

**West Mifflin Sanitary Sewer  
Municipal Authority**

Financial Statements and  
Required Supplementary Information and  
Supplementary Information

Years Ended December 31, 2015 and 2014  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®  
[www.md-cpas.com](http://www.md-cpas.com)

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

YEARS ENDED DECEMBER 31, 2015 AND 2014

## TABLE OF CONTENTS

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

<b>Management's Discussion and Analysis</b>	i
---	---

### **Financial Statements:**

Statements of Net Position	1
Statements of Revenues, Expenses, and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4

### **Required Supplementary Information:**

Pension:	
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios	29
Schedule of Authority's Contributions	30
Schedule of Authority's Investment Returns	31
Notes to the Supplementary Pension Schedules	32

### **Supplementary Information:**

Analysis of Operating Revenues and Expenses	33
---	----

## Independent Auditor's Report

Board of Directors  
West Mifflin Sanitary Sewer Municipal Authority

We have audited the accompanying financial statements of the West Mifflin Sanitary Sewer Municipal Authority (Authority) as of and for the years ended December 31, 2015 and 2014, 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," which requires the Authority to record its net pension liability and related items on the statements. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and pension information on pages i through vii and 29 through 32, respectively, be presented to supplement the basic financial statements. Such information, although not 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. We 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We 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*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information on page 33 is presented for 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of 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 our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Maher Duessel***

Pittsburgh, Pennsylvania  
June 14, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **AUDIT ASSURANCE**

The unmodified opinion of our independent auditors, Maher Duessel, Certified Public Accountants, is included in this report. The following section, Management's Discussion and Analysis, has been prepared so that the Authority is in compliance with Statement No. 34 of the Governmental Accounting Standards Board (GASB).

### **FINANCIAL HIGHLIGHTS**

The following are key financial highlights during 2015:

- 2015 marks the first year that the Authority has had to comply with the Governmental Accounting Standards Board (GASB) Statement No. 68. The standard pertains to the treatment of the net pension liability. The net pension liability is the difference between the total pension liability and the plan assets at fair value. The Authority's Statement of Net Position now contains a non-current liability of \$794,707. This also caused a restatement of the December 31, 2014 net position in the amount of \$829,309. The impact of such restatement on the December 31, 2014 information is reflected in the following financial analysis of the Authority included throughout the management's discussion and analysis.
- In 2015, the flow billed increased by 8,885,682 gallons. This increase can be attributed to an increase in customer's usage from the residential and commercial users in our service area. This increase in billed volume resulted in increased operating revenues for the Authority in 2015.
- In 2015, the Authority treated 1,065,253,000 gallons for 8,972 customers at its two waste water treatment plants. Of the gallons treated, only 569,394,182 gallons were billed. In 2014, the Authority treated 985,691,000 gallons for 8,972 customers at its two waste water treatment plants. Of the gallons treated, only 560,508,500 gallons were billed. The difference between what is treated versus that which is billed is attributed to direct inflow of storm water from groundwater infiltration into the system from old and deteriorating sewer lines and private laterals throughout the service area.
- During 2015, the Authority paid \$1,270,000 in principal on its outstanding Sewer Revenue Bonds, Series of 2009; compared with principal payments made in 2014 of \$1,305,000.

- The Authority had an increase in the cost of operations (less depreciation and bad debt expense) in 2015 by \$32,584 or 0.75% when compared to 2014.
- Operating revenues increased by \$78,020 or 1.12% in 2015 when compared to 2014.
- The Authority essentially completed and placed into service approximately \$651,000 in sewer system and treatment plant improvements in 2015.

## **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Authority reports information about the Authority's use of accounting methods that are similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases to net position are one indicator of whether the financial position of the Authority is improving or deteriorating. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenue and expenses are accounted for in the Statement of Operating Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its sewage disposal rates and other fees. The Authority's rate studies are updated periodically to reflect both the operating and long-term capital requirements of the Authority. The most recent rate evaluation was performed in mid-2010. The Authority's Board of Directors (Board) increased sewer rates in November 2013 that went into effect beginning with January 2014 usage.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the reporting period.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

## **SUMMARY OF ORGANIZATION AND BUSINESS**

The Authority was incorporated on May 9, 1996 under the Pennsylvania Municipality Authorities Act of 1945. Plant operations began on September 1, 1996. The Authority serves as the exclusive agency for the collection, transportation, and treatment of wastewater for the Borough of West Mifflin. The Authority charges users for processing of wastewater at a base rate of \$17.00 per residential and \$25.00 per commercial plus a graduated rate for usage by the hundred gallons. Additional charges are levied for excess Biochemical Oxygen Demand (BOD) and suspended solids (SS) from industrial waste discharges into the system in the portion of the sewer system using ALCOSAN for treatment.

The Thompson Run Treatment Plant and Authority Offices are located at 1302 Lower Bull Run Road, West Mifflin, PA. The Authority also operates an additional treatment facility at 2439 New England Hollow Road. The Authority operates and maintains over 100 miles of interceptor and collector sewers, and 13 pumping or lift stations throughout the service area.

A small portion of the sewer system is connected to the Jefferson Hills sewage system that is treated at the Clairton Municipal Authority Treatment Plant. Beginning early in 2008, 40 accounts were being billed by the WMSSMA in this service area. In 2015, the number of customers in this service area is 37. The Authority is billed by Jefferson Hills Borough for these customers on a quarterly payment schedule for the wastewater treatment.

The Authority's service area covers over 14 square miles in Allegheny County.

The Authority's Articles of Incorporation (Articles), provide that the Authority's Board shall consist of five (5) members serving staggered five-year terms. Pursuant to the Articles, all members of the Board are appointed by West Mifflin Borough Council. The day-to-day operation of the Authority is the responsibility of the General Manager and Assistant General Manager, who are employed by the Board to carry out its policies.

## FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

	Condensed Statements of Net Position (In Millions of Dollars)			
	2015	2014	\$ Change	% Change
<b>Assets and Deferred Outflows of Resources</b>				
<u>Assets:</u>				
Current assets	\$ 3,410,032	\$ 2,338,905	\$ 1,071,127	46%
Restricted assets	7,797,149	9,500,948	(1,703,799)	-18%
Capital assets, net	20,644,852	20,533,841	111,011	1%
Other assets	291,823	311,774	(19,951)	-6%
Total Assets	32,143,856	32,685,468	(541,612)	
<u>Deferred Outflows of Resources:</u>				
Deferred charge on refunding	1,966,525	2,065,263	(98,738)	-5%
Deferred outflow related to pension plan	123,918	-	123,918	100%
Total Deferred Outflows of Resources	2,090,443	2,065,263	25,180	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 34,234,299</b>	<b>\$ 34,750,731</b>	<b>\$ (640,350)</b>	
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
<u>Liabilities:</u>				
Current liabilities	\$ 1,840,405	\$ 1,908,421	\$ (68,016)	-4%
Long-term liabilities	32,344,862	33,510,917	(1,166,055)	-3%
Total Liabilities	34,185,267	35,419,338	(1,234,071)	
<u>Deferred Inflows of Resources:</u>	61,171	-	61,171	100%
<u>Net Position:</u>				
Net investment in capital assets	(5,018,771)	(5,633,578)	614,807	-11%
Restricted net position	2,242,346	3,223,521	(981,175)	-30%
Unrestricted net position	2,764,286	1,741,450	1,022,836	59%
Total Net Position	(12,139)	(668,607)	656,468	
<b>Total Liabilities and Net Position</b>	<b>\$ 34,234,299</b>	<b>\$ 34,750,731</b>	<b>\$ (577,603)</b>	



## **OTHER SELECTED INFORMATION**

	<u>2015</u>	<u>2014</u>	<u>Difference</u>
<u>Selected Data:</u>			
Authorized Employees	24	25	-1
Actual Employees at year-end	24	24	0
Wastewater Treated (billions of gallons)	1.065253	0.955691	0.109562
Wastewater Billed (billions of gallons)	0.569394	0.560508	0.008886
Percentage of Billed/Treated Wastewater	53.45%	58.65%	-5.20%
<u>Rates:</u>			
Residential Fee	\$17	\$17	\$0.00
Commercial Fee	\$25.00	\$25.00	\$0.00
First 2,000 gallons/thousand	\$7.58	\$7.58	\$0.00
next 13,000 gallons/thousand	\$7.58	\$7.58	\$0.00
15,001-100,000 gallons/thousand	\$11.25	\$11.25	\$0.00
over 100,000 gallons/thousand	\$13.25	\$13.25	\$0.00
<u>Average Residential Customer Bill:</u>			
Per year	\$749.76	\$749.76	\$0.00
Per Month	\$62.48	\$62.48	\$0.00

\* Based on 6,000 Gallons per month

## **GENERAL TRENDS AND SIGNIFICANT EVENTS**

Proceeds from the Authority's bond issue in 2014, Sewer Revenue Bonds, Refunding Series of 2014 A, will be used for upgrades to the Authority's plants, pump stations, and operating systems. The Authority plans to use these proceeds to upgrade the Authority's treatment process to omit the use of chlorine at both the Thompson Run and New England sewage treatment plants. These upgrades will create savings to the Authority's rate payers and make the community safer. In order to omit chlorine from the treatment process, upgrades will be made to UV system at Thompson Run and a new UV system will be purchased for the New England sewage treatment plant. These upgrades will allow for both the Thompson Run and New England sewage treatment plants to comply with chlorine regulations required by the State and NPDES permitting.

Planned upgrades to pump stations will help eliminate some infiltration issues. Force main pipe will be replaced at some pumping stations and pump and shaft upgrades will be made to make the stations run more efficiently. These changes will allow for utility savings to the Authority, as well as a savings in the treatment.

## **RESULTS OF OPERATIONS**

### **Operating Revenue**

In 2015 and 2014, 100% of operating revenue was derived from customer billing for sewage treatment service. This includes residential, commercial, and industrial customers.

### **Operating Expenses**

Total operating expense, before depreciation was \$4,395,991 in 2015 vs. \$4,363,407 in 2014. In 2015, operating expenses increased in sewage treatment plants, utilities, sewer crew expenses, payroll taxes, benefits, office supplies, postage, advertisements, fee collection costs, insurance, miscellaneous expenses, purchased sewer treatment, and depreciation and amortization. There were reductions in pretreatment expenses, payroll, communications, engineering fees, seminars, and professional services.

### **Non-Operating Revenues and Non-Operating Expenses**

The Authority experienced significant reductions in Non-operating Revenue (Expense) between 2015 and 2014 primarily due to the Authority's termination of its Debt Service Forward Delivery and SWAP Agreements in 2014. The termination of the Authority's Debt Service Forward Delivery Agreement resulted in a loss of \$269,609, and the termination of the Authority's SWAP Agreement resulted in a gain of \$220,480 in 2014. The Authority also incurred \$405,523 in bond issue costs related to the issuance of the Sewer Revenue Bonds, Series of 2014 A & B, in 2014.

### **Depreciation**

The Authority had a depreciation expense of \$927,882 and \$888,000 on plants and equipment in 2015 and 2014, respectively. In 2015 and 2014, respectively, the Authority completed approximately \$651,000 and \$237,000 in various capital projects throughout the sewer system and treatment plants. Additionally, the Authority reports approximately \$368,000 in construction in progress, with approximately \$150,000 remaining in construction commitments at December 31, 2015.

## **DEBT**

At December 31, 2015, the Authority had \$30,245,000 in bond debt.

In 2015, the Authority was in compliance with the rate covenant, as its operating surplus was more than 110% of the debt service requirements.

During May 2016, the Authority issued Sewer Revenue Bonds, Refunding Series of 2016 (2016 Bonds), in the aggregate principal amount of \$9,820,000 to currently refund a portion of the outstanding 2009 bonds, to currently refund other long-term indebtedness

of the Authority held by Pennsylvania Infrastructure Investment Authority, and to pay all costs and expenses incident to the issuance of the bonds.

### **FINAL COMMENTS**

While fiscal year 2015 presented financial challenges, the Board and the Authority staff worked hard to position the Authority for the future. The Authority responded by taking advantage of cost cutting through reduced staff size and implementation of new operating procedures.

The Authority is looking at a potential cooperative agreement with the Pittsburgh Water and Sewer Authority to treat the wastewater from about 800 customers that would be connected by gravity to the Authority's sewer system and be treated at the Thompson Run Plant.

### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGER**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the West Mifflin Sanitary Sewer Municipal Authority's General Manager and Administration at 1302 Lower Bull Run Road, West Mifflin, PA 15122. (412-466-6070).

