

Municipal Authority of the City of Mccleesport
McCleesport, Pennsylvania

Table with columns: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10)

Municipal Authority of the City of Mccleesport
McCleesport, Pennsylvania

Table with columns: (11), (12), (13), (14), (15), (16), (17), (18), (19), (20)

Municipal Authority of the City of Mccleesport
McCleesport, Pennsylvania

Table with columns: (21), (22), (23), (24), (25), (26), (27), (28), (29), (30)

Municipal Authority of the City of Mccleesport
McCleesport, Pennsylvania

Table with columns: (31), (32), (33), (34), (35), (36), (37), (38), (39), (40)

Municipal Authority of the City of Mccleesport
McCleesport, Pennsylvania

Table with columns: (41), (42), (43), (44), (45), (46), (47), (48), (49), (50)

Main data table with columns: System No., Billing, Phase, Name, Dept, Class, Tag #, Qty, Description, Serial #, Manufacturer, Model #, Month Acq, Yr Acq, Life, Fund, Total Insured, Acq Cost, Acc Depr, Usage, Cur Annual Depr., Prop Annual Depr., Location. Rows include items like 'ITEM PROCESS PIPING', 'ITEM VALVE', 'ITEM MISC EQUIPMENT', 'ITEM MISC EQUIPMENT', 'ITEM MISC EQUIPMENT', etc.

(3) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27)

Location	System No.	Blkg	Floor	Room	Dept	Class	Tag #	QTY	Description	Serial #	Manufacturer	Model	Month Acq	Yr Acq	Yr Exp	Fund	Total Served	Acq Cost	Unserv	Curr Annual Dept	Prog Annual Dept
Sewage Treatment Plant - Secondary Pump Station	380	189	0002	B	9000	30	84	1	PUMP CENTRIFUGAL, SHOP ORDER #R000792, 12 7/8" DIAMETER IMPELLER, 1750 RPM, WATER 5500 GPM MAX, COUPLED DRIVE BY 1750-ALU-500 1175 RPM, 230/460 VOL, 1 PHASE 60 CYCLE 1750W/AMP	10430	PIERLESS	14C3-14	0	1968	1975	1975	\$2,700	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	191	0002	B	9000	30	85	1	PUMP CENTRIFUGAL, SHOP ORDER #R000792, 12 7/8" DIAMETER IMPELLER, 1750 RPM, WATER 5500 GPM MAX, COUPLED DRIVE BY 1750-ALU-500 1175 RPM, 230/460 VOL, 1 PHASE 60 CYCLE 1750W/AMP	107138	PIERLESS	17	0	1968	1975	1975	\$2,700	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	193	0002	B	9000	30	86	1	PUMP CENTRIFUGAL, SHOP ORDER #R000792, 12 7/8" DIAMETER IMPELLER, 1750 RPM, WATER 5500 GPM MAX, COUPLED DRIVE BY 1750-ALU-500 1175 RPM, 230/460 VOL, 1 PHASE 60 CYCLE 1750W/AMP	107138	PIERLESS	17	0	1968	1975	1975	\$2,700	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	195	0002	B	9000	30	87	1	PUMP CENTRIFUGAL, SHOP ORDER #R000792, 12 7/8" DIAMETER IMPELLER, 1750 RPM, WATER 5500 GPM MAX, COUPLED DRIVE BY 1750-ALU-500 1175 RPM, 230/460 VOL, 1 PHASE 60 CYCLE 1750W/AMP	107138	PIERLESS	17	0	1968	1975	1975	\$2,700	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	197	0002	B	9000	46	353	1	MOTOR, CONTINUOUS, VARIABLE FREQUENCY DRIVE, 230V, 3PH, 40 HP, 1750 RPM, 230/460 VOL, 1 PHASE 60 CYCLE 1750W/AMP	11319094	PUMP & SEAL		0	1968	2016	2016	\$1,852	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	200	0002	T	8002	82	89	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	202	0002	T	8002	30	90	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	205	0002	T	8002	30	91	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	208	0002	T	8002	30	92	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	211	0002	T	8002	30	93	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	214	0002	T	8002	30	94	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	217	0002	T	8002	30	95	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	218	0002	T	8002	30	96	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	219	0002	T	8002	30	97	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	220	0002	T	8002	30	98	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	221	0002	T	8002	30	99	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	222	0002	T	8002	30	100	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	223	0002	T	8002	30	101	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	224	0002	T	8002	30	102	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	225	0002	T	8002	30	103	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	226	0002	T	8002	30	104	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	227	0002	T	8002	30	105	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	228	0002	T	8002	30	106	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	229	0002	T	8002	30	107	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	230	0002	T	8002	30	108	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	231	0002	T	8002	30	109	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	232	0002	T	8002	30	110	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	233	0002	T	8002	30	111	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	234	0002	T	8002	30	112	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	235	0002	T	8002	30	113	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	236	0002	T	8002	30	114	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	237	0002	T	8002	30	115	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	238	0002	T	8002	30	116	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	239	0002	T	8002	30	117	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	240	0002	T	8002	30	118	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	241	0002	T	8002	30	119	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	242	0002	T	8002	30	120	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	243	0002	T	8002	30	121	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	244	0002	T	8002	30	122	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	245	0002	T	8002	30	123	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	246	0002	T	8002	30	124	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	247	0002	T	8002	30	125	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	248	0002	T	8002	30	126	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	249	0002	T	8002	30	127	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	250	0002	T	8002	30	128	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	251	0002	T	8002	30	129	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	252	0002	T	8002	30	130	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	253	0002	T	8002	30	131	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	254	0002	T	8002	30	132	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0
Sewage Treatment Plant - Secondary Pump Station	380	255	0002	T	8002	30	133	1	ITEM POWER FEED MAINS		ELECTRICAL		0	1968	1975	1975	\$0	\$0	\$0	\$0	\$0

Municipal Authority of the City of Meckesport, Pennsylvania

Table with columns: System No., Bid#, Plant, Height, Depth, Class, Tag #, Qty, Description, Serial #, Manufacturer, Model, Month Acq, Yr Acq, Yr Exp, Fund, Total Spent, Avg Cost, Acc Depr, Unwage, Curr Annual Dept, Pfy Annual Dept. Rows include various pump stations and electrical equipment.

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)																			
Location	NARUC Account	System No.	Bldg	Floor	Room	Dept	Class	Tag #	QTY	Description	Serial #	Manufacturer	Model	Month Acq	Yr Acq	Yr Acq	Lfe	Funct. PO	Fund	Total Sound	Acq Cost	Acc Depr	Undpr	Curr Annual Depr.	Proj Annual Depr.																		
Property Throughout the Authority		391	888		T	9000	66	287	1	TRUCK PICKUP 2007	1FFRX14W 17F837206	FORD	F150	0	0	2011	2011	#			\$0	\$9,700	\$6,669	\$3,031	\$1,213	\$1,213																	
Property Throughout the Authority		391	688		T	9000	66	288	1	TRUCK PICKUP 2005 SILVERADO	1GCHK29U 56E139812	CHEVROLET		0	0	2011	2011	#			\$0	\$9,900	\$8,531	\$2,969	\$1,187	\$1,188																	
Property Throughout the Authority		395	690		T	9000	66	289	1	BACKHOE 2012	1KX000999	CATERPILLA	420F	0	0	2012	2012	#			\$0	\$88,836	\$49,858	\$38,778	\$11,080	\$11,078																	
Property Throughout the Authority		395	691		T	9000	66	290	1	TRUCK DUMP	1F8W77E 1C2Y5512	FORD	F750	0	0	2012	2012	#			\$0	\$73,193	\$41,121	\$32,022	\$9,149	\$9,149																	
Property Throughout the Authority		395	692		T	9000	66	291	1	TRAILER	1UWV1R2 1C106153	BURE TRACK		0	0	2012	2012	#			\$0	\$0	\$0	\$0	\$0	\$0																	
Property Throughout the Authority		391	693		T	9000	66	292	1	TAHOE	1GHWKAE0 0C82487	CHEVROLET		0	0	2012	2012	#			\$0	\$14,995	\$19,645	\$15,318	\$4,375	\$4,374																	
Property Throughout the Authority		391	694		T	9000	66	293	1	SILVERADO 2013	1GC2KVC6 7D2239922	CHEVROLET		0	0	2013	2013	#			\$0	\$18,502	\$8,095	\$10,407	\$2,911	\$2,912																	
Property Throughout the Authority		391	695		T	9000	66	294	1	SILVERADO	1GCDKVC6 8D1239104	CHEVROLET		0	0	2014	2014	#			\$0	\$23,917	\$7,474	\$18,443	\$2,990	\$2,990																	
Property Throughout the Authority		391	696		T	9000	66	295	1	TRUCK VACTOR	1HTWCA7 1KCH0195	INTERNATIO		0	0	2014	2014	#			\$0	\$414,614	\$179,547	\$285,047	\$51,827	\$51,827																	
Property Throughout the Authority		391	697		T	9000	66	296	1	VAN COMMERCIAL CUTAWAY 3506	1G80GJG6 4F1263379	CHEVROLET	C63510	0	0	2015	2015	#			\$0	\$32,448	\$6,081	\$26,968	\$4,055	\$4,055																	
Property Throughout the Authority		391	698		T	9000	66	297	1	TRAILBLAZER	1GN0T131 582143388	CHEVROLET		0	0	2008	2008	#			\$0	\$9,995	\$9,995	\$0	\$625	\$0																	
Property Throughout the Authority		391	699		T	9000	66	528	1	SILVERADO	1GCUKNEC 1G015860	CHEVY	1500	0	0	2014	2014	#			\$0	\$32,733	\$2,044	\$30,687	\$2,044	\$4,093																	
Property Throughout the Authority		391	700		T	9000	66	519	1	CUTAWAY	1G80GJG6 4F1263379	CHEVY	1500	0	0	2015	2015	#			\$0	\$32,448	\$6,081	\$26,968	\$4,055	\$4,055																	
																						\$71,899,249	\$81,374,177	\$19,220,148	\$17,250,252	\$2,195,182	\$2,157,793																

Port Vue Collection System - Pump Station	154	889	1001						1	PORT VUE COLLECTION SYSTEM- INTERCEPTOR SEWER LINES 4 REGULATORS STORM SEWER LINES 1 PUMP STATION				0	1955	2016	2016	40			\$0	\$1,400,000	\$17,500	\$1,382,500	\$17,500	\$15,000	
Collection from										Collection System																	
Port Vue Pump Station		689	1503						1	Port Vue Pump Station				0	1955	1955	1955										
Property Throughout the Authority		161	672						1	COLLECTION LINES				0	2006	2006	10					\$0	\$30,000,000	\$5,100,000	\$24,900,000	\$400,000	\$400,000

Property Record

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Cost Approach
Development of Original Cost**

**AUS Consultants
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Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

Summary of Cost Approach

Service Area	Original Cost	Original Cost less Depreciation	Cost New	Cost New less Depreciation	Cost New less Depreciation adjusted for External Obsolescence
McKeesport	35,663,314.30	24,781,311	125,338,615	61,696,103	61,696,103
Duquesne	8,488,374.00	4,009,366	57,112,541	22,405,247	22,405,247
Dravosburg	1,188,766.76	398,682	11,821,704	3,718,174	3,718,174
Port Vue	1,455,194.00	362,190	20,893,663	4,942,794	4,942,794
Summary	46,795,649.06	29,551,549	215,166,523	92,762,318	92,762,318
Treatment & Pumping Plant	61,374,789	50,472,921	106,863,107	62,652,591	62,652,591
Subtotal	108,170,438.06	80,024,470	322,029,630	155,414,909	155,414,909
Land	61,132	61,132	1,110,000	-	1,110,000
Total	108,231,570.06	80,085,602	323,139,630	155,414,909	156,524,909

