

WEST MIFFLIN  
SANITARY SEWER  
MUNICIPAL AUTHORITY

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY AND ADDITIONAL INFORMATION

YEARS ENDED DECEMBER 31, 2003 AND 2002

WITH  
INDEPENDENT AUDITOR'S REPORT

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**MAHER DUESSEL**  
CERTIFIED PUBLIC ACCOUNTANTS

**WEST MIFFLIN SANITARY SEWER  
MUNICIPAL AUTHORITY**

YEARS ENDED DECEMBER 31, 2003 AND 2002

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# MAHER DUESSEL

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## Independent Auditor's Report

Board of Directors  
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, 2003 and 2002, 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, 2003 and 2002, and the changes in its financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The pension information presented in the supplementary schedules and note to the supplementary pension schedules listed in the table of contents are 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 21 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.



May 4, 2004

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

Assets	2003	2002	Liabilities and Fund Equity	
<b>Assets</b>				
Current assets:			Liabilities:	
Cash and cash equivalents	\$ 2,401,446	\$ 2,016,838	Current liabilities:	
Accounts receivable	816,087	1,008,449	Accounts payable	\$ 189,204
Interest receivable	27,158	27,159	Accrued payroll	9,002
Due from employees	-	597	Accrued compensated absences	175,836
			Current portion of long-term debt	695,000
<b>Total current assets</b>	<b>3,244,691</b>	<b>3,053,043</b>		<b>1,069,042</b>
Restricted assets:			<b>Total current liabilities</b>	
Special accounts	2,996,217	3,168,733	<b>940,852</b>	
Debt service accounts	4,102,008	3,988,403	Current liabilities (payable from restricted assets):	
			Bond interest payable	
<b>Total restricted assets</b>	<b>7,098,225</b>	<b>7,157,136</b>	<b>689,067</b>	
Property, plant, and equipment (at cost)	26,355,875	25,882,643	Long-term liabilities:	
Less: accumulated depreciation	(3,284,407)	(2,456,031)	Deferred fee	
Construction in progress	48,006	287,477	<b>368,564</b>	
			Bonds payable (net of deferred loss on advance refunding of \$341,593 and \$364,026 for 2003 and 2002, respectively)	
<b>Total property, plant, and equipment (at cost)</b>	<b>23,119,474</b>	<b>23,714,089</b>	<b>32,078,407</b>	
Other assets:			<b>Total long-term liabilities</b>	
Deferred charges (net of amortization of \$33,459 and \$28,998 for 2003 and 2002, respectively)	100,382	104,843	<b>32,446,971</b>	
Bond issue costs (net of amortization of \$483,866 and \$387,647 for 2003 and 2002, respectively)	1,366,297	1,462,536	Total Liabilities	
Other assets	-	1,081	<b>34,205,080</b>	
			Fund equity:	
<b>Total other assets</b>	<b>1,466,679</b>	<b>1,568,460</b>	Contributions in aid of construction (net of accumulated amortization of \$51,207)	
			Retained earnings, unrestricted	
			<b>644,651</b>	
			<b>79,338</b>	
			<b>723,989</b>	
			<b>Total Fund Equity</b>	
			<b>\$ 34,929,069</b>	
			<b>Total Liabilities and Fund Equity</b>	
			<b>\$ 35,492,728</b>	

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, 2003 AND 2002

	2003	2002
<b>Operating Revenues:</b>		
Sewer rentals	\$ 5,652,303	\$ 5,412,267
Refunds	3,274	350
Total operating revenues	5,655,577	5,412,617
<b>Operating Expenses:</b>		
Sewer system operation	3,105,935	2,820,583
Purchased sewer treatment	205,458	205,032
Depreciation	828,376	822,229
Total operating expenses	4,139,769	3,847,844
<b>Operating Income</b>	1,515,808	1,564,773
<b>Nonoperating Revenues (Expenses):</b>		
Commonwealth of Pennsylvania-Act 339 subsidy	-	515,229
Interest income	216,253	240,495
Other revenue	77,443	203,367
Interest on sewer revenue bonds	(1,711,796)	(1,742,256)
Amortization of bond issue costs and deferred charges	(87,939)	(81,345)
Nonoperating revenues (expenses)	(1,506,039)	(864,510)
<b>Net Income</b>	9,769	700,263
<b>Retained Earnings:</b>		
Beginning of year	69,569	(630,694)
End of year	79,338	69,569
<b>Contributed Capital:</b>		
End of year	644,651	644,651
<b>Fund Equity:</b>		
End of year	\$ 723,989	\$ 714,220

