

# Attachment A-18

ANNUAL REPORT OF MUNICIPAL AUTHORITIES 2015  
 Commonwealth of Pennsylvania  
 Department of Community and Economic Development  
 Governor's Center for Local Government Services  
 4th Floor Commonwealth Keystone Building  
 Harrisburg, Pennsylvania 17120-0225  
 1-888-223-6837  
 FAX # 717-783-1402

FACE SHEET

	Current Information	Corrected Information
Authority Name	SCRANTON CITY SEWER AUTHORITY	_____
Authority Address	312 ADAMS AVENUE  SCRANTON, PA 18503	_____ _____ _____
Telephone Number	(570) 348-5330	_____
Fax Number		_____
Name of Contact Person	RAYMOND ALUNNI	_____
E-Mail Address		_____
Title	CFO	_____

Filing Status  
 1 Active   X    
 2 Inactive       
 5 Terminated     

Authority Type  
 04 Sewer

Date Authority Organized (year) 1953  
 Fiscal Year Ends (month/day) 03/31

Date Authority Terminates (year) 2058  
 Number of Employees  
 (full time equivalent) 85  
 (part time equivalent) 0

SIGNATURE *Raymond Alunni*  
 TITLE CFO

PHONE (570) 348-5330

(SEE REVERSE SIDE FOR GEOGRAPHICAL AREAS SERVED BY AUTHORITY)

COPY

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 Number of Employees  
 (full time equivalent) 85  
 (part time equivalent) 0

SIGNATURE \_\_\_\_\_

TITLE \_\_\_\_\_

PHONE (\_\_\_\_) \_\_\_\_\_

(SEE REVERSE SIDE FOR GEOGRAPHICAL AREAS SERVED BY AUTHORITY)

351288

Geographical Areas Served

Mun Code  
350393  
351022

Municipal Name  
DUNMORE BORO  
SCRANTON CITY

County  
LACKAWANNA  
LACKAWANNA

OPERATING AUTHORITIES BALANCE SHEET  
FISCAL YEAR ENDING MAR 2015

ASSETS		
CURRENT ASSETS		
Cash	<u>11,281,286</u>	
Investments	<u>0</u>	
Accounts receivable	<u>6,803,207</u>	
Inventories	<u>0</u>	
Other current assets	<u>950,293</u>	
TOTAL CURRENT ASSETS		<u>19,034,786</u>
RESTRICTED ASSETS/TRUST FUNDS		<u>26,410,993</u>
DEFERRED CHARGES (Note A)		<u>880,786</u>
FIXED ASSETS		
Property, plant & equipment, at cost	<u>127,197,547</u>	
Less accumulated depreciation	<u>( 82,705,422)</u>	
Construction work in progress	<u>30,168,694</u>	
Other fixed assets	<u>0</u>	
NET FIXED ASSETS		<u>74,660,819</u>
TOTAL ASSETS		<u>120,987,384</u>
LIABILITIES AND FUND EQUITY		
Accounts payable	<u>715,074</u>	
Accrued payroll & withholdings	<u>211,632</u>	
Accrued interest payable	<u>711,084</u>	
Current portion of long-term debt	<u>2,349,261</u>	
Other current liabilities	<u>2,056,449</u>	
TOTAL CURRENT LIABILITIES		<u>6,043,500</u>
LONG-TERM DEBT - less current portion		<u>59,668,549</u>
TOTAL LIABILITIES		<u>65,712,049</u>
FUND EQUITY		
CONTRIBUTED CAPITAL		
Governmental grants	<u>0</u>	
Other contributions	<u>0</u>	
TOTAL CONTRIBUTED CAPITAL		<u>0</u>
RETAINED EARNINGS		
Reserved	<u>0</u>	
Unreserved	<u>55,275,335</u>	
TOTAL RETAINED EARNINGS		<u>55,275,335</u>
TOTAL FUND EQUITY		<u>55,275,335</u>
TOTAL LIABILITIES & FUND EQUITY		<u>120,987,384</u>

Note A - Deferred Charges consist of \$526,811 - Deferred Bond Insurance Costs;  
and \$353,975 - Deferred Loss on Extinguishment of Debt.

SEWER  
OPERATING AUTHORITIES  
STATEMENT OF INCOME AND EXPENDITURES

## OPERATING REVENUES

Sale of Services/user charges	<u>22,694,320</u>	
Operating Grants     - State	<u>0</u>	
- Federal	<u>0</u>	
Local government operating subsidies	<u>0</u>	
Interest income	<u>0</u>	
Other operating revenues	<u>0</u>	
TOTAL OPERATING REVENUES		<u>22,694,320</u>

## OPERATING EXPENSES

Cost of sales and services	<u>9,023,339</u>	
Administration         - Salaries	<u>1,024,701</u>	
- Other Costs	<u>2,150,341</u>	
Depreciation	<u>2,934,041</u>	
Other operating expenses	<u>0</u>	
TOTAL OPERATING EXPENSES		<u>15,132,422</u>
OPERATING INCOME (LOSS)		<u>7,561,898</u>

## NONOPERATING REVENUES

Capital Grants         - State	<u>0</u>	
- Federal	<u>0</u>	
Proceeds of sale of fixed assets	<u>0</u>	
Proceeds of borrowings	<u>0</u>	
Other nonoperating revenues	<u>365,177</u>	
TOTAL NONOPERATING REVENUES		<u>365,177</u>

## NONOPERATING EXPENSES

Debt service payments (Interest only)	<u>1,495,454</u>	
Constructions/extension of system	<u>0</u>	
Major equipment purchased	<u>0</u>	
Other nonoperating expenses	<u>324,786</u>	
TOTAL NONOPERATING EXPENSES		<u>1,820,240</u>
TOTAL NONOPERATING REVENUE (LOSS)		<u>( 1,455,063)</u>
NET INCOME BEFORE EXTRAORDINARY ITEMS		<u>6,106,835</u>
EXTRAORDINARY GAIN (LOSS)		<u>0</u>
NET INCOME		<u>6,106,835</u>
RETAINED EARNINGS (beginning of year)	<u>49,168,500</u>	
RETAINED EARNINGS (end of year)	<u>55,275,335</u>	