**WEST MIFFLIN SANITARY SEWER  
MUNICIPAL AUTHORITY**

STATEMENTS OF NET POSITION

DECEMBER 31, 2015 AND 2014

<b>Assets and Deferred Outflows of Resources</b>			<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
	2015	2014		2015	2014
<b>Assets:</b>			<b>Liabilities:</b>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 2,317,276	\$ 1,294,800	Accounts payable	\$ 363,121	\$ 274,967
Accounts receivable - user fees	937,543	936,015	Accrued payroll	30,706	21,405
Accounts receivable - nonuser fees	4,317	4,450	Current portion of accrued compensated absences	-	2,394
Prepaid expenses	99,098	94,948	Current portion of notes payable	71,734	79,053
Interest receivable	51,798	8,692			
Total current assets	3,410,032	2,338,905	Total current liabilities	465,561	377,819
Restricted assets:			Current liabilities (payable from restricted assets):		
Construction fund	5,204,959	6,016,825	Current portion of bonds payable long-term	1,025,000	1,270,000
Debt service accounts	2,592,190	3,484,123	Bond interest payable	349,844	260,602
Total restricted assets	7,797,149	9,500,948	Total current liabilities (payable from restricted assets)	1,374,844	1,530,602
Capital assets (at cost)	33,744,934	33,093,870	Long-term liabilities:		
Less: accumulated depreciation	(13,467,960)	(12,560,029)	Accrued compensated absences	314,666	298,689
Construction in progress	367,878	-	Notes payable	1,005,802	1,077,536
Total capital assets, net (at cost)	20,644,852	20,533,841	Bonds payable	29,220,000	30,245,000
Other assets:			Unamortized bond premium	1,009,687	1,060,383
Cost of sewer capacity improvements (net of amortization of \$230,699 and \$210,748 for 2015 and 2014, respectively)	291,823	311,774	Net pension liability	794,707	829,309
Total other assets	291,823	311,774	Total long-term liabilities	32,344,862	33,510,917
Total Assets	32,143,856	32,685,468	Total Liabilities	34,185,267	35,419,338
Deferred Outflows of Resources:			Deferred Inflows of Resources:		
Deferred charge on refunding	1,966,525	2,065,263	Deferred inflows of resources for pension	61,171	-
Deferred outflows of resources for pension	123,918	-	Net Position:		
Total Deferred Outflows of Resources	2,090,443	2,065,263	Net investment in capital assets	(4,224,064)	(4,804,269)
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 34,234,299</b>	<b>\$ 34,750,731</b>	Restricted net position	2,242,346	3,223,521
			Unrestricted net position	1,969,579	912,141
			Total Net Position	(12,139)	(668,607)
			<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 34,234,299</b>	<b>\$ 34,750,731</b>

See accompanying notes to financial statements.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>Operating Revenues:</b>		
Sewer rentals	\$ 7,050,608	\$ 6,972,588
<b>Operating Expenses:</b>		
Sewer system operation	3,901,962	3,884,961
Purchased sewer treatment	494,029	478,446
Depreciation and amortization	927,882	888,000
Total operating expenses	5,323,873	5,251,407
<b>Operating Income</b>	<b>1,726,735</b>	<b>1,721,181</b>
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	145,368	68,803
Other revenue	19,309	60,776
Gain on disposal of capital asset	-	772
Interest on sewer revenue bonds and notes payable	(1,151,480)	(1,118,065)
Amortization of bond discount and bond premium	(48,042)	(13,431)
Bond issue costs	-	(405,523)
Investment gain (loss) on embedded derivative instrument	-	220,480
Loss on debt service forward delivery agreement	-	(269,609)
Income on swap transactions	-	92,821
Realized loss on investments	(33,321)	(13,326)
Unrealized gain (loss) on investments	(75,101)	99,539
Total nonoperating revenues (expenses)	(1,143,267)	(1,276,763)
<b>Income (Loss) Before Capital Contribution Revenues</b>	<b>583,468</b>	<b>444,418</b>
<b>Capital Contribution Revenues:</b>		
Tap-in fees	73,000	11,952
<b>Change in Net Position</b>	<b>656,468</b>	<b>456,370</b>
<b>Net Position:</b>		
Beginning of year, as restated	(668,607)	(1,124,977)
End of year	\$ (12,139)	\$ (668,607)

See accompanying notes to financial statements.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 7,049,080	\$ 6,960,106
Cash payments for operating expenses	<u>(4,386,319)</u>	<u>(4,431,924)</u>
Net cash provided by (used in) operating activities	<u>2,662,761</u>	<u>2,528,182</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Payment received on swap transactions	-	92,821
Debt service forward delivery agreement termination payment	-	(464,000)
Swap termination payment	-	(208,000)
Other	<u>92,309</u>	<u>72,728</u>
Net cash provided by (used in) noncapital financing activities	<u>92,309</u>	<u>(506,451)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Interest paid on debt	(1,062,237)	(1,060,537)
Interest received on restricted bond funds	145,368	68,803
Capital assets and related purchases	(1,018,942)	(196,186)
Proceeds from issuance of bonds	-	22,564,608
Payment to refunded bond escrow agent/fund	-	(15,418,765)
Payment for bond issue costs	-	(397,023)
Payment of notes payable	(79,053)	(77,714)
Payment of bond principal	<u>(1,270,000)</u>	<u>(1,305,000)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,284,864)</u>	<u>4,178,186</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	1,595,376	(5,955,148)
Interest earned	<u>(43,106)</u>	<u>(92)</u>
Net cash provided by (used in) investing activities	<u>1,552,270</u>	<u>(5,955,240)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>1,022,476</u>	<u>244,677</u>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>1,294,800</u>	<u>1,050,123</u>
End of year	<u>\$ 2,317,276</u>	<u>\$ 1,294,800</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>		
Operating income	\$ 1,726,735	\$ 1,721,181
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	927,882	888,000
Accounts receivable	(1,395)	(9,027)
Prepaid expenses	(4,150)	(38,706)
Deferred outflows of resources related to pension	(123,918)	-
Accounts payable	88,154	(55,275)
Accrued payroll and withholdings	9,301	7,324
Accrued compensated absences	13,583	14,685
Net pension liability	(34,602)	-
Deferred inflows of resources related to pension	<u>61,171</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 2,662,761</u>	<u>\$ 2,528,182</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Investment gain (loss) on embedded derivative instrument	<u>\$ -</u>	<u>\$ 220,480</u>
Loss on debt service forward delivery agreement	<u>\$ -</u>	<u>\$ (269,609)</u>

See accompanying notes to financial statements.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### 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 operations 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 accounting principles generally accepted in the United States of America 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, are financed or recovered primarily through user charges.

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

#### Basis of Accounting and Measurement Focus

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.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### Receivables

In general, no provision is made for uncollectible accounts receivables as these charges are lienable charges to the property served and service can be shut off. Charges that become uncollectible are charged to expense in the year. The Authority charged no bad debt expense for 2015 and 2014.