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

McKeesport Service Area		Development of Original Cost (OC)			
361					
(1)	(2)	(3)	(4)	(5)	(6)
NARUC Account	Piping Size	Linear Feet	Service Date	<u>Original Cost Per Foot</u>	<u>Original Cost</u>
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup f(Cols. (2) & (4))	(3)*(5)
361	8	47,086	1959	12.56	\$591,400.16
361	8	92,567	1976	29.77	\$2,755,719.59
361	8	70,433	1989	57.03	\$4,016,793.99
361	8	17,838	1999	69.78	\$1,244,735.64
361	8	213	2008	113.66	\$24,209.58
361	8	23,000	2010	120.62	\$2,774,260.00
Total 8"					\$11,407,118.96
361	10	30,762	1959	13.4	\$412,210.80
361	10	10,108	1976	31.76	\$321,030.08
361	10	17,064	1989	60.83	\$1,038,003.12
361	10	4,403	1999	74.44	\$327,759.32
Total 10"					\$2,099,003.32
361	12	62,339	1959	14.3	\$891,447.70
361	12	22,833	1976	33.87	\$773,353.71
361	12	173	2008	129.34	\$22,375.82
Total 12"					\$1,687,177.23
361	15	26,574	1959	15.75	\$418,540.50
361	15	1,780	1976	37.32	\$66,429.60
361	15	1,817	1989	71.49	\$129,897.33
361	15	66	2008	142.5	\$9,405.00
Total 15"					\$624,272.43

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The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

McKeesport Service Area		Development of Original Cost (OC)				
361 (1)	(2)	(3)	(4)	(5)	(6)	
NARUC Account	<u>Piping Size</u>	<u>Linear Feet</u>	<u>Service Date</u>	<u>Original Cost Per Foot</u>	<u>Original Cost</u>	
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup f(Cols. (2) & (4))	<u>(3)*(5)</u>	
361		16	2,557	1959	17	\$43,469.00
361		16	9,864	1976	40.27	\$397,223.28
	Total 16"					\$440,692.28
361		18	8,936	1959	19.45	\$173,805.20
361		18	21,090	1999	108.04	\$2,278,563.60
	Total 18"					\$2,452,368.80
361		20	979	1959	21.91	\$21,449.89
361		20	31	2008	198.23	\$6,145.13
	Total 20"					\$27,595.02
361		21	758	2008	209.35	\$158,687.30
	Total 21"					\$158,687.30
361		24	24,729	1959	26.83	\$663,479.07
361		24	12,932	1976	63.57	\$822,087.24
361		24	10,245	1989	121.77	\$1,247,533.65
361		24	1,623	2008	242.71	\$393,918.33
361		24	865	2011	267.47	\$231,361.55
	Total 24"					\$3,358,379.84

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Wastewater
Investor-Owned Utility
September 2016

McKeesport Service Area		Development of Original Cost (OC)			
361					
(1)	(2)	(3)	(4)	(5)	(6)
NARUC Account	<u>Piping Size</u>	<u>Linear Feet</u>	<u>Service Date</u>	<u>Original Cost Per Foot</u>	<u>Original Cost</u>
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup f(Cols. (2) & (4))	(3)*(5)
361	30	11,773	1959	34.2	\$402,636.60
361	30	3,944	1976	81.04	\$319,621.76
361	30	2,300	2009	323.1	\$743,130.00
361	30	1,169	2011	341	\$398,629.00
Total 30"					\$1,864,017.36
361	36	225	1959	41.58	\$9,355.50
361	36	382	2008	376.15	\$143,689.30
361	36	16,000	2009	392.78	\$6,284,480.00
Total 36"					\$6,437,524.80
361	42	252	2008	442.86	\$111,600.72
Total 42"					\$111,600.72
361	48	462	2008	509.58	\$235,425.96
Total 48"					\$235,425.96
361	54	238	2011	635.11	\$151,156.18
Total 54"					\$151,156.18

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Wastewater
Investor-Owned Utility
September 2016

McKeesport Service Area		Development of Original Cost (OC)				
361						
(1)	(2)	(3)	(4)	(5)	(6)	
NARUC Account	<u>Piping Size</u>	<u>Linear Feet</u>	<u>Service Date</u>	<u>Original Cost Per Foot</u>	<u>Original Cost</u>	
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup f(Cols. (2) & (4))	(3)*(5)	
361		60	485	2008	643.02	\$311,864.70
Total 60"						\$311,864.70
361		72	219	2008	776.46	\$170,044.74
361		72	1,963	2011	855.69	\$1,679,719.47
Total 72"						\$1,849,764.21
Other						
361	Manholes		2,490	1959	352.93	\$878,795.70
361	Manholes		51	2008	3192.63	\$162,824.13
361	Manholes		13	2011	3518.41	\$45,739.33
Total Manholes						\$1,087,359.16
364	Flow Meters		11	1960	588.63	\$6,474.93
364			16	2008	5089.92	\$81,438.72
Total Flow Meters						\$87,913.65
360	Collection Sewers - Force		27,537	2015	45.89	\$1,263,672.93
Total Force Mains						\$1,263,672.93
360	Air Release Manholes		16	2015	5354.01	\$85,664.16
Total Air Release						\$85,664.16
Combined Sewer Overflow						
361	(CSO) Structures		27	1960	369.22	\$9,968.94

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

McKeesport Service Area		Development of Original Cost (OC)			
361 (1)	(2)	(3)	(4)	(5)	(6)
NARUC Account	<u>Piping Size</u>	<u>Linear Feet</u>	<u>Service Date</u>	<u>Original Cost Per Foot</u>	<u>Original Cost</u>
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup f(Cols. (2) & (4))	<u>(3)*(5)</u>
Total CSO Structures					\$9,968.94
Total McKeesport					\$35,663,314.30

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

Duquesne Service Area		Development of Original Cost (OC)			
361				Cost	
(1)	(2)	(3)	(4)	(5)	(6)
NARUC					
Account	Piping Size	Linear Feet	Service Date	<u>Per Foot</u>	<u>Cost</u>
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup	(3)*(5)
361	8	19,000	1959	12.56	\$238,640.00
361	8	25,018	1976	29.77	\$744,785.86
361	8	19,036	1989	57.03	\$1,085,623.08
361	8	4,821	1999	69.78	\$336,409.38
Total 8"					\$2,405,458.32
361	10	8,314	1959	13.4	\$111,407.60
361	10	2,732	1976	31.76	\$86,768.32
361	10	4,612	1989	60.83	\$280,547.96
361	10	1,190	1999	74.44	\$88,583.60
Total 10"					\$567,307.48
361	12	16,895	1959	14.3	\$241,598.50
361	12	6,171	1976	33.87	\$209,011.77
Total 12"					\$450,610.27
361	15	7,200	1959	15.75	\$113,400.00
361	15	481	1976	37.32	\$17,950.92
361	15	491	1989	71.49	\$35,101.59
Total 15"					\$166,452.51
361	16	691	1959	17	\$11,747.00

**Pennsylvania American, Inc.
 The Municipal Authority of the City of McKeesport
 Wastewater
 Investor-Owned Utility
 September 2016**

Duquesne Service Area		Development of Original Cost (OC)			
361 (1)	(2)	(3)	(4)	Cost (5)	(6)
NARUC Account	Piping Size	Linear Feet	Service Date	<u>Per Foot</u>	<u>Cost</u>
KLH Input 361	KLH Input	KLH Input	KLH Input	Unit Cost Lookup	(3)*(5)
	16	2,666	1976	40.27	\$107,359.82
	Total 16"				\$119,106.82
361	18	2,415	1959	19.45	\$46,971.75
361	18	5,700	1999	108.04	\$615,828.00
	Total 18"				\$662,799.75
361	20	273	1959	21.91	\$5,981.43
	Total 20"				\$5,981.43
361	24	7,356	1959	26.83	\$197,361.48
361	24	3,495	1976	63.57	\$222,177.15
361	24	2,769	1989	121.77	\$337,181.13
	Total 24"				\$756,719.76
361	30	3,487	1959	34.2	\$119,255.40
361	30	1,066	1976	81.04	\$86,388.64
	Total 30"				\$205,644.04
361	36	164	1959	41.58	\$6,819.12
	Total 36"				\$6,819.12

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
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September 2016

Duquesne Service Area		Development of Original Cost (OC)			
361				Cost	
(1)	(2)	(3)	(4)	(5)	(6)
NARUC Account	Piping Size	Linear Feet	Service Date	Per Foot	Cost
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup	(3)*(5)
Other					
361 4.5'x3'		6,237	1963	390.93	\$2,438,230.41
Total Other					\$2,438,230.41
361 Manholes		396	1963	390.93	\$154,808.28
361 Large Manholes		23	1963	390.93	\$8,991.39
361 Manholes		280	1976	836.17	\$234,127.60
361 Manholes		128	1989	1601.75	\$205,024.00
361 Manholes		39	1999	1960.1	\$76,443.90
Total Manholes					\$679,395.17
364 Flow Meters		4	2011	5609.3	\$22,437.20
Total Flow Meters					\$22,437.20
360 Collection Sewers Force					
Combined Sewer Overflow					
361 (CSO) Structures		4	1959	352.93	\$1,411.72
Total CSO Structures					\$1,411.72
Total Duquesne					\$8,488,374.00

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

Dravosburg Service Area **Determination of Original Cost (OC)**

361
 (1) (2) (3) (4) (5) (6)

NARUC Account	Piping Size	Linear Feet	Service Date	Per Foot	Cost
KLH Input	KLH Input	KLH Input	KLH Input	Unit Cost Lookup f(Cols. (2) & (4))	(3)*(5)
361	6	1,100	1962	12.87	\$14,157.00
361	8	21,114	1962	13.72	\$289,684.08
361	10	7,957	1962	14.64	\$116,490.48
361	12	7,396	1962	15.62	\$115,525.52
361	15	320	1962	17.21	\$5,507.20
361	18	2,376	1962	21.25	\$50,490.00
361	20	360	1962	23.94	\$8,618.40
361	24	1,440	1962	29.31	\$42,206.40
361	60	428	1962	77.64	\$33,229.92
361	72	2,227	1962	93.76	\$208,803.52
361	60	613	1962	77.64	\$47,593.32
361 Eggshaped 60					
Total 1962		45,331			\$932,305.84
361	8	2,017	1980	39.05	\$78,763.85
361	8	1,446	1984	47.17	\$68,207.82
Total 8"					\$146,971.67
Other					
361 Manholes		269	1962	385.51	\$103,702.19
364 Flow Meters		1	2010	5401.55	\$5,401.55
Combined Sewer Overflow					
361 (CSO) Structures		1	1962	385.51	\$385.51
360 Collection Sewers Force					
Total Dravosburg					\$1,188,766.76

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
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Investor-Owned Utility
September 2016

Port Vue Service Area			Development of Original Cost (OC)			
361					Cost	
(1)	(2)	(3)	(4)	(4a)	(5)	(6)
NARUC Account	Piping Size	Linear Feet	Service Date		Per Foot	Original Cost
KLH Input	KLH Input	KLH Input	AUS Input	KLH Input	Unit Cost Lookup f(Cols. (2) & (4))	(3)*(5)
361	6	1,898	1955	1919, 1928, 1949, 1960	9.6	\$18,221
361	8	72,309	1955	1919, 1928, 1949, 1960	10.25	\$741,167
361	10	14,232	1955	1919, 1928, 1949, 1960	10.93	\$155,556
361	12	6,985	1955	1919, 1928, 1949, 1960	11.66	\$81,445
361	15	8,661	1955	1919, 1928, 1949, 1960	12.84	\$111,207
361	18	1,317	1955	1919, 1928, 1949, 1960	15.86	\$20,888
361	21	3,944	1955	1919, 1928, 1949, 1960	18.87	\$74,423
361	24	1,650	1955	1919, 1928, 1949, 1960	21.88	\$36,102
361	27	661	1955	1919, 1928, 1949, 1960	24.88	\$16,446
		111,657				\$1,255,455
Other						
361	Manholes	597	1955		287.77	\$171,799
364	Flow Meters	4	2016		6492.25	\$25,969
360	Collection Sewers Force	150	1955		3.29	\$494
Combined Sewer Overflow						
360	(CSO) Structures	4	1960		369.22	\$1,477
Total Port Vue						\$1,455,194

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Cost Approach
Unit Cost Development**

