net investment income                             | -                                            | (3,003)                                          | 3,003                                              |
| Benefit payments                                  | -                                            | -                                                | -                                                  |
| Administrative costs                              | -                                            | (11,786)                                         | 11,786                                             |
| Net changes                                       | <u>52,978</u>                                | <u>25,726</u>                                    | <u>27,252</u>                                      |
| <b>Balance, End of Year</b>                       | <u><u>\$ 341,428</u></u>                     | <u><u>\$ 510,220</u></u>                         | <u><u>\$ (168,792)</u></u>                         |



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 - PENSION PLANS – DEFINED BENEFIT PLANS (Continued)**

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

|                                                   | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability (Asset)<br/>( c )</b> |
|---------------------------------------------------|----------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| <b>Balance, beginning of year</b>                 | <u>\$ 531,650</u>                            | <u>\$ 1,715,782</u>                              | <u>\$ (1,184,132)</u>                              |
| Changes for the year:                             |                                              |                                                  |                                                    |
| Service cost                                      | -                                            | -                                                | -                                                  |
| Interest                                          | 23,924                                       | -                                                | 23,924                                             |
| Difference between expected<br>and actual results | -                                            | -                                                | -                                                  |
| Assumption (gain)/loss                            | -                                            | -                                                | -                                                  |
| Contributions-employer                            | -                                            | -                                                | -                                                  |
| Net investment income                             | -                                            | (27,966)                                         | 27,966                                             |
| Benefit payments                                  | -                                            | -                                                | -                                                  |
| Administrative costs                              | -                                            | (1,854)                                          | 1,854                                              |
| Net changes                                       | <u>23,924</u>                                | <u>(29,820)</u>                                  | <u>53,744</u>                                      |
| <b>Balance, End of Year</b>                       | <u>\$ 555,574</u>                            | <u>\$ 1,685,962</u>                              | <u>\$ (1,130,388)</u>                              |

*Actuarial Assumptions* – The total pension liability was determined by actuarial valuations performed on July 31, 2018 (officers and managers plan) and December 1, 2017 (staff plan), and rolled forward to December 31, 2018 and November 30, 2018 respectively, using the following actuarial assumptions, applied to all periods in the measurement.

|                           | <b>Officers and<br/>Managers</b> | <b>Staff</b> |
|---------------------------|----------------------------------|--------------|
| Actuarial assumptions:    |                                  |              |
| Investment rate of return | 4.25%                            | 4.5%         |
| Project salary increases  | 3%                               | N/A          |
| Underlying inflation rate | 2%                               | 2.75         |

O & M - 2018 IRS Prescribed Mortality-Optional Combined Table for Small Plans  
Staff - RP-2014 Combined Healthy Mortality Table

**INVESTMENT POLICY**

The Plan's policies in regard to the allocation of invested assets is established and may be amended by the Authority Board of Directors by a majority vote of its members. It is the policy of the Authority Board of Directors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio. The policy defines target allocations for the plan assets as reflected under the Long-Term Expected Rate of Return on Investments.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 - PENSION PLANS – DEFINED BENEFIT PLANS (Continued)**

**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. The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2018:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Expected Arithmetic Return</u> | <u>Expected Geometric Return</u> |
|-----------------------|--------------------------|-----------------------------------|----------------------------------|
| US Equity - large cap | 27.7%                    | 7.85%                             | 6.50%                            |
| Domestic Equity       | 72.3%                    | 3.75%                             | 3.60%                            |

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

**CONCENTRATIONS**

As of the measurement dates of the plans, the following are investments (then than U.S. Government and U.S. Government guaranteed obligations), in any one organization that represents 5 percent or more of the pension plan’s fiduciary net position.

|                                  | <u>Officers &amp; Managers</u> | <u>Staff</u> |
|----------------------------------|--------------------------------|--------------|
| Principal Financial Group assets | \$ 510,220                     | \$ 1,130,388 |

**DISCOUNT RATE**

The discount rate used to measure the total pension liability is 4.22% for the Officers and Managers Plan and 4.50% for the Staff Plan. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 - PENSION PLANS – DEFINED BENEFIT PLANS (Continued)**

**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 officer's and manager's and staff employees' pension plans, calculated using the discount rate of 4.22% for the officer's and 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:

|                              | 1% Decrease<br>(3.22%) | Current<br>Discount Rate<br>(4.22%) | 1% Increase<br>(5.22%) |
|------------------------------|------------------------|-------------------------------------|------------------------|
| Officer's and Manager's Plan | \$ (104,247)           | \$ (168,792)                        | \$ (221,452)           |

|                      | 1% Decrease<br>(3.50%) | Current<br>Discount Rate<br>(4.50%) | 1% Increase<br>(5.50%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Staff Employees Plan | \$ (1,048,687)         | \$ (1,130,388)                      | \$ (1,197,343)         |

