

WEST MIFFLIN
SANITARY SEWER
MUNICIPAL AUTHORITY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY AND ADDITIONAL INFORMATION

YEARS ENDED DECEMBER 31, 2001 AND 2000

WITH

INDEPENDENT AUDITOR'S REPORT

MAHER DUESSEL
CERTIFIED PUBLIC ACCOUNTANTS

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

YEARS ENDED DECEMBER 31, 2001 AND 2000

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Independent Auditor's Report

Members of the Board
West Mifflin Sanitary Sewer Municipal Authority

We have audited the financial statements of the West Mifflin Sanitary Sewer Municipal Authority (Authority) as of and for the years ended December 31, 2001 and 2000, as identified in the preceding table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The pension information presented in the Supplementary Schedule and Notes to the Supplementary Pension Schedule listed in the table of contents is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the above mentioned financial statements taken as a whole. The accompanying additional information found on page 20 is presented for additional analysis only and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



April 26, 2002

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

	Assets		Liabilities and Fund Equity		
	2001	2000		2001	2000
Current assets:			Liabilities:		
Cash and cash equivalents	\$ 1,508,869	\$ 1,761,951	Current liabilities:		
Accounts receivable	540,169	486,754	Accounts payable	\$ 491,473	\$ 51,172
Prepaid expenses	-	59,222	Accrued payroll	48,295	41,320
Interest receivable	27,159	27,159	Accrued compensated absences	126,024	108,853
Due from employees	947	1,647	Payroll taxes payable	2,657	5,412
			Current portion of long-term debt	640,000	300,000
Total current assets	2,077,144	2,336,733	Total current liabilities	1,308,449	506,757
Restricted assets:					
Special accounts	4,497,127	8,064,104	Current liabilities (payable from restricted assets):		
Debt service accounts	3,866,053	3,430,721	Bond interest payable	713,375	719,156
Total restricted assets	8,363,180	11,494,825	Long-term liabilities:		
			Deferred fee	401,700	-
Property, plant, and equipment (at cost):			Bonds payable (net of deferred loss on advance refunding of \$388,151 and \$406,634 for 2001 and 2000, respectively)	33,391,849	34,013,366
Less: accumulated depreciation	(1,633,802)	(907,588)	Total long-term liabilities	33,793,549	34,013,366
Construction in progress	2,838,952	8,382,535	Total Liabilities	35,815,373	35,239,279
Total property, plant, and equipment	23,687,399	20,112,350			
Other assets:			Fund equity:		
Deferred charges (net of amortization of \$24,537 and \$20,076 for 2001 and 2000, respectively)	109,304	113,765	Contributions in aid of construction (net of accumulated amortization of \$51,207)	644,651	644,651
Bond issue costs (net of amortization of \$292,907 and \$218,007 for 2001 and 2000, respectively)	1,557,276	1,632,176	Retained earnings, unrestricted	(630,694)	(176,520)
Other assets	35,027	17,561	Total Fund Equity	13,957	468,131
Total other assets	1,701,607	1,763,502			
Total Assets	\$ 35,829,330	\$ 35,707,410	Total Liabilities and Fund Equity	\$ 35,829,330	\$ 35,707,410

See accompanying notes to financial statements.

**WEST MIFFLIN SANITARY SEWER
MUNICIPAL AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY**

YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Operating Revenues:		
Sewer rentals	\$ 3,936,031	\$ 3,234,781
Refunds	42,487	6,591
Total operating revenues	3,978,518	3,241,372
Operating Expenses:		
Sewer system operation	2,735,906	3,184,478
Purchased sewer treatment	15,999	26,618
Depreciation	726,214	424,158
Total operating expenses	3,478,119	3,635,254
Operating Income (Loss)	500,399	(393,882)
Nonoperating Revenues (Expenses):		
Commonwealth of Pennsylvania-Act 339 subsidy	198,970	184,558
Interest income	577,585	883,744
Other revenue	86,908	220,275
Interest on sewer revenue bonds	(1,752,960)	(1,589,024)
Amortization of bond issue costs and deferred charges	(65,076)	(88,232)
Nonoperating revenues (expenses)	(954,573)	(388,679)
Net Loss	(454,174)	(782,561)
Retained Earnings:		
Beginning of year	(176,520)	606,041
End of year	(630,694)	(176,520)
Contributed Capital:	644,651	644,651
Total Fund Equity	\$ 13,957	\$ 468,131

