

Monroeville Municipal Authority

Financial Statements and Required Supplementary and Supplementary Information

For the Years Ended December 31, 2016 and 2015
with Independent Auditor's Report

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Pittsburgh | Harrisburg | Butler

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MONROEVILLE MUNICIPAL AUTHORITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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Independent Auditor's Report

Board of Directors
Monroeville Municipal Authority

We have audited the accompanying financial statements of the Monroeville Municipal Authority (Authority), a component unit of the Municipality of Monroeville, as of and for the years ended December 31, 2016 and 2015, 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 opinions 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, 2016 and 2015, and the respective 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, and other post-employment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit 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 financial statements as a whole. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mahe Duessel

Pittsburgh, Pennsylvania
April 28, 2017

**Monroeville Municipal Authority
Management's Discussion and Analysis
December 31, 2016**

The Monroeville Municipal Authority (Authority) presents the following Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34.

History of the Organization

On October 10, 1949, articles of incorporation were approved by the Deputy Secretary of the Commonwealth of Pennsylvania for the formation of the Patton Township Municipal Authority to serve as the water supply entity for Patton Township. The first meeting of the newly formed Authority was held on October 18, 1949, with the following Board of Directors present: Joseph Berkley, Charles L. Fox, Forrest Leddon, William O. Rook, and Clair J. Stephens. The original service area extended from the existing municipal building, south along Monroeville Road and James Street to their intersections with Ohio Street.

The 1950s and 1960s brought major changes to the Authority as development in the Municipality of Monroeville (Municipality) began to boom. A 1,500,000 gallon storage tank was built on Center Road in the early 50s. In the late 50s and early 60s, twin 1,000,000 gallon elevated storage tanks located on Foxwood and Illini Drives and the Haymaker Road Pump Station were built.

On June 23, 1959, the Authority's name was changed to Monroeville Water Authority. Also that year, the main pump station and general office building were constructed on Old William Penn Highway. As the Municipality continued to grow, a 10,000,000 gallon tank was built in Boyce Park.

In 2002, the Authority took ownership and operational responsibility for the Municipality's sanitary sewer system. The Authority's name was then changed to Monroeville Municipal Authority.

Overview of Annual Financial Report

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data and key financial and operational indicators used in the Authority's strategic plan, budget, bond indentures, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to financial statements.

The statement of net position presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on 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 in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the

results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to 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.

Supplementary information contained after the notes provides required disclosures related to the pension plan and other post-employment benefits as well as a comparison of budget to actual activity.

The financial statements were derived from the detailed books and records of the Authority. The financial statements were audited and adjusted, if material, during the independent external audit process.

Facilities

The Authority owns and operates the water distribution and sanitary sewer collection systems for the Municipality. The water distribution system consists of approximately 150 miles of various size waterlines, four storage tanks (13,500,000 gallons), and two pumping stations. The water system serves 9,500 customers. The sanitary sewer collection system consists of approximately 200 miles of sewer lines and five pumping stations. The sewer system serves 10,500 customers.

Operations

Operating revenues were \$17.7 million for the fiscal period ending December 31, 2016, an increase from the fiscal year ending December 31, 2015, in the amount of approximately \$0.97 million, or 5.7%. Total operating revenues were in line with budget projections for 2016.

Operating expenses for the fiscal year ended December 31, 2016 decreased about 2% from fiscal year 2015 and were \$1.2 million over budget. Approximately \$1.26 million of these expenses were related to depreciation expense.

Tap-in fees were \$14,200 in 2016, a decrease of \$53,235, or approximately 79%, compared to fiscal year 2015.

Debt

The outstanding debt of the Authority consists of six Bond Issues: Series A of 2008 Water Revenue Bonds maturing December 1, 2017 with a principal balance of \$550,000; Series B of 2008 Sewer Revenue Bonds maturing December 1, 2017 with a principal balance of \$15,000; the Series B of 2011 Sewer Revenue Bonds, maturing December 1, 2022 with a principal balance of \$7,735,000; the 2012 Sewer Revenue Bonds, maturing December 1, 2022 with a principal balance of \$785,000; 2014 Water Revenue Bonds (issued August 26, 2014) maturing December 1, 2021 with a principal balance of

\$5,295,000; and 2015 Sewer Revenue Bonds, maturing December 1, 2027 with a principal balance of \$8,510,000.

Financial Condition

The Authority's financial condition remained strong at year-end with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs, are well balanced and under control.

The following are the condensed statements of net position for the years ended December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| Assets and Deferred Outflows of Resources | | |
| Assets: | | |
| Total current assets | \$ 8,484,122 | \$ 7,963,461 |
| Total capital assets | 39,337,949 | 38,528,677 |
| Restricted assets and other assets | <u>8,969,384</u> | <u>10,549,026</u> |
| Total Assets | <u>56,791,455</u> | <u>57,041,164</u> |
| Deferred Outflows of Resources: | | |
| Deferred loss on refunding | 996,894 | 1,121,184 |
| Related to pensions | <u>1,202,812</u> | <u>627,406</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 58,991,161</u></u> | <u><u>\$ 58,789,754</u></u> |
| Liabilities and Net Position | | |
| Liabilities: | | |
| Current liabilities | \$ 4,695,830 | \$ 5,611,610 |
| Long-term liabilities | <u>25,000,070</u> | <u>27,438,699</u> |
| Total Liabilities | <u>29,695,900</u> | <u>33,050,309</u> |
| Deferred Inflows of Resources: | | |
| Related to pension | <u>247,890</u> | <u>111,877</u> |
| Net Position: | | |
| Net investment in capital assets | 21,564,362 | 19,609,156 |
| Restricted for capital activity and debt service | 4,017,777 | 3,844,866 |
| Unrestricted | <u>3,465,232</u> | <u>2,173,546</u> |
| Total Net Position | <u>29,047,371</u> | <u>25,627,568</u> |
| Total Liabilities and Net Position | <u><u>\$ 58,991,161</u></u> | <u><u>\$ 58,789,754</u></u> |

Total net position increased \$3.42 million from 2015 as a result of rate increases for sewer services, helping the Authority to obtain a significant operating income.

The following are the condensed statements of net position for the years ended December 31, 2015 and 2014:

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets and Deferred Outflows of Resources | | |
| Assets: | | |
| Total current assets | \$ 7,963,461 | \$ 6,781,002 |
| Total capital assets | 38,528,677 | 37,417,042 |
| Restricted assets and other assets | 10,549,026 | 12,269,116 |
| Total Assets | 57,041,164 | 56,467,160 |
| Deferred Outflows of Resources: | | |
| Deferred loss on refunding | 1,121,184 | 571,152 |
| Related to pensions | 627,406 | - |
| Total Assets and Deferred Outflows of Resources | \$ 58,789,754 | \$ 57,038,312 |
| Liabilities and Net Position | | |
| Liabilities: | | |
| Current liabilities | \$ 5,611,610 | \$ 5,216,434 |
| Long-term liabilities | 27,438,699 | 28,255,040 |
| Total Liabilities | 33,050,309 | 33,471,474 |
| Deferred Inflows of Resources: | | |
| Related to pension | 111,877 | - |
| Net Position: | | |
| Net investment in capital assets | 19,609,156 | 17,052,420 |
| Restricted for capital activity and debt service | 3,844,866 | 4,485,154 |
| Unrestricted | 2,173,546 | 2,029,264 |
| Total Net Position | 25,627,568 | 23,566,838 |
| Total Liabilities and Net Position | \$ 58,789,754 | \$ 57,038,312 |

Total net position increased \$2.06 million from 2014 as a result of rate increases for sewer services, helping the Authority to obtain a significant operating income.