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

For the year ended December 31, 2018, the Authority recognized pension expense of a negative \$33,636. At December 31, 2018, 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                               | \$ 42,570                            | \$ 65,643                           | \$ -                                 | \$ 24,010                           |
| Changes of assumptions                                                           | 38,385                               | -                                   | 31,171                               | -                                   |
| Net difference between projected and actual earnings on pension plan investments | 31,679                               | 21,044                              | 89,344                               | 25,304                              |
| TOTAL                                                                            | \$ 112,634                           | \$ 86,687                           | \$ 120,515                           | \$ 49,314                           |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

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

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

| <u>Year ended</u><br><u>December 31,</u> | <u>MANAGER'S</u><br><u>PLAN</u> | <u>Year ended</u><br><u>December 31,</u> | <u>STAFF</u><br><u>EMPLOYEES</u><br><u>PENSION</u><br><u>PLAN</u> |
|------------------------------------------|---------------------------------|------------------------------------------|-------------------------------------------------------------------|
| 2019                                     | \$ (17,781)                     | 2019                                     | \$ 19,116                                                         |
| 2020                                     | (15,880)                        | 200                                      | 13,881                                                            |
| 2021                                     | 9,684                           | 201                                      | 17,177                                                            |
| 2022                                     | 16,062                          | 2022                                     | 21,027                                                            |
| 2023                                     | 11,105                          | 2023                                     | -                                                                 |
| Thereafter                               | 22,757                          | Thereafter                               | -                                                                 |
|                                          | -                               |                                          |                                                                   |

**NOTE 9 – PENSION PLAN – CONTRIBUTION PLAN**

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, 2018 can be obtained by contacting the Steelworkers Pension Trust, Seven Neshaminy Interplex, Suite, 301, Trevoze, PA 19053. During 2018, the Authority recognized pension expense of approximately \$131,000.

**NOTE 10 - DEFERRED COMPENSATION PLAN**

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

**NOTE 11 - 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.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES**

**LEGAL MATTERS**

The Municipal Water Authority of Aliquippa, in the normal course of operations, is party to various legal matters normally associated with municipalities such as real estate tax assessment appeals, personnel wage and benefits, and other miscellaneous legal matters. Legal Counsel for the Authority has stated that any matters which exceed the amount of \$5,000 have been accepted by the Authority's insurance carrier as an insured risk and therefore the Authority is not at financial risk relevant to these claims.

**FEDERAL AND STATE FUNDING**

The Municipal Water Authority of Aliquippa's state and federally funded programs, including its pension funds, are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The Authority is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**NOTE 13 – EMPLOYEE AGREEMENT**

On September 28, 2018, the Authority entered into an agreement with a current employee to pay said employee \$100,000 in two equal installments of \$50,000 each on September 28, 2018 and September 28, 2019 as a settlement for a claim that the employee made concerning an accident that resulted in injury to the employee. No further claims against the Authority can be made as a result of this agreement. The \$50,000 due to the employee in 2019 is recorded as a liability in the 2018 audit report.

**NOTE 14 – SUBSEQUENT EVENT**

On January 3, 2019, the Authority issued Water and Sewer Revenue Bonds - Series of 2019 in the amount of \$10,000,000. Proceeds from the issue will be used to provide funds for various capital projects of the Authority 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 3.0% and 4.0% with the bonds maturing on November 15, 2047. The bonds provide for early redemption options for those bonds maturing on or after May 15, 2024 as detailed in the official statement of issue.

The Authority evaluated its December 31, 2018 financial statements for events through the July 22, 2019 date of the financial statements. The Authority is not aware of any other 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**

