

**Pennsylvania-American Water Company's
Utility Valuation Experts' (UVE) Valuation of
Steelton Borough (Water) Authority
Dauphin County, Pennsylvania**

**Appraisal Work Papers
As of July 2018**

**Income Approach
Income Analysis 2013 through 2017**

**AUS Consultants
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Steelton Borough (Water) Authority

	2013	2014	2015	2016	2017	2018 Budget	Average	
							2013-2017	2015-2017
Income Statement								
Operating Revenues								
Charges for Service	2,814,698	3,294,050	3,339,146	2,852,458	2,664,325	2,762,260		
Total Operating Revenues	2,814,698	3,294,050	3,339,146	2,852,458	2,664,325	2,762,260		
Year over Year Growth		17.0%	1.4%	-14.6%	-6.6%	3.7%	-0.7%	-6.6%
Operating Expenses								
System-water								
% of Revenues	26.1%	25.9%	29.8%	42.1%	33.6%		31.5%	35.2%
Growth in Expenses		16.4%	16.4%	20.7%	-25.5%		7.0%	3.9%
Water treatment	686,711	787,750	791,825	779,894	795,490			
% of Revenues	24.4%	23.9%	23.7%	27.3%	29.9%		25.8%	27.0%
Administration								
% of Revenues	3.9%	3.7%	3.4%	4.2%	4.6%		4.0%	4.1%
Depreciation	483,998	480,518	471,488	483,048	505,201		Based On Plant	
Amortization	3,679	3,679	5,797	6,135	6,140		Based On Plant	
Total Operating Expenses	2,016,997	2,248,910	2,376,202	2,587,983	2,324,449	2,217,300		
Operating Income	797,701	1,045,140	962,944	264,475	339,876	544,960		
Nonoperating Revenues/ (Expenses)								
Interest Revenues	7,080	9,451	12,749	14,147	12,371			
Interest Expense	(231,373)	(216,399)	(256,027)	(273,730)	(246,260)			
Bond Issuance Cost			(150,657)		(60,365)			
Miscellaneous Revenues	371	-	-	208	1,838			
Total Non-operating Income / (expenses)	(223,922)	(206,948)	(393,935)	(259,375)	(292,416)			
Income before Capital Grant Funding and Operating Transfers	573,779	838,192	569,009	5,100	47,460			
Capital Grant Funding								
Transfer to Primary Government	(177,862)	(179,810)	(61,128)	(39,573)	-			
Transfer from Primary Government	-	-	70,299	7,065	-			
Total Capital Grant Funding & Operating Transfers	(177,862)	(235,010)	520,227	1,538	13,949			
Change in Net Position	395,917	603,182	1,089,236	6,638	61,409			
Total Net Position - Begin Year	3,656,881	4,052,798	4,655,980	5,745,216	5,751,854			
Total Net Position - End Year	4,052,798	4,655,980	5,745,216	5,751,854	5,813,263			

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Balance Statement Analysis 2013 through 2017**

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Steelton Borough (Water) Authority

	2013	2014	2015	2016	2017	2018 Budget	Average 2013-2017	2015-2017
Balance Sheet								
Assets								
Current Assets								
Cash & Equivalents	1,762,835	2,277,825	3,030,257	2,765,399	2,479,310			
	62.6%	69.1%	90.7%	96.9%	93.1%			
Due from Primary Government	3,368	3,368	2,176,058	2,051,764	2,043,325			
Restricted Cash	11,825	11,831	347	347	347			
Total Current Assets	1,778,028	2,293,024	5,206,662	4,817,510	4,522,982			
Noncurrent Assets								
Capital Assets, Not Being Depreciated					2,325,539			
Capital Assets, being depreciated net of Accumulated Depreciation	10,809,535	10,426,238	10,947,382	10,913,581	10,635,297			
Bond Discount, net	58,877							
Total Noncurrent Assets	10,868,412	10,426,238	10,947,382	10,913,581	12,960,836			
Total Assets	12,646,440	12,719,262	16,154,044	15,731,091	17,483,818			
Deferred Outflows of Resources								
Deferred Charges on Refundings					42,515			
Total Deferred Outflows of Resources					42,515			
Liabilities								
Current Liabilities								
Security Deposits	-	338	347	347	347			
Due to Primary Government	17,100	116	376,760	113,554	-			
Bonds Payable, net	303,317	305,824	132,533	362,944	397,217			
Loans Payable	136,582	138,337	33,782	130,616	202,313			
Capital Lease Obligation	30,094	43,350						
Total Current Liabilities	487,093	487,965	543,422	607,461	599,877			
Noncurrent Liabilities								
Bonds Payable, net	5,673,667	5,312,656	7,619,726	7,256,711	7,014,395			
Loans Payable	2,367,216	2,228,879	2,245,680	2,115,065	4,098,798			
Capital Lease Obligation	65,666	33,782						
Total Noncurrent Liabilities	8,106,549	7,575,317	9,865,406	9,371,776	11,113,193			
Total Liabilities	8,593,642	8,063,282	10,408,828	9,979,237	11,713,070			
Net Position								
Net Investment in Capital Assets								
Restricted	2,291,870	2,363,410	2,711,583	3,100,009	3,333,953			
Unrestricted	11,825	11,831						
Unrestricted	1,749,103	2,280,739	3,033,633	2,651,845	2,479,310			
Total Net Position	4,052,798	4,655,980	5,745,216	5,751,854	5,813,263			

Steelton Borough (Water) Authority

	2013	2014	2015	2016	2017	2018 Budget	Average 2013-2017	2015-2017
Water Fund Assets and Liabilities								
Capital Assets being Depreciated								
Buildings & Improvements	1,382,694	1,400,417	1,400,417	1,400,417				
Furniture & Fixtures	102,986	102,986	102,986	102,986				
Machinery & Equipment	1,285,029	1,306,266	1,974,904	2,112,745				
Infrastructure	14,185,632	14,224,177	14,548,171	14,794,082				
Leasehold Assets	123,655	143,371	143,371					
Vehicles	69,352	69,352	69,352	278,218				
Total Capital Assets being Depreciated	17,149,348	17,246,569	18,239,201	18,688,448				
Accumulated Depreciation	(6,339,813)	(6,820,331)	(7,291,819)	(7,774,867)				
Net Assets	10,809,535	10,426,238	10,947,382	10,913,581				
Water fund capital Assets, net	10,809,535	10,426,238	10,947,382	10,913,581				
Long Term Liabilities								
Bonds Payable	5,976,984	5,673,667	8,121,665	7,738,700				
Bond Discount	-	(55,187)	(125,179)	(119,045)				
Loans Payable	2,503,798	2,367,216	2,378,213	2,245,681				
Total General Obligation Debt	8,480,782	7,985,696	10,374,699	9,865,336				
Capital Lease Obligation	95,760	77,132	33,782	-				
Total Long Term Liabilities	8,576,542	8,062,828	10,408,481	9,865,336				
Long term debt								
	2006	2,320,000	2,320,000					
	2010	2,503,798	2,367,216	2,378,213	2,245,681			
	2012	3,656,984	3,353,667	3,044,164	2,733,170			
	2015	-	-	5,077,501	5,005,530			
Total Long term debt	8,480,782	8,040,883	10,499,878	9,984,381				

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**Income Approach
Statement of Cash Flows Analysis 2013 through 2017**

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Steelton Borough (Water) Authority

	2013	2014	2015	2016	2017	2018 Budget	Average 2013-2017	2015-2017
Cash Flows Statement								
Cash flows from Operating Activities								
Receipts from Charges for Service		3,294,050	3,339,146	2,852,458				
Payments to Employees		(599,480)	(616,320)	(606,008)				
Payments to Suppliers		(1,181,870)	(1,282,712)	(1,254,945)				
Net Cash Provided by Operating Activities		1,512,700	1,440,114	991,505				
Cash flows from Investing Activities								
Net Cash Flows provided by Investing Activities		-	12,749	14,147				
Cash flows from Non-Capital Financing Activities								
Operating Transfers Out		(238,436)	(61,128)	(39,573)				
Miscellaneous Revenues		3,426	-	208				
Operating Transfers In		9,451	70,299	7,065				
Net Cash Used in Non-Capital Financing Activities		(225,559)	9,171	(32,300)				
Cash Flows from Capital and Related Financing Activities								
Purchase of Capital Assets		(77,503)	(481,576)	(449,247)				
Principal Payments		(478,243)	(2,837,960)	(549,279)				
Capital Grant Funding		-	-	34,046				
Interest Payments		(216,399)	(256,027)	(273,730)				
Bond Issuance Costs		-	-	(150,657)				
Bond Proceeds		-	-	2,860,873				
Loan Proceeds		-	-	144,261				
Net Cash Used in Capital and Related Financing Activities		(772,145)	(721,086)	(1,238,210)				
Net in Cash and Cash Equivalents Decrease		514,996	740,948	(264,858)				
Cash and Cash Equivalents - Begin Year		1,774,660	2,289,656	3,030,604				
Cash and Cash Equivalents - End Year		2,289,656	3,030,604	2,765,746				
Presented in Financial Statements as:								
Cash and Cash Equivalents		2,277,825	3,030,257	2,765,399				
Restricted Cash		11,831	347	347				
Total Cash and Cash Equivalents		2,289,656	3,030,604	2,765,746				
Reconciliation of Operating income to net Cash provided by operating activities:								
Operating Income		1,045,140	962,944	264,475				
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:								
Depreciation Expense		480,518	471,488	483,048				
Amortization Expense		3,679	5,797	6,135				
Changes in Assets and Liabilities:								
Due from Primary Government		-	(8)	124,301				
Security Deposit		347	9	-				
Due to Primary Government		(16,984)	(116)	113,546				
Net Cash Provided by Operating Activities		1,512,700	1,440,114	991,505				
Supplementary Disclosure of Noncash Transactions:								
Amortization of Bond Discount		3,679	5,797	6,136				
Grant Funding		-	511,056	34,046				
Total Noncash Transactions		3,679	516,853	40,182				

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Financials 2017**

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UNAUDITED

Steelton Borough Authority
(Component Unit of the Borough of Steelton)
Statement of Net Position - Modified Cash Basis
December 31, 2017

	Business Type Activities - Enterprise Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 2,479,310
Due From Primary Government	2,043,325
Restricted Cash	347
Total Current Assets	<u>4,522,982</u>
Noncurrent Assets:	
Capital Assets, Not Being Depreciated	
Capital Assets, Being Depreciated, Net of Accumulated Depreciation	2,325,539
	<u>10,635,297</u>
Total Noncurrent Assets	12,960,836
Total Assets	<u>17,483,818</u>
Deferred Outflows of Resources:	
Deferred Charges on Refundings	42,515
Total Deferred Outflows of Resources	<u>42,515</u>
Liabilities	
Current Liabilities:	
Security Deposit	347
Bonds Payable, net	397,217
Loans Payable	202,313
Total Current Liabilities	<u>599,877</u>
Noncurrent Liabilities:	
Bonds Payable, net	7,014,395
Loans Payable	4,098,798
Total Noncurrent Liabilities	<u>11,113,193</u>
Total Liabilities	<u>11,713,070</u>
Net Position	
Net Investment in Capital Assets	3,333,953
Unrestricted	2,479,310
Total Net Position	<u>\$ 5,813,263</u>

The accompanying notes are an integral part of the financial statements.

UNAUDITED

Steelton Borough Authority
 (Component Unit of the Borough of Steelton)
 Statement of Revenues, Expenses, and Changes in Fund Net
 Position - Modified Cash Basis
 For the Year ended December 31, 2017

	Business Type Activities - Enterprise Funds
Operating Revenues	
Charges for Service	\$ 2,664,325
Total Operating Revenues	2,664,325
Operating Expenses	
System - Water	894,391
Water Treatment	795,490
Administrative	123,227
Depreciation	505,201
Amortization	6,140
Total Operating Expenses	2,324,449
Operating Income	339,876
Nonoperating Revenues/(Expenses)	
Interest Revenue	12,371
Interest Expense	(246,260)
Bond Issuance Costs	(60,365)
Miscellaneous Revenue	1,838
Total Non-operating Expenses	(292,416)
Income Before Operating Transfers	47,460
Transfers from Primary Government	13,949
Change In Net Position	61,409
Total Net Position - Beginning of Year	5,751,854
Total Net Position - End of Year	\$ 5,813,263

The accompanying notes are an integral part of the financial statements.