### Unamortized Premium and Unamortized Discount

Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category:

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statement of net position and amortized as a component of interest expense over the term of the refunding issue.

In conjunction with pension accounting requirements, the effect of the change in assumptions and the difference between projected and actual earnings on pension plan investments are recorded as deferred outflows of resources related to pensions on the statement of net position. These amounts are determined based on actuarial valuations performed for the plan. Note 8 presents additional information about the pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category:



# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

In conjunction with pension accounting requirements, the difference between expected and actual experience is recorded as a deferred inflow of resources related to pensions on the statement of net position. This amount is determined based on the actuarial valuations performed for the pension plan.

### 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.

### Capital Assets

Capital assets, which include property, plant, and equipment, are recorded at cost, including capitalized interest. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Depreciation is provided on all capital 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 begin to be depreciated when the project is completed.

Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Land improvement	10-20
Buildings and improvement	20-40
Vehicles	5-15
Software/computers	5
Office furniture and equipment	5-10
Machinery and equipment	10-20

### 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 \$314,666 and \$301,083 for 2015 and 2014, respectively, for compensated absences that are eligible for payment upon termination.

---

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### Net Position

Accounting standards require the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows or resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets. The Authority had restricted net position of \$2,242,346 and \$3,223,521 at December 31, 2015 and 2014, respectively. These amounts are restricted for the debt covenants.
- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, employer contributions are recognized as a reduction of the net pension liability upon payment into the pension trust. Investments are reported at fair value.

---

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### Other Matters

The accounting policies for the interest rate swap and debt service forward delivery agreement are discussed in Note 6 and Note 7, respectively. As described in those notes, the interest rate swap and debt service forward delivery agreement were terminated in 2014.

### Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the Authority's December 31, 2015 financial statements:

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*." These statements establish new financial reporting requirements for most governments that provide their employees with pension benefits.

As a result of adopting GASB Statement No. 68 and GASB Statement No. 71, the Authority's net position as of December 31, 2014 has been restated by \$829,309 and comparative amounts for 2014 have been adjusted over amounts previously reported. As permitted, beginning balances for deferred outflows and inflows of resources related to pensions are not reported.

### Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Authority's financial statements.

GASB Statement No. 72, "*Fair Value Measurement and Application*," effective for fiscal years beginning after June 15, 2015 (the Authority's financial statements for the year ending December 31, 2016). This statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*," effective for fiscal years beginning after June 15, 2015 (the Authority's financial statements for the year ending December 31, 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (the Authority's financial statements for the year ending December 31, 2017). This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68).

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*," effective for fiscal years beginning after June 15, 2016 (the Authority's financial statements for the year ending December 31, 2017). This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces Statement No. 43.

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*," effective for fiscal years beginning after June 15, 2017 (the Authority's financial statements for the year ending December 31, 2018). This statement addresses 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.

GASB Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," effective for fiscal years beginning after June 15, 2015 (the Authority's financial statements for the year ending December 31, 2016). This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55.

GASB Statement No. 77, "*Tax Abatement Disclosures*," effective for fiscal years beginning after December 15, 2015 (the Authority's financial statements for the year ending December 31, 2016). This statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.

GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*," effective for fiscal years beginning after December 31, 2015 (the Authority's financial statements for the year ending December 31, 2016). This statement addresses a practice issue regarding the scope and applicability

---

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

of Statement No. 68, *“Accounting and Financial Reporting for Pensions.”* The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions.

GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants,”* effective for fiscal years beginning after June 15, 2015 (the Authority’s financial statements for the year ending December 31, 2016). This statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *“Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,”* effective for fiscal years beginning after June 15, 2016 (the Authority’s financial statements for the year ending December 31, 2017). The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, *“Irrevocable Split-Interest Agreements,”* effective for fiscal years beginning after December 31, 2016 (the Authority’s financial statements for the year ending December 31, 2017). The 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.

GASB Statement No. 82, *“Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,”* effective for fiscal years beginning after June 15, 2016 (the Authority’s financial statements for the year ending December 31, 2017). The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *“Financial Reporting for Pension Plans,”* No. 68, *“Accounting and Financial Reporting for Pensions,”* and No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”*

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

### **3. CASH AND INVESTMENTS**

The Authority is authorized to invest in: obligations of the U.S. Government and government-sponsored agencies and instrumentalities; fully insured or collateralized certificates of deposits; commercial paper of the highest rating; repurchase agreements collateralized by government obligations or securities; highly rated bank promissory notes or investment funds or trusts; and, as to trustee assets, as otherwise permitted by the trust indenture of 2009. Throughout the years ended December 31, 2015 and 2014, the Authority invested its funds in such authorized investments.

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentration of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Authority's deposit and investment risks:

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 formal deposit policy for custodial credit risk. As of December 31, 2015 and 2014, respectively, \$1,925,229 and \$964,499 of the Authority's bank balance of \$2,181,819 and \$1,221,089 was exposed to custodial credit risk. Any exposed amount is 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. These deposits have a carrying amount of \$2,165,039 and \$1,192,395 as of December 31, 2015 and 2014, respectively, all of which is reported as current assets in the statements of net position.

In addition to the deposit noted above, included in cash and cash equivalents on the statements of net position are investments with the Pennsylvania Local Government Investment Trust (PLGIT) of \$151,235 and \$101,403 for 2015 and 2014, respectively. The fair value of the Authority's investments with PLGIT (an external investment pool) is the same as the value of pool shares. All investments in the 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, 2015 AND 2014

In addition to the deposits noted above, included in cash and cash equivalents on the statements of net position are short-term investments with the external investment pool (INVEST) of \$1,002 and \$1,002 in 2015 and 2014, respectively. The fair value of the Authority's investments in INVEST is the same as the value of the pool shares. All investments in the investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

At December 31, 2015, the Authority held the following investment balances:

	Fair Market Value	Maturity in Years			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Money markets	\$ 1,894,591	\$ 1,894,591	\$ -	\$ -	\$ -
Corporate bonds	657,366	-	-	-	657,366
Municipal bonds	1,077,398	-	-	562,458	514,940
U.S. agencies	4,167,794	4,167,794	-	-	-
<b>Total</b>	<b>\$ 7,797,149</b>	<b>\$ 6,062,385</b>	<b>\$ -</b>	<b>\$ 562,458</b>	<b>\$ 1,172,306</b>

At December 31, 2014, the Authority held the following investment balances:

	Fair Market Value	Maturity in Years			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Money markets	\$ 8,264,671	\$ 8,264,671	\$ -	\$ -	\$ -
Corporate bonds	657,366	-	-	-	657,366
Municipal bonds	-	-	-	-	-
U.S. agencies	578,911	578,911	-	-	-
<b>Total</b>	<b>\$ 9,500,948</b>	<b>\$ 8,843,582</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 657,366</b>

The fair value of the Authority's investments is the same as their carrying amount. Investments of \$7,797,149 at December 31, 2015 and \$9,500,948 at December 31, 2014 are included as restricted investments on the statements of net position.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

increasing rates. Interest rate risk is the risk that changes in the interest rates will adversely affect the fair market value of the Authority's investments.