|                                                                           | Officer's and<br>Manager's<br>Plan<br>Measurement<br>Date<br><u>7/31/2018</u> | Officer's and<br>Manager's<br>Plan<br>Measurement<br>Date<br><u>7/31/2017</u> | Officer's and<br>Manager's<br>Plan<br>Measurement<br>Date<br><u>7/31/2016</u> | Officer's and<br>Manager's<br>Plan<br>Measurement<br>Date<br><u>7/31/2015</u> | Staff<br>Employees<br>Measurement<br>Date<br><u>12/31/2018</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>                                  | \$ 288,450                                                                    | \$ 430,022                                                                    | \$ 527,013                                                                    | \$ 460,197                                                                    | \$ 531,650                                                     | \$ 549,297                                                     | \$ 523,140                                                     |
| Service Cost                                                              | 29,970                                                                        | 19,380                                                                        | 32,460                                                                        | 30,417                                                                        | -                                                              | -                                                              | -                                                              |
| Interest                                                                  | 13,533                                                                        | 17,929                                                                        | 27,974                                                                        | 24,531                                                                        | 23,924                                                         | 25,970                                                         | 26,157                                                         |
| Benefit payments, including Refunds of Members Contributions              | -                                                                             | (259,073)                                                                     | -                                                                             | -                                                                             | -                                                              | (60,544)                                                       | -                                                              |
| Differences Between Expected and Actual Experience                        | (2,637)                                                                       | 45,024                                                                        | (158,293)                                                                     | 11,868                                                                        | -                                                              | (35,026)                                                       | -                                                              |
| Changes in Assumptions                                                    | 12,112                                                                        | 35,168                                                                        | 868                                                                           | -                                                                             | -                                                              | 51,953                                                         | -                                                              |
| Net Change in Total Pension Liability                                     | <u>\$ 52,978</u>                                                              | <u>\$ (141,572)</u>                                                           | <u>\$ (96,991)</u>                                                            | <u>\$ 66,816</u>                                                              | <u>\$ 23,924</u>                                               | <u>\$ (17,647)</u>                                             | <u>\$ 26,157</u>                                               |
| Total Pension Liability-Ending (a)                                        | <u>\$ 341,428</u>                                                             | <u>\$ 288,450</u>                                                             | <u>\$ 430,022</u>                                                             | <u>\$ 527,013</u>                                                             | <u>\$ 555,574</u>                                              | <u>\$ 531,650</u>                                              | <u>\$ 549,297</u>                                              |
| <br>Plan Fiduciary Net Position-Beginning                                 | <br>\$ 484,494                                                                | <br>\$ 696,643                                                                | <br>\$ 697,942                                                                | <br>\$ 652,274                                                                | <br>\$ 1,715,782                                               | <br>\$ 1,658,716                                               | <br>\$ 1,571,165                                               |
| Contributions-employer                                                    | 40,515                                                                        | 1,250                                                                         | -                                                                             | 10,000                                                                        | -                                                              | -                                                              | -                                                              |
| Contributions-employee                                                    | -                                                                             | -                                                                             | -                                                                             | -                                                                             | -                                                              | -                                                              | -                                                              |
| Benefit payments, including Refunds of Employee Contributions             | -                                                                             | (259,073)                                                                     | -                                                                             | -                                                                             | -                                                              | (60,544)                                                       | -                                                              |
| Net Investment Income                                                     | (3,003)                                                                       | 61,779                                                                        | 5,102                                                                         | 41,988                                                                        | (27,966)                                                       | 117,610                                                        | 87,564                                                         |
| Market Value Investment Income                                            | -                                                                             | -                                                                             | -                                                                             | -                                                                             | -                                                              | -                                                              | -                                                              |
| Administrative Expense                                                    | (11,786)                                                                      | (16,105)                                                                      | (6,401)                                                                       | (6,320)                                                                       | (1,854)                                                        | -                                                              | (13)                                                           |
| Additional Administrative Expense                                         | -                                                                             | -                                                                             | -                                                                             | -                                                                             | -                                                              | -                                                              | -                                                              |
| Change in Plan Fiduciary Net Position                                     | <u>\$ 25,726</u>                                                              | <u>\$ (212,149)</u>                                                           | <u>\$ (1,299)</u>                                                             | <u>\$ 45,668</u>                                                              | <u>\$ (29,820)</u>                                             | <u>\$ 57,066</u>                                               | <u>\$ 87,551</u>                                               |
| Plan Fiduciary Net Position-Ending (b)                                    | <u>\$ 510,220</u>                                                             | <u>\$ 484,494</u>                                                             | <u>\$ 696,643</u>                                                             | <u>\$ 697,942</u>                                                             | <u>\$ 1,685,962</u>                                            | <u>\$ 1,715,782</u>                                            | <u>\$ 1,658,716</u>                                            |
| Net Pension Liability (Asset) -Ending (a-b)                               | <u>\$ (168,792)</u>                                                           | <u>\$ (196,044)</u>                                                           | <u>\$ (266,621)</u>                                                           | <u>\$ (170,929)</u>                                                           | <u>\$ (1,130,388)</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 | 149.44%                                                                       | 167.96%                                                                       | 162.00%                                                                       | 132.43%                                                                       | 303.46%                                                        | 322.73%                                                        | 301.97%                                                        |
| Covered-employee Payroll                                                  | \$ 161,336                                                                    | \$ 156,952                                                                    | \$ 137,777                                                                    | \$ 215,200                                                                    | \$ -                                                           | \$ -                                                           | \$ -                                                           |
| Net Pension Liability as a Percentage<br>of Covered-employee Payroll      | -104.62%                                                                      | -124.91%                                                                      | -193.52%                                                                      | -79.43%                                                                       | N/A                                                            | N/A                                                            | N/A                                                            |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents for as many years as are available.