## DEBT STATEMENT

## OUTSTANDING BONDS AND NOTES

Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Type Purp	Bond (B) Note (N)	Issue Date (mm/yy)	Original Amount of Issue	Outstanding Beginning of Year	Principal Paid This Year	Outstanding at Year End	Final Year
04	B	062011	\$21340000	\$19460000	<u>790,000</u>	<u>18,670,000</u>	2035
04	B	062011	\$8135000	\$7055000	<u>455,000</u>	<u>6,600,000</u>	2025
04	B	092007	\$16810000	\$16605000	<u>9,290,000</u>	<u>7,315,000</u>	2036
04	N	032002	\$5045157	\$2471850	<u>247,674</u>	<u>2,224,176</u>	2023
04	N	032012	\$11256381	\$1885416 (NoteB)	<u>89,663</u>	<u>8,256,057</u>	2035
04	N	102002	\$4947000	\$2626665	<u>222,608</u>	<u>2,404,057</u>	2024
04	N	112007	\$4329181	\$3213672	<u>191,664</u>	<u>3,022,008</u>	2029
04	N	122003	\$2806264	\$1442579	<u>115,770</u>	<u>1,326,809</u>	2025
04	N	122004	\$3690127	\$2476033	<u>155,187</u>	<u>2,320,846</u>	2027
<u>04</u>	<u>B</u>	<u>111814</u>	<u>10000000</u>	<u>0</u>	<u>0</u>	<u>10,000,000</u>	<u>2036</u>
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Total bonds and notes outstanding	<u>62,138,953</u>
Capitalized lease obligations	<u>0</u>
Other debt	<u>206,404</u>
Less: Unamortized Original Issue Discount	<u>(206,404)</u>
Add: Deferred Bond Premium	<u>85,261</u>
<b>TOTAL OUTSTANDING DEBT</b>	<u>62,017,810</u>
Minus assets held in debt service funds, bond reserve funds and bond redemption funds	<u>26,295,400</u>
Minus lease rental payments receivable	<u>0</u>
<b>NET DEBT</b>	<u>35,722,410</u>

Note B - Additional \$6,460,304 loan proceeds received during current fiscal year on this debt obligation.

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**THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
A COMPONENT UNIT OF THE CITY OF SCRANTON  
INDEPENDENT AUDITORS' REPORT  
MARCH 31, 2015**



THE SCRANTON SEWER AUTHORITY OF THE CITY OF SCRANTON  
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES  
AND SINGLE AUDIT ATTACHMENTS  
YEAR ENDED MARCH 31, 2015

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THE SCRANTON SEWER AUTHORITY OF THE CITY OF SCRANTON  
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES  
AND SINGLE AUDIT ATTACHMENTS  
YEAR ENDED MARCH 31, 2015

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CERTIFIED PUBLIC ACCOUNTANTS

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RALPH R. MORRIS, III, C.P.A.

September 22, 2015

Board of Directors  
The Sewer Authority of the City of Scranton  
Scranton, Pennsylvania

We have performed the Single Audit of The Sewer Authority of the City of Scranton for the fiscal year ended March 31, 2015, and have enclosed the Single Audit report package.

The Single Audit was done to fulfill the requirements of OMB Circular A - 133. It entailed: 1. An audit of the basic financial statements and Supplementary Schedule of Expenditures of Federal Awards and our opinion thereon; 2. A review of Compliance and Internal Controls over Financial Reporting Based on an audit of Financial Statements performed in accordance with Governmental Auditing Standards and 3. A review of compliance with requirements applicable to each major program and internal controls over compliance in accordance with OMB Circular A - 133.

A management letter was not issued and therefore is not included as part of our report.

*Robert Rossi & Co*

REPORT DISTRIBUTION LIST

Federal Audit Clearing House  
U. S Census Bureau  
1201 E 10<sup>th</sup> Street  
Jeffersonville, Indiana 47132  
Attn: Single Audit Clearing House

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Commonwealth of Pennsylvania  
Bureau of Audits  
Division of Special Audit Services  
Subrecipient Single Audit  
Forum Place - 8<sup>th</sup> Floor  
555 Walnut Street  
Harrisburg, PA 17101

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INDEPENDENT AUDITORS' REPORT

September 22, 2015

To the Board of Directors  
The Sewer Authority of the City of Scranton

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Sewer Authority of Scranton, a component unit of the City of Scranton, as of and for the year ended March 31, 2015, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

***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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 opinions.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Sewer Authority of the City of Scranton, a component unit of the City of Scranton, as of March 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

***Other Information***

In connection with our audit, nothing came to our attention that caused us to believe that the Authority was not in compliance with the provisions of the Trust Indenture between The Sewer Authority of the City of Scranton, Pennsylvania and Fidelity Deposit and Discount Bank insofar as they relate to accounting and auditing matters. It should be noted, however, that our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Sewer Authority of the City of Scranton's basic financial statements. The supplementary information on Pages 31 and 32, as listed in the table of contents, are presented for purposes of additional analysis and are not required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information on pages 31 and 32, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 on pages 31 and 32, as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015, on our consideration of The Sewer Authority of the City of Scranton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Sewer Authority of the City of Scranton's internal control over financial reporting and compliance.

*Robert Rossi & Co.*

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
STATEMENT OF NET POSITION  
MARCH 31, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 11,281,286
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$2,800,000	6,420,244
Other Current Assets	<u>950,293</u>

TOTAL CURRENT ASSETS \$ 18,651,823

NONCURRENT ASSETS

Restricted Assets - See Schedule I	
Cash and Cash Equivalents	\$ 404,125
Investments	26,006,275
Accrued Interest Receivable	<u>593</u>

Total Restricted Assets \$ 26,410,993

Accounts Receivable - Assessments 382,963

Capital Assets	
Property, Plant and Equipment, Net	<u>74,660,819</u>

TOTAL NONCURRENT ASSETS 101,454,775

TOTAL ASSETS \$ 120,106,598

DEFERRED OUTFLOWS OF RESOURCES

Deferred Bond Insurance Costs	\$ 526,811
Deferred Loss on Extinguishment of Debt	<u>353,975</u>

TOTAL DEFERRED OUTFLOWS OF  
RESOURCES \$ 880,786

"See accompanying notes and independent auditors' report"



THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
STATEMENT OF NET POSITION  
MARCH 31, 2015

LIABILITIES

CURRENT LIABILITIES (Payable from Current Assets)	
Lines of Credit	\$ 0
Current Portion of Long-Term Debt	1,499,261
Accounts Payable	715,074
Accrued Interest Payable	33,166
Accrued Payroll and Payroll Taxes	211,632
Current Portion of Compensated Absences	<u>450,866</u>
TOTAL CURRENT LIABILITIES (Payable from Current Assets)	\$ 2,909,999
CURRENT LIABILITIES (Payable from Restricted Assets)	
Revenue Bonds Payable	\$ 850,000
Accrued Revenue Bond Interest Payable	677,918
Accrued Expenses	<u>1,302,859</u>
TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)	2,830,777
NONCURRENT LIABILITIES	
Long-Term Debt, Net of Current Portion	\$ 59,583,288
Compensated Absences, Net of Current Portion	<u>302,724</u>
TOTAL NONCURRENT LIABILITIES	<u>59,886,012</u>
TOTAL LIABILITIES	<u>\$ 65,626,788</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Bond Premium	<u>\$ 85,261</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 85,261</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	\$ 14,373,795
Restricted for Debt Service and Capital Expenditure	23,580,216
Unrestricted	<u>17,321,324</u>
TOTAL NET POSITION	<u>\$ 55,275,335</u>

"See accompanying notes and independent auditors' report"