Credit Risk – The Authority has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's BlackRock Temp B #24 money market funds of \$1,894,591, J.P. Morgan corporate bonds of \$657,366, and municipal bonds of \$1,077,398 were rated AAA, A2, and A2, respectively, at December 31, 2015.

As of December 31, 2014, the Authority's Wells Fargo money market funds of \$8,264,671 and J.P. Morgan corporate bonds of \$657,366 were rated Aa3 and A2, respectively.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Authority places no limit on the amount it may invest in any one issuer. More than five percent of the Authority's investments are in J.P. Morgan corporate bonds at December 31, 2015 and 2014. These investments are 8% and 7% of the Authority's total investments at December 31, 2015 and 2014, respectively. More than five percent of the Authority's investments are in municipal bonds at December 31, 2015. These investments are 14% of the Authority's total investments at December 31, 2015.



# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

### 4. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at December 31, 2014	Additions	Transfers/ Deletions	Balance at December 31, 2015
<u>Capital assets, not being depreciated:</u>				
Construction in progress	\$ -	\$ 367,878	\$ -	\$ 367,878
<u>Capital assets, being depreciated:</u>				
Plant and system	30,511,648	556,571	-	31,068,219
Vehicles and equipment	810,485	77,883	-	888,368
Other capital improvements	1,771,737	16,610	-	1,788,347
Total capital assets, being depreciated	33,093,870	651,064	-	33,744,934
Less accumulated depreciation	(12,560,029)	(907,931)	-	(13,467,960)
Total capital assets, being depreciated, net	20,533,841	(256,867)	-	20,276,974
Total capital assets, net	\$ 20,533,841	\$ 111,011	\$ -	\$ 20,644,852
	Balance at December 31, 2013	Additions	Transfers/ Deletions	Balance at December 31, 2014
<u>Capital assets, not being depreciated:</u>				
Construction in progress	\$ 40,464	\$ -	\$ (40,464)	\$ -
<u>Capital assets, being depreciated:</u>				
Plant and system	30,307,624	204,024	-	30,511,648
Vehicles and equipment	800,861	31,159	(21,535)	810,485
Other capital improvements	1,770,270	1,467	-	1,771,737
Total capital assets, being depreciated	32,878,755	236,650	(21,535)	33,093,870
Less accumulated depreciation	(11,696,287)	(868,049)	4,307	(12,560,029)
Total capital assets, being depreciated, net	21,182,468	(631,399)	(17,228)	20,533,841
Total capital assets, net	\$ 21,222,932	\$ (631,399)	\$ (57,692)	\$ 20,533,841

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

### 5. LONG-TERM DEBT

Current interest bonds payable at December 31, 2015 are composed of the following individual issues:

	Balance December 31, 2014	New Issues	Payments	Refunded	Balance December 31, 2015	Due Within One Year
Bonds Payable	\$ 31,515,000	\$ -	\$ 1,270,000	\$ -	\$ 30,245,000	\$ 1,025,000

	At December 31st	
	2015	2014
Sewer Revenue Bonds, Refunding Series of 2014 A, due in annual principal installments or mandatory sinking fund payments through August 1, 2035.	\$ 20,785,000	\$ 21,225,000
Sewer Revenue Bonds, Series of 2014 B, federally taxable, due in one annual principal installment or mandatory sinking fund payment on August 1, 2015.	-	275,000
Sewer Revenue Bonds, Series of 2009, due in annual principal installments or mandatory sinking fund payments through August 1, 2028.	9,460,000	10,015,000
	30,245,000	31,515,000
Less: current portion	(1,025,000)	(1,270,000)
Total bonds payable - long-term	\$ 29,220,000	\$ 30,245,000

#### Sewer Revenue Bonds, Series of 2014 A

On November 20, 2014, the Authority issued Sewer Revenue Bonds, Refunding Series of 2014 A (2014 A Bonds), in the amount of \$21,225,000 to advance refund \$14,360,000 of the outstanding Sewer Revenue Bonds, Series of 2009 (2009 Bonds), terminate the Debt Service Forward Delivery Agreement, and to be used to pay the costs of certain capital projects of the Authority. The 2014 A Bonds bear interest semi-annually at rates ranging from 2.000% to 5.000%. A first supplemental indenture amending the original indenture dated September 15, 2009 was made and entered into as of November 20, 2014, between the Authority and the Trustee, Wells Fargo Bank, N.A.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

### Sewer Revenue Bonds, Series of 2014 B

On November 20, 2014, the Authority issued Sewer Revenue Bonds, Federally Taxable, Series of 2014 B (2014 B Bonds), in the amount of \$275,000 to terminate the Authority's SWAP Agreement. The 2014 B bonds bear interest semi-annually at 1.000%.

### Sewer Revenue Bonds, Series of 2009

On September 15, 2009, the Authority issued \$29,320,000 of Sewer Revenue Bonds, Refunding Series of 2009 (2009 Bonds), bearing interest rates ranging from 2% to 4.625%. The proceeds of the 2009 Bonds were used to currently refund all of the outstanding Sewer Revenue Bonds, Series of 1998 in the amount of \$27,985,000. As noted above, \$14,360,000 of the 2009 Bonds was advance refunded with the issuance of the 2014 A Bonds. At December 31, 2015, \$13,565,000 of the defeased 2009 Bonds remains outstanding. \$9,460,000 of the 2009 Bonds remain outstanding at December 31, 2015 as an obligation of the Authority.

A supplemental indenture (2009 Bond Indenture) was made and entered into as of September 15, 2009, between the Authority and the Trustee, Wells Fargo Bank, N.A. The 2009 Bond Indenture includes rate covenants that the Authority must meet on an annual basis. The Authority must generate operating surplus annually equal to 110% of the debt service requirements with respect to all outstanding bonds during the current fiscal year of the Authority. This calculation can only include operating revenues of the Authority and is not permitted to include the surplus of the revenue fund. In 2015, the Authority was in compliance with the rate covenant, as its operating surplus was greater than 110% of the debt service requirements.