See accompanying notes to financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Cash From Operating Activities:		
Operating income (loss)	\$ 500,399	\$ (393,882)
Adjustments to reconcile operating income (loss) to cash provided by (used in):		
Depreciation	726,214	424,158
(Increase) decrease in operating assets:		
Accounts receivable	(53,415)	47,537
Prepaid expenses	59,222	29,927
Other assets	(16,766)	(9,340)
Increase (decrease) in operating liabilities:		
Accounts payable	440,301	(209,716)
Accrued payroll and withholdings	4,220	1,921
Accrued compensated absences	17,171	19,704
Bond interest payable	-	(4,886)
	1,677,346	(94,577)
Cash provided by (used in) operating activities		
Cash From Noncapital Financing Activities:		
Commonwealth of Pennsylvania-Act 339 subsidy	198,970	184,558
Interest received	-	68,542
Other receipts	86,908	134,337
	285,878	387,437
Cash provided by noncapital financing activities		
Cash From Capital and Related Financing Activities:		
Interest paid on debt	(1,725,973)	(1,732,816)
Interest received on restricted bond funds	531,231	815,202
Property, plant, and equipment and related purchases	(4,360,531)	(3,488,422)
Other capital activity	59,268	201,721
Payment of bond principal	(300,000)	(255,000)
Proceeds from fee agreement	401,700	-
	(5,394,305)	(4,459,315)
Cash used in capital and related financing activities		
Cash From Investing Activities:		
Sale of investments	3,131,645	4,184,346
Interest earned	46,354	68,542
	3,177,999	4,252,888
Cash provided by investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(253,082)	86,433
Cash and Cash Equivalents		
Beginning of year	1,761,951	1,675,518
End of year	\$ 1,508,869	\$ 1,761,951

See accompanying notes to financial statements.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1. REPORTING ENTITY

The West Mifflin Sanitary Sewer Municipal Authority (Authority) was formed in accordance with the Pennsylvania Municipality Authorities Act of 1945. It commenced operation on August 21, 1996, and purchased the existing sanitary sewer system of the Borough of West Mifflin for the sum of \$800,000. The Authority operates the sewer system that serves approximately 7,800 customers, which comprises the entire Borough of West Mifflin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Authority conform to U.S. generally accepted accounting principles for governmental enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing the service to the general public, including depreciation, be financed or recovered primarily through user charges.

The following is a summary of the significant accounting policies of the Authority:

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized. The accompanying financial statements are presented on an accrual basis whereby revenues are recognized when earned, irrespective of when they are billed or collected, and expenses are recognized when incurred. Investments are recorded at fair value. The Authority prepares a budget on the accrual basis at the beginning of each year. The Authority capitalizes eligible net interest costs as part of the cost of constructing various sewer projects when material.

Statement of Cash Flows

For purposes of the statements of cash flows, cash is defined as bank demand deposits and petty cash on hand. The Authority is authorized to invest in U.S. Treasury Bills and time deposits of insured institutions. The Authority considers all investments with a maturity date of three months or less to be cash equivalents.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

Restricted Assets

The Authority has established certain restricted asset accounts to satisfy the requirements of a bond trust indenture. In accordance with the terms of the indenture, the Authority is required to periodically set aside certain amounts to assure the availability of adequate monies for servicing the Authority's long-term debt and completing capital additions. These restricted accounts are held by a Trustee.

Fixed Assets

Property, plant, and equipment are recorded at cost, including capitalized interest. Depreciation is provided on all fixed assets on a straight-line basis over the estimated useful lives. The cost of maintenance and repairs is charged to operations as incurred. Construction in progress will be depreciated when the project is complete.

Bond Issue Costs and Bond Discount

Bond issue costs and bond discounts are amortized over the life of the related bonds utilizing the interest method. Any unamortized portion is reflected on the balance sheet as a reduction of the related bond payable.