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED MARCH 31, 2015

OPERATING REVENUES	
Sewer Rental Charges, including penalties and interest, net of credit adjustments	<u>\$ 22,694,320</u>
TOTAL OPERATING REVENUES	\$ 22,694,320
OPERATING EXPENSES	
Sewer Plant and Sewer System - Schedule II	\$ 9,023,339
Administrative and General - Schedule II	3,175,042
Depreciation Expense	<u>2,934,041</u>
TOTAL OPERATING EXPENSES	<u>15,132,422</u>
OPERATING INCOME	\$ 7,561,898
NON OPERATING REVENUES (EXPENSES)	
Investment Revenues	\$ 69,933
Interest Expense	(1,495,454)
Amortization of Bond Insurance Cost	(122,868)
Bond Issuance Costs	(201,918)
Amortization of Bond Premium	6,378
Other Revenue	<u>288,866</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,455,063)</u>
CHANGE IN NET POSITION	\$ 6,106,835
NET POSITION, BEGINNING OF YEAR	<u>49,168,500</u>
NET POSITION, END OF YEAR	<u><u>\$ 55,275,335</u></u>

"See accompanying notes and independent auditors' report"

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 21,962,246
Cash Payments to Suppliers for Goods and Services	(4,948,175)
Cash Payments to Employees for Services	<u>(7,022,340)</u>
Net Cash Flows Provided by Operating Activities	\$ 9,991,731
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Other Revenue Received	<u>\$ 288,866</u>
Net Cash Flows Provided by Noncapital Financing Activities	288,866
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment of Debt	\$ (2,272,565)
Payment of Interest	(2,514,849)
Proceeds from Loans Payable	6,460,304
Revenue Bond Payable, Net of Discount Issued for Refunding Debt	9,791,045
Payment of Bond Issuance Costs	(201,918)
Payment of Bond Insurance Costs	(48,511)
Payment to Escrow for Refunding Debt - Principal	(9,285,000)
Payment to Escrow for Refunding Debt - Interest	(451,963)
Capital Grant	125,000
Purchase and Construction of Capital Assets	<u>(6,806,292)</u>
Net Cash Flows Used for Capital and Related Financing Activities	(5,204,749)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from Maturity of Investments	\$ 2,303,962
Purchase of Investments	(8,483,903)
Receipt of Interest	<u>73,994</u>
Net Cash Flows Used in Investing Activities	<u>(6,105,947)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (1,030,099)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,715,510</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 11,685,411</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 7,561,898
Depreciation	2,934,041
(Increase) in Accounts Receivable	(120,612)
(Increase) in Other Current Assets	(430,371)
Decrease in Accounts Receivable - Assessments	3,166
Increase in Accounts Payable	76,962
(Decrease) in Other Liabilities	(1,523)
(Decrease) in Compensated Absences	<u>(31,830)</u>
	<u>\$ 9,991,731</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Non-Cash Financing - Bond Premium Amortization	\$ 6,378
Non-Cash Financing - Bond Insurance Cost Amortization	\$ (122,868)
Non-Cash Financing - Bond Original Issue Discount Accretion	\$ 2,551
Non-Cash Financing - Loss on Debt Extinguishment Amortization	\$ 6,764

"See accompanying notes and independent auditors' report"

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Organization: The Sewer Authority of the City of Scranton (the Authority) is a body corporate and politic organized under the Pennsylvania Municipalities Act of 1945, P.C. 382, as amended and supplemented. By a Certificate of Joinder dated August 17, 1966, the Borough of Dunmore became an Authority member.

On July 14, 1971, the City of Scranton appointed the Authority to be its agent in the operation of the sewer system. The terms of this service agreement continue for a one-year period and will automatically extend itself on a year-to-year basis until one of the parties thereto gives notice of its intent to cancel 30 days prior to the termination of any yearly period.

The Sewer Authority of the City of Scranton, Pennsylvania, has determined that it is a component unit of the City of Scranton since the City has guaranteed the Authority's loans with the Pennsylvania Infrastructure Investment Authority (PENNVEST); therefore, the Authority is included in the reporting entity of the City of Scranton.

Reporting Entity: The reporting entity has been defined in accordance with the criteria established in GASB Statement No. 39, "Determining Whether Organizations are Component Units. The specific criteria used is as follows: a) financial interdependency; b) selection of governing authority; c) designation of management; d) ability to significantly influence operations; e) accountability for fiscal matters; f) scope of public service; and g) special financing relationships. As defined, there are no other related organizations, which should be included in the financial statements.

Basis of Accounting: The Sewer Authority of the City of Scranton, Pennsylvania uses the accrual basis of accounting. The Authority's revenues are recognized when earned and expenses are recognized when the obligation is incurred. The Authority applies the financial reporting guidance of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which has incorporated all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Basis of Presentation: The fund category used by the Authority is the proprietary fund. Proprietary category funds are used to account for and report those governmental activities that are designed to be self-supporting from fees charged to consumers of the funds, goods and services or where the governing board has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary fund statements provide both long-term and short-term financial information which is similar to the information reported by a business-type entity. Net position is segregated into invested in capital assets, net of related debt; restricted for debt service and capital expenditures; and unrestricted components. Net position is increased by revenues and decreased by expenses.

Two fund types are included in the proprietary fund category: enterprise and internal service funds. The Authority uses the enterprise fund type.

Enterprise funds account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private businesses and are intended to be self-supporting through charges to users.

Measurement Focus: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of each fund are included on the Statement of Net Position. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sewer system services. Operating expenses for enterprise funds include the costs of sewer system services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts: The Authority's policy for providing for uncollectible accounts is to charge current year earnings for accounts receivable considered currently uncollectible based on the historical collection experience of the Authority and collection percentages applicable to public utilities.

A major portion of the allowance for doubtful accounts is felt to be collectible in the future because of the Authority's power to convert past due accounts into municipal claims. This procedure is an operation of law and the claims have the status of a legal lien or judgment. There are currently in force municipal claims of approximately \$4,833,000.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments: All of the Authority's investments are classified as held-to-maturity.

Property, Plant and Equipment: Property, plant and equipment are stated at cost. Normal maintenance and repairs are charged to expense as incurred; major renewals and extraordinary repairs, which extend the useful life of an asset, are capitalized. Depreciation is provided using the straight-line method based on the following estimated useful lives:

	<u>Useful Life</u>
Land	Not Applicable
Sewer Treatment Plant	40 years
Land Improvements	10 years
Operating Equipment	10 years
Vehicles	3-6 years
Extraordinary Repairs:	
Sewer System	20 years
Equipment	5 years

Impairment of Long-Lived Assets: Management reviews long-lived assets held and used by the Authority for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Accrued Compensated Absences: It is the Authority's policy to permit employees to accumulate vacation and sick days which will be paid to employees upon separation from the Authority's service. These amounts have been recorded in the statement of net position split between current and noncurrent liabilities as noted in the statement.

Statements of Cash Flows: For purposes of the Statements of Cash Flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents, at March 31, 2015 were as follows:

Unrestricted	\$11,281,286
Restricted	<u>404,125</u>
Total Cash and Cash Equivalents	<u>\$11,685,411</u>

Interest paid by the Authority for the year ended March 31, 2015, amount to \$2,514,849. Of this amount, \$1,001,445 was capitalized as construction-in-progress.