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

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,025,000	\$ 1,288,378	\$ 2,313,378
2017	1,055,000	1,259,253	2,314,253
2018	1,090,000	1,224,925	2,314,925
2019	1,130,000	1,183,785	2,313,785
2020	1,180,000	1,134,965	2,314,965
2020-2025	6,735,000	4,836,675	11,571,675
2026-2030	8,455,000	3,108,885	11,563,885
2031-2035	9,575,000	1,111,400	10,686,400
	<u>\$ 30,245,000</u>	<u>\$ 15,148,266</u>	<u>\$ 45,393,266</u>

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Current interest notes payable at December 31, 2015 are composed of the following:

	Balance December 31, 2014	New Loans	Payments	Balance December 31, 2015	Due Within One Year
PennVest loans	\$ 1,156,589	\$ -	\$ 79,053	\$ 1,077,536	\$ 71,734

In July 2001, PennVest approved a loan for the Pittsburgh Water and Sewer Authority (PWSA) to fund a rehabilitation project in the Streets Run Interceptor Sewer, bearing interest at 1%. As described in Note 10 below, the Authority has agreed to share in the costs related to this project. Accordingly, the Authority is also responsible for a share of the PennVest loan. Payments are to be paid to PWSA through fiscal year 2024. The outstanding balance of the loan is \$129,914 and \$143,927 at December 31, 2015 and 2014, respectively.

The following summarizes the required payments for the PWSA loan:

December 31,	Principal	Interest	Total
2016	\$ 14,435	\$ 3,663	\$ 18,098
2017	14,869	3,229	18,098
2018	15,317	2,781	18,098
2019	15,778	2,320	18,098
2020	16,253	1,844	18,097
2021-2024	53,262	2,542	55,804
	\$ 129,914	\$ 16,379	\$ 146,293

In August 2006, PennVest approved a loan up to the amount of \$404,041 to fund the construction, rehabilitation, and operation of a community sewer system, bearing interest at 1.56% for the first 74 months and 2.697% for the remainder of the loan term. Interest-only payments on the unpaid principal sum were payable monthly beginning with the first calendar month following a loan advance and ending on October 1, 2007. On November 1, 2007, the unpaid principal and interest became due and payable according to the amortization schedule in the loan agreement. During 2010, the Authority received a final amortization schedule from PennVest in which \$16,766 was reclassified from a PennVest loan to a grant. The outstanding balance of the loan is \$238,933 and \$255,848 at December 31, 2015 and 2014, respectively.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

The following summarizes the required payments for the PennVest loan:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 17,376	\$ 6,230	\$ 23,606
2017	17,851	5,756	23,607
2018	18,338	5,268	23,606
2019	18,839	4,767	23,606
2020	19,353	4,253	23,606
2021-2025	104,989	13,044	118,033
2026-2027	42,187	1,099	43,286
	<u>\$ 238,933</u>	<u>\$ 40,417</u>	<u>\$ 279,350</u>

In June 2011, PennVest approved a loan up to the amount of \$1,237,000 to fund the construction of improvements to the community sewer system, bearing interest at 1% for the 240 months of the loan term. Interest-only payments on the unpaid principal sum were payable monthly beginning with the first calendar month following a loan advance and ending on May 1, 2012. On June 1, 2012, the unpaid principal and interest became due and payable according to the preliminary amortization schedule in the loan agreement. During 2013, the Authority received a preliminary amortization schedule from PennVest. During 2015, the Authority received a final amortization schedule from PennVest. The outstanding balance of the loan is \$708,689 and \$756,814 at December 31, 2015 and 2014, respectively.

The following summarizes the required payments for the PennVest loan:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 39,923	\$ 6,904	\$ 46,827
2017	40,324	6,503	46,827
2018	40,729	6,098	46,827
2019	41,138	5,689	46,827
2020	41,551	5,276	46,827
2021-2025	214,103	20,032	234,135
2026-2030	225,076	9,060	234,136
2031-2032	65,845	495	66,340
	<u>\$ 708,689</u>	<u>\$ 60,057</u>	<u>\$ 768,746</u>

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

At December 31, 2015, the PWSA loan and the PennVest loans are presented as notes payable on the statements of net position in the amount of \$1,005,802 (long-term) and \$71,734 (short-term). At December 31, 2014, the PWSA loan and the PennVest loans are presented as notes payable on the statements of net position in the amount of \$1,077,536 (long-term) and \$79,053 (short-term).

In conjunction with their swap transaction described in Note 6, the Authority received an upfront cash payment. A portion of the upfront cash payment received by the Authority was considered to be a borrowing at a rate of 4.565%. Principal and interest payments were made monthly and continued until the Authority terminated the SWAP agreement with the issuance of the 2014 B Bonds, as noted above. Principal and interest payments were aggregated into the net monthly payments the Authority has received from the counterparty in 2014.

### **6. INTEREST RATE SWAP**

During fiscal year 2005, the Authority entered into a pay-variable, receive-variable basis interest rate swap contract (Basis Swap). The interest rate swap was effective on the first day of each month, which began on May 1, 2005. The intention of the swap was to effectively exchange a tax-exempt money market rate for a taxable money market rate.

In November 2014, with issuance of the 2014 B Bonds discussed in Note 5, the Basis Swap was terminated at a cost of \$208,000 to the Authority and was recorded as an investment gain on embedded derivative instrument of \$220,480 on the 2014 statement of revenues, expenses, and changes in net position. The change in fair value of \$329,154 during fiscal year 2014 was recorded as a component of investment income on the statements of revenues, expenses, and changes in net position.

### **7. DEBT SERVICE FORWARD DELIVERY AGREEMENT**

In November 2001, the Authority entered into a debt service forward delivery agreement for both the Series 1996 and 1998 bonds issues. As part of the agreement, the Authority received a fee of approximately \$402,000 in exchange for monthly prepaying certain debt service amounts into an escrow account and allowing the counterparty to retain the respective interest earnings. As part of the issuance of the 2014 A Bonds in Note 5, the 2009 debt service forward delivery agreement was terminated at a cost of \$464,000 to the Authority and was recorded as a loss on debt service forward delivery agreement of \$(269,609) on the fiscal year 2014 statement of revenues, expenses, and changes in net position.