Steeleton Borough Authority

	2014		2015		2016		2017		2018	
	ACTUAL		ACTUAL		ACTUAL		ACTUAL		BUDGET	
Operating Revenue										
Interest Earnings	9,450.76	0.28%	12,751	0.38%	14,147	0.49%	12,381	0.44%	12,500	0.41%
Water Sales	3,249,136.09	97.52%	3,294,011	97.13%	2,798,762	97.17%	2,535,647	89.28%	2,727,060	88.87%
United Water Standby Service	20,100.00	0.60%	18,425	0.54%	21,775	0.76%	20,100	0.71%	20,100	0.86%
Meter Test	-	0.00%	475	0.01%	100	0.00%	150	0.01%	200	0.01%
Water Taps & Materials	8,424.29	0.25%	4,570	0.13%	675	0.02%	471	0.02%	2,500	0.08%
Service Charges	4,958.00	0.15%	5,550	0.16%	4,678	0.16%	5,472	0.19%	5,500	0.18%
Property Transfer Fee - Water	975.00	0.03%	1,038	0.03%	1,063	0.04%	1,187	0.04%	1,000	0.03%
Property Posting Fees - Water	9,088.30	0.27%	6,438	0.19%	6,781	0.24%	6,476	0.23%	5,500	0.18%
Interest Charges / Penalties	28,725.74	0.86%	31,587	0.93%	31,044	1.08%	28,845	1.02%	28,000	0.91%
Water NSF Charges	310.00	0.01%	350	0.01%	550	0.02%	484	0.02%	400	0.01%
Lien Processing Fees	72.00	0.00%	48	0.00%	24	0.00%	8	0.00%	20	0.00%
PA One Call Refund	361.31	0.01%	379	0.01%	337	0.01%	334	0.01%	375	0.01%
Miscellaneous Revenues	-	0.00%	15,756	0.46%	206	0.01%	228,539	8.05%	-	0.00%
Transfers from Reserve	-	0.00%	-	0.00%	-	0.00%	-	0.00%	265,496	8.65%
Total Operating Revenue	3,331,601		3,391,378		2,880,141		2,840,095		3,068,651	
Operating Expense										
Municipal Building										
Building Supplies/Furniture	204.40	0.01%	305.31	0.01%	23.98	0.00%	24.47	0.00%	100.00	0.00%
Cleaning Supplies	-	0.00%	439.25	0.01%	692.07	0.02%	576.38	0.02%	400.00	0.01%
Maintenance Supplies	186.52	0.01%	17.03	0.00%	-	0.00%	-	0.00%	-	0.00%
Property Insurance	3,198.50	0.10%	2,871.79	0.08%	2,795.85	0.10%	2,901.18	0.10%	3,200.00	0.10%
Flood Insurance - Building	1,556.45	0.05%	1,611.05	0.05%	1,870.75	0.06%	3,135.86	0.11%	2,200.00	0.07%
Electricity	6,204.39	0.19%	3,390.91	0.10%	3,532.50	0.12%	2,042.67	0.07%	4,000.00	0.13%
Gas - Heating	4,184.59	0.13%	2,693.71	0.08%	1,618.52	0.06%	1,371.30	0.05%	2,500.00	0.08%
Building Maint & Repairs	3,363.91	0.10%	8,462.38	0.25%	1,882.88	0.07%	6,182.62	0.22%	3,000.00	0.10%
Repairs/Maintenance - Elevator	2,076.58	0.06%	1,834.90	0.05%	1,340.49	0.05%	1,075.25	0.04%	1,000.00	0.03%
Cleaning Contracted Services	2,695.32	0.08%	2,695.32	0.08%	2,695.32	0.09%	2,695.32	0.09%	2,700.00	0.09%
Capital Purchases	944.19	0.03%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Water Garage										
Flood Insurance	7,715.00	0.23%	9,076.00	0.27%	11,246.00	0.39%	13,980.00	0.49%	14,500.00	0.47%
Electricity	2,856.26	0.09%	2,119.75	0.06%	2,178.14	0.08%	2,242.17	0.08%	2,500.00	0.08%
Gas - Building	7,392.66	0.22%	5,249.86	0.15%	3,717.79	0.13%	4,403.57	0.16%	5,000.00	0.16%
Repair & Maintenance - Bldg	3,080.38	0.09%	2,860.20	0.08%	3,932.15	0.14%	853.70	0.03%	-	0.00%
Distribution										
Office Supplies	1,023.93	0.03%	494.24	0.01%	685.00	0.02%	531.33	0.02%	1,500.00	0.05%
Meals - Water Breaks	-	0.00%	42.30	0.00%	-	0.00%	-	0.00%	100.00	0.00%
Vehicle - Gasoline	7,975.56	0.24%	5,048.88	0.15%	4,308.25	0.15%	4,362.97	0.15%	5,000.00	0.16%
Vehicle Fuel - Diesel	2,389.87	0.07%	832.94	0.02%	539.69	0.02%	320.23	0.01%	1,500.00	0.05%
Supplies - Road Salt/Anit-Skid/Stones	15,016.87	0.45%	25,455.01	0.75%	10,027.93	0.35%	11,005.31	0.39%	15,000.00	0.49%
Water & Related Equipment	30,506.70	0.92%	40,032.10	1.18%	28,319.49	0.99%	29,096.19	1.02%	35,000.00	1.14%
Small Tools & Minor Equip	6,257.65	0.19%	5,551.20	0.16%	3,256.93	0.11%	6,885.37	0.24%	4,000.00	0.13%
Machinery & Equipment	677.25	0.02%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Leak Detection Services	-	0.00%	7,178.50	0.21%	-	0.00%	-	0.00%	-	0.00%
Reservoir - Security	-	0.00%	4,400.36	0.13%	1,300.00	0.05%	-	0.00%	5,000.00	0.16%
Reservoir - Repairs/Maintenance	-	0.00%	1,217.16	0.04%	23,059.42	0.80%	5,665.97	0.20%	10,000.00	0.33%
Radio Equipment Maintenance	-	0.00%	-	0.00%	188.90	0.01%	-	0.00%	-	0.00%
Repair & Maint. - System	16,362.04	0.49%	8,249.43	0.24%	12,442.80	0.43%	8,323.34	0.29%	15,000.00	0.45%
Repair & Maint. - Bldg.	-	0.00%	1,975.15	0.06%	1,064.67	0.04%	723.74	0.03%	3,000.00	0.10%
Repair & Maint. Mach/Equip	5,189.60	0.15%	5,947.15	0.18%	6,410.98	0.22%	1,312.40	0.05%	1,300.00	0.04%
Contracted Services	4,650.00	0.14%	8,787.03	0.26%	10,401.44	0.36%	12,985.80	0.46%	16,000.00	0.52%
Vehicle Maintenance	5,832.80	0.18%	11,764.31	0.35%	16,557.27	0.57%	14,156.81	0.50%	12,000.00	0.39%
Capital Purchases	9,240.00	0.28%	136,329.85	4.02%	234,143.64	8.13%	215,470.28	7.59%	120,000.00	3.91%
Capital Lease - Vehicle	3,793.46	0.11%	23,830.00	0.70%	23,830.00	0.83%	1,375.00	0.05%	1,500.00	0.05%
Capital Improvements	-	0.00%	-	0.00%	93,184.67	3.24%	273,432.24	9.63%	120,000.00	3.91%
Administration - Water										
Transfer to General Fund	150,000.00	4.50%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Authority Services	480.00	0.01%	480.00	0.01%	420.00	0.01%	450.00	0.02%	480.00	0.02%
Salaries - Administration	56,480.61	1.70%	68,795.19	2.03%	61,593.11	2.14%	65,924.18	2.32%	66,423.00	2.16%
Secretary/Assistant Serv.	450.00	0.01%	412.50	0.01%	450.00	0.02%	450.00	0.02%	450.00	0.01%
Wages - Clerical	36,181.38	1.08%	36,920.59	1.09%	39,243.85	1.36%	43,352.63	1.53%	42,711.00	1.39%
Admin Benefit Bonus Payment	-	0.00%	-	0.00%	123.84	0.00%	111.94	0.00%	-	0.00%
Social Security	7,077.89	0.21%	8,076.62	0.24%	7,624.40	0.26%	8,277.39	0.29%	8,420.00	0.27%
Office Supplies	2,779.41	0.08%	1,728.47	0.05%	1,658.42	0.06%	1,494.70	0.05%	2,500.00	0.08%
Paying Agent Service	524.17	0.02%	524.17	0.02%	82.50	0.00%	82.50	0.00%	83.00	0.00%
Codification	1,846.26	0.05%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Auditing	11,335.66	0.34%	10,245.00	0.30%	6,726.35	0.23%	17,084.60	0.60%	15,725.00	0.51%
Consulting	48,140.00	1.44%	49,587.96	1.46%	48,347.00	1.68%	48,252.25	1.70%	76,200.00	2.48%
Engineering	105,049.87	3.15%	146,212.04	4.31%	337,772.62	11.73%	179,567.21	6.32%	150,000.00	4.89%
Legal	31,752.53	0.95%	37,416.75	1.10%	24,599.80	0.85%	38,371.11	1.28%	30,000.00	0.98%
Bank Charges	-	0.00%	-	0.00%	-	0.00%	33.30	0.00%	-	0.00%
Data Processing	9,432.27	0.28%	9,569.70	0.28%	6,939.81	0.24%	9,115.90	0.32%	8,500.00	0.28%
Debit/Credit Card Fees	2,006.37	0.06%	2,816.15	0.08%	3,678.88	0.13%	2,881.34	0.10%	3,200.00	0.10%
Telephone	8,913.92	0.27%	10,496.26	0.31%	9,868.22	0.34%	10,414.39	0.37%	10,000.00	0.33%
Internet/Web Services	2,419.95	0.07%	310.39	0.01%	177.79	0.01%	119.70	0.00%	250.00	0.01%
Postage	5,479.34	0.16%	8,006.62	0.24%	6,041.64	0.21%	4,264.39	0.15%	7,000.00	0.23%
Other	-	0.00%	-	0.00%	32.50	0.00%	-	0.00%	-	0.00%
Travel Expense	102.00	0.00%	57.00	0.00%	117.00	0.00%	220.89	0.01%	125.00	0.00%
Advertising	898.72	0.03%	3,360.54	0.10%	3,866.00	0.13%	101.35	0.00%	2,500.00	0.08%
Printing	1,773.57	0.05%	1,619.87	0.05%	3,858.41	0.13%	8,700.40	0.31%	6,000.00	0.20%
General Liability Insurance	14,226.09	0.43%	16,238.85	0.48%	16,760.68	0.58%	17,793.60	0.63%	17,500.00	0.57%
Bonding	657.08	0.02%	2,153.23	0.06%	1,683.00	0.06%	1,747.93	0.06%	2,000.00	0.07%
Workman's Comp	300.91	0.01%	336.63	0.01%	223.72	0.01%	182.02	0.01%	280.00	0.01%
Vehicle Insurance	6,130.78	0.18%	8,073.45	0.24%	6,770.72	0.24%	8,912.29	0.31%	9,200.00	0.30%
Repair & Maint - Office Equip	97.50	0.00%	-	0.00%	-	0.00%	158.84	0.01%	300.00	0.01%
Dues & Subscriptions	2,740.81	0.08%	1,911.01	0.06%	2,957.37	0.10%	4,239.39	0.15%	3,000.00	0.10%
Contracted Services	150.00	0.00%	-	0.00%	246.75	0.01%	-	0.00%	-	0.00%
Seminars/Educational Exp.	379.80	0.01%	112.50	0.00%	6,161.30	0.21%	447.50	0.02%	500.00	0.02%
Capital Lease - Land	(2,550.00)	-0.08%	-	0.00%	-	0.00%	-	0.00%	-	0.00%