Accounting for Authority Bond Issues: The Authority financed the construction of the sewer system through the issuance of two series of bonds designated as Sewer Assessment Bonds in the aggregate principal of \$2,600,000 and Sewer Revenue Bonds in the aggregate principal amount of \$33,000,000. The bond issue is subject to the provision of a Trust Indenture dated April 1, 1968 between the Authority and JP Morgan (formerly Chase Manhattan Bank) as Trustee. The bond issue was defeased July, 2000.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

In September 2007, the Authority issued bonds in the amount of \$16,810,000, with a final maturity of December 2036, with interest costs varying from 3.70% to 5.00%. Proceeds from the bonds were turned over to the Trustee for initial distribution to various funds in accordance with the terms of the Trust Indenture of the Authority. The Trustee maintains all funds enumerated in Note 2 and shall continue to function for the life of this bond issue in the collection of rentals, the payment of operating expenses and semi-annual interest payments, and the repurchase and retirement of bonds until the ultimate retirement of all outstanding bonds.

In June 2011, the Authority issued sewer revenue bonds in the amount of \$29,475,000, with a final maturity of December 2035, with interest costs varying from 1.28% to 6.3%. The bond issue is subject to the provision of a Trust Indenture dated as of September 1, 2007, as supplemented by a First Supplemental Indenture dated June 1, 2011 between the Authority and Fidelity Deposit and Discount Bank as successor trustee, and are secured under the indenture by the assignment and pledge to the Trustee of Receipts and Revenue from the Sewer System.

In November 2014, the Authority issued \$10,000,000 of Sewer Revenue Bonds, Series 2014 with a final maturity of December 1, 2036, with interest costs varying from 3.25% to 3.75%. Proceeds from the issuance provided funds for the partial advanced refunding of the Authority's Sewer Revenue Bonds, Series 2007 in the amount of \$9,285,000; which debt was defeased at such date. The Series 2014 Bond issue is subject to the provisions of a Trust Indenture dated as of September 1, 2007, as supplemented by a First Supplemental Indenture dated June 1, 2011, and as supplemented by Second Supplemental Indenture dated November 1, 2014 between the Authority and the Fidelity Deposit Discount Bank as successor trustee, and are secured under the Indenture by the assignment and pledge to the Trustee of Receipts and Revenues from the Sewer System.

In accordance with GASB Statement No. 23, *"Accounting and Reporting for Refunding of Debt by Proprietary Activities"*, the excess of the reacquisition price over the net carrying amount of debt refunded with proceeds from the Series 2014 Bonds has been recorded as a deferred loss on extinguishment of debt. The resulting \$360,739 is being amortized using a method that approximates the effective interest method over the originally scheduled life of the defeased issue which extends to 2036. The unamortized balance of \$353,975 is reflected as a deferred outflow of resources in the statement of net position.

Income Taxes: As a municipal authority the Authority is not subject to income.

Bond Insurance costs are being amortized over the terms of the respective bonds using the straight-line method. Bond premiums are being amortized over the terms of the respective bonds using a method that approximates the effective interest method.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position: Net position represents the difference between assets and deferred outflow of resources and deferred inflows of resources, and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* have been adopted by the Authority. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The Statement of Net Position now reports the following components: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, when applicable.

Note 2 - Restricted Assets

Assessment Fund: To provide a portion of the cost of sewer line extensions, the Authority issued Sewer Assessment Bonds in the amount of \$2,600,000. Assessments were billed to property owners with an option of current or deferred payment. All bonds outstanding were redeemed as a result of a transfer of funds from the existing construction fund. Additional Sewer extensions, including some deferred under the original construction plan, are being assessed to property owners under the terms of the Indenture and the Authority's assessment resolution.

As of March 31, 2015, the majority of the sewer assessment accounts receivable are delinquent. To insure collection, municipal liens have been filed against those properties with delinquent sewer assessments.

Sewer Revenue Bonds: The aforementioned Trust Indenture, among other things, provides for the creation of the following funds which are restricted by terms of the indenture:

- (A) Clearing Fund: The Trust Indenture requires the Trustee to establish a Clearing Fund into which any monies held by the Authority in the Operating Account at the end of any fiscal year, commencing with the fiscal year ending March 31, 2008, not required to pay accrued expenses for such fiscal year and not required to be retained as a reserve in such amount as the Authority may deem prudent, but not in excess of the estimated amount of the Operating Expenses and Administrative Expenses contained in the Annual Engineer's Report for the following fiscal year, shall be transferred.



THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 2 - Restricted Assets (Continued)

- (B) Debt Service Fund: Terms of the Indenture require the Trustee to transfer from the Clearing Fund interest falling due on June 1 and December 1, respectively, plus on December 1 and April 1, the aggregate principal amount of the Bonds maturing or subject to mandatory redemption on such December 1.
- (C) Debt Service Reserve Fund: The Indenture established Debt Service Reserve Fund of \$4,333,811 to be used to make up any deficiency in the Debt Service Funds. At March 31, 2015, Debt Service Reserve Funds held by the Trustee, amounted to \$4,545,399, which include accumulated earnings and additions made to the reserve accounts by the Authority.
- (D) Bond Redemption and Improvement Fund: The surplus from time to time in the Clearing Fund, after payments and deposits mentioned above are satisfied, is to be deposited in the Bond Redemption and Improvement Fund and applied to make good any deficiencies in the Debt Service Fund, Bond Sinking Fund or the Debt Service Reserve Fund. If there is no deficiency in any of such Funds, monies may be applied as follows and as more fully provided in the Indenture:
  - (1) to make capital additions
  - (2) to make up any deficiency in the Construction Fund
  - (3) to purchase or redeem Bonds issued under the Indenture
  - (4) for any other lawful purpose of the Authority
- (E) Construction Fund: The Construction Fund shall consist of funds deposited therein pursuant to provisions of the Indenture for purposes of paying Costs, Costs of Acquisition or Costs of Construction relating to the Sewer System, including Capital additions and acquisition or construction of property in the nature of Capital Additions.
- (F) Settlement Fund: The Settlement Fund was established for the issuance of the 2015 Sewer Revenue Bonds to pay costs associated with the issuance of the Bonds.

Note 3 - Deposits and Investments

Custodial Credit Risk - Deposits: At March 31, 2015, the bank balance of the Authority's cash deposits with financial institutions was \$11,676,688, compared to a carrying amount of \$11,685,411. The total bank balance that was secured by Federal Depository Insurance was \$654,125; and \$11,022,563 of the remaining bank balance was covered by securities pledged by the financial institution for such funds, but not in the Authority's name. The Authority does not have a deposit policy for custodial credit risk.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 3 - Deposits and Investments (Continued)

**Credit Risk:** Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. In accordance with the Trust Indenture, any restricted assets held by the Trustee can be invested as detailed in the Indenture. Unrestricted funds are invested at management's discretion.