**AUS Consultants
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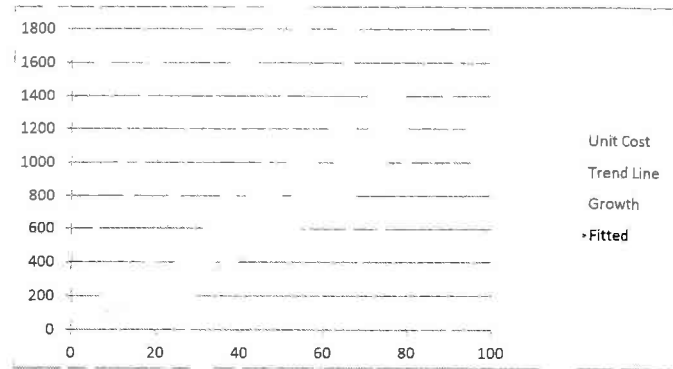
1986	75	12.74	13.59	14.50	15.47	16.50	18.18	19.61	22.45	25.28	26.70	30.96	35.21	39.47	47.98	50.81	56.49	65.00	70.67	73.51	82.02	90.53	99.04	107.55	110.38	407.72	649.22	542.64	4.65		
1987	76	12.91	13.77	14.69	15.67	16.72	18.42	19.87	22.75	25.62	27.06	31.37	35.68	39.99	48.62	51.49	57.24	65.86	71.61	74.49	83.11	91.74	100.36	108.98	111.86	412.55	657.88	549.87	4.71		
1988	77	13.08	13.95	14.88	15.88	16.94	18.66	20.13	23.05	25.96	27.41	31.78	36.15	40.52	49.26	52.17	57.99	66.73	72.56	75.47	84.20	92.94	101.68	110.42	113.33	418.08	666.54	557.11	4.78		
1989	80	14.27	15.22	16.24	17.32	18.48	20.36	21.96	25.14	28.32	29.91	34.67	39.44	44.20	53.74	56.91	63.27	72.80	75.18	78.41	87.49	96.56	105.64	114.72	117.73	434.37	692.51	578.81	4.96		
1989	84	15.97	17.03	18.17	19.38	20.68	22.78	24.58	28.13	31.69	33.47	38.80	44.13	49.47	60.13	63.69	70.80	81.46	88.57	92.13	102.80	113.46	124.13	134.79	138.35	510.39	813.70	680.10	5.83		
1972	98	16.65	17.76	18.94	20.21	21.56	23.75	25.62	29.33	33.04	34.89	40.45	46.01	51.57	62.69	66.40	73.81	84.93	92.34	96.05	107.17	118.29	129.41	140.53	144.24	532.11	848.32	709.04	6.08		
1973	100	16.99	18.12	19.33	20.62	22.00	24.23	26.15	29.93	33.71	35.60	41.28	46.95	52.62	63.97	67.75	75.32	86.66	94.23	98.01	109.36	120.70	132.05	143.40	147.18	542.97	865.63	723.51	6.20		
1974	110	18.69	19.93	21.26	22.68	24.20	26.66	28.76	33.92	37.08	39.16	45.40	51.64	57.89	70.37	74.53	82.85	95.33	103.65	107.81	120.29	132.77	145.26	157.74	161.90	597.26	952.20	795.87	6.82		
1975	146	24.80	26.46	28.22	30.11	32.11	35.38	38.18	43.70	49.22	51.98	60.26	68.55	76.83	93.40	98.92	109.96	126.51	137.57	143.10	158.41	185.88	203.36	218.41	158.41	185.88	203.36	218.41	6.08		
1976	154	26.16	27.91	29.77	31.76	33.87	37.32	40.27	46.09	51.92	54.83	63.57	72.30	81.04	98.51	104.34	115.99	133.46	145.11	150.94	168.41	195.54	213.92	228.48	248.08	254.62	939.33	1,497.55	1,251.68	10.73	
1977	162	27.52	29.36	31.32	33.41	35.63	39.26	42.36	48.48	54.61	57.68	66.87	76.06	85.25	103.63	109.76	122.01	140.39	152.65	158.78	177.16	195.54	213.92	228.48	248.08	244.29	265.28	1,004.49	1,501.42	1,138.50	11.47
1977	173	29.39	31.35	33.44	35.68	38.05	41.92	45.23	51.78	58.32	61.59	71.41	81.22	91.04	110.67	117.21	130.30	149.93	163.01	169.56	189.19	208.82	228.45	248.08	254.62	939.33	1,497.55	1,251.68	10.73		
1979	185	31.43	33.52	35.66	37.95	40.48	45.23	49.59	57.06	64.53	68.87	80.15	91.43	102.71	123.25	130.30	149.93	163.01	169.56	189.19	208.82	228.45	248.08	254.62	939.33	1,497.55	1,251.68	10.73			
1980	202	34.32	36.61	39.05	41.66	44.43	48.95	52.82	61.54	70.25	74.59	87.51	100.42	113.33	134.37	141.41	162.45	175.36	188.27	201.18	214.09	227.00	240.91	253.82	272.73	1,004.49	1,501.42	1,138.50	11.47		
1981	219	37.20	39.69	42.33	45.12	48.16	53.32	57.82	67.28	77.27	82.24	96.35	110.45	124.55	147.77	156.51	173.98	200.19	217.67	226.40	252.61	278.83	305.04	331.25	339.98	1,254.25	1,999.61	1,671.32	14.33		
1982	231	39.24	41.86	44.63	47.64	50.81	56.98	60.40	71.13	81.57	87.87	102.65	117.43	132.21	155.89	165.31	188.01	207.12	225.20	234.24	261.36	288.48	315.60	342.72	351.76	1,297.69	2,068.86	1,729.20	14.82		
1983	239	40.60	43.31	46.20	49.29	52.57	59.22	62.49	73.53	84.27	90.93	106.84	122.75	138.66	162.09	166.31	193.77	213.46	229.91	239.15	266.83	294.52	322.20	349.89	359.12	1,324.83	2,112.14	1,837.37	15.13		
1984	244	41.45	44.22	47.17	50.32	53.67	60.43	63.80	75.07	86.07	93.07	109.26	125.45	141.64	166.09	170.71	199.30	220.12	239.34	248.95	277.77	306.59	335.41	364.23	373.81	1,379.13	2,198.71	1,837.37	15.75		
1985	254	43.15	46.03	49.10	52.38	55.87	63.15	66.41	78.22	89.43	96.93	113.34	129.75	146.16	171.79	176.51	206.57	228.02	247.06	267.65	288.86	310.07	331.28	352.49	361.86	1,422.21	2,287.84	1,984.66	16.31		
1986	255	43.32	46.21	49.29	52.58	56.09	63.48	66.86	79.32	90.79	98.49	115.07	131.66	148.25	174.04	178.86	209.47	231.96	249.54	269.63	290.84	312.05	333.26	354.47	363.84	1,467.58	2,381.88	2,065.52	16.87		
1987	263	44.68	47.66	50.84	54.23	57.85	65.34	68.77	81.82	93.66	101.79	118.56	135.34	152.12	178.19	183.08	214.17	237.06	256.55	277.97	299.13	320.34	341.55	362.76	372.13	1,512.61	2,483.69	2,183.29	17.50		
1988	280	47.57	50.74	54.13	57.74	61.59	69.55	73.21	87.20	99.69	107.17	124.24	141.32	158.39	192.53	203.62	226.70	246.06	263.62	285.01	309.13	329.16	349.17	369.18	379.15	1,557.89	2,600.44	2,307.83	18.29		
1989	295	50.12	53.46	57.03	60.83	64.89	73.49	77.13	88.29	99.45	105.03	122.77	138.50	155.24	188.71	199.87	222.18	245.66	277.97	299.13	322.60	344.07	365.54	387.01	396.48	1,603.29	2,718.52	2,423.57	19.04		
1989	301	51.14	54.55	58.19	62.07	66.21	75.49	79.24	89.87	100.71	107.17	124.24	141.32	158.39	192.53	203.62	226.70	246.06	263.62	285.01	309.13	329.16	349.17	369.18	379.15	1,648.42	2,820.67	2,524.72	19.79		
1990	307	52.15	55.63	59.35	63.31	67.53	77.32	81.32	92.32	103.50	109.30	126.72	144.14	161.55	196.39	207.00	230.22	260.05	289.28	300.89	335.72	360.59	381.39	391.80	391.80	1,693.66	2,922.81	2,626.87	20.59		
1991	311	52.83	56.36	60.12	64.13	68.41	78.80	83.59	94.85	106.27	112.83	130.24	147.65	165.06	199.91	210.71	234.23	266.52	293.05	304.81	340.10	375.39	410.68	445.96	454.73	1,738.62	2,692.12	2,350.13	19.29		
1992	321	54.53	58.17	62.05	66.19	70.51	81.51	86.50	98.07	109.71	116.42	133.83	151.24	168.65	203.50	214.31	237.72	269.55	295.08	306.94	342.32	377.61	412.90	421.77	421.77	1,783.74	2,793.21	2,475.01	20.28		
1993	327	55.55	59.26	63.21	67.43	71.93	83.34	88.94	100.84	112.84	119.84	137.25	154.66	172.07	206.91	217.72	241.13	272.95	297.08	309.00	345.37	380.66	416.95	425.82	425.82	1,828.86	2,893.30	2,576.10	20.89		
1994	332	56.40	60.16	64.18	68.46	73.03	84.86	90.93	103.13	115.54	122.54	140.95	158.36	176.77	210.60	221.41	244.82	276.65	299.05	310.91	347.28	382.57	417.86	426.73	426.73	1,874.00	2,993.39	2,675.10	21.59		
1995	339	57.59	61.43	65.53	69.91	74.57	86.84	93.25	105.84	118.54	126.14	144.55	162.96	181.37	215.20	226.01	249.42	281.25	299.16	311.02	347.39	382.68	418.07	427.64	427.64	1,919.14	3,083.48	2,756.10	22.30		
1996	347	58.95	62.88	67.08	71.56	76.33	89.09	95.80	108.73	121.73	129.33	147.74	166.15	184.56	218.40	229.21	252.62	284.45	299.16	311.02	347.39	382.68	418.07	427.64	427.64	1,964.28	3,173.57	2,837.20	23.09		
1997	355	60.31	64.33	68.62	73.21	78.09	91.36	98.58	112.03	125.09	133.21	151.62	170.03	188.44	222.28	233.09	256.50	288.33	299.16	311.02	347.39	382.68	418.07	427.64	427.64	1,999.32	3,263.66	2,902.29	23.89		
1998	361	61.33	65.43	69.78	74.44	79.41	93.18	100.40	114.07	127.13	135.25	153.66	172.07	190.48	224.32	235.13	258.54	290.37	299.16	311.02	347.39	382.68	418.07	427.64	427.64	2,044.46	3,353.75	3,002.38	24.69		
1999	377	64.05	68.32	72.78	77.44	82.33	96.60	104.00	118.27	132.09	140.21	158.62	177.03	195.44	229.28	240.09	263.50	295.33	299.16	311.02	347.39	382.68	418.07	427.64	427.64	2,089.60	3,443.84	3,102.47	25.49		
2000	391	66.42	70.85	75.58	80.63	85.00	99.75	107.24	122.01	136.78	144.90	163.31	181.72	200.13	233.97	244.78	268.19	299.05	299.16	311.02	347.39	382.68	418.07	427.64	427.64	2,134.74	3,533.93	3,202.56	26.29		
2002	404	68.63	73.21	78.10	83.31	88.86	103.84	111.24	126.01	140.78	148.90	167.31	185.72	204.13	237.97	248.78	272.19	299.05	299.16	311.02	347.39	382.68	418.07	427.64	427.64	2,179.88	3,624.02	3,302.65	27.09		
2003	407	69.14	73.75	78.68	83.99	89.52	104.69	112.09	126.86	141.63	149.75	168.16	186.57	205.00	238.84	249.65	273.06	299.91	299.16	311.02	347.39	382.68	418.07	427.64	427.64	2,225.02	3,714.11	3,402.74	27.89		
2004	432	73.39	78.28	83.51	89.00	95.02	110.49	117.89	133.36	148.83	157.05	175.46	193.87	212.28	246.12	256.93	280.34	299.91	299.16	311.02	347.39	382.68	418.07	427.64	427.64	2,270.16	3,804.20	3,502.83	28.69		
2005	469	79.68	84.																												