Contributed Capital

This fund equity account is used to accumulate the amount of permanent capital contributed to the Authority. These contributions include governmental capital grants and user assessments.

For the year ended December 31, 2001, the Authority adopted the Government Accounting Standards Board (GASB) Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions.*" This statement requires governments to recognize capital contributions to proprietary funds and to other governmental agencies that use proprietary fund accounting as revenues, not contributed capital. Typically, when a new accounting standard is adopted, prior periods are restated; however, governments are not permitted to restate contributed capital arising from periods prior to implementation of this standard until the Board issues one or more statements requiring the restatement of those prior-period balances. Given the adoption of GASB Statement No. 33, contributed capital will remain the same until the adoption of GASB Statement No. 34 (discussed below).

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

Vacation and Sick Leave

Employees of the Authority earn and are entitled to accumulate vacation, sick, and personal days based on length of service. The Authority has established a liability of \$126,024 and \$108,853 for 2001 and 2000, respectively for compensated absences that are eligible for payment upon termination.

GAAP Hierarchy

The Authority has elected not to apply any Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, as permitted by GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."*

Pending Standard

GASB Statement No. 34, *"Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments,"* was issued in June 1999. The Statement establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments as well as specific standards for the basic financial statements, management's discussion and analysis (MD&A), and certain required supplementary information (RSI) other than MD&A.

The requirements of this Statement are effective in three phases based on total revenues in the first fiscal year ending after June 15, 1999. It is anticipated that the Authority would be required to implement the Statement for the year ended December 31, 2004.

The most significant changes involve presenting a Management Discussion and Analysis section and accounting for contributed capital.

Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

3. CASH AND INVESTMENTS

The trust indenture authorizes the Authority to invest in obligations of the U.S. Government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements; and highly rated bank promissory notes or investment funds or trusts. Throughout the years ended December 31, 2001 and 2000, the Authority invested its funds in only one or more of the above-authorized investments.

Cash and Deposits

The following is a summary of the Authority's cash deposits and time deposits which are insured by the Federal Depository Insurance Company (Category 1) or were not insured or collateralized in the Authority's name, but were collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name (Category 3).

At December 31, 2001:

	Total Category 1	Total Category 3	Bank Balance	Carrying Amount
Deposits	\$ 100,000	\$ 865,000	\$ 965,000	\$ 963,169

At December 31, 2000:

	Total Category 1	Total Category 3	Bank Balance	Carrying Amount
Deposits	\$ 100,000	\$ 419,113	\$ 519,113	\$ 514,143

Investments

Throughout the years ended December 31, 2001 and 2000, the Authority invested through its Trustee, National City Bank, in accordance with an investment agreement (repurchase agreement) with TMG Financial Products, Inc., dated August 21, 1996, and later Morgan Guaranty Trust Company. The investments include monies

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DECEMBER 31, 2001 AND 2000

invested in the Armada family of mutual funds (Armada Government Money Market Fund), the total of which was \$976,213 and \$3,367,301 at December 31, 2001 and 2000, respectively.

Shares of Armada Funds are not bank deposits or obligations of, or guaranteed or endorsed or otherwise supported by National City Bank or its parent company or any of its affiliates. Share of Armada Funds are not insured or guaranteed by the U.S. Government, FDIC, or any governmental agency or state. An investment in Armada Funds involves investment risk including the possible loss of principal amounts invested.

Deposits with the Pennsylvania Treasurer's INVEST Program are not pledged with collateral either on an individual or pooled basis to secure the deposits of the participants. Instead, INVEST Daily Pool Investments are themselves secure: Treasuries and Federal Agencies, repurchase agreements (collateralized at 102 percent) and Certificates of Deposit (collateralized at 120 percent).

Category 1 investments are those investments which are insured and registered or are held by the Authority or its agent in the Authority's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name.