**Investments:** The Authority's investments are carried at fair market value and consisted of the following at March 31, 2015:

	Amortized Cost	Carrying Value	Average Credit Quality Rating	Weighted Average Months To Maturity
<b>Mutual Money Market Funds:</b>				
Federated Treasury Obligations Fund (CAP)	\$25,112,876	\$25,112,876	AAAm/AAAmf	0.23
Certificate of Deposit	<u>148,451</u>	<u>148,451</u>	N/A	0.68
Total	<u>\$25,261,327</u>	<u>\$25,261,327</u>		
<b>US Government Obligations:</b>				
Federal Home Loan Bank (FHLB)	<u>\$744,963</u>	<u>\$744,948</u>	A-1 +/P-1	1.72

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated weighted average months to maturity.
- (3) Concentration of credit risk by amount and by issuer investments in any one issuer that represent 5% or more of total investments separately disclosed.

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:** The Authority's investments are managed under a trust indenture agreement with an area financial institution. Investment choices are limited under this agreement to specified investments with stipulated credit ratings as permitted by legislation under the Pennsylvania Municipal Authorities Act. This agreement does not place a limit on the amount the Authority may invest in any one issuer. As of March 31, 2015, the Authority's investment in Federated Treasury Obligations Fund (CAP) was rated AAAm by Standard & Poor's and represented 96% of the Authority's investments. Certificates of deposit represent 1% of the Authority's investments, and are invested at various financial institutions in amounts which are fully secured by Federal Depository Insurance (FDIC). The Authority's remaining 3% of investments were invested in Fixed Income U.S. Government Obligations of the Federal Home Loan Bank which was rated A-1 + by Standard & Poor's.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 4 - Capital Assets

A summary of changes in the capital assets is as follows:

	Balance 3/31/2014	Additions	Deletions	Balance 3/31/2015
Land (not depreciated)	\$ 130,029	\$ 0	\$ 0	\$ 130,029
Construction in Progress (Not Depreciated)	22,601,110	7,567,584	0	30,168,694
Sewage Treatment Plant and Related Facilities	121,851,845	55,171	0	121,907,016
Improvement	253,572	4,527	0	258,099
Operating Equipment	<u>10,986,256</u>	<u>365,989</u>	<u>(6,449,842)</u>	<u>4,902,403</u>
Total Historical Costs	<u>\$ 155,822,812</u>	<u>\$ 7,993,271</u>	<u>\$ (6,449,842)</u>	<u>\$ 157,366,241</u>
LESS: Accumulated Depreciation:				
Sewage Treatment Plant and Related Facilities	\$ 77,404,169	\$ 2,332,474	\$ 0	\$ 79,736,643
Improvement	219,110	10,048	0	229,158
Operating Equipment	<u>8,597,944</u>	<u>591,519</u>	<u>(6,449,842)</u>	<u>2,739,621</u>
Total Accumulated Depreciation	<u>\$ 86,221,223</u>	<u>\$ 2,934,041</u>	<u>\$ (6,449,842)</u>	<u>\$ 82,705,422</u>
Capital Assets, Net	<u>\$ 69,601,589</u>	<u>\$ 5,059,230</u>	<u>\$ 0</u>	<u>\$ 74,660,819</u>

Depreciation expense for the year ended March 31, 2015 amounted to \$2,934,041.

At March 31, 2015, the Authority has entered into contracts for construction, as follows:

	Project Authorization	Expended To Date	Commitment
Biological Nutrient Removal (BNR) Project - Various Contractors	\$ 23,604,038	\$ 23,280,542	\$ 323,496
Other Non-BNR Projects - Various Contractors	\$ 1,028,385	\$ 685,952	\$ 342,433

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-Term Debt

The changes in long-term obligations payable during the year ended March 31, 2015 are as follows:

	Balance 3/31/2014	Additions	(Amortization) / Accretion	Repayments	Balance 3/31/2015	Principal Due Within One Year
Fidelity Sewer Revenue Bonds Payable Series of 2007	\$ 16,605,000	\$ 0	\$ 0	\$ 9,290,000	\$ 7,315,000	\$ 5,000
Fidelity Sewer Revenue Bonds Payable Series of 2011A	19,460,000	0	0	790,000	18,670,000	375,000
Fidelity Sewer Revenue Bonds Payable Series of 2011B	7,055,000	0	0	455,000	6,600,000	470,000
Fidelity Sewer Revenue Bonds Payable Series of 2014	0	9,791,045	2,551	0	9,793,596	0
Pennvest Promissory Note #71192	2,471,850	0	0	247,674	2,224,176	255,321
Pennvest Promissory Note #71162	2,626,665	0	0	222,608	2,404,057	228,862
Pennvest Promissory Note #71281	1,442,579	0	0	115,770	1,326,809	119,023
Pennvest Promissory Note #27682	2,476,033	0	0	155,187	2,320,846	159,991
Pennvest Promissory Note #79906	3,213,672	0	0	191,664	3,022,008	194,941
Pennvest Promissory Note #71375	1,885,416	6,460,304	0	89,663	8,256,057	541,123
<b>TOTAL</b>	<u>\$ 57,236,215</u>	<u>\$ 16,251,349</u>	<u>\$ 2,551</u>	<u>\$ 11,557,566</u>	<u>\$ 61,932,549</u>	<u>\$ 2,349,261</u>

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-Term Debt (Continued)

The aggregate maturities of long-term debt are as follows:

Year End March 31	Principal	Interest	Total
2016	\$ 2,349,261	\$ 2,392,975	\$ 4,742,236
2017	2,407,093	2,318,729	4,725,822
2018	2,470,769	2,253,128	4,723,897
2019	2,545,311	2,180,060	4,725,371
2020	2,619,939	2,109,702	4,729,641
2021-2025	11,744,786	9,307,283	21,052,069
2026-2030	13,656,794	6,586,009	20,242,803
2031-2035	14,805,000	3,335,494	18,140,494
2036-2037	9,540,000	323,325	9,863,325
	<u>\$ 62,138,953</u>	<u>\$ 30,806,705</u>	<u>\$ 92,945,658</u>
Original Issue Discount, Net	(206,404)		
Total	<u>\$ 61,932,549</u>		

Note 6 - Revenue Bonds Payable 2007 Series

On September 1, 2007, the Authority issued \$16,810,000 of Sewer Revenue Bonds. The proceeds from this issue were primarily used to fund capital improvement projects.

**Optional Redemption:** The 2007 Series Bonds maturing on or after December 1, 2016 are subject to redemption prior to maturity, at the option of the Authority beginning December 1, 2015, out of monies deposited with or held by the Trustee for such purposes as a whole or in part at any time, and, in any order of maturities selected by the Authority, 100% of the par amount, plus accrued interest.