Summary Main & Manhole Costing

Unit Cost											
Size	2017	Scranton	Sadsbury	Size	Average	Size	Unit Cost	Trend Line	Growth	Fitted	
8			143.34	8	143.34	8	143.34	85.28	149.62	149.62	
10		96.64		10	96.64	10	96.64	114.56	159.61	159.61	
12		303.25	440.42			12	209.76	143.83	170.25	170.25	
15		282.32	137.20	15	209.76	18	137.16	231.65	206.66	231.65	
18		137.16		18	137.16	21	264.15	275.57	227.68	275.57	
21		264.15		21	264.15	24	137.25	319.48	250.84	319.48	
24		137.25		24	137.25	30	464.15	407.3	304.47	407.3	
Interceptors											
24	539.77				539.77	36	667.80	495.13	369.57	495.13	
30	464.15				464.15	38	667.80	524.4	394.23	524.4	
36	667.80				667.8	48	622.95	670.77	544.51	670.77	
38	667.80				667.8	52	696.27	729.32	619.59	729.32	
48	622.95				622.95	54	696.27	758.6	660.93	758.6	
52	696.27				696.27	60	757.34	846.42	802.24	846.42	
54	696.27				696.27	66	830.58	934.25	973.77	934.25	
60	757.34				757.34	78	1,197.08	1109.89	1434.69	1109.89	
66	830.58				830.58	80	1,197.08	1139.17	1530.41	1139.17	
78	1,197.08				1197.08	20		260.93	220.44		
80	1,197.08				1197.08						

Manholes

Scranton Interceptors	6,146.58
Scranton 2002-2004	17,559.81
	18,082.89
	9,420.14
Sadsbury	9,496.02
	5,195.00
	5,402.80
	3,324.80
	3,532.60
	3,532.60
	3,381.30
	4,375.80
	5,171.40
	2,878.20
	3,357.90
	3,997.50
	5,596.50
	3,198.00
	3,083.03
	3,052.50
	3,345.54
	4,029.30
	4,639.80
	6,105.00
Minimum	2,878.20
Mean	5,746.04
Median	4,202.55
Maximum	18,082.89



Main & Manhole Costing.xlsx

	Size	Main Type	Year Installed	Quantity		Original Cost	Unit Cost	Cost Index	Cost Index	Cost	Appraisal	
				Unit	Quantity			Installation Year	Appraisal Year			Translator
Jefferson Ave / Route #307 / Genet St	12	PVC	2002	LF	288	47,055.78	163.39	404	2016	750	1.856	303.25
Jefferson Ave / Route #307 / Genet St	15	PVC	2002	LF	444	67,536.20	152.11	404	2016	750	1.856	282.32
Contract # 8	12	PVC	2004	LF	1,708	433,315.77	253.70	432	2016	750	1.736	440.42
Contract # 8	21	PVC	2004	LF	2,322	353,317.71	152.16	432	2016	750	1.736	264.15
Manholes			2004	EA	15	151,726.52	10,115.10	432	2016	750	1.736	17,559.81
Manholes			2004	EA	10	104,164.07	10,416.41	432	2016	750	1.736	18,082.89
Contract # 11	10	PVC	2004	LF	607	33,794.62	55.67	432	2016	750	1.736	96.64
Contract # 11	18	PVC	2004	LF	551	43,532.65	79.01	432	2016	750	1.736	137.16
Manholes			2004	EA	7	37,984.47	5,426.35	432	2016	750	1.736	9,420.14
Contract # 19	15	PVC	2004	LF	695	54,924.40	79.03	432	2016	750	1.736	137.20
Contract # 19	24	PVC	2004	LF	3,101	245,174.28	79.06	432	2016	750	1.736	137.25
Manholes			2004	EA	1	5,470.06	5,470.06	432	2016	750	1.736	9,496.02

Development of Unit Costs

Sadsbury

Account	Size	Depth	Main Type	Year Installed	Quantity	Original Cost	Unit Cost	Cost Index		Appraisal Year	Appraisal Year	Cost Translator	Appraisal Data Unit Cost
								Installation Year	Appraisal Year				
361 Sadsbury Corporation			Gravity		Unit								
361 Sadsbury Corporation		15	SDR-35 PVCP	1999	LF	2,800	100,632.00	35.94	361	2016	750	2.078	74.68
361 Sadsbury Corporation		12	SDR-35 PVCP	1999	LF	900	34,146.00	37.94	361	2016	750	2.078	78.84
361 Sadsbury Corporation		12	SDR-35 PVCP	1999	LF	1,650	55,250.00	33.48	361	2016	750	2.078	69.57
361 Sadsbury Corporation		12	SDR-35 PVCP	1999	LF	2,150	69,574.00	32.36	361	2016	750	2.078	67.24
361 Sadsbury Corporation		8	SDR-35 PVCP	1999	LF	2,800	79,408.00	28.36	361	2016	750	2.078	58.93
361 Sadsbury Corporation		10	SDR-35 PVCP	1999	LF	2,650	81,594.00	30.79	361	2016	750	2.078	63.98
361 Sadsbury Corporation		8	SDR-35 PVCP	1999	LF	1,000	32,790.00	32.79	361	2016	750	2.078	68.14
361 Sadsbury Corporation		8	SDR-35 PVCP	1999	LF	2,500	71,950.00	28.78	361	2016	750	2.078	59.80
361 Sadsbury Corporation			Manhole	1999	EA	14	35,000.00	2,500.00	361	2016	750	2.078	5,195.00
361 Sadsbury Corporation			Manhole	1999	EA	4	10,400.00	2,600.00	361	2016	750	2.078	5,402.80
361 Sadsbury Corporation			Manhole	1999	EA	4	6,400.00	1,600.00	361	2016	750	2.078	3,324.80
361 Sadsbury Corporation			Manhole	1999	EA	5	8,500.00	1,700.00	361	2016	750	2.078	3,532.60
361 Sadsbury Corporation			Manhole	1999	EA	23	39,100.00	1,700.00	361	2016	750	2.078	3,532.60
361 Village of Pomeroy (North)			Gravity		LF	5,620	403,348.00	71.77	377	2016	750	1.989	142.75
361 Village of Pomeroy (North)		8	SDR-35 PVCP	2000	LF	1,681	130,731.00	77.77	377	2016	750	1.989	154.68
361 Village of Pomeroy (North)		8	Over 14 ft	2000	LF	559	47,946.00	85.77	377	2016	750	1.989	170.60
361 Village of Pomeroy (North)			Manhole	2000	EA	30	51,000.00	1,700.00	377	2016	750	1.989	3,381.30
361 Village of Pomeroy (North)			Manhole	2000	EA	9	19,800.00	2,200.00	377	2016	750	1.989	4,375.80
361 Village of Pomeroy (North)			Manhole	2000	EA	4	10,400.00	2,600.00	377	2016	750	1.989	5,171.40
361 Village of Pomeroy (South)		8	0-8 ft	2005	LF	174	16,283.00	93.58	469	2016	750	1.599	149.63
361 Village of Pomeroy (South)		8	8-10 ft	2005	LF	468	45,200.00	96.58	469	2016	750	1.599	154.43
361 Village of Pomeroy (South)		8	10-12 ft	2005	LF	639	70,022.00	109.58	469	2016	750	1.599	175.22
361 Village of Pomeroy (South)		8	12-14 ft	2005	LF	207	25,581.00	123.58	469	2016	750	1.599	197.60
361 Village of Pomeroy (South)		8	Over 14 ft	2005	LF	85	11,779.00	138.58	469	2016	750	1.599	221.59
361 Village of Pomeroy (South)			Manhole	2005	EA	4	7,200.00	1,800.00	469	2016	750	1.599	2,878.20
361 Village of Pomeroy (South)			Manhole	2005	EA	2	4,200.00	2,100.00	469	2016	750	1.599	3,357.90
361 Village of Pomeroy (South)			Manhole	2005	EA	1	2,500.00	2,500.00	469	2016	750	1.599	3,997.50
361 Village of Pomeroy (South)			Manhole	2005	EA	2	7,000.00	3,500.00	469	2016	750	1.599	5,596.50
361 Village of Pomeroy (South)			Manhole	2005	EA	1	2,000.00	2,000.00	469	2016	750	1.599	3,198.00
361 Village of Sadsburyville (North of Route 30 Bypass)		8	0-8 ft	2007	LF	1,299	105,609.00	81.30	530	2016	750	1.415	115.04
361 Village of Sadsburyville (North of Route 30 Bypass)		8	8-10 ft	2007	LF	2,980	272,074.00	91.30	530	2016	750	1.415	129.19
361 Village of Sadsburyville (North of Route 30 Bypass)		8	10-12 ft	2007	LF	1,706	172,818.00	101.30	530	2016	750	1.415	143.34
361 Village of Sadsburyville (North of Route 30 Bypass)		8	12-14 ft	2007	LF	2,073	228,652.00	110.30	530	2016	750	1.415	156.07
361 Village of Sadsburyville (North of Route 30 Bypass)		8	14-16 ft	2007	LF	637	81,727.00	128.30	530	2016	750	1.415	181.54
361 Village of Sadsburyville (North of Route 30 Bypass)		8	0-8 ft	2007	LF	30	3,159.00	105.30	530	2016	750	1.415	149.00
361 Village of Sadsburyville (North of Route 30 Bypass)		8	14-16 ft	2007	LF	240	33,192.00	138.30	530	2016	750	1.415	195.69
361 Village of Sadsburyville (North of Route 30 Bypass)		8	Over 16 ft	2007	LF	175	33,828.00	193.30	530	2016	750	1.415	273.52
361 Village of Sadsburyville (North of Route 30 Bypass)		8	0-8 ft	2009	LF	260	31,634.00	121.67	614	2016	750	1.221	148.56
361 Village of Sadsburyville (North of Route 30 Bypass)		8	8-10 ft	2009	LF	766	94,540.00	123.42	614	2016	750	1.221	150.70
361 Village of Sadsburyville (North of Route 30 Bypass)		8	10-12 ft	2009	LF	129	9,910.00	76.82	614	2016	750	1.221	93.80
361 Village of Sadsburyville (North of Route 30 Bypass)			Manhole	2009	EA	9	22,725.00	2,525.00	614	2016	750	1.221	3,083.03
361 Village of Sadsburyville (North of Route 30 Bypass)			Manhole	2009	EA	12	30,000.00	2,500.00	614	2016	750	1.221	3,052.50
361 Village of Sadsburyville (North of Route 30 Bypass)			Manhole	2009	EA	5	13,700.00	2,740.00	614	2016	750	1.221	3,345.54
361 Village of Sadsburyville (North of Route 30 Bypass)			Manhole	2009	EA	7	23,100.00	3,300.00	614	2016	750	1.221	4,029.30
361 Village of Sadsburyville (North of Route 30 Bypass)			Manhole	2009	EA	5	19,000.00	3,800.00	614	2016	750	1.221	4,639.80
361 Village of Sadsburyville (North of Route 30 Bypass)			Manhole	2009	EA	2	10,000.00	5,000.00	614	2016	750	1.221	6,105.00

Main & Manhole Costing.xlsx

	Size	Main Type	Year Installed	Quantity		Original Cost	Unit Cost	Cost Index	Cost Index	Cost	Appraisal	
				Unit	Quantity			Installation Year	Appraisal Year		Translator	Data Unit Cost
Jefferson Ave / Route #307 / Genet St	12	PVC	2002	LF	288	47,055.78	163.39	404	2016	750	1.856	303.25
Jefferson Ave / Route #307 / Genet St	15	PVC	2002	LF	444	67,536.20	152.11	404	2016	750	1.856	282.32
Contract # 8	12	PVC	2004	LF	1,708	433,315.77	253.70	432	2016	750	1.736	440.42
Contract # 8	21	PVC	2004	LF	2,322	353,317.71	152.16	432	2016	750	1.736	264.15
Manholes			2004	EA	15	151,726.52	10,115.10	432	2016	750	1.736	17,559.81
Manholes			2004	EA	10	104,164.07	10,416.41	432	2016	750	1.736	18,082.89
Contract # 11	10	PVC	2004	LF	607	33,794.62	55.67	432	2016	750	1.736	96.64
Contract # 11	18	PVC	2004	LF	551	43,532.65	79.01	432	2016	750	1.736	137.16
Manholes			2004	EA	7	37,984.47	5,426.35	432	2016	750	1.736	9,420.14
Contract # 19	15	PVC	2004	LF	695	54,924.40	79.03	432	2016	750	1.736	137.20
Contract # 19	24	PVC	2004	LF	3,101	245,174.28	79.06	432	2016	750	1.736	137.25
Manholes			2004	EA	1	5,470.06	5,470.06	432	2016	750	1.736	9,496.02