The Treasury-backed money market funds held by the Trustee are deposits in highly liquid money market funds related to Treasury-backed repurchase agreements. The Authority's collective pooled investments are held in the Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania Municipal Investment Program (PMIP). The money market funds and pooled investments cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. With regard to these external investment pools, the fair value of the Authority's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

At December 31, 2001:

	Category	Carrying Amount	Market Value
U.S. Government Securities held by:			
Trustee	2	\$ 3,876,799	\$ 3,876,799
Armada Government: Money Market Fund	Uncategorized	976,213	976,213
Collective Pooled Investments	Uncategorized	4,055,868	4,055,868
		\$ 8,908,880	\$ 8,908,880

At December 31, 2000:

	Category	Carrying Amount	Market Value
U.S. Government Securities held by:			
Trustee	2	\$ 3,816,886	\$ 3,816,886
Armada Government Money Market Fund	Uncategorized	3,367,301	3,367,301
Collective Pooled Investments	Uncategorized	5,558,446	5,558,446
		\$ 12,742,633	\$ 12,742,633

Of the collective pooled investments shown above, \$545,700 and \$1,247,808 are presented on the balance sheet, along with deposits of \$963,169 and \$514,143, as aggregate cash and cash equivalents of \$1,508,869 and \$1,761,951 at December 31, 2001 and 2000, respectively.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

4. FIXED ASSETS

A summary of changes in fixed assets is as follows:

	Balance at December 31, 2000	Additions	Transfers/ Deletions	Balance at December 31, 2001
Plant and system	\$ 11,951,775	\$ -	\$ 9,467,086	\$ 21,418,861
Vehicles and equipment	331,883	-	10,600	342,483
Other capital improvements	353,745	-	367,160	720,905
Construction in progress	8,382,535	4,360,531	(9,904,114)	2,838,952
Total	21,019,938	4,360,531	(59,268)	25,321,201
Less accumulated depreciation	(907,588)	(726,214)	-	(1,633,802)
Net property, plant, and equipment	<u>\$ 20,112,350</u>	<u>\$ 3,634,317</u>	<u>\$ (59,268)</u>	<u>\$ 23,687,399</u>

	Balance at December 31, 1999	Additions	Transfers/ Deletions	Balance at December 31, 2000
Plant and system	\$ 7,651,703	\$ -	\$ 4,300,072	\$ 11,951,775
Vehicles and equipment	265,363	-	66,520	331,883
Other capital improvements	-	-	353,745	353,745
Construction in progress	11,554,649	3,488,422	(6,660,536)	8,382,535
Total	19,471,715	3,488,422	(1,940,199)	21,019,938
Less accumulated depreciation	(483,430)	(424,158)	-	(907,588)
Net property, plant, and equipment	<u>\$ 18,988,285</u>	<u>\$ 3,064,264</u>	<u>\$ (1,940,199)</u>	<u>\$ 20,112,350</u>

For the year ended December 31, 2001, there were no net interest costs eligible to be capitalized. For the year ended December 31, 2000, \$195,234 of interest costs incurred were capitalized during construction.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

5. LONG-TERM DEBT

On July 15, 1996, the Authority issued \$14,915,000 of Guaranteed Sewer Revenue Bonds, Series of 1996 (current interest bonds). These bonds were issued to provide funds to purchase the sanitary sewer system from the Borough of West Mifflin, to provide funds to be applied to the Authority's capital program, to fund a Debt Service Reserve Fund and capitalized interest and to pay the costs of issuing the 1996 bonds.

The first supplemental indenture was made and entered into as of August 6, 1998, between the West Mifflin Sanitary Sewer Municipal Authority and the Trustee, National City Bank of Pennsylvania. The Authority issued \$31,370,000 of Sewer Revenue Bonds, Series of 1998, to undertake a project (1998 project) consisting of (1) the refunding portion of the Guaranteed Sewer Revenue Bonds, Series of 1996 (refunded bonds) in the amount of \$11,310,000; (2) the undertaking of various capital improvements to the Authority's sewer system; and (3) payment of costs incurred in connection with the issuance of the 1998 Bonds. In order to advance refund the \$11,310,000 of 1996 refunded bonds, the Trustee, acting as escrow agent, used \$11,772,084 of the Series of 1998 bonds proceeds to purchase certain State and Local Government Series Securities, and hold these in an irrevocable escrow fund. The Authority irrevocably directs payment of the Guaranteed Sewer Revenue Bonds, Series of 1996 originally scheduled to mature on April 1 of the years 2015, 2020, 2024, and 2026, principal totaling \$11,310,000, together with interest thereon when due, and irrevocably calls such Series of 1996 bonds for redemption on April 1, 2006 at par plus accrued interest. The advance refunding met the requirements of an in-substance defeasance and the bonds were removed from the Authority's long-term debt.