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTIONS, RELATED RATIOS AND INVESTMENT RETURNS**  
**OFFICER'S AND MANAGER'S PLAN**

|                                                                  | <u>12/31/2018</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially Determined Contribution                              | \$ 23,437         | \$ 40,515         | \$ 1,250          | \$ 7,521          | \$ 13,209         |
| Contributions                                                    | <u>23,437</u>     | <u>40,515</u>     | <u>1,250</u>      | <u>10,000</u>     | <u>13,209</u>     |
| Contribution Deficiency (Excess)                                 | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ (2,479)</u> | <u>\$ -</u>       |
| <b>RATIOS:</b>                                                   |                   |                   |                   |                   |                   |
| Covered-employee Payroll                                         | \$ 178,928        | \$ 161,336        | \$ 156,952        | \$ 137,777        | \$ 215,200        |
| Contributions as a Percentage of Covered-employee Payroll        | 13.10%            | 25.11%            | 0.80%             | 7.26%             | 6.14%             |
| <b><u>Investment Returns</u></b>                                 |                   |                   |                   |                   |                   |
| Annual -money-weighted rate of return, net of investment expense | -59%              | 10.31%            | .74%              | 6.46%             | n/a               |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for as many years are as available.

See accompanying notes to schedules of required supplementary information



**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

**NOTE 1 – ACTUARIAL METHODS AND ASSUMPTIONS**

The following actuarial methods and assumptions were used in the calculation of the most recent actuarially determined contributions reported in the supplementary information:

|                               | <b><u>Officers and<br/>Managers</u></b> | <b><u>Staff</u></b>  |
|-------------------------------|-----------------------------------------|----------------------|
| Actuarial valuation date      | July 1, 2018                            | December 1, 2018     |
| Actuarial cost method         | Entry age normal                        | Entry age normal     |
| Amortization method           | Level dollar, closed                    | Level dollar, closed |
| Remaining amortization period | N/A                                     | N/A                  |
| Asset Valuation method        | 4-year smoothing                        | 4-year smoothing     |
| Actuarial assumptions:        |                                         |                      |
| Investment rate of return     | 4.25%                                   | 4.5%                 |
| Projected salary increases    | 3%                                      | N/A                  |
| Underlying inflation rate     | 2%                                      | 2.75                 |

**NOTE 2 – ACTUARIAL ASSUMPTION CHANGES**

No changes have been made since the last actuarial valuation on either plan.