Development of Unit Costs

Pennsylvania-American Water Company, Inc.
Scranton Sewer Authority

PennVest Loan #71162
2002-2004 Construction Costs

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Acct. No	Item Description	Year	Unit	Quantity	Original Amount	Allocate Specific Costs	Adjusted Original Amount	Allocate Costs	Adjusted Original Amount
Jefferson Ave / Route #307 / Genet St:									
361	12" PVC Pipe - Route #307	2002	LF	288	\$30,456.61		\$30,456.61	\$16,599.17	\$47,055.78
361	15" PVC Pipe - Route #307	2002	LF	444	43,712.45		43,712.45	23,823.75	67,536.20
See Note Jefferson Ave & Genet St - Will be calculated in the main replacement					173,762.62		173,762.62	94,702.46	268,465.08
Total Jefferson Ave / Route #307 / Genet St					\$247,931.68	\$0.00	\$247,931.68	\$135,125.38	\$383,057.06
Grit Screws & Raw Pump:									
Retired	Grit Screw Assemblies	2002	EA	2	\$15,133.36	\$1,518.49	\$16,651.85		\$16,651.85
Retired	Raw Pump - Shaft & Impeller	2002	EA	1	23,260.00	2,333.91	25,593.91		25,593.91
Retired	Authority Labor	2002	LOT		3,852.40	(3,852.40)	0.00		0.00
Total Grit Screws & Raw Pump					\$42,245.76	\$0.00	\$42,245.76	\$0.00	\$42,245.76
Contract #8:									
361	12" PVC Pipe	2004	LF	1,708	\$280,461.37		\$280,461.37	\$152,854.40	\$433,315.77
361	Relining of 18" VC Pipe	2004	LF	370	95,301.71		95,301.71	51,940.44	147,242.15
361	21" PVC Pipe	2004	LF	2,322	228,035.80		228,035.80	124,281.91	352,317.71
361	Relining of Pipe	2004	LF	122	32,900.00		32,900.00	17,930.85	50,830.85
361	Manholes	2004	EA	15	98,204.20		98,204.20	53,522.32	151,726.52
361	Manholes	2004	EA	10	67,419.65		67,419.65	36,744.42	104,164.07
363	Service Laterals	2004	EA	5	26,901.98		26,901.98	14,661.86	41,563.84
363	Service Laterals	2004	EA	4	6,623.29		6,623.29	3,609.76	10,233.05
363	Service Laterals	2004	EA	1	8,750.00		8,750.00	4,768.84	13,518.84
361	Modifications to Existing Regulator Chamber	2004	LOT		60,775.00		60,775.00	33,123.02	93,898.02
Total Contract #8					\$905,373.00	\$0.00	\$905,373.00	\$493,437.82	\$1,398,810.82
Contract #11:									
361	10" PVC Pipe	2004	LF	607	\$21,873.39		\$21,873.39	\$11,921.23	\$33,794.62
361	18" PVC Pipe	2004	LF	551	28,176.28		28,176.28	15,356.37	43,532.65
361	Stream Crossing - Ash St	2004	EA	1	71,790.62		71,790.62	39,126.64	110,917.26
361	Stream Crossing - Myrtle St	2004	EA	1	70,130.44		70,130.44	38,221.83	108,352.27
361	Manholes	2004	EA	7	24,585.25		24,585.25	13,399.22	37,984.47
Total Contract #11					\$216,555.98	\$0.00	\$216,555.98	\$118,025.29	\$334,581.27
380	Boilers - Basement in the Sludge Hauling Bldg	2004	EA	2	\$240,403.35		\$240,403.35		\$240,403.35
Retired	Collector Chain Replacement	2004	LOT		\$33,467.00		\$33,467.00		\$33,467.00
Retired	Waste Pumps	2004	EA	3	\$20,630.00		\$20,630.00		\$20,630.00
380	Bell Filter Press - Replacement parts	2004	LOT		\$47,500.00		\$47,500.00		\$47,500.00
Contract #19									
361	15" PVC Pipe - Linden St	2004	LOT	695	\$35,549.53		\$35,549.53	\$19,374.87	\$54,924.40
361	24" PVC Pipe	2004	LOT	3,101	158,687.77		158,687.77	86,486.51	245,174.28
361	Manhole	2004	EA	1	3,540.47		3,540.47	1,929.59	5,470.06
Total Contract #19					\$197,777.77	\$0.00	\$197,777.77	\$107,790.97	\$305,568.74
Subtotal					\$1,951,884.54	\$0.00	\$1,951,884.54	\$854,379.46	\$2,806,264.00
Costs to Allocate:									
Admin. Cost					\$2,405.10		\$2,405.10	(\$2,405.10)	\$0.00
Legal Fees					4,367.79		4,367.79	(4,367.79)	0.00
Interest During Construction					90,806.20		90,806.20	(90,806.20)	0.00
A/E Fees					443,949.23		443,949.23	(443,949.23)	0.00
Contingency					301,848.14		301,848.14	(301,848.14)	0.00
Force Account					11,003.00		11,003.00	(11,003.00)	0.00
Total Costs to Allocate					\$854,379.46	\$0.00	\$854,379.46	(\$854,379.46)	\$0.00
Grand Total					\$2,806,264.00	\$0.00	\$2,806,264.00	\$0.00	\$2,806,264.00

Subsequently retired with newer projects.
These were parts replaced on the press - Still in service



Pennsylvania-American Water Company, Inc.
Scranton Sewer Authority

PennVest Loan #71281
2002 Construction Costs - Jefferson Ave/RT #307/Genet St Sewer Line

Item Description	Unit	Quantity	Original Amount	Allocate Costs	Adjusted Original Amount
12" PVC Pipe - Route #307	LF	288	\$2,327.17	\$28,129.44	\$30,456.61
15" PVC Pipe - Route #307	LF	444	3,340.04	40,372.41	43,712.45
Jefferson Ave & Genet St.	LOT		173,762.62		173,762.62
Subtotal			\$179,429.83	\$68,501.85	\$247,931.68
Costs to Allocate:					
Contracted Labor	LOT		\$5,427.50	(\$5,427.50)	\$0.00
Authority Labor	LOT		46,672.32	(46,672.32)	0.00
Stone, Concrete & Miscellaneous	LOT		14,932.95	(14,932.95)	0.00
Paving	LOT		1,469.08	(1,469.08)	0.00
Total Cost to Allocate			\$68,501.85	(\$68,501.85)	\$0.00
Total			\$247,931.68	\$0.00	\$247,931.68

Pennsylvania-American Water Company, Inc.
Scranton Sewer Authority

PennVest Loan #71281
2004 Construction Costs - Contract #8 (Minooka Interceptor)

<u>Item Description</u>	<u>Unit</u>	<u>Quantity</u>	<u>Original Amount</u>	<u>Allocate Costs</u>	<u>Adjusted Original Amount</u>
<u>Part A (Existing JDMH#1 to New MH #11)</u>					
21" PVC Pipe	LF	2,322	\$141,065.00	\$86,970.80	\$228,035.80
Manholes	EA	15	60,750.00	37,454.20	98,204.20
Subtotal			\$201,815.00	\$124,425.00	\$326,240.00
<u>Costs to Allocate:</u>					
Mobilization & Closeout	LOT		\$15,000.00	(\$15,000.00)	\$0.00
Clearing & Grubbing	LOT		7,500.00	(7,500.00)	0.00
Survey	LOT		25,000.00	(25,000.00)	0.00
E&S Control	LOT		5,000.00	(5,000.00)	0.00
Seeding & Sod	LOT		24,750.00	(24,750.00)	0.00
Blasting & Rock Excavation	LOT		6,500.00	(6,500.00)	0.00
Stone, Concrete & Miscellaneous	LOT		40,175.00	(40,175.00)	0.00
Paving	LOT		500.00	(500.00)	0.00
Total Cost to Allocate			\$124,425.00	(\$124,425.00)	\$0.00
Total Part A			\$326,240.00	\$0.00	\$326,240.00
<u>Part B (Davis St. & RR RAW Sanitary Sewers)</u>					
12" PVC Pipe	LF	1,708	\$127,710.00	\$152,751.37	\$280,461.37
Manholes	EA	10	30,700.00	36,719.65	67,419.65
Service Laterals	EA	5	12,250.00	14,651.98	26,901.98
Subtotal			\$170,660.00	\$204,123.00	\$374,783.00
<u>Costs to Allocate:</u>					
Mobilization & Closeout	LOT		\$15,000.00	(\$15,000.00)	\$0.00
E&S Control	LOT		3,500.00	(3,500.00)	0.00
Seeding	LOT		12,268.00	(12,268.00)	0.00
Blasting & Rock Excavation	LOT		20,630.00	(20,630.00)	0.00
Stone, Concrete & Miscellaneous	LOT		95,175.00	(95,175.00)	0.00
Paving	LOT		57,550.00	(57,550.00)	0.00
Total Cost to Allocate			\$204,123.00	(\$204,123.00)	\$0.00
Total Part B			\$374,783.00	\$0.00	\$374,783.00
<u>Part C (Crane St Regulator Chamber Modifications)</u>					
Modifications to Existing Regulator Chamber	LOT		\$60,775.00		\$60,775.00
Total Part C			\$60,775.00	\$0.00	\$60,775.00
<u>Part D (Forest Court Sewers)</u>					
Relining of 18" VC Pipe	LF	370	\$64,750.00	\$30,551.71	\$95,301.71
Service Laterals	EA	4	4,500.00	2,123.29	6,623.29
Subtotal			\$69,250.00	\$32,675.00	\$101,925.00
<u>Costs to Allocate:</u>					
Mobilization & Closeout	LOT		\$15,000.00	(\$15,000.00)	\$0.00
Stone, Concrete & Miscellaneous	LOT		16,875.00	(16,875.00)	0.00
Paving	LOT		800.00	(800.00)	0.00
Total Cost to Allocate			\$32,675.00	(\$32,675.00)	\$0.00
Total Part D			\$101,925.00	\$0.00	\$101,925.00
<u>Part E (Forest Court Sewers)</u>					
Relining of Pipe	LF	122	\$32,900.00		\$32,900.00
Service Laterals	EA	1	8,750.00		8,750.00
Total Part E			\$41,650.00	\$0.00	\$41,650.00
Total Contract #8			\$905,373.00	\$0.00	\$905,373.00

Pennsylvania-American Water Company, Inc.
Scranton Sewer Authority

PennVest Loan #71281
2004 Construction Costs - Contract #11 (Sewer Stream Crossing Replacement)

Item Description	Unit	Quantity	Original Amount	Allocate Costs	Adjusted Original Amount
10" PVC Pipe	LF	607	\$17,430.92	\$4,442.47	\$21,873.39
18" PVC Pipe	LF	551	22,453.70	5,722.58	28,176.28
Stream Crossing - Ash St	EA	1	57,210.00	14,580.62	71,790.62
Stream Crossing - Myrtle St	EA	1	55,887.00	14,243.44	70,130.44
Manholes	EA	7	19,592.00	4,993.25	24,585.25
Subtotal			\$172,573.62	\$43,982.36	\$216,555.98
Costs to Allocate:					
Mobilization & Closeout	LOT		\$5,000.00	(\$5,000.00)	\$0.00
Clearing & Grubbing	LOT		7,117.00	(7,117.00)	0.00
Survey	LOT		4,000.00	(4,000.00)	0.00
E&S Control	LOT		26,327.36	(26,327.36)	0.00
Seeding & Sod	LOT		1,375.00	(1,375.00)	0.00
Blasting & Rock Excavation	LOT		2,010.00	(2,010.00)	0.00
Stone, Concrete & Miscellaneous	LOT		(1,847.00)	1,847.00	0.00
Total Cost to Allocate			\$43,982.36	(\$43,982.36)	\$0.00
Total Contract #11			\$216,555.98	\$0.00	\$216,555.98