Results of Operations

Operating Revenues

Revenue from operations is derived from two (2) categories of service: water and sewer service. Additionally, the Authority receives ancillary charges for tap-in fees and penalties and charges for various billed services.

The following table denotes the revenues received from the various services provided for the years ended December 31, 2016 and 2015 and further illustrates the increase in operating income as a result of the 2016 rate increases for sewer services:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Water Service: | | |
| Water sales | \$ 4,949,361 | \$ 5,106,318 |
| Fire protection fees | 420,425 | 419,189 |
| Jobbing sales | 70,881 | 122,968 |
| Tap-in fees | 14,200 | 38,910 |
| Other | 212,468 | 213,581 |
| | <u>5,667,335</u> | <u>5,900,966</u> |
| Sewer Service: | | |
| Sewage fees | 11,678,099 | 10,515,394 |
| Jobbing sales | 338 | 1,099 |
| Tap-in fees | - | 28,525 |
| Other | 398,249 | 385,342 |
| | <u>12,076,686</u> | <u>10,930,360</u> |
| Total operating revenues, including tap-in fees | <u>\$ 17,744,021</u> | <u>\$ 16,831,326</u> |

The following table denotes the revenues received from the various services provided for the years ended December 31, 2015 and 2014 and further illustrates the increase in operating income as a result of the 2015 rate increases for sewer services:

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Water Service: | | |
| Water sales | \$ 5,106,318 | \$ 5,176,479 |
| Fire protection fees | 419,189 | 421,299 |
| Jobbing sales | 122,968 | 65,848 |
| Tap-in fees | 38,910 | 9,000 |
| Other | 213,581 | 196,275 |
| | <u>5,900,966</u> | <u>5,868,901</u> |
| Sewer Service: | | |
| Sewage fees | 10,515,394 | 9,722,134 |
| Jobbing sales | 1,099 | 772 |
| Tap-in fees | 28,525 | 160,710 |
| Other | 385,342 | 350,158 |
| | <u>10,930,360</u> | <u>10,233,774</u> |
| Total operating revenues, including tap-in fees | <u>\$ 16,831,326</u> | <u>\$ 16,102,675</u> |

Fees, Subsidies, and Other

The Authority receives tap-in fees primarily from new development as they access the Authority's system. Also, in the current year the Authority received contribution revenue from PennDOT in the form of a donated sewer line and water line construction costs for which PennDOT reimbursed the Authority.

Expenses

The Authority operates and maintains a potable water treatment and delivery system and a wastewater collection system.

Total operating expenses of the Authority for 2016 of approximately \$13.53 million represents a decrease of 2.0% from fiscal year 2015.

In the bond indentures, the Authority covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the Authority, together with other income, that will yield annual net earnings for the fiscal year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments for all bonds outstanding. Net earnings is defined by the bond indenture to mean, for the period in question, the net operating income of the system determined in accordance with accounting principles generally accepted in the United States of America, adding back depreciation and OPEB and including interest income not restricted to bond construction, and cash capital contributions not received by way of government grants.

The rate covenant in the bond indenture obligates the Authority to review rates not less than once a year and to revise such rates and charges as necessary to meet the coverage test. The Authority further covenants in the bond indenture that it will maintain rates and charges that are at all times sufficient to provide for the payment of the bonds; to maintain the debt service funds, debt service reserve funds and any other related funding instruments related to the debt of the system; and to provide for the payment of administrative and operational expenses of the system, preserving the system in good repair and working order. Water and sewer revenue bond debt service coverage for 2016 was 488% and 244%, respectively.

Cash Flow Activity

The following tables depict the Authority's ability to generate net operating cash.

Net cash provided by operating activities (excludes tap-in fees) is shown both in total dollars and as a percentage of operating revenues as of December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> | <u>Variance</u> |
|---|---------------|---------------|-----------------|
| Total operating revenues | \$ 17,729,821 | \$ 16,763,891 | \$ 965,930 |
| Net cash provided by operations | 4,680,487 | 5,231,730 | (551,243) |
| Net operating cash as a percentage of operating revenues | <u>26%</u> | <u>31%</u> | |
| Principal payments on debt | \$ 2,845,000 | \$ 2,820,000 | |

Net cash provided by operating activities (excludes tap-in fees) is shown both in total dollars and as a percentage of operating revenues as of December 31, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> | <u>Variance</u> |
|---|---------------|---------------|-----------------|
| Total operating revenues | \$ 16,763,891 | \$ 15,932,965 | \$ 830,926 |
| Net cash provided by operations | 5,231,730 | 4,968,432 | 263,298 |
| Net operating cash as a percentage of operating revenues | <u>31%</u> | <u>31%</u> | |
| Principal payments on debt | \$ 2,820,000 | \$ 2,510,000 | |

Capital Assets and Debt Administration

Total capital assets increased approximately \$809,272 during 2016, with the majority of the expenditures relating to the installation of sewer lines and water lines and the purchase of heavy equipment and vehicles.

Contacting the Authority

Our financial report is designed to provide our customers with a general overview of the Authority's finances and to show the Board accountability for the money it receives. If you have any questions about this report or wish to request additional information, please contact Mr. Jim Hunter, General Manager of Monroeville Municipal Authority, 219 Speelman Lane, Monroeville, PA 15146, (412) 372-2677.