**NOTE 3 – BENEFIT CHANGES**

**Officers and Managers** – no changes have been made.

**Staff Employees** – no changes have been made since July 1, 2003

***SUPPLEMENTARY  
INFORMATION***

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                          | <u>BUDGET</u>       | <u>ACTUAL</u>       | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|------------------------------------------|---------------------|---------------------|----------------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>        |                     |                     |                                              |
| Domestic consumer                        | \$ 2,878,500        | \$ 3,209,332        | \$ 330,832                                   |
| Commercial consumer                      | 555,500             | 413,493             | (142,007)                                    |
| Industrial consumer                      | 550,450             | 571,438             | 20,988                                       |
| Private fire protection                  | 20,000              | 23,579              | 3,579                                        |
| Public fire protection                   | 265,000             | 52,770              | (212,230)                                    |
| Sales to public authorities              | 60,600              | 73,342              | 12,742                                       |
| Customer penalties                       | 75,000              | 95,985              | 20,985                                       |
| Turn on charges and nsf checks           | 5,000               | 6,231               | 1,231                                        |
| Revenue from Frozen Meters               | 500                 | -                   | (500)                                        |
| Water tap fees                           | -                   | 7,000               | 7,000                                        |
| <b>TOTAL OPERATING REVENUES</b>          | <b>\$ 4,410,550</b> | <b>\$ 4,453,170</b> | <b>\$ 42,620</b>                             |
| <b><u>NON-OPERATING REVENUES:</u></b>    |                     |                     |                                              |
| Customer water assistance program        | \$ -                | \$ 3,279            | \$ 3,279                                     |
| Revenue from merchandising               | -                   | 3,575               | 3,575                                        |
| Interest revenue - revenue fund          | -                   | 11,412              | 11,412                                       |
| Employee contribution                    | 38,870              | 47,440              | 8,570                                        |
| Miscellaneous non-operating revenue      | 15,000              | 30,044              | 15,044                                       |
| <b>TOTAL NON-OPERATING REVENUES</b>      | <b>\$ 53,870</b>    | <b>\$ 95,750</b>    | <b>\$ 41,880</b>                             |
| <b>TOTAL REVENUES</b>                    | <b>\$ 4,464,420</b> | <b>\$ 4,548,920</b> | <b>\$ 84,500</b>                             |
| <b><u>OPERATING EXPENSES:</u></b>        |                     |                     |                                              |
| <b>POWER AND PUMPING:</b>                |                     |                     |                                              |
| Operation meals                          | \$ 1,500            | \$ 953              | \$ (547)                                     |
| Supplies and expenses                    | 15,000              | 20,057              | 5,057                                        |
| Maintenance of structure and improvement | 5,000               | 9,714               | 4,714                                        |
| Maintenance of equipment                 | 40,000              | 11,915              | (28,085)                                     |
| Power purchased - J & L                  | 51,000              | 19,929              | (31,071)                                     |
| Power purchased - Soft. Plant            | 200,000             | 268,126             | 68,126                                       |
| Power purchased - Ranney Well            | 63,000              | 59,674              | (3,326)                                      |
| Power purchased - Booster Station        | 30,000              | 7,162               | (22,838)                                     |
| Power purchased - Raccoon Township       | 5,000               | 26,602              | 21,602                                       |
| Tank Rd/Reservoir BC Jail                | 300                 | 456                 | 156                                          |
| 1st Alley Pump                           | -                   | 9,814               | 9,814                                        |
| <b>TOTAL POWER AND PUMPING</b>           | <b>\$ 410,800</b>   | <b>\$ 434,403</b>   | <b>\$ 23,603</b>                             |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                              | <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                   | \$ 343,360          | \$ 193,091          | \$ (150,269)                                 |
| Water testing                                | 15,000              | 8,281               | (6,719)                                      |
| Supplies and expenses                        | 159,000             | 134,810             | (24,190)                                     |
| Outside services - plant                     | 30,000              | 53,445              | 23,445                                       |
| Maintenance of structure and improvement     | 5,000               | 54,129              | 49,129                                       |
| Maintenance treatment plant labor            | 100,000             | 100,978             | 978                                          |
| Maintenance of back wash                     | 2,500               | -                   | (2,500)                                      |
| Utilities                                    | 7,500               | 7,372               | (128)                                        |
| <b>TOTAL PURIFICATION &amp; LABORATORY</b>   | <b>\$ 662,360</b>   | <b>\$ 552,106</b>   | <b>\$ (110,254)</b>                          |
| <b>TRANSMISSION AND DISTRIBUTION:</b>        |                     |                     |                                              |
| Operation supplies and expense               | \$ 306,030          | \$ 416,142          | \$ 110,112                                   |
| Outside Services - maintenance               | 125,000             | 130,390             | 5,390                                        |
| Maintenance of lines/operation               | 250,000             | 136,855             | (113,145)                                    |
| Maintenance of structure and improvements    | 10,000              | 25                  | (9,975)                                      |
| Maintenance of meters                        | 50,000              | 46,803              | (3,197)                                      |
| Maintenance of hydrants                      | 10,000              | 3,968               | (6,032)                                      |
| Capital Improvement                          | 1,661,662           | 50,950              | (1,610,712)                                  |
| Rents                                        | 1,000               | 5,700               | 4,700                                        |
| Purchase of trucks and equipment             | 8,820               | -                   | (8,820)                                      |
| Vehicle/equipment maintenance                | 15,000              | 20,228              | 5,228                                        |
| Fuel                                         | 20,000              | 18,394              | (1,606)                                      |
| <b>TOTAL TRANSMISSION &amp; DISTRIBUTION</b> | <b>\$ 2,457,512</b> | <b>\$ 829,454</b>   | <b>\$ (1,628,058)</b>                        |
| <b>GENERAL AND ADMINISTRATIVE:</b>           |                     |                     |                                              |
| Salaries - general offices                   | \$ 3,000            | \$ 1,475            | \$ (1,525)                                   |
| Managers salary                              | 47,500              | 54,227              | 6,727                                        |
| Other office salaries                        | 111,410             | 90,572              | (20,838)                                     |
| FICA Expense                                 | -                   | 50,616              | 50,616                                       |
| Unemployment comp                            | -                   | 5,599               | 5,599                                        |
| Office supplies and expense                  | 30,000              | 28,530              | (1,470)                                      |
| Real estate taxes / Sohn Rd.                 | 225                 | 177                 | (48)                                         |
| Professional services                        | 53,400              | 73,909              | 20,509                                       |
| Insurance - PIRMA/General Liability          | 69,500              | 73,381              | 3,881                                        |
| Miscellaneous employee Mozes release         | -                   | 100,000             | 100,000                                      |
| Employees insurance and pension              | 339,780             | 325,657             | (14,123)                                     |
| Salary pensions                              | -                   | 103,783             | 103,783                                      |
| Miscellaneous expense                        | 25,000              | 24,956              | (44)                                         |
| Maintenance - general property               | 5,000               | 915                 | (4,085)                                      |
| Postage                                      | 13,000              | 11,101              | (1,899)                                      |
| Uniform/Clothing allowance                   | 12,000              | 15,863              | 3,863                                        |
| Utilities                                    | 19,000              | 28,129              | 9,129                                        |
| Dues, Memberships, Subscriptions             | 3,500               | 3,839               | 339                                          |
| Software                                     | 6,000               | 7,991               | 1,991                                        |
| Travel and Education                         | 1,500               | 1,765               | 265                                          |
| Office equipment                             | 2,500               | -                   | (2,500)                                      |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b>      | <b>\$ 742,315</b>   | <b>\$ 1,002,484</b> | <b>\$ 260,170</b>                            |
| <b>Depreciation</b>                          | <b>\$ -</b>         | <b>\$ 657,491</b>   | <b>\$ 657,491</b>                            |
| <b>TOTAL OPERATING EXPENSES</b>              | <b>\$ 4,272,987</b> | <b>\$ 3,475,937</b> | <b>\$ (797,049)</b>                          |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                       | <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 on bonds             | \$ 174,030                 | \$ 111,920                 | \$ (62,110)                                  |
| Debt Service Coverage                 | 17,403                     | -                          | (17,403)                                     |
| Bond Issue Costs                      | -                          | 126,662                    | 126,662                                      |
| <b>TOTAL NON-OPERATING EXPENSES</b>   | <b><u>\$ 191,433</u></b>   | <b><u>\$ 238,582</u></b>   | <b><u>\$ 47,149</u></b>                      |
| <b>TOTAL EXPENSES</b>                 | <b><u>\$ 4,464,420</u></b> | <b><u>\$ 3,714,519</u></b> | <b><u>\$ (749,900)</u></b>                   |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**