---

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### 8. PENSION PLAN

#### Description of Plan

The Authority's Pension Plan (plan) is a single-employer defined benefit pension plan established under the provisions of Act 205 of 1984 of the Commonwealth of Pennsylvania (Act). The plan was established on August 21, 1996 and is governed by the Board of Directors (Board) of the Authority, which may amend plan provisions, and which is responsible for the management of plan assets. The Board has delegated the authority to manage certain plan assets to Bank of New York Mellon. 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, hired prior to December 31, 2006. Pension benefits become 100 percent vested after the completion of five years of credited service. Eligibility for the normal retirement benefit is after the attainment of age 65 and completion of 15 years of credited service or attainment of age 62 and completion of 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 December 31, 2015, the date of the most recent valuation, plan membership consisted of the following:

Active	19
In payment status:	
Retirement benefits	13
Disability benefits	0
Surviving spouse benefits	0
Deferred	2
Total	<u>34</u>

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

---

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### Benefits Provided – Employees

*Retirement Benefit* – For normal retirement, a participant is entitled to begin receiving benefits at the age of 65 and completion of 15 years of credited service. The scheduled monthly retirement benefit is payable monthly during the participant's lifetime, with 120 payments guaranteed. The amount of monthly pension is equal to \$40 times years of continuous service. For special retirement, a participant is eligible after attainment of age 62 and 25 years of service, at which time the participant may commence receiving the unreduced accrued benefit.

*Disability Benefit* – A participant is eligible for disability benefits if there is total and permanent disablement that qualifies the participant for Social Security disability benefits. The participant is then eligible for immediate monthly payment of the accrued benefit.

*Death Benefit* – If a participant's death occurs after vesting but before retirement, and is vested, 100% of the contributions plus interest will be refunded to the designated beneficiary.

*Cost-of-Living Adjustments* – Benefit terms do not provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date.

### Contributions

The Authority is required to contribute an actuarially determined amount necessary to fund the plan using the actuarial basis specified by statute. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation.

Under the terms of the plan, all participating employees are required to contribute under the plan.

During 2015, the Authority paid the calculated MMO of \$188,271 into the plan. During 2014, the Authority paid the calculated MMO of \$157,102 into the plan.

### Net Pension Liability

*Measurement Date and Actuarial Assumptions* – The Authority's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2015. There were no plan changes between the January 1, 2015 valuation and the December 31, 2015

---



# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

measurement date. Standard actuarial techniques were used to roll forward the total pension liability from the valuation date to the measurement date.

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	n/a
Underlying inflation rate	3.0%

Actuarial assumptions based on actuarial experience study for the period January 1, 2013 to December 31, 2014.

RP-2000 Healthy Annuitant Mortality Table, with adjustment for mortality improvements based on 75% of Scale AA.

*Changes in Actuarial Assumptions* – No significant changes were made to the actuarial assumptions used in the January 1, 2015 valuation since the previous actuarial valuation on January 1, 2013.

*Investment Policy* – The plan’s policies in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that balances asset growth with risk tolerance achieving an average annual return of 6.5% over a 10-year period, maintain the liquidity to have the ability to pay all benefits and expense obligations when due in accordance with the plan provision, diversify the assets to experience a positive total investment return preserving capital and purchase power against economic inflation, and continue to grow assets at a rate above and beyond that of the actuarial assumption of 6.5% per year.

*Long-Term Expected Rate of Return* – The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following were the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocations as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Large Cap Equities	50%	7.4%
International Equities	5%	4.4%
Short Term Fixed Income	40%	3.8%
Intermediate Fixed Income	2%	8.7%
Long Term Fixed Income	3%	0.1%
	<u>100%</u>	

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2015, the annual money-weighted rate of return on the plan investments, net of investment expense, was -0.75%.

*Concentrations* – The plan had no investment concentrations at December 31, 2015.

*Discount Rate* – The discount rate used to measure the total pension liability for the plan was 6.5%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that the Authority's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

*Changes in Net Pension Liability* – Changes in the Authority’s net pension liability are as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at 12/31/14	\$ 2,981,360	\$ 2,152,051	\$ 829,309
Changes for the year:			
Service cost	27,835	-	27,835
Interest	189,475	-	189,475
Employer contributions	-	188,271	(188,271)
Member contributions	-	9,120	(9,120)
Net investment income (loss)	-	(15,918)	15,918
Benefits payments, including refunds of employee contributions	(168,826)	(168,826)	-
Differences between expected and actual experience	(70,439)	-	(70,439)
Administrative expenses	-	-	-
Balances 12/31/15	\$ 2,959,405	\$ 2,164,698	\$ 794,707

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the plan calculated using the discount rates described above, as well as what the plan’s net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Pension Plan	\$ 1,137,928	\$ 794,707	\$ 506,563

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – For the year ended December 31, 2015, the Authority recognized pension expense of \$90,922. At December 31, 2015, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 61,171
Net difference between projected and actual earnings on pension plan investments	123,918	-
	\$ 123,918	\$ 61,171

The net amount of deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:

2016	\$ 21,712
2017	21,712
2018	21,712
2019	21,710
2020	(9,268)
Thereafter	(14,831)
	\$ 62,747

### 9. 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, 2015, 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. Under the provisions of

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

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.

### 10. INTERMUNICIPAL AGREEMENT

On July 18, 2000, Baldwin Borough, Whitehall Borough, Brentwood Borough, and the Authority entered into an intermunicipal agreement to participate in the construction of the Streets Run Trunk Sewer Rehabilitation Project. As part of this agreement, the Authority will be responsible for maintaining an allocated portion of the Interceptor sewer lines based on an Allegheny County Board of Viewers allocation dated September 18, 1950. The costs incurred to rehabilitate the lines are being amortized over their useful life. The net unamortized balance is reported as cost of sewer capacity improvements on the statements of net position.

Pursuant to various inter-municipal agreements and resolutions adopted by Baldwin Borough, Whitehall Borough, Brentwood Borough, and the Authority, the PWSA performed a rehabilitation project in the Streets Run Interceptor Sewer, provided that the City of Pittsburgh and the other municipalities named above would share in the cost of maintaining and repairing the Streets Run Interceptor Sewer. PWSA and the Authority have agreed that the Authority will be responsible for 18% of the costs of such maintenance repairs for purposes of this specific project. The costs incurred to rehabilitate the lines are being amortized over their useful life. The net unamortized balance is reported as cost of sewer capacity improvements on the statements of net position. The related liability is also included on the statements of net position.

### 11. COMMITMENTS AND CONTINGENCIES

#### 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 had approximately \$150,000 of construction commitments related to construction of the sewer system at December 31, 2015.