Pennsylvania-American Water Company, Inc.
Scranton Sewer Authority

PennVest Loan #71162
2004 Construction Costs

Item Description	Unit	Quantity	Original Amount	Allocate Costs	Adjusted Original Amount
<u>WWTP Plan Modifications - Phase 1B (Contract #4 & #5)</u>					
Blowers	EA	4	\$698,768.30	\$294,786.97	\$993,555.27
Blower Controls	LOT		30,495.26	12,864.93	43,360.19
Blower Master Control Panel	EA	1	61,616.05	25,993.75	87,609.80
Local Blower Control Panel	EA	4	133,700.58	56,403.80	190,104.38
FCI Flow Transmitters	EA	8	84,604.79	35,691.93	120,296.72
Danfoss DO Probes & Transmitters	EA	8	54,578.69	23,024.92	77,603.61
FDC / Limitorque Valves - Blower Inlet	EA	4	45,351.92	19,132.46	64,484.38
M&H / Limitorque Airflow Control Valves	EA	8	142,623.96	60,168.27	202,792.23
Slide Gates	EA	40	219,918.26	92,776.15	312,694.41
Aeration Equipment	EA	4	476,391.67	200,973.70	677,365.37
Weirs & Baffles	EA	4	84,425.63	35,616.35	120,041.98
Piping (SS & Steel) & Valves	LOT		528,570.00	222,985.99	751,555.99
Chlorine Injection System	LOT		7,244.89	3,056.38	10,301.27
Radio Telemetry			6,450.92	2,721.43	9,172.35
Installation of Handrail & Posts			106,960.00	45,122.84	152,082.84
Replacement of Grating			18,200.00	7,677.97	25,877.97
Replace Carbon Media in Existing Scrubber			76,206.00	32,148.76	108,354.76
Total WWTP Plan Modifications - Phase 1B (Contract #4 & #5)			\$2,776,106.92	\$1,171,146.60	\$3,947,253.52
<u>WWTP Plan Modifications - Phase 1B (Contract #23 & #24)</u>					
Sluice Gates	EA	2	\$51,176.78	\$21,589.77	\$72,766.55
Bar Screen	EA	2	565,638.03	238,623.75	804,261.78
Grit Piping Replacement	LOT		40,123.15	16,926.61	57,049.76
Chlorine System Modifications	LOT		36,169.64	15,258.76	51,428.40
Emergency Lighting	LOT		5,459.00	2,302.97	7,761.97
High Flood Alarm	EA	1	4,556.00	1,922.02	6,478.02
Total WWTP Plan Modifications - Phase 1B (Contract #23 & #24)			\$703,122.60	\$296,623.88	\$999,746.48
Subtotal			\$3,479,229.52	\$1,467,770.48	\$4,947,000.00
<u>Costs to Allocate:</u>					
Legal Fees			\$11,126.48	(\$11,126.48)	\$0.00
Interest During Construction			117,502.30	(117,502.30)	0.00
A/E Fees			1,010,757.20	(1,010,757.20)	0.00
Contingency			328,384.50	(328,384.50)	0.00
Total Costs to Allocate			\$1,467,770.48	(\$1,467,770.48)	\$0.00
Grand Total			\$4,947,000.00	\$0.00	\$4,947,000.00

These were all replacements for existing equipment.

Scranton Sewer Authority

1972 Interceptor Mains & CSOs

Item	Year Installed	Quantity Unit	No.	Original Cost	Unit Cost	Diameter / Width	Height	Volume	Pipe Size by Volume
<u>Interceptor Main Assets:</u>									
24"	1972	LF	7,866	\$554,788.98	\$70.53	24		20.79	
30"	1972	LF	1,846	111,959.90	\$60.65	30		32.48	
36"	1972	LF	456	39,790.56	\$87.26	36		46.78	
38"	1972	LF	735	64,136.10	\$87.26	38		52.12	36"
48"	1972	LF	1,866	151,892.40	\$81.40	48		83.16	36"
52"	1972	LF	781	71,055.38	\$90.98	52		97.59	54"
54"	1972	LF	4,341	394,944.18	\$90.98	54		105.24	
60"	1972	LF	8,738	864,712.48	\$98.96	60		129.93	
66"	1972	LF	3,590	389,622.70	\$108.53	66		157.22	72"
78"	1972	LF	6,304	986,071.68	\$156.42	78		219.58	84"
80"	1972	LF	358	55,998.36	\$156.42	80		230.99	84"
Manholes - Interceptor	1972	EA	133	106,820.28	\$803.16				
Total Interceptor Main Assets				\$3,791,793.00					
<u>CSO Assets:</u>									
Outfalls	1972	EA	80	115,140.00	\$1,439.25				
Regulator Chambers	1972	EA	65	695,414.85	\$10,698.69				
Diversion Manholes	1972	EA	15	25,798.65	\$1,719.91				
Culverts	1972	EA	46	7,073,819.60	\$557.30				
Total CSO Assets				\$7,910,173.10					
Total Account 361				\$11,701,966.10					

Development of Unit Costs



Indexed Unit Costs for
Account 361 - CSO Assets - Regulator Chambers, Culverts & Outfalls

Year	Average W-1-34	Regulator Chambers	Culverts (Costs per Gallon)			Outfall
			Small	Medium	Large	
1912	9	\$982.53	\$0.2396	\$0.0624	\$0.0364	\$132.18
1913	10	\$1,091.70	\$0.2662	\$0.0693	\$0.0404	\$146.86
1914	8	\$873.36	\$0.2130	\$0.0555	\$0.0323	\$117.49
1915	9	\$982.53	\$0.2396	\$0.0624	\$0.0364	\$132.18
1916	11	\$1,200.87	\$0.2929	\$0.0762	\$0.0445	\$161.55
1917	16	\$1,746.72	\$0.4260	\$0.1109	\$0.0647	\$234.98
1918	19	\$2,074.24	\$0.5059	\$0.1317	\$0.0768	\$279.04
1919	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1920	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1921	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1922	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1923	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1924	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1925	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1926	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1927	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1928	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1929	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1930	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1931	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1932	18	\$1,965.07	\$0.4792	\$0.1248	\$0.0728	\$264.35
1933	18	\$1,965.07	\$0.4792	\$0.1248	\$0.0728	\$264.35
1934	19	\$2,074.24	\$0.5059	\$0.1317	\$0.0768	\$279.04
1935	19	\$2,074.24	\$0.5059	\$0.1317	\$0.0768	\$279.04
1936	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1937	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1938	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1939	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1940	23	\$2,510.92	\$0.6124	\$0.1594	\$0.0930	\$337.78
1941	23	\$2,510.92	\$0.6124	\$0.1594	\$0.0930	\$337.78
1942	24	\$2,620.09	\$0.6390	\$0.1664	\$0.0970	\$352.47
1943	25	\$2,729.26	\$0.6656	\$0.1733	\$0.1011	\$367.16
1944	25	\$2,729.26	\$0.6656	\$0.1733	\$0.1011	\$367.16
1945	26	\$2,838.43	\$0.6922	\$0.1802	\$0.1051	\$381.84
1946	29	\$3,165.94	\$0.7721	\$0.2010	\$0.1172	\$425.90
1947	35	\$3,820.96	\$0.9319	\$0.2426	\$0.1415	\$514.02
1948	41	\$4,475.98	\$1.0916	\$0.2842	\$0.1657	\$602.14
1949	42	\$4,585.15	\$1.1182	\$0.2911	\$0.1698	\$616.82
1950	43	\$4,694.32	\$1.1449	\$0.2981	\$0.1738	\$631.51
1951	45	\$4,912.66	\$1.1981	\$0.3119	\$0.1819	\$660.88
1952	47	\$5,131.00	\$1.2513	\$0.3258	\$0.1900	\$690.25
1953	48	\$5,240.17	\$1.2780	\$0.3327	\$0.1940	\$704.94
1954	51	\$5,567.69	\$1.3578	\$0.3535	\$0.2061	\$749.00
1955	53	\$5,786.03	\$1.4111	\$0.3674	\$0.2142	\$778.37
1956	57	\$6,222.71	\$1.5176	\$0.3951	\$0.2304	\$837.12
1957	60	\$6,550.22	\$1.5975	\$0.4159	\$0.2425	\$881.17
1958	63	\$6,877.73	\$1.6773	\$0.4367	\$0.2547	\$925.23
1959	65	\$7,096.07	\$1.7306	\$0.4505	\$0.2627	\$954.61
1960	68	\$7,423.58	\$1.8105	\$0.4713	\$0.2749	\$998.66
1961	69	\$7,532.75	\$1.8371	\$0.4783	\$0.2789	\$1,013.35
1962	71	\$7,751.09	\$1.8903	\$0.4921	\$0.2870	\$1,042.72
1963	72	\$7,860.26	\$1.9170	\$0.4991	\$0.2910	\$1,057.41
1964	73	\$7,969.43	\$1.9436	\$0.5060	\$0.2951	\$1,072.10

Indexed Unit Costs for
Account 361 - CSO Assets - Regulator Chambers, Culverts & Outfalls

Year	Average W-1-34	Regulator Chambers	Culverts (Costs per Gallon)			Outfall
			Small	Medium	Large	
1912	9	\$982.53	\$0.2396	\$0.0624	\$0.0364	\$132.18
1913	10	\$1,091.70	\$0.2662	\$0.0693	\$0.0404	\$146.86
1914	8	\$873.36	\$0.2130	\$0.0555	\$0.0323	\$117.49
1915	9	\$982.53	\$0.2396	\$0.0624	\$0.0364	\$132.18
1916	11	\$1,200.87	\$0.2929	\$0.0762	\$0.0445	\$161.55
1917	16	\$1,746.72	\$0.4260	\$0.1109	\$0.0647	\$234.98
1918	19	\$2,074.24	\$0.5059	\$0.1317	\$0.0768	\$279.04
1919	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1920	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1921	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1922	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1923	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1924	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1925	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1926	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1927	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1928	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1929	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1930	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1931	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1932	18	\$1,965.07	\$0.4792	\$0.1248	\$0.0728	\$264.35
1933	18	\$1,965.07	\$0.4792	\$0.1248	\$0.0728	\$264.35
1934	19	\$2,074.24	\$0.5059	\$0.1317	\$0.0768	\$279.04
1935	19	\$2,074.24	\$0.5059	\$0.1317	\$0.0768	\$279.04
1936	20	\$2,183.41	\$0.5325	\$0.1386	\$0.0808	\$293.72
1937	21	\$2,292.58	\$0.5591	\$0.1456	\$0.0849	\$308.41
1938	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1939	22	\$2,401.75	\$0.5857	\$0.1525	\$0.0889	\$323.10
1940	23	\$2,510.92	\$0.6124	\$0.1594	\$0.0930	\$337.78
1941	23	\$2,510.92	\$0.6124	\$0.1594	\$0.0930	\$337.78
1942	24	\$2,620.09	\$0.6390	\$0.1664	\$0.0970	\$352.47
1943	25	\$2,729.26	\$0.6656	\$0.1733	\$0.1011	\$367.16
1944	25	\$2,729.26	\$0.6656	\$0.1733	\$0.1011	\$367.16
1945	26	\$2,838.43	\$0.6922	\$0.1802	\$0.1051	\$381.84
1946	29	\$3,165.94	\$0.7721	\$0.2010	\$0.1172	\$425.90
1947	35	\$3,820.96	\$0.9319	\$0.2426	\$0.1415	\$514.02
1948	41	\$4,475.98	\$1.0916	\$0.2842	\$0.1657	\$602.14
1949	42	\$4,585.15	\$1.1182	\$0.2911	\$0.1698	\$616.82
1950	43	\$4,694.32	\$1.1449	\$0.2981	\$0.1738	\$631.51
1951	45	\$4,912.66	\$1.1981	\$0.3119	\$0.1819	\$660.88
1952	47	\$5,131.00	\$1.2513	\$0.3258	\$0.1900	\$690.25
1953	48	\$5,240.17	\$1.2780	\$0.3327	\$0.1940	\$704.94
1954	51	\$5,567.69	\$1.3578	\$0.3535	\$0.2061	\$749.00
1955	53	\$5,786.03	\$1.4111	\$0.3674	\$0.2142	\$778.37
1956	57	\$6,222.71	\$1.5176	\$0.3951	\$0.2304	\$837.12
1957	60	\$6,550.22	\$1.5975	\$0.4159	\$0.2425	\$881.17
1958	63	\$6,877.73	\$1.6773	\$0.4367	\$0.2547	\$925.23
1959	65	\$7,096.07	\$1.7306	\$0.4505	\$0.2627	\$954.61
1960	68	\$7,423.58	\$1.8105	\$0.4713	\$0.2749	\$998.66
1961	69	\$7,532.75	\$1.8371	\$0.4783	\$0.2789	\$1,013.35
1962	71	\$7,751.09	\$1.8903	\$0.4921	\$0.2870	\$1,042.72
1963	72	\$7,860.26	\$1.9170	\$0.4991	\$0.2910	\$1,057.41
1964	73	\$7,969.43	\$1.9436	\$0.5060	\$0.2951	\$1,072.10

**New Garden Township
Sewer System**

Original Cost as of June 30, 2016
Account 360.12 - Conveyance Mains Force - 6" - 8" Plastic Pipe

Item	Year Installed	Unit	No.	Original Cost
Conveyance Mains Force - 6" - 8" Plastic Pipe	1996	Ft.	6,008	\$ 142,991
	2001	Ft.	11,140	252,775
	2003	Ft.	1,000	18,090
	2012	Ft.	2,360	<u>283,490</u>
Total Account 360.12				<u><u>\$ 697,346</u></u>

New Garden Township
Sewer System

Original Cost as of June 30, 2016
Account 360.11 - Conveyance Mains Force - 4" & Under Plastic Pipe