The advance refunding resulted in an economic (net present value) savings of \$228,836 and an accounting deferred loss of \$462,084. In accordance with GASB No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," the deferred loss on refunding of \$462,084 is being amortized over the life of the bond issue and is netted as a contra account against the bonds payable on the financial statements.

Current interest bonds payable at December 31, 2001 are comprised of the following individual issues:

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NOTES TO FINANCIAL STATEMENTS

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Guaranteed Sewer Revenue Bonds, Series of 1996 due in annual principal installments or mandatory sinking fund payments through August 1, 2010. First principal payment was due August 1, 2000.	\$ 3,085,000
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Sewer Revenues Bonds, Series of 1998 due in annual principal installments or mandatory sinking fund payments through August 1, 2010. First principal payment was due August 1, 2001.	<u>31,335,000</u>
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34,420,000

Less: deferred loss on advance refunding	(388,151)
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Less: current portion	<u>(640,000)</u>
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Total bonds payable	<u><u>\$33,391,849</u></u>
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The following schedule summarizes the debt service requirements for bonds outstanding:

2002	\$ 640,000	\$ 1,712,100	\$ 2,352,100
2003	665,000	1,683,720	2,348,720
2004	695,000	1,653,760	2,348,760
2005	730,000	1,622,130	2,352,130
2006	760,000	1,588,500	2,348,500
Thereafter	<u>30,930,000</u>	<u>20,774,225</u>	<u>51,704,225</u>
	<u><u>\$34,420,000</u></u>	<u><u>\$ 29,034,435</u></u>	<u><u>\$ 63,454,435</u></u>

6. PENSION PLAN

Description of Plan

The Authority's Pension Plan (plan) is a single-employer defined benefit pension plan. The plan was established on August 21, 1996 and is governed by the Board of

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Directors of the Authority which may amend plan provisions, and which is responsible for the management of plan assets. The Board of Directors has delegated the Authority to manage certain plan assets to National City Bank. The plan issues a separate stand-alone financial report that includes financial statements and required supplementary information that is available for public inspection at the Authority's offices.

The plan is available to any person employed on a full-time, permanent basis by the Authority. Pension benefits became 100 percent vested after the completion of 5 years of credited service. Eligibility for the normal retirement benefit is after the attainment of age 65 and completion for 15 years of credited service or attains age 62 and completes 25 years of credited service. The accrued benefit is equal to \$40 times years of credited service at determination. The normal form of payment is a monthly pension benefit payable for life with 120 payments guaranteed.

At January 1, 2001, participants in the plan were as follows:

Active	26
In payment status:	
Retirement benefits	3
Disability benefits	1
Deferred	<u>1</u>
Total	<u><u>31</u></u>

The plan also has specific provisions for early and late retirement, disability, and death benefits.

Funding Status and Progress

The Authority's funding policy is to comply with Pennsylvania Act 205 of 1984 (Act 205). Under Act 205, the Authority is to contribute the sum of each plan's normal cost, administrative expenses, and amortization of the unfunded actuarial accrued liability (if any), less the amount contributed by employees and the Commonwealth of Pennsylvania. The normal cost and amortization of unfunded actuarial accrued liability are determined by an actuary, using guidelines established in Act 205. The actuarial cost method used is the Entry Age Normal Cost Method.

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NOTES TO FINANCIAL STATEMENTS

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For the plan year ended December 31, 2001 and 2000, the annual pension cost was determined to be \$82,051 and \$82,051 respectively, all of which was contributed by the Authority. No material pension obligation (asset) exists for the plan at December 31, 2001 and 2000.