Capital Lease	4,801.20	0.14%	6,070.22	0.18%	-	0.00%	5,426.60	0.19%	5,000.00	0.16%
Depreciation Expense	30,093.84	0.90%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Operating										
Water Operating Admin Salaries	15,512.25	0.47%	32,984.66	0.97%	-	0.00%	-	0.00%	-	0.00%
Wages	159,956.28	4.80%	165,571.10	4.88%	176,123.01	6.12%	133,643.92	4.71%	173,400.00	5.65%
Summer Wages	2,166.08	0.07%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Wages - OT	30,380.97	0.91%	33,445.29	0.99%	30,519.79	1.08%	19,346.43	0.68%	32,400.00	1.03%
Vehicle Maintenance Wages	1,846.05	0.05%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Dental Insurance	4,866.39	0.15%	4,443.22	0.13%	4,090.35	0.14%	3,598.49	0.13%	4,660.00	0.15%
Disability Insurance	990.73	0.03%	1,024.93	0.03%	1,284.83	0.04%	1,174.32	0.04%	1,300.00	0.04%
Vision Insurance	559.93	0.02%	538.87	0.02%	490.41	0.02%	407.25	0.01%	520.00	0.02%
Hospitalization	84,825.88	2.55%	76,804.31	2.26%	85,512.25	2.97%	73,199.90	2.58%	98,110.00	3.20%
Operating Benefit Bonus Payment	-	0.00%	7,327.52	0.22%	-	0.00%	-	0.00%	-	0.00%
Life Insurance	2,067.31	0.06%	2,054.67	0.06%	2,239.22	0.08%	2,068.49	0.07%	2,260.00	0.07%
Pension	24,066.99	0.72%	27,095.11	0.80%	7,156.46	0.25%	3,769.10	0.13%	11,038.00	0.36%
Social Security	16,627.46	0.50%	18,308.64	0.54%	15,819.41	0.55%	11,610.41	0.41%	15,744.00	0.51%
Unemployment Insurance	5,481.14	0.16%	5,270.75	0.16%	5,432.75	0.19%	5,492.28	0.19%	5,650.00	0.18%
Prescription	27,951.58	0.84%	25,418.95	0.75%	28,360.85	0.98%	24,920.42	0.88%	33,532.00	1.09%
Uniform Clothing Allowance	1,385.99	0.04%	1,427.50	0.04%	1,430.00	0.05%	1,946.25	0.07%	1,800.00	0.06%
Uniforms (Boots)	1,538.94	0.05%	809.93	0.02%	1,362.93	0.05%	789.94	0.03%	3,600.00	0.12%
CDL Random Drug Testing	-	0.00%	-	0.00%	-	0.00%	135.55	0.00%	150.00	0.00%
Public Officials Liab. Insur	2,073.53	0.06%	2,263.53	0.07%	2,519.65	0.09%	2,519.65	0.09%	2,600.00	0.08%
Workman's Comp	18,822.78	0.56%	20,669.44	0.61%	15,030.48	0.52%	10,109.60	0.36%	14,976.00	0.49%
Contracted Grass Cutting Services	2,242.50	0.07%	3,645.00	0.11%	4,320.00	0.15%	2,947.50	0.10%	2,730.00	0.09%
Capital Purchases	(2,850.00)	-0.09%	-	0.00%	3,426.00	0.12%	-	0.00%	-	0.00%
Capital Lease	13,650.00	0.41%	2,700.00	0.08%	-	0.00%	-	0.00%	-	0.00%
Capital Lease - Vehicle	(2,335.22)	-0.07%	3,426.00	0.10%	-	0.00%	-	0.00%	-	0.00%
Treatment Plant										
Filterplant Admin Wages	66,028.93	1.98%	43,715.74	1.29%	57,278.40	1.99%	57,302.40	2.02%	59,095.00	1.93%
Filterplant Operator Wages	186,180.01	5.59%	191,102.51	5.63%	191,349.24	6.64%	195,300.48	6.88%	203,013.00	6.62%
Filterplant Operator Wages OT	44,297.32	1.33%	43,372.57	1.29%	49,327.10	1.71%	53,037.00	1.87%	54,292.00	1.77%
Dental Insurance	4,455.63	0.13%	4,259.41	0.13%	4,371.46	0.15%	4,426.08	0.16%	4,559.00	0.15%
Disability Insurance	677.77	0.02%	637.87	0.02%	1,044.00	0.04%	1,080.00	0.04%	1,080.00	0.04%
Vision Insurance	502.26	0.02%	481.06	0.01%	522.33	0.02%	526.44	0.02%	517.00	0.02%
Hospitalization	76,142.04	2.29%	83,474.64	2.46%	88,202.78	3.06%	86,023.88	3.03%	93,475.00	3.05%
Life Insurance	1,623.88	0.05%	1,552.20	0.05%	2,091.61	0.07%	2,147.40	0.08%	2,147.00	0.07%
Social Security	22,453.31	0.67%	21,281.46	0.63%	22,794.22	0.79%	23,359.21	0.82%	24,205.00	0.79%
Prescription	25,094.35	0.75%	27,635.17	0.81%	29,296.03	1.02%	29,326.48	1.03%	32,017.00	1.04%
Office Supplies/Furniture	1,235.33	0.04%	2,059.66	0.06%	454.35	0.02%	577.86	0.02%	2,000.00	0.07%
Chemical	115,087.72	3.45%	136,029.16	4.01%	111,211.88	3.86%	121,407.33	4.27%	120,000.00	3.91%
Lab Supplies	5,671.16	0.17%	4,056.53	0.12%	3,737.99	0.13%	17,246.37	0.61%	6,000.00	0.20%
Cleaning/Sanitation Supplies	3,499.40	0.11%	3,523.41	0.10%	3,404.75	0.12%	4,011.12	0.14%	3,200.00	0.10%
Sanitation	1,327.64	0.04%	2,520.81	0.07%	3,163.68	0.11%	3,894.36	0.14%	4,000.00	0.13%
Equipment/Supplies	12,288.81	0.37%	7,636.27	0.23%	5,404.15	0.19%	7,322.43	0.26%	10,000.00	0.33%
Telephone	647.58	0.02%	2,044.40	0.06%	445.76	0.02%	278.74	0.01%	500.00	0.02%
Security System Fees	937.46	0.03%	963.68	0.03%	1,578.31	0.05%	572.87	0.02%	1,300.00	0.04%
Property Insurance	10,424.00	0.31%	12,155.29	0.36%	12,167.00	0.42%	14,317.34	0.50%	17,500.00	0.57%
Workman's Comp	26,335.69	0.79%	24,708.92	0.73%	21,682.17	0.75%	20,486.25	0.72%	21,620.00	0.70%
Flood Insurance	18,437.00	0.55%	22,826.00	0.67%	28,445.00	0.99%	35,473.00	1.25%	44,375.00	1.45%
Electricity	153,739.45	4.61%	116,798.26	3.44%	100,397.08	3.48%	98,223.62	3.46%	115,000.00	3.75%
Repairs & Maint. - Bldg	5,711.26	0.17%	7,876.57	0.23%	1,706.94	0.06%	1,622.70	0.06%	3,500.00	0.11%
Repairs & Maint. Mach/Equip	58,221.70	1.78%	69,055.81	2.04%	80,945.60	2.81%	130,933.51	4.61%	100,000.00	3.28%
DUES/LICENSES	160.00	0.00%	430.00	0.01%	1,175.00	0.04%	575.00	0.02%	600.00	0.02%
Contracted Lab Services	9,891.00	0.30%	9,473.00	0.28%	12,657.00	0.44%	11,309.00	0.40%	10,000.00	0.33%
Vehicle Maintenance	225.61	0.01%	101.85	0.00%	769.34	0.03%	286.17	0.01%	600.00	0.02%
Seminars/Educational Exp.	1,483.00	0.04%	2,078.00	0.06%	796.00	0.03%	-	0.00%	1,000.00	0.03%
Capital Purchases	68,264.97	2.05%	79,454.08	2.34%	96,636.28	3.38%	86,119.00	3.03%	-	0.00%
Capitol Lease - Vehicle	813.47	0.02%	5,110.00	0.15%	6,622.36	0.23%	1,788.98	0.06%	1,800.00	0.06%
Neighborhood & Economic Development										
Parade/Memorial Day	300.00	0.01%	300.00	0.01%	363.61	0.01%	-	0.00%	-	0.00%
Easter Events	316.83	0.01%	53.34	0.00%	60.00	0.00%	-	0.00%	-	0.00%
Tree Lighting	282.91	0.01%	303.93	0.01%	60.00	0.00%	7.17	0.00%	-	0.00%
Other Events	22.02	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Engineering	2,100.00	0.06%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Telephone	80.94	0.00%	76.15	0.00%	63.70	0.00%	-	0.00%	-	0.00%
Printing	129.50	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
General Liability Insurance	73.05	0.00%	86.73	0.00%	87.11	0.00%	87.11	0.00%	88.00	0.00%
Water Services	87.04	0.00%	85.88	0.00%	21.47	0.00%	-	0.00%	-	0.00%
Equipment	-	0.00%	513.73	0.02%	-	0.00%	-	0.00%	-	0.00%
Capital Lease	28.60	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Operating Expense	2,032,833.01	61.02%	2,125,358.49	62.67%	2,430,923.19	84.40%	2,410,020.61	84.86%	2,217,300.00	72.28%
Operating Income (Loss)	1,298,768.48		1,266,019.88		449,218.09		430,073.93		851,351.00	
Debt Service										
General Obligation Bond - Interest	(94,703.04)	-2.84%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
GOB Note - Street Sweeper	(10,732.49)	-0.32%	(10,731.44)	-0.32%	(8,341.14)	-0.29%	-	0.00%	-	0.00%
Pennvest - 2010 WIP	(167,762.08)	-5.04%	(164,028.48)	-4.84%	(162,151.68)	-5.83%	(166,564.27)	-5.87%	(168,062.00)	-5.48%
GOB Note Series 2012	(387,317.38)	-11.83%	(389,713.63)	-11.49%	(387,334.00)	-13.45%	(36,032.00)	-1.27%	-	0.00%
Conservation Energy	(15,300.02)	-0.46%	(15,300.01)	-0.45%	(15,300.01)	-0.53%	(15,300.00)	-0.54%	(15,300.00)	-0.50%
GOB Note - 2015	-	0.00%	(41,733.24)	-1.23%	(222,363.65)	-7.72%	(221,602.46)	-7.80%	(228,453.00)	-7.44%
GOB 2017	-	0.00%	-	0.00%	-	0.00%	(214,549.77)	-7.55%	(334,252.00)	-10.89%
Credit Line Interest - Communications	(8,001.00)	-0.24%	(8,001.00)	-0.24%	(8,001.00)	-0.28%	(917.20)	-0.03%	-	0.00%
Clearwell Improve.	-	0.00%	-	0.00%	-	0.00%	(13,916.96)	-0.49%	(105,284.00)	-3.43%
Miscellaneous Expenses										
DEP Consent and Agreement	(55,200.00)	-1.66%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Non-Operating Revenue (Expense)	(739,036.01)		(629,507.80)		(803,491.48)		(668,902.66)	-23.55%	(851,351.00)	-27.74%
Increase (Decrease) in Net Position	559,732.47		636,512.08		(354,273.39)		(238,828.73)		-	

Water Trial Balance

Range of Accounts: 06-100-000

to 06-999-999

Year to Date As of: 12/31/17

Account No	Description	Type	Class Id	Debit	Credit
06-100-001	Water Citizens Checking Account	A		0.00	
06-100-004	Water Checking Account Mid Penn	A		2,382,975.19	
06-100-005	Water Improvment Plan 2010	A		93,222.03	
06-100-006	Water - Clearwell Improvments Project	A		3,459.62	
06-106-002	Cash - Construction Account 2003 Series	A		0.00	
06-106-003	Cash - Construction 2006 GOB-Metro Bk	A		0.00	
06-106-011	Cash - Sinking Fund - 2011 Scoop	A		0.00	
06-120-004	PA Invest Account	A		0.00	
06-126-000	Bad Debt	A		0.00	
06-130-001	Due from General Fund	A		2,939.70	
06-130-008	Due from Sewer Fund	A		2,172,681.80	
06-130-012	Due from GOB 2015	A			123,865.86
06-145-000	Accounts Receivable	A			65,078.77
06-145-001	Water Lien Costs Receivable	A			68.75
06-145-002	Accounts Receivable - Posting fees	A		0.00	
06-147-000	Accounts Receivable Unbilled	A		0.00	
06-150-000	Water Inventories	A		0.00	
06-155-000	Prepaid Insurance	A		0.00	
06-156-001	Engineering Development Expense	A		0.00	
06-156-002	Legal Expenses-GOB Note 2009 Financing	A		0.00	
06-156-003	Pilot Testing Lab Tests	A		0.00	
06-156-004	Professional Services-Financing 2009 GOB	A		0.00	
06-156-005	Auditing - GOB 2009 For Pennvest Project	A		0.00	
06-157-317	Data Processing - Tele. Commucations	A		375.96	
06-157-321	Telephone - Tele. Commucations	A		1,116.79	
06-157-374	Equipment - Tele. Commucations	A		16,907.00	

Account No	Description	Type	Class Id	Debit	Credit
06-157-700	Capital Purchase - Tele. Communications	A		9,052.10	
06-162-000	System	A		14,811,806.52	
06-162-001	Building Improvements	A		1,382,696.83	
06-162-050	Accum. Depreciation - System	A			4,541,201.81
06-162-051	Accum. Depreciation - Buildings	A			1,343,639.28
06-163-000	Maintenance Garage	A		102,986.28	
06-163-050	Accum. Depreciation - Maint. Garage	A			149,195.52
06-164-000	Operating Equipment	A		1,701,562.13	
06-164-010	Accum. Deprec. - Operating Equipment	A			1,226,573.43
06-165-000	Construction in Progress	A			0.01
06-165-001	Construction - Engineering	A		0.00	
06-165-050	Accum. Depreciation - Const. in Progress	A		0.00	
06-165-060	Construction in Progress 2006 Bond	A			0.08
06-165-061	Engineering 2006 Bond Account	A		0.00	
06-165-062	Bank Fees	A		0.00	
06-165-100	Pilot Testing Rental	A		0.00	
06-165-105	Pilot Testing Contract Services	A		0.00	
06-165-201	Engineering - WIP 2010	A		0.00	
06-165-202	Construction - WIP 2010	A		0.00	
06-165-203	Audit - WIP 2010	A		0.00	
06-165-310	Professional Services - WIP 2010	A		0.00	
06-165-314	Legal - WIP 2010	A		0.00	
06-165-316	Bank Fees	A		0.00	
06-165-342	Printing - WIP 2010	A		0.00	
06-166-000	Vehicles	A		248,059.86	
06-166-001	Accum. Depreciation Vehicles	A			100,372.28
06-166-313	Engineering - C.I.P. Pennvest 2016	A		250,643.76	

count No	Description	Type	Class Id	Debit	Credit
06-166-314	Legal - C.I.P. Pennvest 2016	A		0.00	
06-166-315	Construction - C.I.P. Pennvest 2016	A		0.00	
06-182-000	Bond Issuance Costs	A		0.00	
06-182-001	Bond Issuance Costs - 2006 Series	A		0.00	
06-182-002	Bond Issuance Costs GON 2009 Issuance	A		0.00	
06-182-003	Bond Issuance Costs GOB 2011 SCOOP	A			3,679.17
06-182-011	Bond Issuance Costs GON 2011 SCOOP	A		51,508.49	
06-182-012	Bond Issuance Costs - St Scape/TC Acct	A		0.00	
06-182-015	Bond Discount	A		71,214.98	
06-185-000	Budgeted Revenues	A		21,755,119.60	
06-200-000	Accounts Payable	L		1,933,006.70	
06-200-750	Capital Lease	L			0.00
06-200-900	Reconcile Holding Account	L			0.00
06-205-000	Accrued Payroll	L			0.00
06-226-000	Suspense Account	L			0.00
06-226-009	Miscellaneous - Water Utility Refund	L		7,646.20	
06-230-000	Contributions in Aid of Construction	L			0.00
06-230-001	Due to General Fund	L			11.65
06-230-008	Due to Sewer Fund	L		8.46	
06-230-012	Due to GOB 2015 Fund	L			0.00
06-231-000	Accrued Comp Absences	L			0.00
06-245-000	Accrued Interest	L			0.00
06-250-200	Security - deposits	L			347.03
06-255-200	General Obligation Note Payable 2009	L			0.05
06-255-201	General Obligation Note Payable TC ACCT	L			0.00
06-261-001	Bonds Payable 2003	L			0.00
06-261-002	Bonds Payable - Current Portion	L			0.00

Account No	Description	Type	Class Id	Debit	Credit
06-261-010	Proceeds from GOB Series 2006	L			0.00
06-261-011	Proceeds from GOB 2011 - Scoop	L			0.00
06-261-012	Proceeds from St.Scape/Tele Comm	L			0.00
06-261-013	Proceeds from GOB 2012	L			2,600,637.37
06-261-015	Bonds Payable 2015 Series	L			5,005,529.76
06-261-650	Proceeds from Pennvest-WIP	L			2,378,213.32
06-261-652	Proceeds from Pennvest-C.I.P	L			2,186,047.10
06-266-009	Miscellaneous	L			49,502.58
06-279-000	Fund Balance	F			5,720,895.10
06-292-000	Budgeted Expenditures	F			21,755,119.60
06-300-000	WATER FUND REVENUES	R			0.00
06-341-000	Interest Earnings	R			12,381.09
06-354-000	STATE CAPITAL AND OPERATING GRANTS	R			0.00
06-354-095	Energy Conservation Works Grant	R			0.00
06-378-100	Water Sales	R			2,535,646.97
06-378-110	United Water Standby Service	R			20,100.00
06-378-905	Meter Test	R			150.00
06-378-910	Water Taps & Materials	R			471.00
06-378-920	Service Charges	R			5,472.22
06-378-922	Property Transfer Fee - Water	R			1,187.00
06-378-923	Property Posting Fees - Water	R			6,475.90
06-378-930	Interest Charges	R			28,844.86
06-378-950	Water NSF Charges	R			483.70
06-380-000	MISCELLANEOUS REVENUE	R			0.00
06-380-020	Lien Processing Fees	R			8.00
06-380-030	Pa One Call Refund	R			334.46
06-380-060	Request for Information	R			0.00

count No	Description	Type	Class Id	Debit	Credit
06-380-100	Miscellaneous Revenues	R			228,539.34
06-392-000	INTERFUND OPERATING TRANSFERS	R			0.00
06-392-950	Transfer from Reserve	R			0.00
06-392-951	Transfer from Clearwell Improv. Proj.	R			0.00
06-395-000	Refund of Prior Year's Expenditures	R			0.00
06-400-000	WATER FUND EXPENSES	E		0.00	
06-409-000	MUNICIPAL BUILDING	E		0.00	
06-409-140	Building Wages	E		0.00	
06-409-142	Municipal Building OT Wages	E		0.00	
06-409-161	Social Security	E		0.00	
06-409-162	Unemployment Insurance	E		0.00	
06-409-213	Building Supplies/Furniture	E		24.47	
06-409-226	Cleaning Supplies	E		576.38	
06-409-229	Meals - Probation	E		0.00	
06-409-239	Miscellaneous Supplies	E		0.00	
06-409-250	Maintenance Supplies	E		0.00	
06-409-351	Property Insurance	E		2,901.18	
06-409-354	Workers Comp Insurance	E		0.00	
06-409-356	Flood Insurance - Building	E		1,060.50	
06-409-361	Electricity	E		3,135.86	
06-409-362	Gas - Heating	E		2,042.67	
06-409-366	Water Service	E		0.00	
06-409-371	Repair & Maintenance Land	E		1,371.30	
06-409-372	Improvements Other than Buildings	E		0.00	
06-409-373	Building Maint & Repairs	E		6,194.27	
06-409-374	Repairs/Maintenance - Elevator	E		1,075.25	
06-409-451	Cleaning Contracted Services	E		2,695.32	