---

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### Consent Order

The Authority finalized and signed a consent order with the Allegheny County Health Department on February 26, 2004 that requires mapping, cleaning, repairing, and maintenance of the municipal sewer lines in the ALCOSAN service area over a five- to eight-year period. Authority compliance costs related to the ALCOSAN area consent order have been estimated to be \$1.75 million. Cooperation among neighboring communities is expected to help reduce the overall compliance cost to the Authority. The obligations for the consent order terminated on March 30, 2015.

The Authority finalized and signed a consent order with the Allegheny County Health Department on December 22, 2015 that requires the Authority to submit a source reduction study by December 1, 2017 that identifies the types of projects, or a combination of projects that would most effectively reduce flows within areas of the Authority's sewer system with high flows, eliminate the Authority sanitary sewer overflows, and reduce flows downstream from the Authority's sewer system and/or at its connection with the Alcosan interceptor system. The source reduction study shall also include at least one flow reduction demonstration project that shall be completed by August 1, 2017. By December 1, 2017, as part of the source reduction study, the Authority shall submit a report detailing the completion of the demonstration project and, to the extent feasible, quantifying its effectiveness at reducing flows.

## **12. 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.

## **13. SUBSEQUENT EVENT**

During May 2016, the Authority issued Sewer Revenue Bonds, Refunding Series of 2016 (2016 Bonds), in the aggregate principal amount of \$9,820,000 to currently refund a portion of the outstanding 2009 bonds, to currently refund other long-term indebtedness of the Authority held by Pennsylvania Infrastructure Investment Authority, and to pay all costs and expenses incident to the issuance of the bonds. The 2016 Bonds bear interest semi-annually

---

# **WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2015 AND 2014**

---

at rates ranging from 0.70% to 3.00%. The refunding was completed to reduce the Authority's debt service payments over the next thirteen years by approximately \$1,022,000 and to obtain an economic gain (difference between present values of old and new debt service payments) of approximately \$870,000.

**Required Supplementary  
Information**



# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDED DECEMBER 31, 2015

<b>Total Pension Liability:</b>	
Service cost	\$ 27,835
Interest	189,475
Changes of benefit terms	-
Differences between expected and actual experience	(70,439)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(168,826)</u>
<b>Net Changes in Total Pension Liability</b>	(21,955)
<b>Total Pension Liability - Beginning</b>	<u>2,981,360</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 2,959,405</u></u>
<b>Plan Fiduciary Net Position:</b>	
Contributions - employer	\$ 188,271
Contributions - member	9,120
Net investment income (loss)	(15,918)
Benefit payments, including refunds of member contributions	(168,826)
Administrative expense	-
Other	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	12,647
<b>Plan Fiduciary Net Position - Beginning</b>	<u>2,152,051</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 2,164,698</u>
<b>Net Pension Liability - Ending (a-b)</b>	<u>\$ 794,707</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>73.1%</u>
<b>Covered Employee Payroll</b>	<u>\$ 1,211,986</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	65.57%

See accompanying notes to the supplementary pension schedules.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULES OF AUTHORITY'S CONTRIBUTIONS

FOR THE YEARS ENDING DECEMBER 31, 2008 - DECEMBER 31, 2015

<b>Schedule of Authority's Contributions</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 188,271	\$ 157,102	\$ 159,449	\$ 110,505	\$ 108,787
Contributions in relation to the actuarially determined contribution	<u>188,271</u>	<u>157,102</u>	<u>159,449</u>	<u>110,505</u>	<u>108,787</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 1,496,897</u>	<u>\$ 1,385,242</u>	<u>\$ 1,526,418</u>	<u>\$ 1,544,179</u>	<u>\$ 1,614,210</u>
Contributions as a percentage of covered employee payroll	12.58%	11.34%	10.45%	7.16%	6.74%
<b>Schedule of Authority's Contributions</b>	<u>2010</u>	<u>2009</u>	<u>2008</u>		
Actuarially determined contribution	\$ 97,471	\$ 84,408	\$ 109,109		
Contributions in relation to the actuarially determined contribution	<u>103,379</u>	<u>91,579</u>	<u>108,734</u>		
Contribution deficiency (excess)	<u>\$ (5,908)</u>	<u>\$ (7,171)</u>	<u>\$ 375</u>		
Covered employee payroll	<u>\$ 1,702,266</u>	<u>\$ 1,603,361</u>	<u>\$ 1,511,388</u>		
Contributions as a percentage of covered employee payroll	6.07%	5.71%	7.19%		

Note: Information prior to 2008 is unavailable

See accompanying notes to the supplementary pension schedules.

**WEST MIFFLIN SANITARY SEWER  
MUNICIPAL AUTHORITY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY'S INVESTMENT RETURNS

YEAR ENDED DECEMBER 31, 2015

**Investment Returns**

---

Annual money-weighted rate of return, net of investment expense	-0.75%
---	--------

See accompanying notes to the supplementary pension schedules.

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## NOTES TO THE SUPPLEMENTARY PENSION SCHEDULES

YEAR ENDED DECEMBER 31, 2015

---

### Actuarial Methods and Assumptions

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	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	4 years
Asset valuation method	3-Year Smoothing
Actuarial assumptions:	
Investment rate of return	6.50%
Projected salary increases	n/a
Underlying inflation rate	3.00%
Pre- and Post-Mortality Assumptions:	RP-2000 (generational, AA)
Retirement age	Normal Retirement Age

### Benefit Changes

No benefit terms were modified.

### Changes in Actuarial Assumptions

No significant changes were made to the actuarial assumptions used in the 1/1/15 valuation since the previous actuarial valuation on 1/1/13.

---

## **Supplementary Information**

# WEST MIFFLIN SANITARY SEWER MUNICIPAL AUTHORITY

## ANALYSIS OF OPERATING REVENUES AND EXPENSES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>Operating Revenues:</b>		
Sewage rentals	\$ 7,050,608	\$ 6,972,588
<b>Operating Expenses:</b>		
Sewer system operation:		
Sewage treatment plants	\$ 376,648	\$ 352,284
Utilities	446,286	426,183
Sewer crew expenses	39,432	18,813
Pretreatment expenses	-	1,490
Payroll	1,644,811	1,668,585
Payroll taxes	134,000	125,796
Benefits	695,597	669,214
Office supplies	26,299	19,856
Communications	21,632	24,572
Postage	1,106	1,000
Advertisements	1,912	1,697
Fee collection costs	274,249	270,678
Engineering fees	46,928	117,775
Insurance	119,152	75,182
Seminars	90	339
Professional services	65,117	103,474
Miscellaneous expenses	8,703	8,023
Purchased sewer treatment	494,029	478,446
Depreciation and amortization	927,882	888,000
Total operating expenses	\$ 5,323,873	\$ 5,251,407