7. DEFERRED COMPENSATION PLANS

The Authority offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Code Section 457. The plan, available to all eligible, full-time Authority employees, permits them to defer a portion of their salaries until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

At December 31, 2001, all amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, were held in trust solely for the benefit of the participants. Investments are managed by the plan's trustee under several investment options selected by the participant. The total assets held in the deferred compensation plan as of December 31, 2001 and 2000 were \$161,981 and \$140,574, respectively. Under the provisions of GASB Statement No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*," the deferred compensation plan is not required to be included in the Authority's financial statements.

8. COMMITMENTS AND CONTINGENCIES

Contingencies

The Authority is party to a number of actual and possible matters of litigation. Other than as described below, the ultimate outcome of such matters are not expected to be material to the Authority's financial statements.

In addition, former officials of the Authority are under investigation for a variety of matters relating to activities that occurred during 2000 and prior years. The impact on the financial position of the Authority as a result of the investigation can not presently be determined but is not expected to be significant.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

Commitments

The Authority is involved in various contracts related to the construction of the sewer system. Construction commitments related to this project at December 31, 2001 and 2000 amounted to approximately \$3,000,000 and \$5,800,000, respectively.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors or omissions; and injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not significantly exceeded commercial insurance coverage in the past. There were no significant changes in insurance coverage during the year.

10. FINANCIAL POSITION

The Authority has incurred significant net losses over the past two years, resulting in deficit retained earnings. Management implemented measures to contain costs in 2001 that are expected to continue for 2002. In February 2002 the Authority has changed its 950 ALCOSAN customers from being billed directly by ALCOSAN to lump sum billing with the customers merged into the Authority's rate payment system. This will increase the ratepayers of the Authority by about 12% and allow the fixed costs to be spread across a larger base. Management is evaluating all of these factors and is also considering adjusting user rates for 2003. Through these actions, the Authority expects to reverse this negative financial trend.

SUPPLEMENTARY INFORMATION

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/97	\$ 666,537	\$ 956,384	\$ (289,847)	69.69%	\$ 648,050	(44.73)%
1/1/99	829,170	1,357,220	(528,050)	61.09%	1,053,447	(50.13)%
1/1/01	1,043,139	1,524,953	(481,814)	68.40%	1,036,770	(46.47)%

Source: Actuarial reports

Note: State law requires biennial valuations on the odd numbered years.

See accompanying notes to the supplementary pension schedules.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

FOR THE YEAR ENDED DECEMBER 31, 2001

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 41,688	101%
1999	46,821	293%
2000	82,051	102%
2001	82,051	100%

Note: The initial Minimum Municipal Obligation (MMO) for this plan was adopted in 1998.

See accompanying notes to supplementary pension schedules.

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

NOTES TO THE SUPPLEMENTARY PENSION SCHEDULES

DECEMBER 31, 2001

The information presented in the required supplementary pension schedules were determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/01
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	N/A
Asset valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	N/A

N/A = not applicable

ADDITIONAL INFORMATION

WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

ANALYSIS OF OPERATING REVENUES AND EXPENSES

YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Operating Revenues:		
Sewage rentals	\$ 3,936,031	\$ 3,234,781
Refunds	42,487	6,591
Total operating revenues	\$ 3,978,518	\$ 3,241,372
 Operating Expenses:		
Sewer system operation:		
Sewage treatment plants	\$ 388,419	\$ 560,606
Utilities	369,940	365,792
Sewer crew expenses	30,616	94,674
Pretreatment expenses	1,553	9,022
Payroll	1,128,933	1,269,913
Payroll taxes	81,355	96,580
Benefits	280,773	248,761
Office supplies	6,201	11,787
Communications	24,628	31,758
Postage	2,872	6,499
Advertisements	2,190	7,117
Printing	1,077	2,684
Fee collection costs	173,829	150,167
Engineering fees	65,656	60,296
Insurance	114,047	80,112
Seminars	4,615	19,416
Professional services	47,451	79,982
Refunds	4,253	79,756
Miscellaneous expenses	7,498	9,556
Purchased sewer treatment	15,999	26,618
Depreciation	726,214	424,158
Total operating expenses	\$ 3,478,119	\$ 3,635,254