Account No	Description	Type	Class Id	Debit	Credit
06-409-700	Capital Purchases	E		0.00	
06-445-000	WATER GARAGE	E		0.00	
06-445-210	Office Supplies	E		0.00	
06-445-321	Telephone	E		0.00	
06-445-351	Property Insurance	E		0.00	
06-445-356	Flood Insurance	E		13,980.00	
06-445-361	Electricity	E		2,242.17	
06-445-362	Gas - Building/Propane	E		4,403.57	
06-445-373	Repair & Maintenance - Bldg/Water Garage	E		853.70	
06-446-000	DISTRIBUTION	E		0.00	
06-446-210	Office Supplies	E		531.33	
06-446-229	Meals - Water Breaks	E		0.00	
06-446-231	Vehicle - Gasoline	E		4,362.97	
06-446-232	Vehicle Fuel - Diesel	E		320.23	
06-446-245	Supplies-Road Salt/Anti-Skid/Stones	E		11,005.31	
06-446-250	Repair & Maintenance Supplies	E		0.00	
06-446-252	Meters & Related Equipment	E		29,096.19	
06-446-260	Small Tools & Minor Equip	E		6,885.37	
06-446-261	Machinery & Equipment	E		0.00	
06-446-310	Leak Detection Services	E		0.00	
06-446-315	Resevior - Security	E		0.00	
06-446-317	Resevior - Repairs/Maintenance	E		5,665.97	
06-446-327	Radio Equipment Maintenance	E		0.00	
06-446-372	Repair & Maint. - System	E		8,323.34	
06-446-373	Repair & Maint. - Bldg	E		723.74	
06-446-374	Repair & Maint. Mach/Equip	E		1,312.40	
06-446-450	Contracted Services	E		12,965.80	

count No	Description	Type	Class Id	Debit	Credit
06-446-451	Vehicle Maintenance	E		14,156.81	
06-446-453	Other	E		0.00	
06-446-700		E		215,470.28	
06-446-750	Capitol Lease	E		1,375.00	
06-446-751	Capital Improvements	E		273,432.24	
06-447-000	ADMINISTRATION - WATER	E		0.00	
06-447-001	Transfer to General Fund	E		0.00	
06-447-030	Transfer to Reserves	E		0.00	
06-447-113	Authority Services	E		450.00	
06-447-120	Salaries - Administration	E		65,924.18	
06-447-121	Secretary/Assistant Serv.	E		450.00	
06-447-140	wages - Clerical	E		43,352.63	
06-447-142	wages - Clerical OT	E		111.94	
06-447-157	Admin Benefit Bonus Payment	E		0.00	
06-447-161	Social Security	E		8,277.39	
06-447-210	Office Supplies	E		1,494.70	
06-447-229	Meals - Meetings	E		0.00	
06-447-237	Film - Posting	E		0.00	
06-447-305	Paying Agent Service	E		82.50	
06-447-308	Codification	E		0.00	
06-447-311	Auditing	E		17,084.60	
06-447-312	Consulting	E		48,252.25	
06-447-313	Engineering	E		179,567.21	
06-447-314	Legal	E		36,371.11	
06-447-315	Codification	E		0.00	
06-447-316	Bank Charges	E		33.30	
06-447-317	Data Processing	E		9,115.90	

Account No	Description	Type	Class Id	Debit	Credit
06-447-318	Debit/Credit Card Fees	E		2,881.34	
06-447-321	Telephone	E		10,414.39	
06-447-323	Internet/Web Services	E		119.70	
06-447-325	Postage	E		4,264.39	
06-447-329	Other	E		0.00	
06-447-331	Travel Expense	E		220.89	
06-447-334	Freight & Express	E		0.00	
06-447-341	Advertising	E		101.35	
06-447-342	Printing	E		8,700.40	
06-447-350	General Liability Insurance	E		17,793.60	
06-447-353	Bonding	E		1,747.93	
06-447-354	workman's Comp	E		182.02	
06-447-355	Vehicle Insurance	E		8,912.29	
06-447-356	Insurance Pool Reimbursement	E		0.00	
06-447-366	Water Service	E		0.00	
06-447-374	Repair & Maint - Office Equip	E		158.84	
06-447-376	Equipment	E		0.00	
06-447-420	Dues/Subscriptions/Licenses	E		4,239.39	
06-447-430	Taxes	E		0.00	
06-447-450	Contracted Services	E		0.00	
06-447-460	Seminars/Educational Exp.	E		447.50	
06-447-461	Education - All Departments	E		0.00	
06-447-700	Capital Expenditures	E		0.00	
06-447-715	Capital Lease - Land	E		0.00	
06-447-750	Capital Lease	E		5,426.60	
06-447-800	Depreciation Expense	E		0.00	
06-447-810	Amortization Expense	E		0.00	

count No	Description	Type	Class Id	Debit	Credit
06-448-000	OPERATING	E		0.00	
06-448-120	Water Operating Admin Salaries	E		0.00	
06-448-140	Wages	E		133,643.92	
06-448-141	Summer Wages	E		0.00	
06-448-142	wages - OT	E		19,346.43	
06-448-144	Vehicle Maintenance Wages	E		0.00	
06-448-152	Dental Insurance	E		3,598.49	
06-448-154	Disability Insurance	E		1,174.32	
06-448-155	Vision Insurance	E		407.25	
06-448-156	Hospitalization	E		73,199.90	
06-448-157	Operating Benefit bonus Payment	E		0.00	
06-448-158	Life Insurance	E		2,068.49	
06-448-160	Pension	E		3,769.10	
06-448-161	Social Security	E		11,610.41	
06-448-162	Unemployment Insurance	E		5,492.28	
06-448-164	Prescription	E		24,920.42	
06-448-191	Uniform Clothing Allowance	E		1,946.25	
06-448-229	Meals Work Release/Probation	E		0.00	
06-448-238	Uniforms (Boots)	E		769.94	
06-448-310	CDL Random Drug Testing	E		135.55	
06-448-327	Radio Equipment/Maintenance	E		0.00	
06-448-352	Public Officials Liab. Insur	E		2,519.65	
06-448-354	workman's Comp	E		10,109.60	
06-448-365	Dumping/Hauling Fees	E		0.00	
06-448-371	Land Maintenance Services	E		0.00	
06-448-454	Contracted Grass Cutting Services	E		2,947.50	
06-448-545	Special Activities	E		0.00	

Account No	Description	Type	Class Id	Debit	Credit
06-448-700	Capital Purchases	E		0.00	
06-448-715	Capital Lease	E		0.00	
06-448-750	Capitol Lease - Vehicle	E		0.00	
06-449-000	TREATMENT PLANT	E		0.00	
06-449-120	Filterplant Admin Wages	E		57,302.40	
06-449-140	Filterplant Operator Wages	E		195,300.48	
06-449-142	Filterplant Operator Wages OT	E		53,037.00	
06-449-152	Dental Insurance	E		4,426.08	
06-449-154	Disability Insurance	E		1,080.00	
06-449-155	Vision Insurance	E		526.44	
06-449-156	Hospitalization	E		86,023.88	
06-449-158	Life Insurance	E		2,147.40	
06-449-161	Social Security	E		23,359.21	
06-449-164	Prescription	E		29,328.48	
06-449-210	Office Supplies/Furnitue	E		577.86	
06-449-213	Office Furniture	E		0.00	
06-449-221	Chemicals	E		121,407.33	
06-449-225	Lab Supplies	E		17,246.37	
06-449-226	Cleaning/Sanitation Supplies	E		4,011.12	
06-449-227	Sanitation	E		3,894.36	
06-449-229	Treatment Plant - Meals for OT shift	E		0.00	
06-449-239	Equipment/Supplies	E		7,322.43	
06-449-321	Telephone	E		278.74	
06-449-329	Security System Fees	E		572.87	
06-449-351	Property Insurance	E		14,317.34	
06-449-354	Workman's Comp	E		20,486.25	
06-449-356	Flood Insurance	E		35,473.00	

Account No	Description	Type	Class Id	Debit	Credit
06-449-357	Boiler & Machinery Insurance	E		0.00	
06-449-361	Electricity	E		98,223.62	
06-449-362	Gas	E		0.00	
06-449-367	Other	E		0.00	
06-449-373	Repairs & Maint. - Bldg	E		1,622.70	
06-449-374	Repairs & Maint. Mach/Equip	E		130,933.51	
06-449-420	DUES/LICENSES	E		575.00	
06-449-450	Contracted Lab Services	E		11,309.00	
06-449-451	Vehicle Maintenance	E		286.17	
06-449-460	Seminars/Educational Expenses	E		0.00	
06-449-700	Capital Purchases	E		86,119.00	
06-449-750	Capitol Lease - Vehicle	E		1,788.98	
06-464-000	NEIGHBORHOOD ECONOMIC DEVELOPMENT	E		0.00	
06-464-120	Salaries/Wages	E		0.00	
06-464-152	Dental Insurance	E		0.00	
06-464-154	Disability Insurance	E		0.00	
06-464-155	Vision Insurance	E		0.00	
06-464-156	Hospitalization	E		0.00	
06-464-158	Life Insurance	E		0.00	
06-464-161	Social Security	E		0.00	
06-464-162	Unemployment Insurance	E		0.00	
06-464-164	Prescription	E		0.00	
06-464-210	Office Supplies	E		0.00	
06-464-212	Meeting Supplies	E		0.00	
06-464-245	Black History Month	E		0.00	
06-464-246	Parade/Veterans	E		0.00	
06-464-247	Easter Events	E		0.00	

Account No	Description	Type	Class Id	Debit	Credit
06-464-248	Tree Lighting	E		7.17	
06-464-249	Other Events	E		0.00	
06-464-310	Professional Services	E		0.00	
06-464-313	Engineering	E		0.00	
06-464-317	Data Processing	E		0.00	
06-464-321	Telephone	E		0.00	
06-464-325	Postage	E		0.00	
06-464-342	Printing	E		0.00	
06-464-350	General Liability Insurance	E		87.11	
06-464-352	Public Officials Liability Insurance	E		0.00	
06-464-354	Workman's Comp.	E		0.00	
06-464-366	Water Services	E		0.00	
06-464-374	Equipment	E		0.00	
06-464-750	Capital Lease	E		0.00	
06-470-000	DEBT SERVICE	E		0.00	
06-471-000	PRINCIPAL PAYMENTS	E		0.00	
06-471-100	GOB Note 2006 - Principal	E		0.00	
06-471-200	GOB Note Street Sweeper - Principal	E		0.00	
06-471-201	GOB Note Municipal 2 - Principal	E		0.00	
06-471-202	Pennvest Loan-Princ.	E		130,616.46	
06-471-203	GOB NOTE - 2011	E		0.00	
06-471-204	GOB Note Series 2012 - Principal	E		0.00	
06-471-205	Conservation Energy - Principal	E		12,842.37	
06-471-206	GOB Note - 2015 Principal	E		76,120.00	
06-471-207	GOB Note 2017 - Principal	E		209,100.00	
06-471-402	Credit Line Principal -Communications	E		910.79	
06-471-403	Clearwell Improve. - Principal- PENNVEST	E		0.00	

Account No	Description	Type	Class Id	Debit	Credit
06-472-000	INTEREST PAYMENTS	E		0.00	
06-472-017	Interest Paid From Sinking Fund	E		0.00	
06-472-100	GOB Note 2006 - Interest	E		0.00	
06-472-200	GOB Note Street Sweeper - Interest	E		0.00	
06-472-201	GOB Note Municipal 2 - Interest	E		0.00	
06-472-202	PENNVEST-2010 WIP-INTEREST	E		35,967.81	
06-472-203	GOB NOTE 2011 INTEREST - SCOOP	A		11,087.64	
06-472-204	GOB Note Series 2012 - Interest	E		36,032.00	
06-472-205	Conservation Energy - Interest	E		2,457.63	
06-472-206	GOB Note - 2015 Interest	E		145,482.46	
06-472-207	GOB Note 2017 - Interest	E		5,449.77	
06-472-402	Credit Line Interest - Communications	E		6.41	
06-472-403	Clearwell Improve. - Interest - PENNVEST	E		13,916.96	
06-480-000	MISCELLANEOUS EXPENSES	E		0.00	
06-480-100	DEP Consent and Agreement	E		0.00	
06-489-461	Bond Issurance GOB 2012	E		0.00	
06-492-002	Transfer to Reserves	E		0.00	
06-499-367	Bad Debt Expense	E		0.00	
06-499-368	Muni 2 - GOB 2009 Principal	E		0.00	
06-499-369	Muni 2 - GOB 2009 Interst	E		0.00	
Fund 06	Balance Totals			<u>50,090,073.06</u>	<u>50,090,073.06</u>
	Balance Totals			<u>50,090,073.06</u>	<u>50,090,073.06</u>

**Pennsylvania-American Water Company's
Utility Valuation Experts' (UVE) Valuation of
Steelton Borough (Water) Authority
Dauphin County, Pennsylvania**

**Appraisal Work Papers
As of July 2018**

**Income Approach
Financials 2016**

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**STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF
THE BOROUGH OF STEELTON)
FINANCIAL STATEMENTS
- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016**

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
YEAR ENDED DECEMBER 31, 2016

CONTENTS

Independent Auditors' Report	1-2
Financial Statements – Modified Cash Basis	
Statement of Net Position– Business-Type Activities – Enterprise Funds	3
Statement of Revenues, Expenses, and Changes in Fund Net Position – Business-Type Activities – Enterprise Funds	4
Statement of Cash Flows - Business-Type Activities – Enterprise Funds	5
Notes to the Financial Statements – Modified Cash Basis	6-12

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Steelton Borough Authority
Steelton, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Steelton Borough Authority (the "Authority"), a component unit of the Borough of Steelton, as of and for the year ended December 31, 2016, 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 auditors' 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 modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Steelton Borough Authority, as of December 31, 2016, and the respective changes in the modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

<u>Harrisburg</u>	<u>Philadelphia</u>	<u>Pittsburgh</u>	<u>Greensburg</u>
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, Pa 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103	210 Tollgate Hill Road Greensburg, PA 15601 724.834.2151 Fax 724.834.5969

Zelenkofske Axelrod LLC

To the Board of Directors
Steelton Borough Authority
Steelton, Pennsylvania

Adoption of Governmental Accounting Standards Board Pronouncements

As discussed in Note 1 to the financial statements in 2016 the Authority adopted the provisions of Statement No. 72 "Fair Value Measurement and Application", the provisions of No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68", the provisions of Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", the provisions of Statement No. 77, "Tax Abatement Disclosures", the provisions of Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans", and the provisions of Statement No. 79, "Certain External Investment Pools and Pool Participants". Our opinion is not modified with respect to these matters.