**Mandatory Redemption:** The 2007 Series Bonds stated to mature on December 1, 2024, December 1, 2032 and December 1, 2036 are subject to mandatory redemption prior to maturity on December 1 of each of the years set forth below, in each case at a redemption price equal to 100% the principal amount thereof to be redeemed plus accrued interest to the redemption date, from funds to be deposited in the Sinking Fund, on or before December 1 of each of the years set for the below, in amounts sufficient to redeem by lot on each December 1 the following amounts of the Bonds:

Term Bonds Slated to Mature on December 1, 2024		Term Bonds Slated to Mature on December 1, 2032		Term Bonds Slated to Mature on December 1, 2036	
Year	Amount	Year	Amount	Year	Amount
2018	\$ 5,000	2028	\$ 1,205,000	2033	\$ 1,840,000
2019	5,000	2029	1,265,000	2034	1,935,000
2020	5,000	2030	1,395,000	2035	2,030,000
2021	5,000	2031	1,680,000	2036	2,135,000 *
2022	5,000	2032	1,760,000 *		
2023	5,000				
2024	5,000 *				

\* At maturity

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 6 - Revenue Bonds Payable 2007 Series (Continued)

Refunding of Debt: On November 18, 2014, the Authority issued \$10,000,000 of Series 2014 Sewer Revenue Bonds, the proceeds of which were used to partially defease through an advanced refunding \$9,285,000 of the outstanding Series 2007 Sewer Revenue Bonds. The net proceeds, after deducting the costs associated with this issuance, amounting to \$9,736,963 has been placed into escrow to provide funding for all interest and principal payments on the defeased Series 2007 Sewer Revenue Bonds through the December 1, 2015 scheduled repayment date.

As more fully described in Note 13, the Authority's remaining \$7,315,000 Series 2007 Sewer Revenue Bonds were subsequently defeased on April 22, 2015, through the issuance of the Authority's Series 2015 Sewer Revenue Bonds.

Series A of 2011

On June 10, 2011, the Authority issued \$21,340,000 of Series A of 2011 Sewer Revenue Bonds. The proceeds from this issue will primarily be used to fund various capital improvement projects.

Optional Redemption: The Series A of 2011 Bonds maturing on or after December 1, 2022 are subject to redemption prior to maturity, at the option of the Authority in any order of maturity either as a whole, or in part, at any time on or after December 1, 2021, and if in part, by lot within a maturity, at a redemption price equal to 100% of the principal amount, together with accrued interest to the date fixed for redemption.

Mandatory Redemption: The Series A of 2011 Bonds stated to mature on December 1, 2031 and on December 1, 2035 are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount, together with accrued interest, to the dates fixed for redemption, on December 1 of the years and in the following amounts:

Year	Amount	Year	Amount
2027	\$ 1,250,000	2032	\$ 1,265,000
2028	910,000	2033	1,315,000
2029	1,095,000	2034	1,205,000
2030	1,075,000	2035	1,515,000 *
2031	1,390,000 *		

\* At maturity

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 6 - Revenue Bonds Payable 2007 Series (Continued)

Series B of 2011

On June 10, 2011, the Authority issued \$8,135,000 of Series B of 2011 Federally Taxable Sewer Revenue Bonds. The proceeds from this issue were used to currently refund the Authority's outstanding \$8,000,000 loan from First National Community Bank dated April 24, 2007.

Optional Redemption: The 2011 B Series Bonds maturing on or after December 1, 2025 are subject to redemption prior to maturity, at the option of the Authority in any order of maturity either as a whole, or in part, at any time on or after December 1, 2021, at a redemption price equal to 100% of the principal amount, together with accrued interest to the date fixed for redemption.

Mandatory Redemption: The Series B of 2011 Bonds stated to mature on December 1, 2025 are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount, together with accrued interest, to the dates fixed for redemption, on December 1 of the years and in the following amounts:

Term Bonds Due December 1, 2025:

Year	Amount
2022	\$650,000
2023	690,000
2024	735,000
2025*	785,000

\*At maturity

Series of 2014

On November 18, 2014, the Authority issued \$10,000,000 of Series 2014 Sewer Revenue Bonds. The Bond issuance, net of original issue discount of \$208,955 was used to advance refund \$9,285,000 of the Authority's outstanding Series 2007 Revenue Bonds.

As a result of the advanced refunding, the Authority decreased its total future debt service requirements by \$1,502,965, which resulted in a future economic gain of \$1,494,041.

The proceeds of the Bonds were as follows:

Bond Issue	\$10,000,000
Original Issue Discount	(208,955)
	\$ 9,791,045

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 6 - Revenue Bonds Payable 2007 Series (Continued)

At March 31, 2015, the outstanding bonds are recorded net of the unamortized portion of the original issue discount of \$206,404.

Bond Closing Cost incurred for the issuance of the Series of 2014 Sewer Revenue Bonds amounted to \$250,429 as follows:

Underwriter's Discount	\$65,000
Legal Fees	80,500
Financial Advisory Fees	33,000
Rating Fees	17,000
Paying Agent Fees	1,418
Printing Costs	5,000
Bond Insurance Costs	48,511

**Original Redemption:** The Series of 2014 Bonds are subject to redemption prior to maturity at the option of the Authority in any order of maturity either a whole, or in part, at any time on or after June 1 2020, and, if in part, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

**Mandatory Redemption:** The Series of 2014 Bonds stated to mature on December 1, 2029, December 1, 2032, December 1, 2034, and December 1, 2036 are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon, to the dates fixed for redemption, on December 1 of the years and in the amounts set forth below:

Term Bonds Due December 1, 2029		Term Bonds Due December 1, 2032	
Year	Amount	Year	Amount
2025	\$ 20,000	2030	\$ 100,000
2026	20,000	2031	105,000
2027	20,000	2032	1,450,000 *
2028	20,000		
2029	85,000 *		
Term Bonds Due December 1, 2034		Term Bonds Due December 1, 2036	
Year	Amount	Year	Amount
2033	\$ 1,935,000	2035	\$ 2,080,000
2034	2,005,000 *	2036	2,160,000 *

\* Maturity



THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 7 - Conduit Debt Obligation

On December 22, 2004, the Authority issued a Guaranteed Lease Revenue Note in the amount of \$4,000,000 to finance the cost of a project on behalf of the City of Scranton. The note is due December 15, 2016 and has an interest rate of 5.99%. In connection with the issuance, the Authority and the City entered into a sale agreement and a lease agreement. Through these agreements, the City sold property to the Authority, which in turn leased the property back to the City, with payments due in amounts sufficient to pay the debt service on the note.

Under the terms of the note and the agreements, the Authority is a conduit issuer. The Authority has no obligation beyond the resources provided by the sublease agreement. The sublease agreement constitutes a general obligation of the City of Scranton and the full faith and credit and taxing power of the City of Scranton is pledged to the payment of all amounts due under the sublease. The sublease agreement expires on December 15, 2016. The notes are not general obligations of the Authority and the Authority has no taxing power. The amount outstanding on the Notes as of March 31, 2015 is \$1,135,000. Due to the nature of the transaction, the Authority is not required to record the obligation for the Notes or the related lease receivable in its financial statements.