MONROEVILLE MUNICIPAL AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 | | 2016 | 2015 |
|---|---------------|---------------|--|------|------|
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents: | | | | | |
| Operating | \$ 2,668,038 | \$ 3,231,781 | | | |
| Accounts receivable: | | | | | |
| Water and sewage | 2,075,643 | 2,046,332 | | | |
| Prepaid expenses | 162,891 | 83,493 | | | |
| Inventory of materials and supplies | 10,221 | 94,221 | | | |
| Investments | 3,567,329 | 2,507,634 | | | |
| Total current assets | 8,484,122 | 7,963,461 | | | |
| Capital assets: | | | | | |
| Water system | 21,162,043 | 18,870,814 | | | |
| Sewer system | 15,011,926 | 14,882,261 | | | |
| Buildings and improvements | 13,008,260 | 12,964,162 | | | |
| Heavy equipment | 3,366,531 | 3,054,967 | | | |
| Office furniture and equipment | 1,019,122 | 1,013,589 | | | |
| Vehicles | 2,024,872 | 1,958,129 | | | |
| Less accumulated depreciation | (17,006,210) | (15,802,049) | | | |
| Construction in process | - | 835,399 | | | |
| Land | 751,405 | 751,405 | | | |
| Total capital assets | 39,337,949 | 38,528,677 | | | |
| Restricted assets: | | | | | |
| Cash and investments: | | | | | |
| Construction funds | 4,201,217 | 5,636,758 | | | |
| Debt service fund | 582,175 | 646,228 | | | |
| Debt service reserve fund | 3,470,840 | 3,460,141 | | | |
| Funds held in escrow | 352,266 | 344,101 | | | |
| Other assets: | | | | | |
| Unamortized prepaid bond insurance | 191,383 | 219,895 | | | |
| Unamortized cost of line connection | - | 70,400 | | | |
| Line extensions receivable | 171,503 | 171,503 | | | |
| Total restricted assets and other assets | 8,969,384 | 10,549,026 | | | |
| Total Assets | 56,791,455 | 57,041,164 | | | |
| Deferred Outflows of Resources: | | | | | |
| Deferred loss on refunding | 996,894 | 1,121,184 | | | |
| Related to pensions | 1,202,812 | 627,406 | | | |
| Total deferred outflows of resources | 2,199,706 | 1,748,590 | | | |
| Total Assets and Deferred Outflows of Resources | \$ 58,991,161 | \$ 58,789,754 | | | |
| | | | | | |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable - operating expenses | \$ 1,458,206 | \$ 2,370,436 | | | |
| Accrued payroll and taxes | 40,120 | 16,955 | | | |
| Bonds payable - current portion | 2,810,000 | 2,845,000 | | | |
| Total current liabilities | 4,308,326 | 5,232,391 | | | |
| Current liabilities (payable from restricted assets): | | | | | |
| Accrued interest on bonds | 76,830 | 76,830 | | | |
| Customer deposits | 310,674 | 302,389 | | | |
| Total current liabilities (payable from restricted assets) | 387,504 | 379,219 | | | |
| Long-term liabilities: | | | | | |
| Net pension liability | 1,898,098 | 1,184,973 | | | |
| Accrued OPEB liability | 2,748,891 | 2,974,983 | | | |
| Bonds payable | 20,080,000 | 22,890,000 | | | |
| Unamortized premium | 273,081 | 388,743 | | | |
| Total long-term liabilities | 25,000,070 | 27,438,699 | | | |
| Total Liabilities | 29,695,900 | 33,050,309 | | | |
| Deferred Inflows of Resources: | | | | | |
| Related to pensions | 247,890 | 111,877 | | | |
| Net Position: | | | | | |
| Net investment in capital assets | 21,564,362 | 19,609,156 | | | |
| Restricted for capital activity and debt service | 4,017,777 | 3,844,866 | | | |
| Unrestricted | 3,465,232 | 2,173,546 | | | |
| Total Net Position | 29,047,371 | 25,627,568 | | | |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 58,991,161 | \$ 58,789,754 | | | |

See accompanying notes to financial statements.

MONROEVILLE MUNICIPAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|----------------------------|--------------|--------------|
| Operating Revenues: | | |
| Water revenues: | | |
| Water sales | \$ 4,949,361 | \$ 5,106,318 |
| Fire protection sales | 420,425 | 419,189 |
| Jobbing sales | 70,881 | 122,968 |
| Miscellaneous | 212,468 | 213,581 |
| Total water revenues | 5,653,135 | 5,862,056 |
| Sewer revenues: | | |
| Sewage fees | 11,678,099 | 10,515,394 |
| Jobbing sales | 338 | 1,099 |
| Miscellaneous | 398,249 | 385,342 |
| Total sewer revenues | 12,076,686 | 10,901,835 |
| Total operating revenues | 17,729,821 | 16,763,891 |
| Operating Expenses: | | |
| Water expenses: | | |
| Water purchases | 1,328,911 | 1,780,107 |
| Power and pumping | 79,537 | 112,968 |
| Vehicle expense | 50,086 | 31,910 |
| System maintenance | 777,806 | 943,492 |
| General and administrative | 1,491,584 | 1,480,901 |
| Jobbing and tapping | 1,133 | - |
| Authority Board expenses | 8,618 | 8,580 |
| Depreciation | 956,911 | 926,784 |
| Total water expenses | 4,694,586 | 5,284,742 |
| Sewer expenses: | | |
| Sewer expenses | 6,108,495 | 5,341,455 |
| Power and pumping | 2,632 | 12,974 |
| Vehicle expense | 59,708 | 45,270 |
| System maintenance | 720,577 | 1,074,977 |
| General and administrative | 1,624,180 | 1,686,865 |
| Authority Board expenses | 8,618 | 8,580 |
| Depreciation | 307,250 | 283,115 |
| Total sewer expenses | 8,831,460 | 8,453,236 |
| Total operating expenses | 13,526,046 | 13,737,978 |
| Operating Income | 4,203,775 | 3,025,913 |

(Continued)

See accompanying notes to financial statements.

MONROEVILLE MUNICIPAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Continued)

| | 2016 | 2015 |
|--|---------------|---------------|
| Nonoperating Revenues: | | |
| Interest income - water | 10,552 | - |
| Interest income - sewer | 10,631 | - |
| Developer contribution revenue - water | 15,548 | - |
| Tap-in fees - water | 14,200 | 38,910 |
| Tap-in fees - sewer | - | 28,525 |
| Total nonoperating revenues | 50,931 | 67,435 |
| Nonoperating Expenses: | | |
| Interest on bonds - water | 162,205 | 231,083 |
| Interest on bonds - sewer | 619,547 | 567,122 |
| Other expenses | 35,890 | |
| Bond issue costs | - | 166,015 |
| Amortization of prepaid bond insurance costs - water | 6,845 | 6,845 |
| Amortization of prepaid bond insurance costs - sewer | 10,416 | 9,800 |
| Loss on sale of capital asset | - | 51,753 |
| Total nonoperating expenses | 834,903 | 1,032,618 |
| Change in Net Position | 3,419,803 | 2,060,730 |
| Net Position: | | |
| Beginning of year | 25,627,568 | 23,566,838 |
| End of year | \$ 29,047,371 | \$ 25,627,568 |

(Concluded)

See accompanying notes to financial statements.