|                                       | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|---------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>     |                            |                            |                                              |
| Domestic consumer                     | \$ 1,120,818               | \$ 1,122,071               | \$ 1,253                                     |
| Commercial consumer                   | 277,494                    | 122,772                    | (154,722)                                    |
| Industrial consumer                   | 58,008                     | 19,538                     | (38,470)                                     |
| Sales to public                       | 231,234                    | 61,265                     | (169,969)                                    |
| Public authority                      | 378,299                    | 390,751                    | 12,452                                       |
| Customer penalties                    | 35,000                     | 43,744                     | 8,744                                        |
| Sewer Tap-ins                         | -                          | 2,069                      | 2,069                                        |
| <b>TOTAL OPERATING REVENUES</b>       | <b><u>\$ 2,100,853</u></b> | <b><u>\$ 1,762,211</u></b> | <b><u>\$ (338,642)</u></b>                   |
| <b><u>NON-OPERATING REVENUES:</u></b> |                            |                            |                                              |
| Employee contribution                 | \$ 32,110                  | \$ 11,660                  | \$ (20,450)                                  |
| <b>TOTAL NON-OPERATING REVENUES</b>   | <b><u>\$ 32,110</u></b>    | <b><u>\$ 11,660</u></b>    | <b><u>\$ (20,450)</u></b>                    |
| <b>TOTAL REVENUES</b>                 | <b><u>\$ 2,132,963</u></b> | <b><u>\$ 1,773,871</u></b> | <b><u>\$ (359,092)</u></b>                   |
| <b><u>OPERATING EXPENSES:</u></b>     |                            |                            |                                              |
| <b>SEWER LINES:</b>                   |                            |                            |                                              |
| Maintenance of sewer lines            | \$ 55,000                  | \$ 48,856                  | \$ (6,144)                                   |
| Capital Improvements                  | 607,080                    | 161,446                    | (445,634)                                    |
| <b>TOTAL SEWER LINES</b>              | <b><u>\$ 662,080</u></b>   | <b><u>\$ 210,302</u></b>   | <b><u>\$ (451,778)</u></b>                   |
| <b>SEWER PUMPING:</b>                 |                            |                            |                                              |
| Purchased power                       | \$ 10,000                  | \$ 86,180                  | \$ 11,079                                    |
| Maintenance of pump station           | -                          | 7,641                      | 7,641                                        |
| Non-salary compensation - meals       | -                          | 1,265                      | 1,265                                        |
| <b>TOTAL SEWER PUMPING</b>            | <b><u>\$ 10,000</u></b>    | <b><u>\$ 95,087</u></b>    | <b><u>\$ 19,985</u></b>                      |
| <b>SEWAGE TREATMENT:</b>              |                            |                            |                                              |
| Labor                                 | \$ 316,430                 | \$ 223,002                 | \$ (93,428)                                  |
| Purification and lab supplies         | 10,000                     | 5,359                      | (4,641)                                      |
| Chlorine                              | 10,000                     | 16,796                     | 6,796                                        |
| Maintenance of structures             | 1,000                      | 916                        | (84)                                         |
| Outside services                      | 50,000                     | 110,591                    | 60,591                                       |
| Maintenance of equipment              | 25,000                     | 7,313                      | (17,687)                                     |
| Drying bed maintenance & disposal     | 17,500                     | -                          | (17,500)                                     |
| Maintenance of Pump Stations          | 20,000                     | -                          | (20,000)                                     |
| Outside services                      | 30,000                     | 551                        | (29,449)                                     |
| Utilities - golf course               | 3,000                      | 603                        | (2,397)                                      |
| Utilities - steel street              | 150                        | 1,096                      | 946                                          |
| Utilities                             | 106,000                    | 13,377                     | (92,623)                                     |
| Maintenance of meters                 | -                          | 10,576                     | 10,576                                       |
| Rentals                               | 500                        | 5,400                      | 4,900                                        |
| Vehicle maintenance                   | 5,000                      | 9,459                      | 4,459                                        |
| Fuel                                  | 3,000                      | 2,960                      | (40)                                         |
| Trucks and equipment                  | 30,000                     | 425                        | (29,575)                                     |
| <b>TOTAL SEWAGE TREATMENT</b>         | <b><u>\$ 627,580</u></b>   | <b><u>\$ 408,425</u></b>   | <b><u>\$ (219,155)</u></b>                   |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF BUDGET AND ACTUAL REVENUES AND EXPENSES**  
**SEWER FUND**