Note 8 - Capital Improvement Program

During the year ended March 31, 2000 a capital improvement program was adopted in the amount of \$25,000,000. The program consists of two phases. Phase I was budgeted at \$10,261,000 and was primarily for improvements at the treatment plant. Funding for the program is from the Pennsylvania Infrastructure Investment Authority (PENNVEST). The first application filed was for \$5,045,157 (\$4,879,765 as modified) and the loan closed in March 2002. The balance outstanding at March 31, 2015 amounted to \$2,224,176. The loan is secured by the gross revenues of the Authority and the guarantee of the City of Scranton. Interest only was payable on advances until July 1, 2003, when monthly principal and interest payments are due up to and including January 2023. Interest is 1.522% for the first 5 months and 3.045% thereafter. Legal fees relating to obtaining the financing amounted to \$44,338. Construction was completed for this phase in July 2003, and the final disbursement on this loan was received June 2004 in the amount of \$86,866.

The second PENNVEST application was for \$4,947,000 and the loan closed in October 2002. The balance outstanding at March 31, 2015 amounted to \$2,404,057. The security is the same as above. Interest only was payable on advances until August 1, 2004, when monthly principal and interest payments were due up to and including July 1, 2024. Interest is at 1.387% for the first 81 months and 2.774% thereafter. Construction was completed for this phase at March 31, 2007, and the final disbursement of \$12,150 was received May 2007.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 8 - Capital Improvement Program (Continued)

The third PENNVEST loan closed in December 2003, in the amount of \$2,806,264. The balance outstanding at March 31, 2015 amounted to \$1,326,809. The security is the same as above. Interest only was payable on advances until February 1, 2005, when monthly principal and interest payments were due up to and including January 1, 2025. Interest is at 1.387% for the first 73 months and 2.774% thereafter. Construction was completed for this phase at March 31, 2007, and the final disbursement of \$125,221 was received May 2007.

In December 2004, the Authority closed on a fourth loan in the amount of \$3,690,127. The balance outstanding at March 31, 2015 was \$2,320,846. The security is the same as above. Monthly principal and interest payments began June 2007 and are due up to and including May 2027. Interest is at 1.942% for the first 60 months and 3.052% thereafter. Construction was completed for this phase in April 2007, and the final disbursement of \$151,815 was received November 2007.

In November 2007, the Authority closed on a fifth loan in the amount of \$4,329,181. The balance outstanding at March 31, 2015 was \$3,022,008. The security is the same as above. Monthly principal and interest payments began May 1, 2009 and are up to and including April 2029. Interest is at 1.214% for the first 60 months and 2.428% thereafter. Construction was completed for this phase in March 2011. At March 31, 2015, the final disbursement of \$130,764 has not been received and is awaiting final settlement.

In March 2012, the Authority closed on a PENNVEST loan in the amount of \$11,256,361. The proceeds to be utilized primarily for Wastewater Treatment Plant Improvements. The loan is secured by the gross revenues of the Sewer Authority of the City of Scranton. Interest only is payable on advances for 36 months at a rate of 1%. Interest is 1.51% thereafter, when monthly principal and interest payments are due for another 204 months. The outstanding loan balance at March 31, 2015 was \$8,256,057. The Authority has submitted requests for loan advances under this loan commitment totaling \$8,345,720 to reimburse for Waste Water Treatment Plant improvements it had incurred through March 31, 2014. At March 31, 2015, an additional loan advance request for the submission of the Authority's reimbursement of \$1,870,143 in Waste Water Treatment Plant improvements incurred during the current fiscal year is outstanding. The remaining balance of this PENNVEST Loan Commitment is awaiting final settlement as of March 31, 2015.

The PENNVEST loans are federally and state funded and therefore subject to various compliance requirements.

In November 2010, the Authority renewed a \$4,000,000 line of credit to provide interim financing for the program. Interest was payable monthly at a variable rate equal to 70% of the prime rate (2.275% at March 31, 2015). Security for the line of credit was all receipts and accounts receivable. The line of credit matures in November 2015. The balance of the line of credit at March 31, 2015 amounted to \$0. There was no activity for the year ended March 31, 2015.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 8 - Capital Improvement Program (Continued)

The Authority renewed a \$2,000,000 line of credit to be used for general working capital. Interest is payable monthly at a variable rate equal to National Prime, but never less than a floor of 4%. (4% at March 31, 2015). Security for the line of credit is all receipts and accounts receivable accounts, instruments and contract rights. The line of credit will expire July 2015, and is renewable annually at the option of the Bank. There was no activity for the year ended March 31, 2015 and the balance at March 31, 2015 was \$0.

Note 9 - Defined Contribution Plans

The Authority contributes to the Central Pennsylvania Teamsters Pension Fund, a defined contribution pension plan covering substantially all of its full time union employees. Employees become eligible after they have been on the payroll for thirteen weeks. Contributions made by the Authority were \$441 per month for the year ended March 31, 2015 for each covered employee; contributions vest according to the Plan's schedule. Pension expense for the year ended March 31, 2015 amounted to \$388,685.

Effective January 1, 2006 the Authority adopted a money purchase pension plan for employees who meet age and service requirements and are not members of the Union. Employer contributions are 4% of eligible compensation and employees must contribute 2%. Employees are also permitted to make additional contributions up to the maximum allowed by law. For the year ended March 31, 2015, employer contributions totaled \$20,760 and employee contributions totaled \$15,584.

Note 10 - Operating Lease

The Authority leases its office space under an operating lease dated April 2012 at a monthly rental of \$5,125. The lease term is for a five-year term through April 2017. The lease provides for the option of renewing the lease for (5) additional five years terms, with no increase. The Authority is responsible to pay all utility and normal maintenance costs, associated with the office lease. Minimum rental commitments at March 31, 2015 are as follows:

Fiscal Year	Amount
2016	\$ 61,500
2017	61,500
	<u>\$ 123,000</u>

Rental expense for the year ended March 31, 2015 amounted to \$61,500.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 11 - Contingent Liabilities

The Authority participates in both Federal and State assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

The Authority is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the Authority, the ultimate disposition of any matters outstanding at March 31, 2015 will not have a material effect on the Authority's financial position.

Note 12 - Consent Decree

On January 31, 2013, the Authority entered into a consent decree with the United States of America, acting on behalf of the U.S. Environmental Protection Agency, and the Pennsylvania Department of Environmental Protection that will require the Authority to take steps to achieve compliance with the Clean Water Act and the Clean Streams Law by December 2037. The Authority adopted a Long Term Control Plan to address compliance with the consent decree by December 2037. The cost to accomplish the Long Term Control Plan is estimated to be approximately \$140 million.

Note 13 - Subsequent Events

The Authority has evaluated subsequent events through September 22, 2015, the date, which the financial statements were available to be issued.