MONROEVILLE MUNICIPAL AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|---------------|---------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers | \$ 17,708,795 | \$ 16,723,346 |
| Cash payments to employees for services | (1,634,027) | (2,065,645) |
| Cash payments to suppliers for goods and services | (11,394,281) | (9,425,971) |
| Net cash provided by (used in) operating activities | 4,680,487 | 5,231,730 |
| Cash Flows From Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (2,057,885) | (2,343,421) |
| Increase (decrease) in retainage payable for capital assets | - | (30,315) |
| Proceeds from bond issuance | - | 8,693,693 |
| Refunding of outstanding bonds | - | (8,253,402) |
| Principal payments on bonds | (2,845,000) | (2,820,000) |
| Payment of bond issue costs | - | (166,015) |
| Interest payments on bonds | (761,873) | (793,533) |
| Penn Dot reimbursements | - | 265,830 |
| Tap-in fees received and other | (21,690) | 67,435 |
| Net cash provided by (used for) capital and related financing activities | (5,686,448) | (5,379,728) |
| Cash Flows From Investing Activities: | | |
| Interest earnings | 21,183 | - |
| Purchase of investment securities | (1,059,695) | (2,507,634) |
| Net cash provided by (used in) investing activities | (1,038,512) | (2,507,634) |
| Increase (Decrease) in Cash and Cash Equivalents | (2,044,473) | (2,655,632) |
| Cash and Cash Equivalents: | | |
| Beginning of year, including \$10,096,039 and \$11,641,940, respectively, in restricted accounts | 13,319,009 | 15,974,641 |
| End of year, including \$8,606,498 and \$10,096,039, respectively, in restricted accounts | \$ 11,274,536 | \$ 13,319,009 |
| Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities: | | |
| Operating income | \$ 4,203,775 | \$ 3,025,913 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,264,161 | 1,209,899 |
| Amortization of connection costs | 70,400 | 211,200 |
| Change in OPEB liability | (226,092) | 451,194 |
| Minimum Municipal Obligation contribution | (458,088) | (388,020) |
| Pension expense | 731,820 | 562,628 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (29,311) | (39,861) |
| Accounts payable and accrued expenses | (889,065) | 201,175 |
| Prepays | (79,398) | (83,493) |
| Customer deposits | 8,285 | (684) |
| Inventory | 84,000 | 81,779 |
| Net adjustments | 476,712 | 2,205,817 |
| Net cash provided by (used in) operating activities | \$ 4,680,487 | \$ 5,231,730 |
| Noncash Investing, Capital, and Financing Activities: | | |
| Developer capital contributions | \$ 15,548 | \$ - |

See accompanying notes to financial statements.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Monroeville Water Authority was incorporated in 1949 under the Municipal Authorities Act of 1945, as amended, for the purpose of acquiring, holding, constructing, improving, maintaining, owning, operating, and leasing a water utility system to serve the residents of the Municipality of Monroeville (Municipality). The Monroeville Water Authority amended its name to the Monroeville Municipal Authority (Authority) on June 21, 2002.

On July 31, 2002, the Municipality conveyed to the Authority for the net total of \$9,500,000 its full legal and equitable right, title, and interest in and to all projects and property, whether real, personal, intellectual, or intangible, together with the rights to construct, operate, and maintain the sanitary sewer plant(s) and sanitary tributary system within the Municipality and further appurtenant municipalities.

Financial Reporting Entity

The Authority is considered a component unit of the Municipality due to the Municipality's selection of the governing body of the Authority and the Municipality's accountability for Authority fiscal matters.

Basis of Accounting and Measurement Focus

The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Accordingly, the Authority's accounts are reported as an Enterprise Fund using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Investments

Investments are recorded at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Further, the Authority categorizes its fair value measurements within the fair value hierarchy set by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables

No provision is made for uncollectible accounts or assessment receivables as these charges are lienable charges to the property served. Any other charges that become uncollectible are charged to expense in the year they become uncollectible.

Tap-In Fees

GAAP requires that imposed non-exchange transactions be accounted for as nonoperating revenues. Therefore, tap-in fees are recorded as a separate component of nonoperating revenues.

Restricted Assets

Restricted assets are primarily based on certain bond indentures of trust, which require the Authority to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt or make capital improvements. Other restricted assets relate to escrowed funds.

Inventory

Inventory is stated at the lower of cost or market and consists primarily of materials, supplies, and chemicals.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statements of net position report a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements represent a consumption (acquisition) of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or an

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

inflow of resources (revenue) until then. The Authority has two items that qualify for reporting in these categories:

The deferred refunding loss related to various revenue bonds is reported as a deferred outflow of resources. The deferred refunding loss is being amortized on a straight-line basis over the term of the issues, which is not materially different from the effective interest method.

In conjunction with pension accounting requirements, certain elements are recorded as deferred outflows (inflows) of resources related to pensions on the financial statements. These amounts are determined based on actuarial valuations performed for the pension plan. Note 7 presents additional information about the pension plan.

Unamortized Premium and Prepaid Bond Insurance

The unamortized premium and unamortized prepaid bond insurance related to various bond issues are reported as other assets and long-term liabilities, respectively, on the statements of net position. These items are being amortized on a straight-line basis over the term of the issues, which is not materially different from the effective interest method.

Capital Assets

Property, plant, and equipment in service and construction in progress are recorded at cost or estimated historical cost. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, when available, or engineers' estimated fair market value or cost to construct at the date of contribution. Utility systems acquired from other governmental service providers are recorded at the purchase price, limited to fair market value. Internal engineering costs are capitalized to the extent of direct support and contribution to construction and expansion projects. Costs of studies that result in specific construction projects are capitalized.

Maintenance and repairs, which do not significantly extend the value or life of property, plant, and equipment, are expensed as incurred.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lives:

| | <u>Years</u> |
|--------------------------------|--------------|
| Water lines | 80 |
| Sewer lines | 80 |
| Building and improvement | 50 |
| Vehicles | 5-10 |
| Software/computers | 3-5 |
| Office furniture and equipment | 5-10 |
| Machinery and equipment | 10-20 |

Risks and Uncertainties

Financial instruments, which potentially expose the Authority to concentrations of credit risk, include cash and investments in marketable securities. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of net position.

Adopted Pronouncements

The requirements of the following GASB Statements were adopted for the Authority's December 31, 2016 financial statements:

Statement No. 72, "*Fair Value Measurement and Application*," addresses accounting and financial reporting issues related to fair value measurements. The disclosure requirements of this statement have been incorporated into these financial statements.

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*," 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) and also clarifies certain provisions of Statements No. 67 and 68. Only certain provisions of this statement were effective in the current year, primarily those related to clarifications of GASB Statements No. 67 and 68. All applicable provisions were adopted with no significant impact to the financial statements.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," 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 GASB Statement No. 55.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*," addresses accounting and financial reporting for certain external investment pools and pool participants. The disclosure requirements of this statement have been incorporated into these financial statements.

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 73 (Pensions not in Scope of GASB 68), 74 (OPEB Plans), 75 (OPEB Employer), 80 (Component Units), 81 (Split-Interest Agreements), 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), and 85 (Omnibus). Management has not yet determined the impact of these statements on the financial statements.

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.

2. DEPOSITS AND INVESTMENTS

The Authority is authorized to make investments of the following types pursuant to the Municipal Authority Act of 1945. The authorized investments include (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of the Authority meet the criteria in (1) through (4) above.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the period that were in violation of either the state statutes or the policy of the Authority.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Deposits

The following is a description of the Authority's risks related to its deposits:

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. Deposits in excess of amounts covered by Federal Deposit Insurance Corporation are 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. As of December 31, 2016, \$4,147,448 of the Authority's bank balance of \$4,567,537 was exposed to custodial credit risk. As of December 31, 2015, \$3,395,520 of the Authority's bank balance of \$3,664,559 was exposed to custodial credit risk. These deposits have carrying amounts of \$3,020,304 and \$3,546,168 at December 31, 2016 and 2015, respectively.

Included in cash and cash equivalents on the statements of net position are the PA Invest investments pools that have a fair value as of December 31, 2016 and 2015 of \$0 and \$29,715, respectively, which is the same as the value of the pool shares. The Authority's investments' in PA Invest entails pools managed by others which are not evidenced by specific securities. All investments in the external investment pools, which are not SEC-registered, are subject to oversight by the Commonwealth of Pennsylvania.