|                                         | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>VARIANCE</u><br><u>over &lt;under&gt;</u> |
|-----------------------------------------|----------------------------|----------------------------|----------------------------------------------|
| <b>GENERAL AND ADMINISTRATIVE:</b>      |                            |                            |                                              |
| Board salaries                          | \$ 3,000                   | \$ 1,475                   | \$ (1,525)                                   |
| General office salaries                 | 111,410                    | 90,572                     | (20,838)                                     |
| Managers salaries                       | 47,500                     | 54,227                     | 6,727                                        |
| FICA expense                            | -                          | 50,616                     | 50,616                                       |
| Unemployment comp                       | -                          | 5,599                      | 5,599                                        |
| Office supplies and expense             | 20,000                     | 15,181                     | (4,819)                                      |
| Professional services                   | 38,600                     | 36,191                     | (2,409)                                      |
| Insurance- General Liability            | 42,900                     | 41,896                     | (1,004)                                      |
| Employee insurance & pension            | 316,560                    | 111,778                    | (204,782)                                    |
| Salary pensions                         | -                          | 27,213                     | 27,213                                       |
| Miscellaneous general expense           | 8,000                      | 15,104                     | 7,104                                        |
| Maintenance of general property         | 5,000                      | 69,900                     | 64,900                                       |
| Solicitor Expenses                      | -                          | 8,206                      | 8,206                                        |
| Utilities- Telephone                    | 15,000                     | 15,377                     | 377                                          |
| Utilities- Power                        | 3,400                      | -                          | (3,400)                                      |
| Utilities- Cellular                     | 3,000                      | 2,563                      | (437)                                        |
| Legal fees                              | -                          | 5,467                      | 5,467                                        |
| Postage                                 | 13,000                     | 11,108                     | (1,892)                                      |
| Uniforms/clothing allowance             | 4,500                      | 4,502                      | 2                                            |
| Dues, memberships, subscriptions        | 500                        | 629                        | 129                                          |
| Software                                | 6,000                      | 7,991                      | 1,991                                        |
| Office equipment                        | 2,500                      | -                          | (2,500)                                      |
| Travel and Education                    | 1,000                      | 474                        | (526)                                        |
| <b>TOTAL GENERAL AND ADMINISTRATIVE</b> | <b><u>\$ 641,870</u></b>   | <b><u>\$ 576,068</u></b>   | <b><u>\$ (65,802)</u></b>                    |
| <b>Depreciation</b>                     | <b><u>\$ -</u></b>         | <b><u>\$ 188,363</u></b>   | <b><u>\$ 188,363</u></b>                     |
| <b>TOTAL OPERATING EXPENSES</b>         | <b><u>\$ 1,941,530</u></b> | <b><u>\$ 1,478,245</u></b> | <b><u>\$ (528,386)</u></b>                   |
| <b><u>NON-OPERATING EXPENSES:</u></b>   |                            |                            |                                              |
| Interest expense on bonds               | \$ 174,030                 | \$ 111,921                 | \$ (62,109)                                  |
| Debt Service Coverage                   | 17,403                     | -                          | (17,403)                                     |
| Bond Issue Costs                        | -                          | 126,662                    | 126,662                                      |
| <b>TOTAL NON-OPERATING EXPENSES</b>     | <b><u>\$ 191,433</u></b>   | <b><u>\$ 238,583</u></b>   | <b><u>\$ 47,150</u></b>                      |
| <b>TOTAL EXPENSES</b>                   | <b><u>\$ 2,132,963</u></b> | <b><u>\$ 1,716,828</u></b> | <b><u>\$ (481,236)</u></b>                   |