Other Matters

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 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. Our opinion on the modified cash basis basic financial statements is not affected by this missing information.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
June 27, 2017

Steelton Borough Authority
Statement of Net Position - Modified Cash Basis
December 31, 2016

	Business Type Activities - Enterprise Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 2,765,399
Due From Primary Government	2,051,764
Restricted Cash	347
Total Current Assets	4,817,510
Noncurrent Assets:	
Capital Assets, Being Depreciated, Net of Accumulated Depreciation	10,913,581
Total Noncurrent Assets	10,913,581
Total Assets	15,731,091
Liabilities	
Current Liabilities:	
Security Deposit	347
Due to Primary Government	113,554
Bonds Payable, net	362,944
Loans Payable	130,616
Total Current Liabilities	607,461
Noncurrent Liabilities:	
Bonds Payable, net	7,256,711
Loans Payable	2,115,065
Total Noncurrent Liabilities	9,371,776
Total Liabilities	9,979,237
Net Position	
Net Investment in Capital Assets	3,100,009
Unrestricted	2,651,845
Total Net Position	\$ 5,751,854

The accompanying notes are an integral part of the financial statements.

Steelton Borough Authority
Statement of Revenues, Expenses, and Changes in Fund Net
Position - Modified Cash Basis
For the Year ended December 31, 2016

	Business Type Activities - Enterprise Funds
Operating Revenues	\$ 2,852,458
Charges for Service	2,852,458
Total Operating Revenues	2,852,458
Operating Expenses	1,200,035
System - Water	779,894
Water Treatment	118,871
Administrative	483,048
Depreciation	6,135
Amortization	2,587,983
Total Operating Expenses	2,587,983
Operating Income	264,475
Nonoperating Revenues/(Expenses)	14,147
Interest Revenue	(273,730)
Interest Expense	208
Miscellaneous Revenue	(259,375)
Total Non-operating Expenses	(259,375)
Income Before Capital Grant Funding and Operating Transfers	5,100
Capital Grant Funding	34,046
Transfers to Primary Government	(39,573)
Transfers from Primary Government	7,065
Total Capital Grant Funding and Operating Transfers	1,538
Change In Net Position	6,638
Total Net Position - Beginning of Year	5,745,216
Total Net Position - End of Year	\$ 5,751,854

The accompanying notes are an integral part of the financial statements.

Steelton Borough Authority
Statement of Cash Flows - Modified Cash Basis
For the year ended December 31, 2016

	Business Type Activities - Enterprise Funds
Cash Flows From Operating Activities:	\$ 2,852,458
Receipts from Charges for Service	(606,008)
Payment to Employees	(1,254,945)
Payment to Suppliers	991,505
Net Cash Provided by Operating Activities	991,505
Cash Flows From Investing Activities:	14,147
Investment Income	14,147
Net Cash Provided by Investing Activities	14,147
Cash Flows From Non-Capital Financing Activities:	(39,573)
Operating Transfers Out	208
Miscellaneous Revenue	7,065
Operating Transfers In	(32,300)
Net Cash Used in Non-Capital Financing Activities	(32,300)
Cash Flows From Capital and Related Financing Activities:	(449,247)
Purchase of Capital Assets	(549,279)
Principal Payments	34,046
Capital Grant Funding	(273,730)
Interest Payments	(449,247)
Net Cash Used in Capital and Related Financing Activities	(1,238,210)
Net Decrease in Cash and Cash Equivalents	(264,858)
Cash and Cash Equivalents - Beginning of Year	3,030,604
Cash and Cash Equivalents - End of Year	\$ 2,765,746
Presented in the Financial Statements as:	\$ 2,765,399
Cash and Cash Equivalents	347
Restricted Cash	2,765,746
Total Cash and Cash Equivalents	\$ 2,765,746
Reconciliation of Operating income to net cash provided by operating activities:	\$ 264,475
Operating Income	264,475
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	483,048
Depreciation Expense	6,135
Amortization Expense	476,913
Changes in Assets and Liabilities:	124,301
Due from Primary Government	113,546
Due to Primary Government	10,755
Net Cash Provided by Operating Activities	\$ 991,505
Supplementary Disclosure of Noncash Transactions:	\$ 6,135
Amortization of Bond Discount	34,046
Grant Funding	40,181
Total Noncash Transactions	\$ 80,362

The accompanying notes are an integral part of the financial statements.

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
 DECEMBER 31, 2016

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Steelton Borough Authority (the "Authority") was created pursuant to an ordinance of the Steelton Borough Council (Borough), incorporated under the Municipality Authorities Act of 1945, being the Act of May 2, 1945, P.L. 382, as amended by the Commonwealth of Pennsylvania.

The purpose of the Authority includes those activities of acquiring, holding, constructing, improving, owning and leasing water, water systems or parts thereof. The Authority is overseen by the Board which consists of five members who are appointed by the Borough Council. The Authority employed the Borough to manage and operate the water system through a management agreement in which the Authority owns and is responsible for the management of and charges for water services. The Authority is considered a Component Unit of the Borough.

A summary of the Authority's significant accounting policies are as follows.

A. Reporting Entity

Consistent with the guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB-14, *The Reporting Entity*, the criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Borough includes the Authority in its financial statements as a discretely presented component unit because the Borough appoints the Authority's governing board, guarantees the Authority's debt, and the Authority meets the criteria satisfying inclusion in the Borough's financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are presented on the modified cash basis of accounting. The modified cash basis differs from the accounting principles generally accepted in the United States of America. Under this basis, revenues, expenses and related assets and liabilities are recorded when they result from cash transactions except for the recording of amortization of bond discounts and depreciation expense on capital assets. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expense and liabilities) are not recorded in these financial statements.

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
 DECEMBER 31, 2016

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

All activities of the Authority are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus, within the modifications of the cash basis. The accounting objectives of the economic resources measurement are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial, or non-financial) associated with these activities are reported.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources, and then unrestricted resources as they are needed for their intended purposes.

C. Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the statement of cash flows, include restricted cash on hand or on deposit with a maturity of three months or less when purchased.

D. Restricted Cash

Restricted cash represents cash held in escrow for security deposits. At December 31, 2016, the restricted cash balance was \$347.

E. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful life of the various assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2016

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Capital Assets (Continued)

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 Years
Furniture and fixtures	10-20 Years
Machinery and equipment	5-20 Years
Infrastructure	5-99 Years
Vehicles	5-10 Years

F. Debt Related Costs

Debt related costs include bond discounts and are amortized to interest expense using the straight-line method over the term of the associated debt. Amortization expense for the year ended December 31, 2016 was \$6,135.

G. Net Position

Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the Authority, not restricted for any project or other purpose.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 72 "Fair Value Measurement and Application", the provisions of Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68", the provisions of Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", the provisions of Statement No. 77, "Tax Abatement Disclosures", the provisions of Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans", and the provisions of Statement No. 79, "Certain External Investment Pools and Pool Participants". The adoption of these statements had no effect on previously reported amounts.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2016

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." The Authority is required to adopt statement No. 74 for its calendar year 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." The Authority is required to adopt statement No. 75 for its calendar year 2018 financial statements.

In January 2016, the GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". The Authority is required to adopt statement No. 80 for its calendar year 2017 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The Authority is required to adopt statement No. 81 for its calendar year 2017 financial statements.

In March 2016, the GASB issued Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The Authority is required to adopt statement No. 82 for its calendar year 2017 financial statements.

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The Authority is required to adopt statement No. 83 for its calendar year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The Authority is required to adopt statement No. 84 for its calendar year 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, "*Omnibus 2017*". The Authority is required to adopt statement No. 85 for its calendar year 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*". The Authority is required to adopt statement No. 86 for its calendar year 2018 financial statements.

The Authority has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2016

NOTE 2: DEPOSITS AND INVESTMENT RISK

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At December 31, 2016, the Authority's cash balance including restricted cash was \$2,765,746 and its bank balances were \$2,756,821. Of these bank balances, \$2,506,821 was exposed to custodial credit risk, as it is collateralized with securities held by the pledging financial institutions, not in the Authority's name, and uninsured. The Authority does not have a written policy to limit its exposure to custodial credit risk.

NOTE 3: CAPITAL ASSETS

Capital Assets activity consisted of the following:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
WATER FUND:				
Capital assets being depreciated				\$ 1,400,417
Buildings and improvements	\$ 1,400,417	\$ -	\$ -	102,986
Furniture and fixtures	102,986	-	-	2,112,745
Machinery and equipment	1,974,904	137,841	-	14,794,082
Infrastructure	14,548,171	245,911	-	278,218
Vehicles	212,723	65,495	-	
Total capital assets being depreciated	18,239,201	449,247	-	18,688,448
Accumulated depreciation	(7,291,819)	(483,048)	-	(7,774,867)
Total capital assets being depreciated, net	10,947,382	(33,801)	-	10,913,581
Water fund capital assets, net	\$ 10,947,382	\$ (33,801)	\$ -	\$ 10,913,581

Depreciation expense was \$483,048 for the Authority for the year ended December 31, 2016.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2016

NOTE 4: LONG TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable	\$ 8,121,665	\$ -	\$ (382,965)	\$ 7,738,700	\$ 369,079
Bond Discount	(125,180)	-	6,135	(119,045)	(6,135)
Loans Payable	2,378,213	-	(132,532)	2,245,681	130,616
Total General Obligation Debt	10,374,698	-	(509,362)	9,865,336	493,560
Capital Lease Obligation	33,782	-	(33,782)	-	-
Total Long-term Liabilities	\$ 10,408,480	\$ -	\$ (543,144)	\$ 9,865,336	\$ 493,560

An analysis of debt service requirements to maturity on the Business-Type Activities obligations is as follows:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2017	\$ 499,695	\$ 260,620	\$ 760,315
2018	509,618	255,890	765,508
2019	534,552	246,540	781,092
2020	543,397	235,524	778,921
2021	551,947	222,466	774,413
2022-2026	2,980,480	891,692	3,872,172
2027-2031	2,839,002	481,974	3,320,976
2032-2036	532,300	237,939	770,239
2037-2041	586,812	142,962	729,774
2042-2045	406,578	30,965	437,543
	<u>\$9,984,381</u>	<u>\$3,006,572</u>	<u>\$12,990,953</u>

2010	\$2,959,726	PennVest Loan with principal due through 2032. Interest rates for the first five years are 1.278% and after are 1.772%. The loan is for a Water System Improvement Project and has a guaranty by Steelton Borough.	\$2,245,681
2012	\$4,015,622	General Obligation Bonds Series of 2012 with principal due annually through December 1, 2025 with interest due semi-annually with rates ranging from 1.00% to 3.70%. The proceeds of the bond were used to refund outstanding issuances.	\$2,733,170

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2016

NOTE 4: LONG TERM LIABILITIES (CONTINUED)

2015	\$5,109,344	General Obligation Bonds Series of 2015 with principal due annually through December 1, 2044 with interest due semi-annually with rates ranging from 0.35% to 3.75%. The proceeds of the bonds were used for capital projects and to refund outstanding issuances.	<u>\$5,005,530</u>
Total Long-Term Debt			<u>\$9,984,381</u>

In 2016, the Authority entered into a loan with Pennvest for clearwell improvements. The loan bears a term of 240 months with interest rates ranging from 1.644% to 2.129%. The first drawdown on the loan occurred in March 2017. As of December 31, 2016 the outstanding balance on the loan was \$0.

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages during 2016. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7: ECONOMIC DEPENDENCY

One major customer of the Authority accounted for 61% of water sales.

NOTE 8: MANAGEMENT AGREEMENT

The Authority entered into a management agreement with the Borough to manage the day-to-day operations of the water system to include repair, maintenance, and administration. The Authority owns and is responsible for the management of and charges for water services. The power of the Authority is exercised by the Board composed of five members, appointed by the Borough Council.

NOTE 9: COMMITMENTS AND CONTINGENCIES

The Pennsylvania Local Debt Act (the "Act") permits local governments to extend nonexchange financial guarantees on certain debt issued by entities located within the government's physical boundaries. The Borough issued General Obligation Bonds Series of 2012 in the amount of \$9,180,000 and General Obligation Bonds Series of 2015 in the amount of 6,145,000. A portion of the debt is recorded as an obligation of the Steelton Borough Authority. The Borough also guarantees the Authority's 2010 Note with Pennvest. The full faith, credit and taxing power of the Borough is pledged to redeem these notes and bonds if the revenues from water fees are insufficient to meet the obligations. The Borough has not been called on to make any payments on the debt. See Note 4 for specific information and balances outstanding related to these debt issues.

**Pennsylvania-American Water Company's
Utility Valuation Experts' (UVE) Valuation of
Steelton Borough (Water) Authority
Dauphin County, Pennsylvania**

**Appraisal Work Papers
As of July 2018**

**Income Approach
Financials 2015**

**AUS Consultants
Suite 201
8555 West Forest Home Avenue
Greenfield, Wisconsin 53228
Office Telephone: 414-529-5755
J. Weinert's Cell: 414-698-8371
J. Weinert's E-Mail: weinertj@auswest.net**

**STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF
THE BOROUGH OF STEELTON)
FINANCIAL STATEMENTS
- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015**

**STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
YEAR ENDED DECEMBER 31, 2015**

CONTENTS

Independent Auditors' Report	1-2
Financial Statements – Modified Cash Basis	
Statement of Net Position– Business-Type Activities – Enterprise Funds	3
Statement of Revenues, Expenses, and Changes in Fund Net Position – Business-Type Activities – Enterprise Funds	4
Statement of Cash Flows - Business-Type Activities – Enterprise Funds	5
Notes to the Financial Statements – Modified Cash Basis	6-13

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Steelton Borough Authority
Steelton, Pennsylvania

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Steelton Borough Authority (the "Authority"), a component unit of the Borough of Steelton, as of and for the year ended December 31, 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 auditors' 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 modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Steelton Borough Authority, as of December 31, 2015, and the respective changes in the modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Page 44 of 87

Zelenkofske Axelrod LLC

Adoption of Governmental Accounting Standards Board Pronouncements

As discussed in Note 1 to the financial statements in 2015, the Steelton Borough Authority adopted the provisions of Governmental Accounting Standards Board's Statement ("GASB") No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*". Our opinion is not modified with respect to these matters.