Sewer Revenue Bonds, Series 2015

On April 22, 2015, the Authority issued \$7,985,000 of Series 2015 Sewer Revenue Bonds with a final maturity of December 1, 2032, with interest costs varying from 2.625% to 3.4%. The proceeds from this issuance provided funds for the advanced refunding of the Authority's remaining \$7,315,000 Sewer Revenue Bonds, Series 2007; which debt was defeased at such date. Net Bond proceeds after deducting the costs associated with issuance and adding \$864,244 in available Series 2007 Debt Service Reserve Funds and the 2015 Settlement Funds amounted to \$7,652,851. The funds were placed into escrow to provide funding for all interest and principal payments on the defeased Series 2007 Sewer Revenue Bonds through the December 1, 2015 scheduled repayment date, and to fund \$798,500 placed into the Series 2014, Debt Service Reserve Fund. As a result of the advanced refunding, the Authority has decreased its total future debt service requirements by \$849,262; which has resulted in a future economic gain approximating \$845,000.

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO FINANCIAL STATEMENTS

Note 13 - Subsequent Events (Continued)

Optional Redemption: The 2015 Bonds stated to mature on or after December 1, 2025 are subject to redemption prior to maturity at the option of the Authority in any order of maturity either as a whole, or in part, at any time on or after June 1, 2020, and, if in part, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Mandatory Redemption: The 2015 Bonds stated to mature on December 31, 2025 are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount hereof, together with accrued interest thereon, to the dates fixed for redemption, on December 1 of the years and in the amounts set forth below:

Term Bonds Maturing  
December 31, 2025

<u>Year</u>	<u>Amount</u>
2022	\$ 35,000
2023	95,000
2024	95,000
2025*	355,000

\* Maturity

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**SUPPLEMENTARY INFORMATION**

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
 SUPPLEMENTAL SCHEDULE I - RESTRICTED ASSETS  
 MARCH 31, 2015

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Clearing	\$ 0	\$ 21,749,361	\$ 0	\$ 21,749,361
Debt Service	0	1,233	0	1,233
Debt Service Reserve	404,125	4,140,681	593	4,545,399
Settlement Fund	0	115,000	0	115,000
	<u>\$ 404,125</u>	<u>\$ 26,006,275</u>	<u>\$ 593</u>	<u>\$ 26,410,993</u>

"See accompanying independent auditors' report"

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
SUPPLEMENTAL SCHEDULE II - OPERATING EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2015

SEWER PLANT AND SEWER SYSTEM

Salaries	\$ 3,529,601
Payroll Taxes	272,114
Employee Benefits	1,695,065
Utilities	709,154
Chemicals	954,008
Supplies	313,756
Repairs, Maintenance and Rentals	476,184
Vehicle Operating Expense	354,564
Landfill Disposal	<u>718,893</u>

TOTAL SEWER PLANT AND  
SEWER SYSTEM EXPENSES

\$ 9,023,339

ADMINISTRATIVE AND GENERAL

Salaries	\$ 1,024,701
Payroll Taxes	78,999
Employee Benefits	400,024
Utilities	49,235
Office Supplies and Expenses	204,645
Rent	61,500
Repairs and Maintenance	5,330
Postage and Billing Expenses	198,139
Legal Fees	161,027
Engineering Fees	86,591
Accounting Fees	15,500
Other Professional Fees	320,261
Collection Expense	61,571
Insurance	302,519
Bad Debt Expense	<u>205,000</u>

TOTAL ADMINISTRATIVE AND  
GENERAL EXPENSES

\$ 3,175,042

"See accompanying independent auditors' report"



THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDING MARCH 31, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT 3/31/2014	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 3/31/2015
ENVIRONMENTAL PROTECTION AGENCY Passed through the Pennsylvania Pennsylvania Infrastructure Investment Authority:										
Capitalization Grant for Clean Water State Revolving Funds	I	66.458	71375	3/7/12-11/1/14	\$ 11,256,361.00	<u>\$ 6,460,304.00</u>	<u>\$ 6,460,304.00</u>	<u>\$ 1,870,143.00</u>	<u>\$ 1,870,143.00</u>	<u>\$ 1,870,143.00</u>
						<u>\$ 6,460,304.00</u>	<u>\$ 6,460,304.00</u>	<u>\$ 1,870,143.00</u>	<u>\$ 1,870,143.00</u>	<u>\$ 1,870,143.00</u>

SOURCE CODES: D - Direct Funding  
 I - Indirect Funding

"See accompanying independent auditors' report"

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2015

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes all significant federally funded grant programs of The Sewer Authority of the City of Scranton and has been prepared on the modified accrual basis of accounting.

Note B - Accrued and Deferred Reimbursement

Various reimbursement procedures are used for federal awards received by The Sewer Authority of the City of Scranton. Timing differences may occur between expenditures and reimbursements during the year. Accrued revenues at year-end represent an excess of expenditures over cash reimbursements received. Deferred revenues at year-end represent an excess of cash received over eligible program expenditures. Generally, accrued and deferred amounts caused by timing differences will be reversed in the subsequent year.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 22, 2015

Board of Directors  
The Sewer Authority of the City of Scranton  
Scranton, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Sewer Authority of the City of Scranton, a component unit of the City of Scranton, as of and for the year ended March 31, 2015, and the related notes to the financial statements which collectively comprise the Authority's basic statements, and have issued our report thereon dated September 22, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Sewer Authority of the City of Scranton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Sewer Authority of the City of Scranton's internal control. Accordingly, we do not express an opinion on, the effectiveness of The Sewer Authority of the City of Scranton's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Sewer Authority of the City of Scranton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This report is intended solely to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robert Rossi & Co.*

**ROBERT ROSSI & CO.**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A - 133**

September 22, 2015

Board of Directors  
The Sewer Authority of the City of Scranton  
Scranton, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited The Sewer Authority of the City of Scranton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Sewer Authority of the City of Scranton's major federal programs for the year ended March 31, 2015. The Sewer Authority of the City of Scranton, Scranton, Pennsylvania's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of The Sewer Authority of the City of Scranton, Scranton, Pennsylvania's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Sewer Authority of the City of Scranton, Scranton, Pennsylvania's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Sewer Authority of the City of Scranton, Scranton, Pennsylvania's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, The Sewer Authority of the City of Scranton, Scranton, Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

### **Report on Internal Control Over Compliance**

Management of The Sewer Authority of the City of Scranton, Scranton, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Sewer Authority of the City of Scranton, Scranton, Pennsylvania's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Sewer Authority of the City of Scranton, Scranton, Pennsylvania's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robert Rossi & Co.*

THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED MARCH 31, 2015

**Section I - Summary of Auditors' Result**

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditors' report issued on compliance for major programs:	Unmodified
-------------------------------------------------------------------	------------

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
--------------------------------------------------------------------------------------------------------------------	------------------------------	----------------------------------------

Identification of major programs:  
CFDA Number

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Programs: <u>\$300,000</u>	
Auditee qualified as low risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.



THE SEWER AUTHORITY OF THE CITY OF SCRANTON  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED MARCH 31, 2015

- NO PRIOR FINDINGS NOTED.