Investments

At December 31, 2016, the Authority held the following investment balances:

| | Value | Maturity in Years | | |
|------------------------------|----------------------|---------------------|---------------------|-------------------|
| | | Less Than 1 Year | 1-5 Years | 6-10 Years |
| Investments at fair value: | | | | |
| U.S. Treasury notes | \$ 473,264 | \$ - | \$ 301,585 | \$ 171,679 |
| Fixed income municipal bonds | 404,715 | 155,439 | 53,401 | 195,875 |
| Money market funds | 9,342,208 | 9,342,208 | - | - |
| Investments at cost: | | | | |
| Certificates of deposit | 1,601,374 | 150,203 | 1,054,105 | 397,066 |
| Total investments | <u>\$ 11,821,561</u> | <u>\$ 9,647,850</u> | <u>\$ 1,409,091</u> | <u>\$ 764,620</u> |

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

| | Value | Maturity in Years | | |
|------------------------------|----------------------|----------------------|-------------------|-------------------|
| | | Less Than 1 Year | 1-5 Years | 6-10 Years |
| Investments at fair value: | | | | |
| U.S Treasury notes | \$ 198,192 | \$ - | \$ 99,147 | \$ 99,045 |
| Fixed income municipal bonds | 314,370 | - | 157,565 | 156,805 |
| Money market funds | 11,094,367 | 11,094,367 | - | - |
| Investments at cost: | | | | |
| Certificates of deposit | 643,832 | 49,891 | 495,270 | 98,671 |
| Total investments | \$ 12,250,761 | \$ 11,144,258 | \$ 751,982 | \$ 354,521 |

The following is a description of the Authority's risks related to its investments:

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

Credit Risk – The Municipal Authority Act authorizes the types of investments. The Authority has no investment policy that would further limit its investments choices.

The credit ratings for the Authority's investments were as follows:

| | Credit Rating | 12/31/2016 Balance | 12/31/2015 Balance |
|------------------------|------------------|-----------------------|-----------------------|
| Fixed Income Bonds and | | | |
| U.S. Treasury Notes: | | | |
| | AAA | \$ 473,264 | \$ 198,192 |
| | AA | 352,762 | 262,801 |
| | A | 51,953 | 51,569 |
| Total | | \$ 877,979 | \$ 512,562 |
| Money Market (BNYM) | AAAm | | |
| Money Market (FNB) | AAAm | | |

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Concentration of Credit Risk – The Authority places no limit on the amount it may invest in any one issuer.

The Authority’s investments in fixed income municipal bonds, U.S. Treasury notes, and money market funds are valued using quoted market prices (Level 1 inputs).

3. RECEIVABLE FOR LINE EXTENSIONS

The Authority undertook certain line extensions in 1985 and 1986, primarily on Mosside, Old Frankstown, and Johnson’s Roads. The extensions were made to improve distribution in the system and also to make water available for property owners’ future use.

The cost of this construction was capitalized and the property owners were assessed on a “front foot” basis. The property owners were given the option of paying the assessments immediately or accepting liens on their property.

Approximately \$645,000 of the cost has been assessed on the property owners, of which approximately \$473,000 has been collected as of December 31, 2016. Liens have been recorded on the properties where the assessments have not yet been collected. The assessments receivable have been recorded on the Authority’s financial statements. As of December 31, 2016 and 2015, \$171,503 is outstanding.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

| | December 31, 2015 Balance | Increases | Transfers/ Decreases | December 31, 2016 Balance |
|--|------------------------------|--------------------|-------------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 751,405 | \$ - | \$ - | \$ 751,405 |
| Construction in progress | 835,399 | - | (835,399) | - |
| Total capital assets, not being depreciated | <u>1,586,804</u> | <u>-</u> | <u>(835,399)</u> | <u>751,405</u> |
| Capital assets, being depreciated: | | | | |
| Water system | 18,870,814 | 1,547,848 | 743,381 | 21,162,043 |
| Sewer system | 14,882,261 | 37,647 | 92,018 | 15,011,926 |
| Building and improvements | 12,964,162 | 44,098 | - | 13,008,260 |
| Heavy equipment | 3,054,967 | 311,564 | - | 3,366,531 |
| Office furniture and equipment | 1,013,589 | 5,533 | - | 1,019,122 |
| Vehicles | 1,958,129 | 126,743 | (60,000) | 2,024,872 |
| Total capital assets, being depreciated | <u>52,743,922</u> | <u>2,073,433</u> | <u>775,399</u> | <u>55,592,754</u> |
| Accumulated depreciation | <u>(15,802,049)</u> | <u>(1,264,161)</u> | <u>60,000</u> | <u>(17,006,210)</u> |
| Total capital assets, being depreciated, net | <u>36,941,873</u> | <u>809,272</u> | <u>835,399</u> | <u>38,586,544</u> |
| Total capital assets, net | <u>\$ 38,528,677</u> | <u>\$ 809,272</u> | <u>\$ -</u> | <u>\$ 39,337,949</u> |

Capital asset activity for the year ended December 31, 2015 was as follows:

| | December 31, 2014 Balance | Increases | Transfers/ Decreases | December 31, 2015 Balance |
|--|------------------------------|---------------------|-------------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 751,405 | \$ - | \$ - | \$ 751,405 |
| Construction in progress | 280,785 | 544,641 | 9,973 | 835,399 |
| Total capital assets, not being depreciated | <u>1,032,190</u> | <u>544,641</u> | <u>9,973</u> | <u>1,586,804</u> |
| Capital assets, being depreciated: | | | | |
| Water system | 17,691,778 | 1,219,324 | (40,288) | 18,870,814 |
| Sewer system | 14,840,357 | 12,038 | 29,866 | 14,882,261 |
| Building and improvements | 12,964,162 | - | - | 12,964,162 |
| Heavy equipment | 2,650,315 | 496,885 | (92,233) | 3,054,967 |
| Office furniture and equipment | 1,009,289 | 4,300 | - | 1,013,589 |
| Vehicles | 1,918,480 | 96,548 | (56,899) | 1,958,129 |
| Total capital assets, being depreciated | <u>51,074,381</u> | <u>1,829,095</u> | <u>(159,554)</u> | <u>52,743,922</u> |
| Accumulated depreciation | <u>(14,689,529)</u> | <u>(1,209,899)</u> | <u>97,379</u> | <u>(15,802,049)</u> |
| Total capital assets, being depreciated, net | <u>36,384,852</u> | <u>619,196</u> | <u>(62,175)</u> | <u>36,941,873</u> |
| Total capital assets, net | <u>\$ 37,417,042</u> | <u>\$ 1,163,837</u> | <u>\$ (52,202)</u> | <u>\$ 38,528,677</u> |

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

5. LONG-TERM DEBT

The following are changes in bonds payable for the year ended December 31, 2016:

| Balance December 31, 2015 | Payments | Balance December 31, 2016 | Due Within One Year |
|------------------------------|--------------|------------------------------|------------------------|
| \$ 25,735,000 | \$ 2,845,000 | \$ 22,890,000 | \$ 2,810,000 |