Other Matters

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 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. Our opinion on the modified cash basis basic financial statements is not affected by this missing information.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
June 27, 2016

Steelton Borough Authority
Statement of Net Position - Modified Cash Basis
December 31, 2015

	Business Type Activities - Enterprise Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 3,030,257
Due From Primary Government	2,176,058
Restricted Cash	347
Total Current Assets	5,206,662
Noncurrent Assets:	
Capital Assets, Being Depreciated, Net of Accumulated Depreciation	10,947,382
Total Noncurrent Assets	10,947,382
Total Assets	\$ 16,154,044
Liabilities	
Current Liabilities:	
Security Deposit	\$ 347
Bonds Payable, net	376,760
Loans Payable	132,533
Capital Lease Obligation	33,782
Total Current Liabilities	543,422
Noncurrent Liabilities:	
Bonds Payable, net	7,619,726
Loans Payable	2,245,680
Total Noncurrent Liabilities	9,865,406
Total Liabilities	10,408,828
Net Position	
Net Investment in Capital Assets	2,711,583
Unrestricted	3,033,633
Total Net Position	\$ 5,745,216

The accompanying notes are an integral part of the financial statements.

Steelton Borough Authority
 Statement of Revenues, Expenses, and Changes in Fund Net
 Position - Modified Cash Basis
 For the Year ended December 31, 2015

	Business Type Activities - Enterprise Funds
Operating Revenues	
Charges for Service	\$ 3,339,146
Total Operating Revenues	3,339,146
Operating Expenses	
System - Water	994,581
Water Treatment	791,825
Administrative	112,511
Depreciation	471,488
Amortization	5,797
Total Operating Expenses	2,376,202
Operating Income	962,944
Nonoperating Revenues/(Expenses)	
Interest Revenue	12,749
Interest Expense	(256,027)
Bond Issuance Costs	(150,657)
Total Non-operating Expenses	(393,935)
Income Before Capital Grant Funding and Operating Transfers	569,009
Capital Grant Funding	511,056
Transfers to Primary Government	(61,128)
Transfers from Primary Government	70,299
Total Capital Grant Funding and Operating Transfers	520,227
Change In Net Position	1,089,236
Total Net Position - Beginning of Year	4,655,980
Total Net Position - End of Year	\$ 5,745,216

The accompanying notes are an integral part of the financial statements.

Steelton Borough Authority
Statement of Cash Flows - Modified Cash Basis
For the year ended December 31, 2015

	Business Type Activities - Enterprise Funds
Cash Flows From Operating Activities:	
Receipts from Charges for Service	\$ 3,339,146
Payment to Employees	(616,320)
Payment to Suppliers	(1,282,712)
Net Cash Provided by Operating Activities	1,440,114
Cash Flows From Investing Activities:	
Investment Income	12,749
Net Cash Provided by Investing Activities	12,749
Cash Flows From Non-Capital Financing Activities:	
Operating Transfers Out	(61,128)
Operating Transfers In	70,299
Net Cash Provided by Non-Capital Financing Activities	9,171
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(481,576)
Principal Payments	(2,837,960)
Interest Payments	(256,027)
Bond Issuance Costs	(150,657)
Bond Proceeds	2,860,873
Loan Proceeds	144,261
Net Cash Used in Capital and Related Financing Activities	(721,086)
Net Increase in Cash and Cash Equivalents	740,948
Cash and Cash Equivalents - Beginning of Year	2,289,656
Cash and Cash Equivalents - End of Year	\$ 3,030,604
Presented in the Financial Statements as:	
Cash and Cash Equivalents	\$ 3,030,257
Restricted Cash	347
Total Cash and Cash Equivalents	\$ 3,030,604
Reconciliation of Operating income to net cash provided by operating activities:	
Operating Income	\$ 962,944
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	471,488
Amortization Expense	5,797
Changes in Assets and Liabilities:	
Due from Primary Government	(8)
Security Deposit	9
Due to Primary Government	(116)
Net Cash Provided by Operating Activities	\$ 1,440,114
Supplementary Disclosure of Noncash Transactions:	
Amortization of Bond Discount	\$ 5,797
Capital Assets Received From Grantor	511,056
Total Noncash Transactions	\$ 516,853

The accompanying notes are an integral part of the financial statements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2015

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Steelton Borough Authority (the "Authority") was created pursuant to an ordinance of the Steelton Borough Council (Borough), incorporated under the Municipality Authorities Act of 1945, being the Act of May 2, 1945, P.L. 382, as amended by the Commonwealth of Pennsylvania.

The purpose of the Authority includes those activities of acquiring, holding, constructing, improving, owning and leasing water, water systems or parts thereof. The Authority is overseen by the Board which consists of five members who are appointed by the Borough Council. The Authority employed the Borough to manage and operate the water system through a management agreement in which the Authority owns and is responsible for the management of and charges for water services. The Authority is considered a Component Unit of the Borough.

A summary of the Authority's significant accounting policies are as follows.

A. Reporting Entity

Consistent with the guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No.14 and No. 34*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB-14, *The Reporting Entity*, the criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Borough includes the Authority in its financial statements as a discretely presented component unit because the Borough appoints the Authority's governing board, guarantees the Authority's debt, and the Authority meets the criteria satisfying inclusion in the Borough's financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are presented on the modified cash basis of accounting. The modified cash basis differs from the accounting principles generally accepted in the United States of America. Under this basis, revenues, expenses and related assets and liabilities are recorded when they result from cash transactions except for the recording of amortization of bond discounts and depreciation expense on capital assets. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expense and liabilities) are not recorded in these financial statements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2015

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

All activities of the Authority are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus, within the modifications of the cash basis. The accounting objectives of the economic resources measurement are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial, or non-financial) associated with these activities are reported.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources, and then unrestricted resources as they are needed for their intended purposes.

C. Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the statement of cash flows, include restricted cash on hand or on deposit with a maturity of three months or less when purchased.

D. Restricted Cash

Restricted cash represents cash held in escrow for security deposits. At December 31, 2015, the restricted cash balance was \$347.

E. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful life of the various assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
 DECEMBER 31, 2015

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

E. Capital Assets (Continued)

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 Years
Furniture and fixtures	10-20 Years
Machinery and equipment	5-20 Years
Infrastructure	5-99 Years
Vehicles	5-10 Years

F. Debt Related Costs

Debt related costs include bond discounts and are amortized to interest expense using the straight-line method over the term of the associated debt. Amortization expense for the year ended December 31, 2015 was \$5,797.

G. Net Position

Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the Authority, not restricted for any project or other purpose.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27". The adoption of this statement did not have an effect on the financial statements or notes.

The Authority adopted the provisions of GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". The adoption of this statement did not have an effect on the financial statements or notes.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2015

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Pending Changes in Accounting Principles

In February 2015, the GASB issued Statement No. 72, "*Fair Value Measurement and Application*". The Authority is required to adopt Statement No. 72 for its calendar year 2016 financial statements.

In June 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*". The Authority is required to adopt statement No. 73 for its calendar year 2016 financial statements.

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." The Authority is required to adopt statement No. 74 for its calendar year 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." The Authority is required to adopt statement No. 75 for its calendar year 2018 financial statements.

In June 2015, the GASB issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The Authority is required to adopt statement No. 76 for its calendar year 2016 financial statements.

In August 2015, the GASB issued Statement No. 77, "*Tax Abatement Disclosures*". The Authority is required to adopt statement No. 77 for its calendar year 2016 financial statements.

In December 2015, the GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". The Authority is required to adopt statement No. 78 for its calendar year 2016 financial statements.

In December 2015, the GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants*". The Authority is required to adopt statement No. 79 for its calendar year 2016 financial statements.

In January 2016, the GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". The Authority is required to adopt statement No. 80 for its calendar year 2017 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The Authority is required to adopt statement No. 81 for its calendar year 2017 financial statements.

In March 2016, the GASB issued Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The Authority is required to adopt statement No. 82 for its calendar year 2017 financial statements.

The Authority has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENT RISK

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At December 31, 2015, the Authority's cash balance including restricted cash was \$3,030,604 and its bank balance was \$3,020,668. Of this bank balance, \$2,770,668 was exposed to custodial credit risk, as it is collateralized with securities held by the pledging financial institutions, not in the Authority's name, and uninsured. The Authority does not have a written policy to limit its exposure to custodial credit risk.

NOTE 3: CAPITAL ASSETS

Capital Assets activity consisted of the following:

	Balance January 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2015</u>
WATER FUND:				
Capital assets being depreciated				
Buildings and improvements	\$ 1,400,417	\$ -	\$ -	\$ 1,400,417
Furniture and fixtures	102,986	-	-	102,986
Machinery and equipment	1,306,266	668,638	-	1,974,904
Infrastructure	14,224,177	323,994	-	14,548,171
Leasehold Assets	143,371	-	-	143,371
Vehicles	69,352	-	-	69,352
Total capital assets being depreciated	17,246,569	992,632	-	18,239,201
Accumulated depreciation	(6,820,331)	(471,488)	-	(7,291,819)
Total capital assets being depreciated, net	<u>10,426,238</u>	<u>521,144</u>	<u>-</u>	<u>10,947,382</u>
Water fund capital assets, net	<u>\$ 10,426,238</u>	<u>\$ 521,144</u>	<u>\$ -</u>	<u>\$ 10,947,382</u>

Depreciation expense was \$471,488 for the Authority for the year ended December 31, 2015.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2015

NOTE 4: LONG TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable	\$ 5,673,667	\$ 5,109,344	\$ (2,661,346)	\$ 8,121,665	\$ 382,965
Bond Discount	(55,187)	(75,789)	5,797	(125,179)	(6,205)
Loans Payable	2,367,216	144,261	(133,264)	2,378,213	132,533
Total General Obligation Debt	7,985,696	5,177,816	(2,788,813)	10,374,699	509,293
Capital Lease Obligation	77,132	-	(43,350)	33,782	33,782
Total Long-term Liabilities	\$ 8,062,828	\$ 5,177,816	\$ (2,832,163)	\$ 10,408,481	\$ 543,075

An analysis of debt service requirements to maturity on the Business-Type Activities obligations is as follows:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2016	\$ 515,497	\$ 259,267	\$ 774,764
2017	499,695	260,620	760,315
2018	509,618	255,890	765,508
2019	534,552	246,540	781,092
2020	543,397	235,524	778,921
2021-2025	2,927,728	967,580	3,895,308
2026-2030	3,189,955	568,886	3,758,841
2031-2035	681,258	256,980	938,238
2036-2040	565,855	163,626	729,481
2041-2044	532,323	50,927	583,250
	<u>\$10,499,878</u>	<u>\$3,265,840</u>	<u>\$13,765,718</u>

2010	\$2,959,726	PennVest Loan with principal due through 2032. Interest rates for the first five years are 1.278% and after are 1.772%. The loan is for a Water System Improvement Project and has a guaranty by Steelton Borough.	\$2,378,213
2012	\$4,015,622	General Obligation Bonds Series of 2012 with principal due annually through December 1, 2025 with interest due semi-annually with rates ranging from 1.00% to 3.70%. The proceeds of the bond were used to refund outstanding issuances.	\$3,044,164

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2015

NOTE 4: LONG TERM LIABILITIES (CONTINUED)

2015	\$5,109,344	General Obligation Bonds Series of 2015 with principal due annually through December 1, 2044 with interest due semi-annually with rates ranging from 0.35% to 3.75%. The proceeds of the bonds were used for capital projects and to refund outstanding issuances.	<u>\$5,077,501</u>
Total Long-Term Debt			<u>\$10,499,878</u>

In February 2015, the Borough of Steelton issued General Obligation Bonds, Series of 2015, in the amount of \$6,415,000. Interest rates on the Series of 2015 General Obligation Bonds range from 0.35% to 3.75%. The proceeds of the bonds were allocated to the Borough's General Fund, Sewer Fund, and the Steelton Borough Authority. The proceeds of the bonds issued were used to current refund the outstanding General Obligation Bonds, Series of 2006 of the Borough and the Authority, to finance various capital projects of the Borough's General Fund, Sewer Fund, and the Authority, and to pay the costs of issuance of the Bonds. The bonds were issued with a net original discount of \$95,128, which is allocated between the Borough's General Fund, Sewer Fund, and the Authority. The current refunding resulted in decreased debt service payments for the Borough and the Authority of \$304,385 and an economic gain of \$238,539.

NOTE 5: CAPITAL LEASE OBLIGATIONS

In 2013, the Authority entered into an agreement to lease various vehicles. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of minimum lease payments as of the inception date. The amount of the capital lease at inception was \$123,655. The lease has a three year term, with payments made annually starting April 2013.

In 2014, the Authority entered into a capital lease agreement to finance the purchase of equipment. The capital lease has been recorded at the present value of minimum lease payments as of the inception date. The amount of the capital lease at inception was \$19,716. The lease has a one year term, with payments made monthly starting August 2014.

The following is a schedule of future minimum lease payments under the capital lease agreement, together with the present value of the net minimum lease payments as of December 31, 2015:

<u>Years Ending December 31</u>	<u>Business Type Activities</u>
2016	\$ 35,792
Total Minimum Lease Payments	35,792
Less: Amount Representing Interest	<u>2,010</u>
Total Present Value of Net Minimum Lease Payments	33,782
Less: Amounts Due within One Year	<u>33,782</u>
Amounts Due in More Than One Year	<u>\$ -</u>

The assets associated with the capital leases are shown as leasehold assets within the Capital Asset Note (See Note 3).

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2015

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages during 2015. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7: ECONOMIC DEPENDENCY

One major customer of the Authority accounted for 68% of water sales.

NOTE 8: MANAGEMENT AGREEMENT

The Authority entered into a management agreement with the Borough to manage the day-to-day operations of the water system to include repair, maintenance, and administration. The Authority owns and is responsible for the management of and charges for water services. The power of the Authority is exercised by the Board composed of five members, appointed by the Borough Council.

NOTE 9: COMMITMENTS AND CONTINGENCIES

The Pennsylvania Local Debt Act (the "Act") permits local governments to extend nonexchange financial guarantees on certain debt issued by entities located within the government's physical boundaries. The Borough issued General Obligation Bonds Series of 2012 in the amount of \$9,180,000 and General Obligation Bonds Series of 2015 in the amount of 6,145,000. A portion of the debt is recorded as an obligation of the Steelton Borough Authority. The Borough also guarantees the Authority's 2010 Note with Pennvest. The full faith, credit and taxing power of the Borough is pledged to redeem these notes and bonds if the revenues from water fees are insufficient to meet the obligations. The Borough has not been called on to make any payments on the debt. See Note 4 for specific information and balances outstanding related to these debt issues.

NOTE 10: SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through the report issuance date of June 27, 2016. No events have taken place that affect the financial statements or require disclosure.