**MUNICIPAL WATER AUTHORITY OF ALIQUIPPA**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**TRUST ACCOUNTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                               | 1994 DEBT<br>SERVICE &<br>DEBT<br>SERVICE<br>RESERVE | 1994<br>SURPLUS<br>FUND | 2013<br>CLEARING<br>FUND | 2013<br>DEBT<br>SERVICE<br>FUND | 2017<br>CONSTRUCTION<br>FUND | 2017<br>DEBT SERVICE<br>FUND | 2017<br>DEBT SERVICE<br>RESERVE<br>FUND | 2018<br>CLEARING<br>FUND | 2018<br>CONSTRUCTION<br>FUND | TOTAL                |
|-----------------------------------------------|------------------------------------------------------|-------------------------|--------------------------|---------------------------------|------------------------------|------------------------------|-----------------------------------------|--------------------------|------------------------------|----------------------|
| <b>RECEIPTS:</b>                              |                                                      |                         |                          |                                 |                              |                              |                                         |                          |                              |                      |
| Interest Income                               | \$ 44                                                | \$ 1                    | \$ -                     | \$ -                            | \$ 8,708                     | \$ 19                        | \$ 16                                   | \$ -                     | \$ -                         | \$ 8,788             |
| Transfers                                     | -                                                    | -                       | -                        | -                               | -                            | 81,530                       | -                                       | -                        | 9,678,518                    | 9,760,048            |
| Bond Proceeds                                 | -                                                    | -                       | -                        | -                               | -                            | -                            | -                                       | 10,000,000               | -                            | 10,000,000           |
| Transfer from Municipal Authority             | -                                                    | -                       | -                        | 81,530                          | -                            | -                            | 266,530                                 | -                        | -                            | 348,060              |
| <b>TOTAL RECEIPTS</b>                         | <b>\$ 44</b>                                         | <b>\$ 1</b>             | <b>\$ -</b>              | <b>\$ 81,530</b>                | <b>\$ 8,708</b>              | <b>\$ 81,549</b>             | <b>\$ 266,546</b>                       | <b>\$ 10,000,000</b>     | <b>\$ 9,678,518</b>          | <b>\$ 20,116,896</b> |
| <b>DISBURSEMENTS:</b>                         |                                                      |                         |                          |                                 |                              |                              |                                         |                          |                              |                      |
| Transfers                                     | \$ -                                                 | \$ -                    | \$ -                     | \$ 84,956                       | \$ -                         | \$ -                         | \$ -                                    | \$ 9,678,518             | \$ -                         | \$ 9,763,474         |
| Bond Issue Costs                              | -                                                    | -                       | -                        | -                               | -                            | -                            | -                                       | 252,644                  | -                            | 252,644              |
| Original Issue Discount                       | -                                                    | -                       | -                        | -                               | -                            | -                            | -                                       | 68,838                   | -                            | 68,838               |
| Transfer to Municipal Authority               | 51,643                                               | 1,296                   | 3,960                    | 188,239                         | -                            | -                            | -                                       | -                        | -                            | 245,138              |
| Capital Expenses                              | -                                                    | -                       | -                        | -                               | 833,946                      | -                            | -                                       | -                        | -                            | 833,946              |
| Bond Principal                                | -                                                    | -                       | -                        | -                               | -                            | -                            | 185,000                                 | -                        | -                            | 185,000              |
| Bond Interest Expense                         | -                                                    | -                       | -                        | -                               | -                            | 81,530                       | 81,530                                  | -                        | -                            | 163,060              |
| <b>TOTAL DISBURSEMENTS</b>                    | <b>\$ 51,643</b>                                     | <b>\$ 1,296</b>         | <b>\$ 3,960</b>          | <b>\$ 273,195</b>               | <b>\$ 833,946</b>            | <b>\$ 81,530</b>             | <b>\$ 266,530</b>                       | <b>\$ 10,000,000</b>     | <b>\$ -</b>                  | <b>\$ 11,512,100</b> |
| EXCESS RECEIPTS OVER<br>(UNDER) DISBURSEMENTS | \$ (51,599)                                          | \$ (1,295)              | \$ (3,960)               | \$ (191,665)                    | \$ (825,238)                 | \$ 19                        | \$ 16                                   | \$ -                     | \$ 9,678,518                 | \$ 8,604,796         |
| CASH BALANCE - January 1, 2018                | 51,599                                               | 1,295                   | 3,960                    | 191,665                         | 1,001,527                    | -                            | -                                       | -                        | -                            | 1,250,046            |
| <b>CASH BALANCE - December 31, 2018</b>       | <b>\$ -</b>                                          | <b>\$ -</b>             | <b>\$ -</b>              | <b>\$ -</b>                     | <b>\$ 176,289</b>            | <b>\$ 19</b>                 | <b>\$ 16</b>                            | <b>\$ -</b>              | <b>\$ 9,678,518</b>          | <b>\$ 9,854,842</b>  |