The Authority's outstanding debt issuances are as follows:

| | At December 31st | |
|--|------------------|---------------|
| | 2016 | 2015 |
| Series A of the 2008 Water Revenue Bonds were issued on February 1, 2008 in the amount of \$7,170,000. The interest rate ranges from 3.40% to 5.00%; payable semi-annually on June 1 and December 1 through 2017. | \$ 550,000 | \$ 1,955,000 |
| Series B of the 2008 Sewer Revenue Bonds were issued on February 1, 2008 in the amount of \$7,405,000, of which \$7,320,000 was refunded during 2015. The interest rate ranges from 4.00% to 5.00%; payable semi-annually on June 1 and December 1 through 2017. | 15,000 | 20,000 |
| Series B of the 2011 Sewer Revenue Bonds were issued on December 1, 2011 in the amount of \$10,000,000. The interest rate ranges from 2.00% to 3.25%; payable semi-annually on June 1 and December 1 through 2022. | 7,735,000 | 8,985,000 |
| 2012 Sewer Revenue Bonds were issued on June 27, 2012 in the amount of \$3,985,000. The interest rate ranges from 0.50% to 3.00%; payable semi-annually on June 1 and December 1 through 2022. | 785,000 | 845,000 |
| 2014 Water Revenue Bonds were issued on August 26, 2014 in the amount of \$5,295,000. The interest rate ranges from 2.0% to 3.0%; payable semi-annually on June 1 and December 1 through 2021. | 5,295,000 | 5,295,000 |
| 2015 Sewer Revenue Bonds were issued on March 26, 2015 in the amount of \$8,835,000. The interest rate ranges from 2.0% to 3.125%; payable semi-annually on June 1 and December 1 through 2027. | 8,510,000 | 8,635,000 |
| | \$ 22,890,000 | \$ 25,735,000 |

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Future Debt Service

Future debt service on long-term debt for the year ended December 31, 2016 is as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 2,810,000 | \$ 629,123 | \$ 3,439,123 |
| 2018 | 2,880,000 | 556,085 | 3,436,085 |
| 2019 | 2,965,000 | 479,923 | 3,444,923 |
| 2020 | 3,045,000 | 396,675 | 3,441,675 |
| 2021 | 1,865,000 | 321,488 | 2,186,488 |
| 2022-2026 | 8,915,000 | 859,544 | 9,774,544 |
| 2027 | 410,000 | 12,813 | 422,813 |
| | <u>\$ 22,890,000</u> | <u>\$ 3,255,651</u> | <u>\$ 26,145,651</u> |

In the bond indentures, the Authority covenants that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the Authority, together with other income, that will yield annual net earnings for the fiscal year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments for all bonds outstanding. The Authority further covenants that it will maintain rates and charges that are sufficient to provide for the payment of bonds; to maintain the debt service funds, debt service reserve funds and any other related funding instruments related to the debt of the system; and to provide for the payment of administrative and operational expenses of the system, preserving the system in good repair and working order. Debt service coverage for water revenue bond debt was 488% for 2016. Debt service coverage for sewer revenue bond debt was 244% for 2016. In accordance with the assertions of management and the Authority's bond counsel, expenses of \$166,954 for water and \$166,954 for sewer were excluded from the debt covenant calculation for 2016 as they relate to post-employment benefits as described in Note 8.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

6. UNAMORTIZED COST OF LINE CONNECTION

In 1994, the Authority entered into an agreement with the Wilksburg-Penn Joint Water Authority (WPJWA), a primary water supplier. This agreement required the Authority to pay \$2,310,000 to WPJWA to be used for the construction of a larger connection and distribution lines to the Authority.

The payment of \$2,310,000 was reflected in the Authority's statements of net position as unamortized cost of line connection. The net unamortized balance at December 31, 2016 and 2015 is \$0 and \$70,400, respectively.

The existing contract with WPJWA ceased on April 11, 2016, at which time the purchase of water was switched to Westmoreland County.

7. DEFINED BENEFIT PLAN

General Information About the Pension Plans. The Authority has a single-employer defined benefit pension plan (Plan) covering substantially all full-time employees. The Plan is controlled by the provisions of the Plan restatement as of January 1, 2008 (as amended). The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Stand-alone financial reports were not issued for the Plan, as they are not required under the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Under the Plan, employees' eligibility for normal benefits begins at age 62 and 10 years of service, at which time the individual is entitled to an annual retirement benefit, payable monthly for life. The normal retirement pension is 2.5% of the 24 final months' average monthly compensation times years of service (maximum 20 years) plus 1% of 24 final months' average monthly compensation times years of service in excess of 20 years (maximum 15 years).

Special retirement is available to all participants after attainment of 30 years of service, at which time he/she may commence receiving his/her unreduced accrued benefit. If an active member with 10 years of service incurs a service related disability and qualifies for Social Security disability, he/she is eligible for an immediate monthly payment of the accrued benefit.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Employees Covered by Benefit Terms. As of the most recent actuarial valuation, the following employees were covered by the benefit terms:

| | <u>Plan</u> |
|--|------------------|
| Inactive plan members or beneficiaries | |
| currently receiving benefits | 22 |
| Inactive plan members entitled to but | |
| not yet receiving benefits | 2 |
| Active plan members | <u>32</u> |
| Total plan members | <u><u>56</u></u> |

Contributions. Act 205 requires that annual contributions be based upon the Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. Employees presently are not required to contribute.

Investment Policy. The Plan is governed by the Pension Board, who is responsible for the management of Plan assets. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the latest reported sales price at current exchange rates.

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 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 target asset allocation:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Large cap equities | 47.0% | 8.55% |
| Mid cap equities | 5.0% | 10.00% |
| Small cap equities | 5.0% | 10.00% |
| International equities | 3.0% | 8.00% |
| Fixed income | <u>40.0%</u> | 2.50% |
| | <u><u>100.0%</u></u> | |

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Rate of Return. For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The Authority's net pension liability for 2016 and 2015 was measured as of December 31, 2016 and 2015, respectively. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those respective measurement dates.