**Pennsylvania-American Water Company's
Utility Valuation Experts' (UVE) Valuation of
Steelton Borough (Water) Authority
Dauphin County, Pennsylvania**

**Appraisal Work Papers
As of July 2018**

**Income Approach
Financials 2014**

**AUS Consultants
Suite 201
8555 West Forest Home Avenue
Greenfield, Wisconsin 53228
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J. Weinert's Cell: 414-698-8371
J. Weinert's E-Mail: weinertj@auswest.net**

**STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF
THE BOROUGH OF STEELTON)
FINANCIAL STATEMENTS
- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2014**

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
YEAR ENDED DECEMBER 31, 2014

CONTENTS

Independent Auditors' Report	1-2
Financial Statements – Modified Cash Basis	
Statement of Net Position– Business-Type Activities – Enterprise Funds	3
Statement of Revenues, Expenses, and Changes in Fund Net Position – Business-Type Activities – Enterprise Funds	4
Statement of Cash Flows - Business-Type Activities – Enterprise Funds	5
Notes to the Financial Statements – Modified Cash Basis	6-13

Zelenkofske Axelrod LLC

Independent Auditors' Report

To the Board of Directors
Steelton Borough Authority
Steelton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of the STEELTON BOROUGH AUTHORITY as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the STEELTON BOROUGH 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the STEELTON BOROUGH AUTHORITY as of December 31, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof, for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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Zelenkofske Axelrod LLC

To the Board of Directors
Steelton Borough Authority
Steelton, Pennsylvania

Adoption of Governmental Accounting Standards Board Principles

As discussed in Note 1 to the financial statements in 2014, the STEELTON BOROUGH AUTHORITY adopted the provisions of GASB Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 70 "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Our opinion is not modified with respect to these matters.

Other Matters

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 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. Our opinion on the modified cash basis basic financial statements is not affected by this missing information.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
June 30, 2015

Steeltown Borough Authority
Statement of Net Position - Modified Cash Basis
December 31, 2014

	Business Type Activities - Enterprise Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 2,277,825
Due From Primary Government	3,368
Restricted Cash	11,831
Total Current Assets	2,293,024
Noncurrent Assets:	
Capital Assets, Being Depreciated, Net of Accumulated Depreciation	10,426,238
Total Noncurrent Assets	10,426,238
Total Assets	\$ 12,719,262
Liabilities	
Current Liabilities:	
Security Deposit	\$ 338
Due to Primary Government	116
Bonds Payable	305,824
Loans Payable	138,337
Capital Lease Obligation	43,350
Total Current Liabilities	487,965
Noncurrent Liabilities:	
Bonds Payable, net	5,312,656
Loans Payable	2,228,879
Capital Lease Obligation	33,782
Total Noncurrent Liabilities	7,575,317
Total Liabilities	8,063,282
Net Position	
Net Investment in Capital Assets	2,363,410
Restricted	11,831
Unrestricted	2,280,739
Total Net Position	\$ 4,655,980

The accompanying notes are an integral part of the financial statements.

Steelton Borough Authority
Statement of Revenues, Expenses, and Changes in Fund Net
Position - Modified Cash Basis
For the Year ended December 31, 2014

	Business Type Activities - Enterprise Funds
Operating Revenues	
Charges for Service	\$ 3,294,050
Total Operating Revenues	3,294,050
Operating Expenses	
System - Water	854,453
Water Treatment	787,750
Administrative	122,510
Depreciation	480,518
Amortization	3,679
Total Operating Expenses	2,248,910
Operating Income	1,045,140
Nonoperating Revenues/(Expenses)	
Interest Revenue	9,451
Interest Expense	(216,399)
Total Non-operating Expenses	(206,948)
Income Before Special Item and Operating Transfers In/Out	838,192
Special Item - Payment to Pennsylvania Department of Environmental Protection	(55,200)
Transfers to Primary Government	(179,810)
Change In Net Position	603,182
Total Net Position - Beginning of Year	4,052,798
Total Net Position - End of Year	\$ 4,655,980

The accompanying notes are an integral part of the financial statements.

Steelton Borough Authority
Statement of Cash Flows - Modified Cash Basis
For the year ended December 31, 2014

	Business Type Activities - Enterprise Funds
Cash Flows From Operating Activities	
Receipts from Charges for Service	\$ 3,294,050
Payment to Employees	(599,480)
Payment to Suppliers	(1,181,870)
	<u>1,512,700</u>
Cash Flows From Noncapital Financing Activities	
Payments to primary government	(183,236)
Payments from enterprise fund	3,426
Payment to Pennsylvania Department of Environmental Protection	(55,200)
Receipts from interest	9,451
	<u>(225,559)</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(77,503)
Principal Payments	(478,243)
Interest Payments	(216,399)
	<u>(772,145)</u>
Net Increase in Cash and Cash Equivalents	514,996
Cash and Cash Equivalents - Beginning of Year	1,774,660
	<u>2,289,656</u>
Cash and Cash Equivalents - End of Year	\$ 2,289,656
Presented in the Financial Statements as:	
Cash and Cash Equivalents	\$ 2,277,825
Restricted Cash	11,831
	<u>2,289,656</u>
Total Cash and Cash Equivalents	\$ 2,289,656
Reconciliation of Operating income to net cash provided by operating activities	
Operating Income	\$ 1,045,140
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	480,518
Amortization Expense	3,679
Changes in Assets and Liabilities	
Security Deposit	347
Due to Primary Government	(16,984)
	<u>1,512,700</u>
Net Cash Provided by Operating Activities	\$ 1,512,700
Noncash financing activities	
Amortization of bond discount	\$ 3,679

The accompanying notes are an integral part of the financial statements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Steelton Borough Authority (the "Authority") was created pursuant to an ordinance of the Steelton Borough Council (Borough), incorporated under the Municipality Authorities Act of 1945, being the Act of May 2, 1945, P.L. 382, as amended by the Commonwealth of Pennsylvania.

The purpose of the Authority includes those activities of acquiring, holding, constructing, improving, owning and leasing water, water systems or parts thereof. The Authority is overseen by the Board which consists of five members who are appointed by the Borough Council. The Authority employed the Borough to manage and operate the water system through a management agreement in which the Authority owns and is responsible for the management of and charges for water services. The Authority is considered a Component Unit of the Borough.

A summary of the Authority's significant accounting policies are as follows.

A. Reporting Entity

Consistent with the guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No.14 and No. 34*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB-14, *The Reporting Entity*, the criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Borough includes the Authority in its financial statements as a discretely presented component unit because the Borough appoints the Authority's governing board, guarantees the Authority's debt, and the Authority meets the criteria satisfying inclusion in the Borough's financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are presented on the modified cash basis of accounting. The modified cash basis differs from the accounting principles generally accepted in the United States of America. Under this basis, revenues, expenses and related assets and liabilities are recorded when they result from cash transactions except for the recording of amortization of bond discounts and depreciation expense on capital assets. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expense and liabilities) are not recorded in these financial statements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

All activities of the Authority are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus, within the modifications of the cash basis. The accounting objectives of the economic resources measurement are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non current, financial, or non-financial) associated with these activities are reported.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources, and then unrestricted resources as they are needed for their intended purposes.

C. Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the statement of cash flows, include restricted cash on hand or on deposit with a maturity of three months or less when purchased.

D. Restricted Cash

In accordance with the financial provisions of the subsidy agreements securing General Obligation Bonds, certain cash assets are accounted for in a restricted account established by the agreement. The account is maintained by an independent trustee. At December 31, 2014, the restricted cash balance was \$11,831.

E. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful life of the various assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Capital Assets (Continued)

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 Years
Furniture and fixtures	10-20 Years
Machinery and equipment	5-20 Years
Infrastructure	5-99 Years
Vehicles	5-10 Years

F. Debt Related Costs

Debt related costs include bond discounts and are amortized to interest expense using the straight-line method over the term of the associated debt. Amortization expense for the year ended December 31, 2014 was \$3,679.

G. Net Position

Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the Authority, not restricted for any project or other purpose.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 67, "Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". The adoption of this statement did not have an effect on the financial statements or notes.

The Authority adopted the provisions of GASB Statement No. 69, "Government Combinations and Disposals of Government Operations". The adoption of this statement did not have an effect on the financial statements or notes.

The Authority adopted the provisions GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". The adoption of this statement resulted in additional disclosures (See Note 9).

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2014

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The Authority is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In November 2013, the GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*". The Authority is required to adopt statement No. 71 for its calendar year 2015 financial statements.

In February 2015, the GASB issued Statement No. 72, "*Fair Value Measurement and Application*". The Authority is required to adopt Statement No. 72 for its calendar year 2016 financial statements.

In June 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*." The Authority is required to adopt statement No. 73 for its calendar year 2016 financial statements.

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." The Authority is required to adopt statement No. 74 for its calendar year 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." The Authority is required to adopt statement No. 75 for its calendar year 2018 financial statements.

The Authority has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: DEPOSITS AND INVESTMENT RISK

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At December 31, 2014, the Authority's cash balances including restricted cash were \$2,289,656 and its bank balances were \$2,280,437. Of these bank balances, \$2,018,607 were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institutions, not in the Authority's name, and uninsured. The Authority does not have a written policy to limit its exposure to custodial credit risk.

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
 DECEMBER 31, 2014

NOTE 3: CAPITAL ASSETS

Capital Assets activity consisted of the following:

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2014</u>
WATER FUND:				
Capital assets being depreciated				
Buildings and improvements	\$ 1,382,694	\$ 17,723	\$ -	\$ 1,400,417
Furniture and fixtures	102,986	-	-	102,986
Machinery and equipment	1,285,029	21,237	-	1,306,266
Infrastructure	14,185,632	38,545	-	14,224,177
Leasehold Assets	123,655	19,716	-	143,371
Vehicles	69,352	-	-	69,352
Total capital assets being depreciated	17,149,348	97,221	-	17,246,569
Accumulated depreciation	(6,339,813)	(480,518)	-	(6,820,331)
Total capital assets being depreciated, net	10,809,535	(383,297)	-	10,426,238
Water fund capital assets, net	<u>\$ 10,809,535</u>	<u>\$ (383,297)</u>	<u>\$ -</u>	<u>\$ 10,426,238</u>

Depreciation expense was \$480,518 for the Authority for the year ended December 31, 2014.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2014

NOTE 4: LONG TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable	\$ 5,976,984	\$ -	\$ 303,317	\$ 5,673,667	\$ 309,503
Bond Discount	(58,866)	-	3,679	(55,187)	(3,679)
Loans Payable	2,503,798	-	136,582	2,367,216	138,337
Total General Obligation Debt	8,421,916	-	443,578	7,985,696	444,161
Capital Lease Obligation	95,760	19,716	38,344	77,132	43,350
Total Long-term Liabilities	\$ 8,517,676	\$ 19,716	\$ 481,922	\$ 8,062,828	\$ 487,511

An analysis of debt service requirements to maturity on the Business-Type Activities obligations is as follows:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2015	\$ 447,840	\$ 204,358	\$ 652,198
2016	451,110	198,709	649,819
2017	436,162	200,082	636,244
2018	442,293	195,723	638,016
2019	467,385	187,357	654,742
2020-2024	2,492,624	764,545	3,257,169
2025-2029	2,775,506	379,274	3,154,780
2030-2031	527,963	18,481	546,444
	\$8,040,883	\$2,148,529	\$10,189,412

2006	\$4,935,000	General Obligation Bond, Series 2006 - General Fund, with principle and interest due annually through December 1, 2030 in various amounts with interest ranging from 3.5% to 4.3% for the purchase and construction of water supply, treatment, storage, transmission, and distribution system facilities, including all necessary facilities required for rendering water and paying costs, fees and expenses related to the purpose and financing.	\$2,320,000
2010	\$2,959,726	PennVest Loan with principal due through 2030. Interest rates for the first five years are 1.278% and after are 1.772%. The loan is for a Water System Improvement Project and has a guaranty of Steelton Borough.	\$2,367,216

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
 DECEMBER 31, 2014

NOTE 4: LONG TERM LIABILITIES (CONTINUED)

2012	\$4,015,622	General Obligation Bonds Series of 2012 with principal due annually through December 1, 2025 with interest due semi-annually with rates ranging from 1.00% to 3.70%. The proceeds of the bond were used to refund outstanding issuances.	<u>\$3,353,667</u>
Total Long Term Debt			<u>\$8,040,883</u>

NOTE 5: CAPITAL LEASE OBLIGATIONS

In 2013, the Authority entered into an agreement to lease various vehicles. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of minimum lease payments as of the inception date. The amount of the capital lease at inception was \$123,655. The lease has a three year term, with payments made annually starting April 2013.

In 2014, Authority entered into a capital lease agreement to finance the purchase of equipment. The capital lease has been recorded at the present value of minimum lease payments as of the inception date. The amount of the capital lease at inception was \$19,716. The lease has a one year term, with payments made monthly starting August 2014.

The following is a schedule of future minimum lease payments under the capital lease agreement, together with the present value of the net minimum lease payments as of December 31, 2014:

<u>Years Ending December 31</u>	<u>Business Type Activities</u>
2015	\$ 47,257
2016	<u>35,792</u>
Total Minimum Lease Payments	83,049
Less: Amount Representing Interest	<u>5,917</u>
Total Present Value of Net Minimum Lease Payments	77,132
Less: Amounts Due within One Year	<u>43,350</u>
Amounts Due in More Than One Year	<u>\$ 33,782</u>

The assets associated with the capital leases are shown as leasehold assets within the Capital Asset Note (See Note 3).

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2014

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages during 2014. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7: ECONOMIC DEPENDENCY

One major customer of the Authority accounted for 64% of water sales.

NOTE 8: MANAGEMENT AGREEMENT

The Authority entered into a management agreement with the Borough to manage the day-to-day operations of the water system to include repair, maintenance, and administration. The Authority owns and is responsible for the management of and charges for water services. The power of the Authority is exercised by the Board composed of five members, appointed by the Borough Council.

NOTE 9: COMMITMENTS AND CONTINGENCIES

On March 28, 2014 the Authority entered into a Consent Order and Agreement (the "Agreement") with the Pennsylvania Department of Environmental Protection ("DEP"). The Agreement arose due to various reporting and record-keeping deficiencies that were discovered during the triennial water plant inspection. The Authority has commenced a series of corrective actions with varying completion deadlines over the next year and will pay a \$55,200 civil penalty. An additional penalty of \$55,200 will be required if the Authority fails to meet certain deadlines in its pursuit of the corrective actions. During 2014, the Authority paid \$55,200 to DEP for the civil penalty, which is recorded as a special item in the Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis.