Item	Year Installed	Unit	No.	Original Cost
Conveyance Mains Force - 4" & Under Plastic Pipe	1980	Ft.	3,865	\$ 142,271
	1989	Ft.	745	17,134
	1995	Ft.	1,500	17,580
	1996	Ft.	1,500	19,500
	1999	Ft.	2,325	29,250
	2000	Ft.	2,770	70,400
	2001	Ft.	4,800	57,330
	2003	Ft.	225	4,070
	2004	Ft.	1,915	15,816
	2006	Ft.	1,740	194,926
	2007	Ft.	1,550	31,434
	2010	Ft.	3,040	33,293
	2011	Ft.	2,954	149,921
	2012	Ft.	4,970	119,218
Total Account 360.11				<u><u>\$ 902,143</u></u>

New Garden Township
Sewer System

Original Cost as of June 30, 2016
Account 360.13 - Conveyance Mains Force - 10" - 12" Plastic Pipe

Item	Year Installed	Unit	No.	Original Cost
Conveyance Mains Force - 10" - 12" Plastic Pipe	2005	Ft.	1,750	<u>\$ 51,462</u>
				<u>\$ 51,462</u>

Total Account 360.13

New Garden Township
Sewer System

Original Cost as of June 30, 2016
Account 360.21 - Conveyance Mains Force - 4" & Under AC Pipe

Item	Year Installed	Unit	No.	Original Cost
Conveyance Mains Force - 4" & Under AC Pipe	1960	Ft.	1,378	<u>\$ 17,115</u>
				<u><u>\$ 17,115</u></u>

Total Account 360.21

New Garden Township
Sewer System

Original Cost as of June 30, 2016
Account 360.22 - Conveyance Mains Force - 6" - 8" AC Pipe

Item	Year Installed	Unit	No.	Original Cost
Conveyance Mains Force - 6" - 8" AC Pipe	1960	Ft.	16,956	<u>\$ 210,590</u>
Total Account 360.22				<u><u>\$ 210,590</u></u>

New Garden Township
Sewer System

Original Cost as of June 30, 2016
Account 360.31 - Air Release

Item	Year Installed	Unit	No.	Original Cost
Air Release	1996	Ea.	5	\$ 1,300
	2001	Ea.	3	8,229
	2006	Ea.	2	16,500
	2010	Ea.	1	5,425
	2011	Ea.	3	14,325
	2012	Ea.	2	<u>5,121</u>
Total Account 360.31				<u>\$ 50,900</u>

New Garden Township
Sewer System

Original Cost as of June 30, 2016
Account 364.00 - Flow Meters

Item	Year Installed	Unit	No.	Original Cost
Flow Meters	2001	Ea.	1	\$ 2,655
	2006	Ea.	1	5,385
	2007	Ea.	1	6,730
	2008	Ea.	3	8,916
	2011	Ea.	1	<u>5,530</u>
Total Account 364.00				<u>\$ 29,216</u>

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

Income Approach

**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:**

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
As of September 2016
Discounted Cash Flow Analysis

Discount Rate: 7.00%
 Capitalization Rate: 3.84%

Period	Age	Income from Operations	Non Cash Expense (depreciation)	Capital Expenditures	Change in Working Capital	Net Cash Flows	Period Present Worth Factor (PW)	PW of Cashflow	Accumulated PW of Cashflows
1	0.5	(215,714)	3,451,139	1,322,243	(79,751)	1,833,431	0.967	1,772,928	1,772,928
2	1.5	829,236	3,490,323	1,337,205	1,145,667	4,128,021	0.903	3,727,603	5,500,531
3	2.5	704,924	3,529,958	1,352,338	(5,518)	2,877,026	0.844	2,428,210	7,928,741
4	3.5	572,460	3,570,047	1,367,644	(5,927)	2,768,936	0.789	2,184,691	10,113,432
5	4.5	2,753,936	3,610,599	1,383,126	520,214	5,501,623	0.738	4,060,198	14,173,630
6	5.5	2,924,371	3,651,616	1,398,785	12,295	5,189,497	0.689	3,575,563	17,749,193
7	6.5	2,971,836	3,693,103	1,414,624	12,272	5,262,587	0.644	3,389,106	21,138,299
8	7.5	4,359,854	3,735,069	1,430,645	313,829	6,978,107	0.602	4,200,820	25,339,119
9	8.5	4,422,571	3,777,517	1,446,848	17,043	6,770,283	0.563	3,811,669	29,150,788
10	9.5	5,880,304	3,820,454	1,463,237	330,734	8,568,255	0.526	4,506,902	33,657,690
11	10.5	5,960,477	3,863,884	1,479,814	22,144	8,366,691	0.491	4,108,045	37,765,735
12	11.5	6,038,753	3,907,814	1,496,582	22,260	8,472,245	0.459	3,888,760	41,654,495
13	12.5	6,115,245	3,952,249	1,513,542	22,374	8,576,326	0.429	3,679,244	45,333,739
14	13.5	6,190,048	3,997,195	1,530,697	22,484	8,679,030	0.401	3,480,291	48,814,030
15	14.5	7,925,137	4,042,660	1,548,047	395,570	10,815,320	0.375	4,055,745	52,869,775
16	15.5	8,023,379	4,088,646	1,565,598	28,666	10,575,093	0.350	3,701,283	56,571,058
17	16.5	8,120,558	4,135,164	1,583,349	28,864	10,701,237	0.327	3,499,304	60,070,362
18	17.5	8,216,725	4,182,215	1,601,304	29,061	10,826,697	0.306	3,312,969	63,383,331
19	18.5	8,311,916	4,229,809	1,619,465	29,256	10,951,516	0.286	3,132,134	66,515,465
20 and beyond	19.5	10,382,413	4,277,951	1,637,836	472,978	13,495,506	6.961	93,942,217	160,457,682

Age 19.5
 PW(Age) = 1/(1+Discount Rate)^(Age) 0.267
 PW to Perpetuity = 1/Capitalization Rate 26.042
 PW_(20and Beyond) = PW to Perpetuity * PW Factor_(19.5) 6.961

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

Income Approach

**Discounted Cash Flow Analysis
Private Rate Regulated Wastewater Utility
Statement of Net Position
Period 1 through 19 and 20 to perpetuity**

**AUS Consultants
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Greenfield, Wisconsin 53228
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Pennsylvania American, Inc.
The Municipal Authority of the City of Mckeesport
Wastewater
Investor-Owned Utility
As of September 2016

Line	Period																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Forecast Parameters:	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	
	Period 6-																	
	beyond																	
	Period 1-5																	
Base																		
Assets																		
Current Assets:																		
Cash and Cash Equivalent																		
Accounts Receivable as % of Revenues	605,230																	
Accounts Payable as % of Revenues	1,757,902																	
Total Current Assets	2,363,132																	
Restricted Assets:																		
Investments	6,967,248																	
Total Restricted Assets																		
Plant, Depreciation and Net Plant																		
Plant Balance - Calculated																		
Additions - Calculated																		
Retirements - Calculated																		
End Balance - Calculated																		
Depreciation																		
Begin Balance - Calculated																		
Retirements - Calculated																		
End Balance - Calculated																		
Net Plant																		
Total Assets																		
Liabilities, Deferred Inflow of Resources and Net Position																		
Current Liabilities																		
Accounts Payable	343,445																	
As a % of Revenues	2,479,174																	
Current Portion of Bonds and Notes Payable	2,822,619																	
Total Current Liabilities																		
Long Term Liabilities:																		
Bonds Payable - Long Term Position (Net)																		
Begin Debt Balance																		
Additional Debt																		
As a % of Capx																		
Retired Debt																		
Current Portion of Bonds and Notes Payable																		
End Debt Balance																		
Total Liabilities																		
Net Position																		
Equity	107,640,000																	
Begin Equity Balance																		
Retained Earnings																		
Begin Retained Earnings																		
Net Income (Loss)																		
Dividends Retained																		
End Retained Earnings																		
Total Stockholders Equity																		
Net Change in Working Capital																		
Current Assets																		
Current Liabilities																		
Working Capital																		
Net Change in Working Capital																		

Pennsylvania American, Inc.
 The Municipal Authority of the City of Mckeesport
 Wastewater
 Investor-Owned Utility
 As of September 2016

	18	19	20 and beyond
	17.5	18.5	19.5

Statement of Net Position

Assets:			
Current Assets:			
Cash and Cash Equivalent	1,705,012	1,705,816	1,803,758
Cash and Cash Equivalent as % of Revenues	5%	5%	5%
Accounts Receivable	4,865,430	4,435,272	4,948,770
Accounts Receivable as % of Revenues	13%	11%	11%
Total Current Assets	6,044,442	6,141,153	6,853,528
Restricted Assets:			
Investment in Other Municipalities	0	0	0
Total Restricted Assets	0	0	0
Plant, Depreciation and Net Plant			
Begin Balance - Calculated	189,884,018	192,058,193	194,257,690
Additions - Calculated	1,601,304	1,619,465	1,637,836
Retirements - Calculated	572,871	580,032	587,283
End Balance - Calculated	191,058,193	194,257,690	196,488,809
Depreciation - Calculated	(73,042,222)	(77,797,308)	(82,607,149)
Depreciation - Calculated as % of Revenues	(19%)	(19%)	(19%)
Retirements - Calculated	(4,352,215)	(4,228,809)	(4,277,953)
Retirements - Calculated as % of Revenues	(11%)	(11%)	(11%)
End Balance - Calculated	(77,797,308)	(82,607,149)	(87,285,102)
Net Plant	113,260,885	111,650,541	109,203,707
Total Assets	110,305,327	117,791,694	115,883,954

Liabilities, Deferred Inflow of Resources and Net Position

Current Liabilities:			
Accounts Payable	1,679,012	1,705,876	1,903,728
Accounts Payable as % of Revenues	5%	5%	5%
Current Portion of Bonds and Notes Payable	1,633,149	1,579,740	1,652,255
Current Portion of Bonds and Notes Payable as % of Revenues	4%	4%	4%
Total Current Liabilities	3,312,161	3,279,616	3,555,983
Long-Term Liabilities:			
Bonds Payable - Long Term Position (Net)	76,657,428	78,686,981	80,762,755
Begin Debt Balance	496,404	502,034	507,729
As % of Cap	31%	31%	31%
Retired Debt	(1,553,189)	(1,579,740)	(1,652,255)
Retired Debt as % of Revenues	2%	2%	2%
End Debt Balance	78,686,981	80,762,755	82,885,729
Total Liabilities	81,899,182	84,042,371	86,400,752
Net Position			
Equity	38,406,185	33,748,323	29,485,202
Begin Equity Balance	107,640,000	107,640,000	107,640,000
Retained Earnings	171,857,811	186,426,774	207,146,691
Retained Earnings as % of Revenues	45%	45%	45%
Net Income (Loss)	17,468,933	17,721,967	21,335,691
Distributed Retain Earnings	189,426,724	207,146,691	228,501,782
End Retained Earnings	289,066,724	314,788,651	336,141,782
Total Stockholders Equity	6,044,442	6,141,153	6,853,528
Net Change in Working Capital			
Current Assets	3,112,181	3,279,616	3,519,013
Current Liabilities	(2,437,739)	(2,530,740)	(2,652,255)
Working Capital	29,861	29,256	472,378
Net Change in Working Capital	29,861	29,256	472,378

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Waterworks
Investor-Owned Liability
As of September 2016