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|----------------------------|
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Investment rate of return | 7.00% |
| Underlying inflation rate | 3.00% |
| Salary projection | 4.00% |
| Pre-Retirement Mortality | RP-2000 (generational, AA) |
| Post-Retirement Mortality | RP-2000 (generational, AA) |
| Discount rate: | 7.00% |

Note: There were no actuarial assumption changes between the 2016 and 2015 actuarial valuations.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Changes in Net Pension Liability. Changes in the Authority's net pension liability (asset) are as follows:

| | Total Pension Liability | Plan Net Position | Net Pension Liability (Asset) |
|---|----------------------------|----------------------|----------------------------------|
| Balances at 12/31/15 | \$ 14,583,135 | \$ 13,398,162 | \$ 1,184,973 |
| Changes for the year: | | | |
| Service cost | 375,845 | - | 375,845 |
| Interest | 1,025,845 | - | 1,025,845 |
| Differences between expected and actual experience | (211,757) | - | (211,757) |
| Employer contributions | - | 458,088 | (458,088) |
| Member contributions | - | - | - |
| Net investment income | - | 18,720 | (18,720) |
| Benefit payments, including refunds of employee contributions | (571,508) | (571,508) | - |
| Balances at 12/31/16 | \$ 15,201,560 | \$ 13,303,462 | \$ 1,898,098 |
| Plan fiduciary net position as a percentage of total pension liability | | | 87.51% |

Sensitivity of the Net Pension Liability to Changes in Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------|------------------------|----------------------------------|------------------------|
| Net Pension Liability | \$ 3,670,074 | \$ 1,898,098 | \$ 403,914 |

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions. For the year ended December 31, 2016, the Authority recognized pension expense of \$731,820. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ - | \$ (247,890) |
| Net difference between projected and actual earnings on pension plan investments | <u>1,202,812</u> | <u>-</u> |
| | <u>\$ 1,202,812</u> | <u>\$ (247,890)</u> |

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

| <u>Year Ending December 31:</u> | <u>Deferred Outflows (Inflows) of Resources</u> |
|---------------------------------|---|
| 2017 | \$ 264,173 |
| 2018 | 264,173 |
| 2019 | 267,042 |
| 2020 | <u>159,534</u> |
| | <u>\$ 954,922</u> |

8. POST-EMPLOYMENT BENEFITS

In addition to pension benefits described in Note 7, the Authority provides post-retirement health care benefits to its retired management and union employees. Management retirees and their spouses are provided lifetime coverage without cost sharing. Union retirees are provided coverage, for the retiree only, between age 60 and 65; however, if a union employee retires and the retiree's spouse is employed with the spouse's employer offering equal or better medical benefits for the retiree, the Authority will not cover the retiree. During the year, fourteen former employees or their spouses were covered by this benefit.

Funding Policy

These benefits are expensed when incurred and are financed on a pay-as-you-go basis. For the fiscal years 2016 and 2015, the Authority paid \$131,228 and \$110,805, respectively, in other post-employment benefit (OPEB) costs.

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the component of the Authority's annual OPEB cost for the year, the amount actually contributed, and changes in the Authority's net OPEB obligation:

| | |
|--|----------------------------|
| Annual required contribution | \$ 617,831 |
| Interest on net OPEB obligation | 89,249 |
| Adjustment to annual required contribution | <u>(241,946)</u> |
| Annual OPEB cost | 465,134 |
| Contributions made | <u>(691,226)</u> |
| Decrease in net OPEB obligation | (226,092) |
| Net OPEB obligation - beginning of year | <u>2,974,983</u> |
| Net OPEB obligation - end of year | <u><u>\$ 2,748,891</u></u> |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost</u> | <u>% of AOC Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------------------|-------------------------|-----------------------------|----------------------------|
| December 31, 2016 | \$ 465,134 | 148.6% | \$ 2,748,891 |
| December 31, 2015 | 561,999 | 19.7% | 2,974,983 |
| December 31, 2014 | 580,743 | 15.9% | 2,523,789 |

The ARC for the current year was computed as of December 31, 2016 using the following actuarial assumptions:

- actuarial cost method - entry age normal cost;
- amortization method - level % of compensation;
- amortization period - 15-year open period;
- discount rate - 4.0% compounded annually;
- projected salary increases - 3.0%
- mortality – RP-2014 head count, with Scale MP-2015

MONROEVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

The schedule of funding progress as of December 31, 2016 for the postemployment medical benefits is as follows:

| Actuarial Value of Assets (a) | Actuarial Liability (AAL) (b) | Unfunded Accrued Liability (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b)-(a)/(c) |
|--|--|--|----------------------------|---------------------------|--|
| \$ 561,982 | \$ 6,103,560 | \$ 5,541,578 | 9.21% | \$ 2,142,609 | 258.64% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the employer subsidy. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

9. CONTINGENT LIABILITIES AND COMMITMENTS

Pennsylvania Department of Environmental Protection Consent Order

In 1997, the Allegheny County Health Department ordered 51 communities tributary to the Allegheny County Sanitary Authority whose sanitary sewers had been identified as being subject to possible wet weather overflows to implement a comprehensive assessment, flow monitoring, and planning program. During 2004, the Authority signed a consent agreement to comply with the requirement of the Pennsylvania Department of Environmental Protection and the Allegheny County Health Department. The Authority estimates the impact that this consent agreement will have on future financial statements is approximately \$30,000,000. During the year ended December 31, 2016, the Authority incurred costs of approximately \$152,643 towards these projects, which have been capitalized.

**Required Supplementary
Information**

MONROEVILLE MUNICIPAL AUTHORITY

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS¹

| | 2016 | 2015 |
|---|---------------|---------------|
| Total Pension Liability: | | |
| Service cost | \$ 375,845 | \$ 387,473 |
| Interest | 1,025,845 | 978,404 |
| Differences between expected and actual experience | (211,757) | (140,564) |
| Benefit payments, including refunds of member contributions | (571,508) | (513,024) |
| Net Changes in Total Pension Liability | 618,425 | 712,289 |
| Total Pension Liability - Beginning | 14,583,135 | 13,870,846 |
| Total Pension Liability - Ending (a) | \$ 15,201,560 | \$ 14,583,135 |
| Plan Fiduciary Net Position: | | |
| Plan member contributions | \$ - | \$ - |
| Employer contributions | 458,088 | 388,020 |
| Net investment income | 18,720 | 147,156 |
| Benefit payments, including refunds of member contributions | (571,508) | (513,024) |
| Net Change in Plan Fiduciary Net Position | (94,700) | 22,152 |
| Plan Fiduciary Net Position - Beginning | 13,398,162 | 13,376,010 |
| Plan Fiduciary Net Position - Ending (b) | \$ 13,303,462 | \$ 13,398,162 |
| Net Pension Liability (Asset) - Ending (a-b) | \$ 1,898,098 | \$ 1,184,973 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 87.51% | 91.87% |
| Covered Employee Payroll | \$ 2,181,650 | \$ 2,237,758 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 87.00% | 52.95% |

¹ This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

See accompanying notes to required supplementary pension schedules.