See accompanying notes to financial statements.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
<b>Cash Flows From Operating Activities:</b>		
Operating income	\$ 1,515,808	\$ 1,564,773
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	828,376	822,229
Change in operating assets:		
Accounts receivable	192,960	(467,930)
Other assets	1,081	33,946
Change in operating liabilities:		
Accounts payable	119,078	(421,347)
Accrued payroll and withholdings	(45,513)	3,563
Accrued compensated absences	24,625	25,187
	2,636,415	1,560,421
Net cash provided by (used in) operating activities	2,636,415	1,560,421
<b>Cash Flows From Noncapital Financing Activities:</b>		
Commonwealth of Pennsylvania-Act 339 subsidy	-	515,229
Other	72,078	203,367
	72,078	718,596
Net cash provided by (used in) noncapital financing activities	72,078	718,596
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Interest paid on debt	(1,683,720)	(1,712,100)
Interest received on restricted bond funds	168,740	211,548
Property, plant, equipment, and related purchases	(233,761)	(848,919)
Payment of bond principal	(665,000)	(640,000)
	(2,413,741)	(2,989,471)
Net cash provided by (used in) capital and related financing activities	(2,413,741)	(2,989,471)
<b>Cash Flows From Investing Activities:</b>		
Sale of investments	58,911	1,206,044
Interest earned	30,945	12,379
	89,856	1,218,423
Net cash provided by (used in) investing activities	89,856	1,218,423
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	384,608	507,969
<b>Cash and Cash Equivalents:</b>		
Beginning of year	2,016,838	1,508,869
	2,016,838	1,508,869
End of year	\$ 2,401,446	\$ 2,016,838

See accompanying notes to financial statements.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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### 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 8,300 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, is 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.

#### Statements 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.

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# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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### Restricted Assets

The Authority has established certain restricted asset accounts to satisfy the requirements of a bond trust indenture (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 completed.

### Bond Issue Costs

Bond issue costs are amortized over the life of the related bonds utilizing the interest method.

### 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. As a result, contributed capital will remain the same until the adoption of GASB Statement No. 34 (discussed on page 7).



# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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### Sick Leave

Employees of the Authority earn and are entitled to accumulate sick days based on length of service. The Authority has established a liability of \$175,836 and \$151,211 for 2003 and 2002, 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 Pronouncements

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. The Authority will be required to implement the Statement for the year ended December 31, 2004.

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

As required by GASB Statement No. 34, the Authority will also be required to adopt GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.* The provisions of this Statement clarify MD&A minimum requirements.

Additionally, as required by GASB Statement No. 34, the Authority will also be required to adopt GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* This Statement modifies, establishes, and rescinds certain financial statement disclosure requirements such as, debt service requirements to maturity,

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# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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obligations under leases for each of the five subsequent years and in five-year increments thereafter, and details about major components of receivable and payable balances.

### Reclassifications

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

### **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, 2003 and 2002, 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 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, 2003:

	<u>Total Category 1</u>	<u>Total Category 3</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits	<u>\$ 100,000</u>	<u>\$ 2,155,778</u>	<u>\$ 2,255,778</u>	<u>\$ 2,242,244</u>

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# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

At December 31, 2002:

	Total Category 1	Total Category 3	Bank Balance	Carrying Amount
Deposits	\$ 100,000	\$ 1,765,746	\$ 1,865,746	\$ 1,858,987

### Investments

GASB requires disclosure of investments (including certain amounts qualifying for classification as “cash and cash equivalents” for purposes of the balance sheets and statements of cash flows) delineated in prescribed categories intended to give some indication of the level or risk assumed by the Authority.

At December 31, 2003 and 2002, all categorized Authority investments (summarized below) met the criteria for Category 2, which includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or its trust department or agent in the Authority’s name. Category 1 would include investments that are insured or registered or for which securities are held by the Authority or its agent in the Authority’s name. Category 3 would include uninsured and unregistered investments for which the securities are held by the broker or dealer, or its trust department or agent, but not in the Authority’s name.

	2003 Fair Value	2002 Fair Value
Categorized investments:		
Repurchase agreement	\$ 1,104,964	\$ 1,104,964
Cash equivalent mortgage backed and other asset backed securities	185,000	185,000
Cash equivalent corporate debt securities	785,000	785,000
U.S. government securities	-	1,692,761
Uncategorized investments:		
Money market funds	2,478,217	894,266
Collective pooled investments	2,704,246	2,652,996
Total investments	\$ 7,257,427	\$ 7,314,987

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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All investments are carried at fair value at December 31, 2003 and December 31, 2002.

Of the collective pooled investments shown above, \$159,202 and \$157,851 are presented on the balance sheet, along with deposits of \$2,242,244 and \$1,858,987, as aggregate cash and cash equivalents of \$2,401,446 and \$2,016,838 at December 31, 2003 and 2002, respectively.

The Authority's collective pooled investments are held in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania Treasurer's INVEST Program. 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). 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 are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

### 4. FIXED ASSETS

A summary of changes in fixed assets is as follows:

	Balance at December 31, 2002	Additions	Transfers/ Deletions	Balance at December 31, 2003
Plant and system	\$24,675,592	\$ 416,826	\$ -	\$25,092,418
Vehicles and equipment	342,483	27,988	-	370,471
Other capital improvements	864,568	28,418	-	892,986
Construction in progress	287,477	205,773	(445,244)	48,006
Total	26,170,120	679,005	(445,244)	26,403,881
Less accumulated depreciation	(2,456,031)	(828,376)	-	(3,284,407)
Net property, plant, and equipment	\$23,714,089	\$ (149,371)	\$ (445,244)	\$23,119,474
	Balance at December 31, 2001	Additions	Transfers/ Deletions	Balance at December 31, 2002
Plant and system	\$21,418,861	\$3,256,731	\$ -	\$24,675,592
Vehicles and equipment	342,483	-	-	342,483
Other capital improvements	720,905	143,663	-	864,568
Construction in progress	2,838,952	848,919	(3,400,394)	287,477
Total	25,321,201	4,249,313	(3,400,394)	26,170,120
Less accumulated depreciation	(1,633,802)	(822,229)	-	(2,456,031)
Net property, plant, and equipment	\$23,687,399	\$3,427,084	\$(3,400,394)	\$23,714,089

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

### 5. LONG-TERM DEBT

Current interest bonds payable at December 31, 2003 are composed of the following individual issues:

Sewer Revenue Bonds	Balance at December 31, 2002	Retirements	Balance at December 31, 2003
1996	\$ 2,805,000	\$ (290,000)	\$ 2,515,000
1998	30,975,000	(375,000)	30,600,000
	<u>\$ 33,780,000</u>	<u>\$ (665,000)</u>	<u>\$ 33,115,000</u>

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.

\$ 2,515,000

Sewer Revenues Bonds, Series of 1998 due in annual principal installments or mandatory sinking fund payments through August 1, 2028. First principal payment was due August 1, 2001.

30,600,000

33,115,000

Less: deferred loss on advance refunding

(341,593)

Less: current portion

(695,000)

Total bonds payable

\$32,078,407

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 Authority and the Trustee, National City Bank.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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 directed 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 called 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.

The following schedule summarizes the debt service requirements for bonds outstanding:

December 31,	Principal	Interest	Total
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
2007	795,000	1,552,928	2,347,928
2008	840,000	1,511,380	2,351,380
Thereafter	29,295,000	17,709,917	47,004,917
	\$33,115,000	\$ 25,638,615	\$ 58,753,615

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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### 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 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 become 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, 2003, participants in the plan were as follows:

Active	27
In payment status:	
Retirement benefits	3
Disability benefits	1
Deferred	<u>1</u>
Total	<u><u>32</u></u>

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

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# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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### 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.

For the year ended December 31, 2003, the following plan information is presented:

Actuarial valuation date	1/1/2003
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	12 years
Asset valuation method	4 Year Smoothing
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	0.00%
Underlying inflation rate	3.00%

### Three-Year Trend Information

<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>
12/31/2001	\$ 82,051	100%
12/31/2002	81,709	100%
12/31/2003	83,827	100%

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# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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No material pension obligation (asset) exists for the plan at December 31, 2003, 2002, and 2001.

### **7. DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan (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, 2003, all amounts of compensation deferred under the plan, 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, 2003 and 2002 were \$246,482 and \$179,169, 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. CONTINGENCIES AND COMMITMENTS**

#### Contingencies

The Authority is party to a number of actual and possible matters of litigation. The ultimate outcome of such matters is not expected to be material to the Authority's financial statements.

#### 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, 2003 amounted to approximately \$2,650,000.

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# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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### **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.

# 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
1/1/1999	\$ 829,170	\$ 1,357,220	\$ (528,050)	61.09%	\$ 1,053,447	(50.13)%
1/1/2001	1,043,139	1,524,953	(481,814)	68.40%	1,036,770	(46.47)%
1/1/2003	1,132,487	1,638,664	(506,177)	69.11%	1,213,976	(41.70)%

Source: Actuarial reports

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

See accompanying note 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, 2003

<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%
2002	81,709	100%
2003	83,827	100%

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

See accompanying note to supplementary pension schedules.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTE TO THE SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2003

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

Actuarial valuation date	1/1/2003
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	12 years
Asset valuation method	4 Year Smoothing
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	0.00%
Underlying inflation rate	3.00%

## ADDITIONAL INFORMATION



# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## ANALYSIS OF OPERATING REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2003

	2003	2002
<b>Operating Revenues:</b>		
Sewage rentals	\$ 5,652,303	\$ 5,412,267
Refunds	3,274	350
	<u>\$ 5,655,577</u>	<u>\$ 5,412,617</u>
 <b>Operating Expenses:</b>		
Sewer system operation:		
Sewage treatment plants	\$ 398,433	\$ 321,496
Utilities	357,075	347,521
Sewer crew expenses	48,793	22,525
Pretreatment expenses	407	1,056
Payroll	1,301,840	1,248,581
Payroll taxes	104,374	98,971
Benefits	358,758	299,586
Office supplies	13,055	6,355
Communications	26,634	25,361
Postage	4,104	7,269
Advertisements	1,829	1,068
Printing	527	2,312
Fee collection costs	258,389	220,440
Engineering fees	39,859	23,319
Insurance	145,142	91,291
Seminars	5,611	1,597
Professional services	39,018	46,593
Refunds	1,247	406
Miscellaneous expenses	840	54,836
Purchased sewer treatment	205,458	205,032
Depreciation	828,376	822,229
	<u>\$ 4,139,769</u>	<u>\$ 3,847,844</u>