The Pennsylvania Local Debt Act (the "Act") permits local governments to extend nonexchange financial guarantees on certain debt issued by entities located within the government's physical boundaries. The Borough issued General Obligation Bonds of 2006 in the amount of \$4,935,000 and General Obligation Bonds Series of 2012 in the amount of \$9,180,000. A portion of the debt is recorded as an obligation of the Steelton Borough Authority. The Borough also guarantees the Authority's 2010 Note with Pennvest. The full faith, credit and taxing power of the Borough is pledged to redeem these notes and bonds if the revenues from water fees are insufficient to meet the obligations. The Borough has not been called on to make any payments on the debt. See Note 4 for specific information and balances outstanding related to these debt issues.

**Pennsylvania-American Water Company's
Utility Valuation Experts' (UVE) Valuation of
Steelton Borough (Water) Authority
Dauphin County, Pennsylvania**

**Appraisal Work Papers
As of July 2018**

**Income Approach
Financials 2013**

**AUS Consultants
Suite 201
8555 West Forest Home Avenue
Greenfield, Wisconsin 53228
Office Telephone: 414-529-5755
J. Weinert's Cell: 414-698-8371
J. Weinert's E-Mail: weinertj@auswest.net**

**STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF
THE BOROUGH OF STEELTON)
FINANCIAL STATEMENTS
- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2013**

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
YEAR ENDED DECEMBER 31, 2013

CONTENTS

Independent Auditors' Report	1-2
Financial Statements – Modified Cash Basis	
Statement of Net Position– Business-Type Activities – Enterprise Funds	3
Statement of Revenues, Expenses, and Changes in Fund Net Position – Business-Type Activities – Enterprise Funds	4
Statement of Cash Flows - Business-Type Activities – Enterprise Funds	5
Notes to the Financial Statements – Modified Cash Basis	6-13

Zelenkofske Axelrod LLC

Independent Auditors' Report

To the Board of Directors
Steelton Borough Authority
Steelton, Pennsylvania

We have audited the accompanying financial statements of the business-type activities of the STEELTON BOROUGH AUTHORITY as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise STEELTON BOROUGH 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis, of the business-type activities of the STEELTON BOROUGH AUTHORITY as of December 31, 2013, and the respective changes in financial position - modified cash basis and, where applicable, cash flows thereof, for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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Pittsburgh

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Zelenkofske Axelrod LLC

Adoption of Governmental Accounting Standards Board Principles

As discussed in Note 1 to the financial statements in 2013, the STEELTON BOROUGH AUTHORITY adopted the provisions of GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*", GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*", and GASB Statement No. 66 "*Technical Corrections – 2012 - An Amendment of GASB Statements No. 10 and No. 62*". Our opinion is not modified with respect to these matters.

Other Matters

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 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. Our opinion on the modified cash basis basic financial statements is not affected by this missing information.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
October 20, 2014

Steeltown Borough Authority
Statement of Net Position - Modified Cash Basis
December 31, 2013

	Business Type Activities - Enterprise Funds
Assets	
Current Assets:	
Cash & Cash Equivalents	\$ 1,762,835
Due From Primary Government	3,368
Restricted Cash	11,825
Total Current Assets	1,778,028
Noncurrent Assets:	
Capital Assets, Being Depreciated, Net of Accumulated Depreciation	10,809,535
Bond Discount, net	58,877
Total Noncurrent Assets	10,868,412
Total Assets	\$ 12,646,440
Liabilities	
Current Liabilities:	
Due to Primary Government	\$ 17,100
Bonds Payable	303,317
Loans Payable	136,582
Capital Lease Obligation	30,094
Total Current Liabilities	487,093
Noncurrent Liabilities:	
Bonds Payable	5,673,667
Loans Payable	2,367,216
Capital Lease Obligation	65,666
Total Noncurrent Liabilities	8,106,549
Total Liabilities	8,593,642
Net Position	
Net Investment in Capital Assets	2,291,870
Restricted	11,825
Unrestricted	1,749,103
Total Net Position	\$ 4,052,798

The accompanying notes are an integral part of the financial statements.

Steelton Borough Authority
Statement of Revenues, Expenses, and Changes in Fund Net
Position - Modified Cash Basis
For the Year ended December 31, 2013

	Business Type Activities - Enterprise Funds
Operating Revenues	
Charges for Service	\$ 2,814,698
Total Operating Revenues	2,814,698
Operating Expenses	
System - Water	733,828
Water Treatment	686,711
Administrative	108,781
Depreciation	483,998
Amortization	3,679
Total Operating Expenses	2,016,997
Operating Income	797,701
Nonoperating Revenues/(Expenses)	
Energy Operating Grant	371
Interest Revenue	7,080
Interest Expense	(231,373)
Total Non-operating Expenses	(223,922)
Income Before Operating Transfers Out	573,779
Transfers to Primary Government	(177,862)
Change In Net Position	395,917
Total Net Position - Beginning of Year, As Restated (See Note 10)	3,656,881
Total Net Position - End of Year	\$ 4,052,798

The accompanying notes are an integral part of the financial statements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Steelton Borough Authority (the "Authority") was created pursuant to an ordinance of the Steelton Borough Council (Borough), incorporated under the Municipality Authorities Act of 1945, being the Act of May 2, 1945, P.L. 382, as amended by the Commonwealth of Pennsylvania.

The purpose of the Authority includes those activities of acquiring, holding, constructing, improving, owning and leasing water, water systems or parts thereof. The Authority is overseen by the Board which consists of five members who are appointed by the Borough Council. The Authority employed the Borough to manage and operate the water system through a management agreement in which the Authority owns and is responsible for the management of and charges for water services. The Authority is considered a Component Unit of the Borough due to the Borough's financial relationship with the Authority.

A summary of the Authority's significant accounting policies are as follows.

A. Reporting Entity

The Authority has adopted the provisions of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards for the criteria used to evaluate organizations, activities and functions that should be included in the Authority's financial statements. The basic criteria are the exercise of oversight responsibility over such organizations, activities and functions.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Borough includes the Authority in its financial statements as a discretely presented component because the Borough appoints the Authority's governing board, guarantees the Authority debt and the Authority meets the criteria satisfying inclusion in the Borough's financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are presented on the modified cash basis of accounting. The modified cash basis differs from the accounting principles generally accepted in the United States of America. Under this basis, revenues, expenses and related assets and liabilities are recorded when they result from cash transactions except for the recording of amortization of bond discounts and depreciation expense on capital assets. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expense and liabilities) are not recorded in these financial statements.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

All activities of the Authority are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus, within the modifications of the cash basis. The accounting objectives of the economic resources measurement are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non current, financial, or non-financial) associated with these activities are reported.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources, and then unrestricted resources as they are needed for their intended purposes.

C. Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the statement of cash flows, include restricted cash on hand or on deposit with a maturity of three months or less when purchased.

D. Restricted Cash

In accordance with the financial provisions of the subsidy agreements securing General Obligation Bonds, certain cash assets are accounted for in a restricted account established by the agreement. The account is maintained by an independent trustee. At December 31, 2013, the restricted cash balance was \$11,825.

E. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful life of the various assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Capital Assets (Continued)

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 Years
Furniture and fixtures	20-40 Years
Machinery and equipment	20 Years
Infrastructure	25-75 Years
Vehicles	5-10 Years

F. Debt Related Costs

Debt related costs include bond discounts and are amortized to interest expense using the straight-line method over the term of the associated debt. Amortization expense for the year ended December 31, 2013 was \$3,679.

G. Net Position

Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the Authority, not restricted for any project or other purpose.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the remaining provisions of GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*". The adoption of this statement did not have an effect on the financial statements or notes.

The Authority adopted the provisions of GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this statement resulted in the restatement of net position in the amount of \$(222,738).

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
 DECEMBER 31, 2013

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

I. Adoption of Governmental Accounting Standards Board Statements (Continued)

The Authority adopted the provisions of GASB Statement No. 66, "*Technical Corrections – 2012 - An Amendment of GASB Statements No. 10 and No.62.*" The adoption of this statement did not have an effect on the financial statements or notes.

G. Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 67, "*Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.*" The Authority is required to adopt statement No. 67 for its calendar year 2014 financial statements.

In June 2012, the GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*" The Authority is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations.*" The Authority is required to adopt statement No. 69 for its calendar year 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees.*" The Authority is required to adopt statement No. 70 for its calendar year 2014 financial statements.

In November 2013, the GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date.*" The Authority is required to adopt statement No. 71 for its fiscal year 2015 financial statements.

The Authority has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: DEPOSITS AND INVESTMENT RISK

Custodial Credit Risk – For deposits custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At December 31, 2013, the Authority's cash balances were \$1,774,660 and its bank balances were \$1,770,056. Of these bank balances, \$1,508,049 were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institutions and uninsured. The Authority does not have a written policy to limit its exposure to custodial credit risk.

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
 DECEMBER 31, 2013

NOTE 3: CAPITAL ASSETS

Capital Assets activity consisted of the following:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
WATER FUND:				
Capital assets being depreciated				
Buildings and improvements	\$ 1,365,594	\$ 17,100	\$ -	\$ 1,382,694
Furniture and fixtures	102,986	-	-	102,986
Machinery and equipment	1,263,071	21,958	-	1,285,029
Infrastructure	13,993,179	192,453	-	14,185,632
Leasehold Assets	-	123,655	-	123,655
Vehicles	69,352	-	-	69,352
Total capital assets being depreciated	16,794,182	355,166	-	17,149,348
Accumulated depreciation	(5,855,815)	(483,998)	-	(6,339,813)
Total capital assets being depreciated, net	10,938,367	(128,832)	-	10,809,535
 Water fund capital assets, net	 \$ 10,938,367	 \$ (128,832)	 \$	 \$ 10,809,535

Depreciation expense was \$483,998 for the Authority for the year ended December 31, 2013.

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2013

NOTE 4: LONG TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance (as restated see Note 10)	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable	\$ 6,281,351	\$ -	\$ 304,367	\$ 5,976,984	\$ 303,317
Notes Payable	4,540	-	4,540	-	-
Loans Payable	2,570,774	68,234	135,210	2,503,798	136,582
Total General Obligation Debt	<u>8,856,665</u>	<u>68,234</u>	<u>444,117</u>	<u>8,480,782</u>	<u>439,899</u>
Capital Lease Obligation	-	123,655	27,895	95,760	30,094
Total Long-term Liabilities	<u>\$ 8,856,665</u>	<u>\$ 191,889</u>	<u>\$ 472,012</u>	<u>\$ 8,576,542</u>	<u>\$ 469,993</u>

An analysis of debt service requirements to maturity on the Business-Type Activities obligations follows:

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2014	\$ 439,899	\$ 209,903	\$ 649,802
2015	447,841	204,358	652,199
2016	451,110	198,709	649,819
2017	436,162	200,082	636,244
2018	442,293	195,723	638,016
2019-2023	2,436,210	824,716	3,260,926
2024-2028	2,708,609	467,972	3,176,581
2029-2030	1,118,658	56,969	1,175,627
	<u>\$8,480,782</u>	<u>\$2,358,432</u>	<u>\$10,839,214</u>

2006	\$4,935,000	General Obligation Bond, Series 2006 - General Fund, with principle and interest due annually through December 1, 2030 in various amounts with interest ranging from 3.5% to 4.3% for the purchase and construction of water supply, treatment, storage, transmission, and distribution system facilities, including all necessary facilities required for rendering water and paying costs, fees and expenses related to the purpose and financing.	\$2,320,000
2010	\$2,959,726	PennVest Loan with principal due through 2030. Interest rates for the first five years are 1.278% and after are 1.772%. The loan is for a Water System Improvement Project and has a guaranty of Steelton Borough.	\$2,503,798

STEELTON BOROUGH AUTHORITY
 (COMPONENT UNIT OF THE BOROUGH OF STEELTON)
 NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
 DECEMBER 31, 2013

NOTE 4: LONG TERM LIABILITIES (CONTINUED)

2012	\$4,015,622	General Obligation Bonds Series of 2012 with principal due annually through December 1, 2025 with interest due semi-annually with rates ranging from 1.00% to 3.70%. The proceeds of the bond were used to refund outstanding issuances.	<u>3,656,984</u>
Total Long Term Debt			<u>\$8,480,782</u>

NOTE 5: CAPITAL LEASE OBLIGATIONS

The Authority has entered into an agreement to lease various vehicles. The lease agreement qualifies as a capital lease for accounting purposes and therefore have been recorded at the present value of minimum lease payments as of the inception date.

The following is a schedule of future minimum lease payments under the capital lease agreement, together with the present value of the net minimum lease payments as of December 31, 2013:

<u>Years Ending December 31</u>	<u>Business Type Activities</u>
2014	\$ 35,792
2015	35,792
2016	<u>35,791</u>
Total Minimum Lease Payments	107,375
Less: Amount Representing Interest	<u>11,615</u>
Total Present Value of Net Minimum Lease Payments	95,760
Less: Amounts Due within One Year	<u>30,094</u>
Amounts Due in More Than One Year	<u>\$ 65,666</u>

The assets associated with the capital leases are shown as leasehold assets within the Capital Asset Note (See Note 3).

STEELTON BOROUGH AUTHORITY
(COMPONENT UNIT OF THE BOROUGH OF STEELTON)
NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS (CONTINUED)
DECEMBER 31, 2013

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages during 2013. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7: ECONOMIC DEPENDENCY

One major customer of the Authority accounted for a 66% of water sales.

NOTE 8: MANAGEMENT AGREEMENT

The Authority entered into a management agreement with the Borough to manage the day-to-day operations of the water system to include repair, maintenance, and administration. The Authority owns and is responsible for the management of and charges for water services. The power of the Authority is exercised by the Board composed of five members, appointed by the Borough Council.

NOTE 9: COMMITMENTS AND CONTINGENCIES

On March 28, 2014 the Authority entered into a Consent Order and Agreement (the "Agreement") with the Pennsylvania Department of Environmental Protection ("DEP"). The Agreement arose due to various reporting and record-keeping deficiencies that were discovered during the triennial water plant inspection. The Authority has commenced a series of corrective actions with varying completion deadlines over the next year and will pay a \$55,200 civil penalty. An additional penalty of \$55,200 will be required if the Authority fails to meet certain deadlines in its pursuit of the corrective actions.

NOTE 10: RESTATEMENT OF NET POSITION

The following restatement was necessary to properly reflect the adoption of the provisions of GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*" and to reflect the overstatement of long-term liabilities in the prior year.

Net Position, beginning of year, as previously stated	\$ 3,877,707
Overstatement of Deferred Charges, due to the adoption of GASB 65	(222,738)
Overstatement of long-term liabilities	<u>1,912</u>
Net Position beginning of year, as restated	<u><u>\$ 3,656,881</u></u>