MONROEVILLE MUNICIPAL AUTHORITY

SCHEDULE OF AUTHORITY CONTRIBUTIONS AND INVESTMENT RETURNS - PENSIONS

LAST 10 FISCAL YEARS¹

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 338,751 | \$ 358,591 | \$ 321,263 | \$ 310,831 | \$ 337,475 | \$ 356,663 | \$ 250,949 | \$ 242,499 |
| Contributions in relation to the actuarially determined contribution | 458,088 | 388,020 | 395,040 | 332,784 | 337,476 | 356,664 | 260,000 | 270,000 |
| Contribution deficiency (excess) | <u>\$ (119,337)</u> | <u>\$ (29,429)</u> | <u>\$ (73,777)</u> | <u>\$ (21,953)</u> | <u>\$ (1)</u> | <u>\$ (1)</u> | <u>\$ (9,051)</u> | <u>\$ (27,501)</u> |
| Covered employee payroll | <u>\$ 2,290,488</u> | <u>\$ 2,424,983</u> | <u>\$ 2,343,173</u> | <u>\$ 2,274,245</u> | <u>\$ 2,259,339</u> | <u>\$ 2,377,057</u> | <u>\$ 2,302,974</u> | <u>\$ 2,260,310</u> |
| Contributions as a percentage of covered employee payroll | 20.00% | 16.00% | 16.86% | 14.63% | 14.94% | 15.00% | 11.29% | 11.95% |

Investment Returns

| | | | | | | | | |
|---|-------|-------|-------|-----|-----|-----|-----|-----|
| Annual money-weighted rate of return, net of investment expense | 0.14% | 1.11% | 6.17% | n/a | n/a | n/a | n/a | n/a |
|---|-------|-------|-------|-----|-----|-----|-----|-----|

n/a - Information not available

Notes to Required Supplementary Pension Schedules:

Valuation date: Actuarial calculations are performed each year as of January 1. Contributions noted above are as of each pension plan's calendar year ending December 31 using actuarially determined contribution rates calculated as of January 1, one year prior to the end of the calendar year in which contributions are reported.

Methods and assumptions used to determine the contribution rates:

| | |
|---|----------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level-dollar |
| Remaining amortization period | 10 years |
| Asset valuation method | 3 year smoothing |
| Inflation | 3.00% |
| Salary increases | 4.00% |
| Investment rate of return (gross return assumption) | 7.00% |
| Mortality - Union Plan | RP-2000 (generational, AA) |

¹ This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

MONROEVILLE MUNICIPAL AUTHORITY

OPEB PLAN SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | Excess (Deficiency) as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|--|-----------------|--------------------|---|
| 12/31/2012 | \$ - | \$ 6,273,549 | \$ 6,273,549 | 0.00% | \$ 2,354,839 | 266.41% |
| 12/31/2015 | - | 5,970,775 | 5,970,775 | 0.00% | 2,291,774 | 260.53% |
| 12/31/2016 | 561,982 | 6,103,560 | 5,541,578 | 9.21% | 2,142,609 | 258.64% |

MONROEVILLE MUNICIPAL AUTHORITY

OPEB PLAN SCHEDULE OF CONTRIBUTIONS

| <u>Calendar Year</u> | <u>Annual OPEB Cost</u> | <u>Employer Contributions</u> | <u>Percentage Contributed</u> |
|--------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| 2014 | \$ 580,743 | \$ 92,553 | 15.94% |
| 2015 | 561,999 | 110,805 | 19.72% |
| 2016 | 465,134 | 691,226 | 148.61% |

Supplementary Information

MONROEVILLE MUNICIPAL AUTHORITY

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original Budget | Final Budget | Actual | Variance |
|--------------------------------|--------------------|-----------------|--------------|--------------|
| Operating Revenues: | | | | |
| <u>Water revenues:</u> | | | | |
| Water sales | \$ 5,160,356 | \$ 5,160,356 | \$ 4,949,361 | \$ (210,995) |
| Fire protection sales | 423,000 | 423,000 | 420,425 | (2,575) |
| Jobbing sales | 55,000 | 55,000 | 70,881 | 15,881 |
| Miscellaneous | 281,700 | 281,700 | 212,468 | (69,232) |
| Total water revenues | 5,920,056 | 5,920,056 | 5,653,135 | (266,921) |
| <u>Sewer revenues:</u> | | | | |
| Sewage fees | 11,831,805 | 11,831,805 | 11,678,099 | (153,706) |
| Jobbing sales | 700 | 700 | 338 | (362) |
| Miscellaneous | 278,526 | 278,526 | 398,249 | 119,723 |
| Total sewer revenues | 12,111,031 | 12,111,031 | 12,076,686 | (34,345) |
| Total operating revenues | 18,031,087 | 18,031,087 | 17,729,821 | (301,266) |
| Operating Expenses: | | | | |
| <u>Water expenses:</u> | | | | |
| Water purchases | 1,366,247 | 1,366,247 | 1,328,911 | 37,336 |
| Power and pumping | 144,660 | 144,660 | 79,537 | 65,123 |
| Vehicle expense | 45,950 | 45,950 | 50,086 | (4,136) |
| System maintenance | 1,176,596 | 1,176,596 | 777,806 | 398,790 |
| General and administrative | 1,247,200 | 1,247,200 | 1,491,584 | (244,384) |
| Jobbing and tapping | - | - | 1,133 | (1,133) |
| Authority Board expenses | 8,900 | 8,900 | 8,618 | 282 |
| Depreciation | - | - | 956,911 | (956,911) |
| Total water expenses | 3,989,553 | 3,989,553 | 4,694,586 | (705,033) |
| <u>Sewer expenses:</u> | | | | |
| Sewer expenses | 5,746,532 | 5,746,532 | 6,108,495 | (361,963) |
| Power and pumping | 3,025 | 3,025 | 2,632 | 393 |
| Vehicle expense | 45,950 | 45,950 | 59,708 | (13,758) |
| System maintenance | 1,122,071 | 1,122,071 | 720,577 | 401,494 |
| General and administrative | 1,377,607 | 1,377,607 | 1,624,180 | (246,573) |
| Authority Board expenses | 8,900 | 8,900 | 8,618 | 282 |
| Depreciation | - | - | 307,250 | (307,250) |
| Total sewer expenses | 8,304,085 | 8,304,085 | 8,831,460 | (527,375) |
| Total operating expenses | 12,293,638 | 12,293,638 | 13,526,046 | (1,232,408) |
| Operating Income (Loss) | 5,737,449 | 5,737,449 | 4,203,775 | (1,533,674) |

(Continued)

MONROEVILLE MUNICIPAL AUTHORITY

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2016

(Continued)

| | Original Budget | Final Budget | Actual | Variance |
|--|--------------------|-----------------|--------------|----------------|
| Nonoperating Revenues: | | | | |
| Interest income - water | 14,000 | 14,000 | 10,552 | (3,448) |
| Interest income - sewer | 1,000 | 1,000 | 10,631 | 9,631 |
| Developer contribution revenue - water | - | - | 15,548 | 15,548 |
| Tap-in fees - water | 15,100 | 15,100 | 14,200 | (900) |
| Tap-in fees - sewer | 28,800 | 28,800 | - | (28,800) |
| Total nonoperating revenues | 58,900 | 58,900 | 50,931 | (7,969) |
| Nonoperating Expenses: | | | | |
| Interest on bonds - water | - | - | 162,205 | (162,205) |
| Interest on bonds - sewer | - | - | 495,257 | (495,257) |
| Other expense | - | - | 35,890 | (35,890) |
| Amortization of prepaid bond insurance costs - water | - | - | 6,845 | (6,845) |
| Amortization of prepaid bond insurance costs - sewer | - | - | 10,416 | (10,416) |
| Amortization of loss on refunding - sewer | - | - | 124,290 | (124,290) |
| Loss on disposal of fixed asset | - | - | - | - |
| Total nonoperating expenses | - | - | 834,903 | (834,903) |
| Change in Net Position | \$ 5,796,349 | \$ 5,796,349 | \$ 3,419,803 | \$ (2,376,546) |

(Concluded)