Description	Forecast Parameters																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Base	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5
Period 1-5	beyond																
Land	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000
Buildings	92,762,318	93,921,847	95,095,870	96,284,568	97,488,125	98,706,727	99,940,561	101,189,818	102,454,691	103,735,374	105,032,066	106,344,966	107,674,278	109,020,206	110,382,959	111,762,746	113,159,781
Plant, Machinery & Equipment	62,652,591	63,279,117	63,911,908	64,551,027	65,196,537	65,848,502	66,506,987	67,172,037	67,844,778	68,522,216	69,204,438	69,895,512	70,596,507	71,304,492	72,017,537	72,737,712	73,465,089
Retirements	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
End Balance - Calculated	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000
Retirements	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
End Balance - Calculated	92,762,318	93,921,847	95,095,870	96,284,568	97,488,125	98,706,727	99,940,561	101,189,818	102,454,691	103,735,374	105,032,066	106,344,966	107,674,278	109,020,206	110,382,959	111,762,746	113,159,781
Retirements	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
End Balance - Calculated	62,652,591	63,279,117	63,911,908	64,551,027	65,196,537	65,848,502	66,506,987	67,172,037	67,844,778	68,522,216	69,204,438	69,895,512	70,596,507	71,304,492	72,017,537	72,737,712	73,465,089
Retirements	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
End Balance - Calculated	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Retirements	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
End Balance - Calculated	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%
Retirements	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
End Balance - Calculated	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%
Retirements	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
End Balance - Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Retirements	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
End Balance - Calculated	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%
Retirements	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
End Balance - Calculated	156,524,906	158,310,964	160,117,778	161,945,595	163,794,662	165,665,229	167,557,548	169,471,875	171,408,469	173,367,590	175,349,504	177,354,478	179,382,785	181,434,698	183,510,496	185,610,458	187,734,870
Retirements	1,322,243	1,387,805	1,457,318	1,530,784	1,608,126	1,690,785	1,778,044	1,869,284	1,964,008	2,062,824	2,165,344	2,271,200	2,380,052	2,491,552	2,605,452	2,722,412	2,841,200
End Balance - Calculated	463,812	469,609	475,679	481,433	487,441	493,334	499,033	505,349	512,273	519,816	527,880	536,377	545,315	554,601	564,244	574,255	584,644
End Balance - Calculated	158,310,964	160,117,778	161,945,595	163,794,662	165,665,229	167,557,548	169,471,875	171,408,469	173,367,590	175,349,504	177,354,478	179,382,785	181,434,698	183,510,496	185,610,458	187,734,870	189,884,018

156,524,906

Pennsylvania American, Inc.
The Municipal Authority of the City of MidKeesport
Wastewater
Investor-Owned Utility
As of September 2016

18 19 20 and beyond
17.5 18.5 19.5

Note 3-Property, Plant, and Equipment

Plant Description	18	19	20 and beyond
Land			
Begin Balance	1,110,000	1,110,000	1,110,000
Additions	0%	0%	0%
Retirements	0%	0%	0%
End Balance - Calculated	1,110,000	1,110,000	1,110,000
Infrastructure			
Begin Balance	114,574,278	115,006,456	117,456,536
Additions	859,307	870,048	880,924
Retirements	0.75%	0.75%	0.75%
End Balance - Calculated	116,096,456	117,456,536	118,924,743
Buildings			
Begin Balance	74,989,740	74,989,740	75,693,154
Additions	741,992	746,417	750,033
Retirements	1.0%	1.0%	1.0%
End Balance - Calculated	74,941,737	75,691,154	76,448,066
Plant Machinery & Equipment			
Begin Balance			
Additions	2.0%	2.0%	2.0%
Retirements	-1.0%	-1.0%	-1.0%
End Balance - Calculated			
Office Machinery and Equipment			
Begin Balance			
Additions	10%	10%	10%
Retirements	-5%	-5%	-5%
End Balance - Calculated			
Vehicle and Equipment			
Begin Balance			
Additions	15%	15%	15%
Retirements	-5%	-5%	-5%
End Balance - Calculated			
Construction in Progress			
Begin Balance	0%	0%	0%
Additions	0%	0%	0%
Retirements	0%	0%	0%
End Balance - Calculated			
Total Plant			
Begin Balance - Calculated	189,884,018	192,058,193	194,257,690
Additions	1,601,299	1,619,915	1,637,888
Retirements	(50,371)	(50,371)	(50,371)
End Balance - Calculated	189,038,193	194,257,690	196,482,809

Item	Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Forecast Parameters	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	
Period 1-5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Period 6 beyond	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation																		
Land																		
Begin Balance																		
Depreciation Rate																		
Retirements Calculated in Plant																		
End Balance - Calculated																		
Infrastructure																		
Begin Balance																		
Depreciation Rate																		
Retirements Calculated in Plant																		
End Balance - Calculated																		
Buildings																		
Begin Balance																		
Depreciation Rate																		
Retirements Calculated in Plant																		
End Balance - Calculated																		
Plant Machinery & Equipment																		
Begin Balance																		
Depreciation Rate																		
Retirements Calculated in Plant																		
End Balance - Calculated																		
Office Machinery and Equipment																		
Begin Balance																		
Depreciation Rate																		
Retirements Calculated in Plant																		
End Balance - Calculated																		
Vehicles and Equipment																		
Begin Balance																		
Depreciation Rate																		
Retirements Calculated in Plant																		
End Balance - Calculated																		
Construction in Progress																		
Begin Balance																		
Depreciation Rate																		
Retirements Calculated in Plant																		
End Balance - Calculated																		
Total Depreciation																		
Begin Balance - Calculated																		
Depreciation - Calculated																		
Retirements - Calculated																		
End Balance - Calculated																		
Property Tax on Real Estate																		
Real Estate Plant Begin Balance																		
Real Estate Depreciation Begin Balance																		
Real Estate Net Plant Begin Balance																		
Tax Rate																		
Property Tax on Real Estate																		

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor Owned Utility
As of September 2016

	18	19	20 and beyond
	17 \$	18 \$	19 \$

	18	19	20 and beyond
	17 \$	18 \$	19 \$
Depreciation			
Land			
Begin Balance			
Depreciation			
Depreciation Rate	0%	0%	0%
Retirements Calculated in Plant			
End Balance - Calculated			
Infrastructure			
Begin Balance	(43,885,668)	(46,767,211)	(49,684,773)
Depreciation	(2,308,672)	(2,337,530)	(2,366,749)
Depreciation Rate	-2%	-2%	-2%
Retirements Calculated in Plant	(572,871)	(580,032)	(587,283)
End Balance - Calculated	(46,767,211)	(49,684,773)	(52,638,805)
Buildings			
Begin Balance	(29,156,554)	(31,030,097)	(32,922,376)
Depreciation	(1,873,543)	(1,892,279)	(1,911,202)
Depreciation Rate	-3%	-3%	-3%
Retirements Calculated in Plant	(31,030,097)	(32,922,376)	(34,833,578)
End Balance - Calculated			
Plant Machinery & Equipment			
Begin Balance			
Depreciation			
Depreciation Rate	-4%	-4%	-4%
Retirements Calculated in Plant			
End Balance - Calculated			
Office Machinery and Equipment			
Begin Balance			
Depreciation			
Depreciation Rate	-13%	-13%	-13%
Retirements Calculated in Plant			
End Balance - Calculated			
Vehicles and Equipment			
Begin Balance			
Depreciation			
Depreciation Rate	-10%	-10%	-10%
Retirements Calculated in Plant			
End Balance - Calculated			
Construction in Progress			
Begin Balance	0	0	0
Depreciation			
Depreciation Rate	0%	0%	0%
Retirements Calculated in Plant			
End Balance - Calculated	0	0	0
Total Depreciation			
Begin Balance - Calculated	(73,042,222)	(77,797,308)	(82,607,149)
Depreciation - Calculated	(4,182,215)	(4,229,809)	(4,277,951)
Retirements - Calculated	(572,873)	(580,032)	(587,283)
End Balance - Calculated	(77,797,308)	(82,607,149)	(87,472,383)
Property Tax on Real Estate			
Real Estate Plant Begin Balance	74,199,740	74,941,737	75,691,154
Real Estate Depreciation Begin Balance	(31,030,097)	(32,922,376)	(34,833,578)
Real Estate Net Plant Begin Balance	43,169,643	42,019,361	40,857,576
Tax Rate	2.000%	2.000%	2.000%
Property Tax on Real Estate	863,393	840,387	817,152

Income Approach

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Income Approach
Private Rate Regulated Wastewater Utility
Statement of Revenues, Expenses, and Net Position
Period 1 through 19 and 20 to perpetuity**

**AUS Consultants
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Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
As of September 2016

Base	Forecast Parameters	Period																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
		0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5
	Period 1-5	Period 6-beyond																
Operating Revenues																		
Sewage Treatment Services, Sludge Hauling, Tap Fees & Permit, Miscellaneous	13,504,519																	
Annual Growth Customers		1.1%	1.6%															
Periodic Growth Customers																		
Periodicity in years		5																
Growth Rate		10%																
Rate Increases						10%						10%					10%	
Periodicity in years		3																
Rate Increased	Based on Authorized																	
Total Growth & Rate Increases	Return on Rate Base			0%	15%	0%	0%	15%	0%	0%	11%	0%	0%	0%	0%	0%	0%	0%
				1.1%	16.1%	1.1%	1.1%	26.1%	1.6%	1.6%	12.6%	1.6%	11.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Operating Expenses																		
Personnel Cost	4,126,408																	
Professional Services	328,759	3%	3%															
Sewage Plant Costs	1,789,156	6%	-10%															
Other General and Administrative	392,040	6%	3%															
Bad Debt Expense	230,865	Based on % of Revenues																
Property Tax on Real Estate		2%	1%															
Depreciation	2,368,937	Based on Plant and Depreciation Parameters																
Total Operating expenses	9,236,165																	
Net Operating income before Non-operating Revenue and Expenses	3,811,679																	
Non-Operating Revenue and Expense																		
Interest Income																		
Interest Income on Investments		2%	2%															
Interest on Long-Term Debt																		
Interest Rate on Long Term Debt		-4.44%	-4.44%															
Total Non-Operating Revenue and Expense																		
Net Income before State and Federal Taxes																		
State and Federal Taxes																		
Combined State and Federal Tax Rate:		41.49%	41.49%															
After Tax Net Income																		

Pennsylvania American, Inc.
 The Municipal Authority of the City of McKeesport
 Wastewater
 Investor-Owned Utility
 As of September 2016

	18	19	20 and beyond
	17.5	18.5	19.5

Statement of Revenues, Expenses and Changes in Net Position

	18	19	20 and beyond
Operating Revenues			
Sewage Treatment Services, Sludge Hauling, Tap Fees & Permit, Miscellaneous	33,580,234	34,117,518	38,075,150
Annual Growth Customers	1.6%	1.6%	1.6%
Periodic Growth Customers			
Periodicity in years			
Growth Rate			10%
Rate Increases			
Periodicity in years			
Rate Increased	0%	0%	0%
Total Growth & Rate Increases	1.6%	1.6%	11.6%
Operating Expenses			
Personnel Cost	6,594,298	6,759,155	6,928,134
Professional Services	111,830	100,647	90,582
Sewage Plant Costs	3,300,560	3,383,074	3,467,651
Other General and Administrative	723,223	741,304	759,837
Bad Debt Expense	335,802	341,175	380,752
Property Tax on Real Estate	863,393	840,387	817,152
Depreciation	4,182,215	4,229,809	4,277,951
Total Operating expenses	16,111,321	16,395,551	16,722,059
Net Operating Income before Non-operating Revenue and Expenses	17,468,913	17,721,967	21,353,091
Non-Operating Revenue and Expense			
Interest Income			
Interest Income on Investments	2%	2%	2%
Interest on Long-Term Debt	(3,425,630)	(3,515,992)	(3,608,409)
Interest Rate on Long term Debt	-4.44%	-4.44%	-4.44%
Total Non-Operating Revenue and Expense	(3,425,630)	(3,515,992)	(3,608,409)
Net Income before State and Federal Taxes	14,043,283	14,205,975	17,744,682
State and Federal Taxes	5,826,558	5,894,059	7,362,269
Combined State and Federal Tax Rate	41.49%	41.49%	41.49%
Aller Tax Net Income	8,216,725	8,311,916	10,382,413

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Income Approach
Private Rate Regulated Wastewater Utility
Rate Case Activity
Period 1 through 19 and 20 to perpetuity**

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Pennsylvania American, Inc.
 The Municipal Authority of the City of McKeesport
 Wastewater
 Investor Owned Utility
 As of September 2016

Base	Forecast Parameters	Period																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
		0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5
	Period 1-5	Period 6-beyond																
Rate Case Activity																		
Rate Base																		
Plant		158,310,964	160,117,778	161,945,595	163,794,662	165,665,229	167,557,548	169,471,875	171,408,469	173,367,590	175,349,504	177,354,478	179,382,785	181,434,698	183,510,496	185,610,458	187,734,870	189,884,018
Accumulated Depreciation		(3,914,951)	(7,874,883)	(11,880,320)	(15,931,790)	(20,029,830)	(24,174,980)	(28,367,786)	(32,608,804)	(36,898,594)	(41,237,725)	(45,626,769)	(50,066,908)	(54,556,928)	(59,099,224)	(63,693,799)	(68,341,259)	(73,042,222)
Net Plant		154,396,013	152,242,895	150,065,275	147,862,872	145,635,399	143,382,568	141,104,089	138,799,665	136,468,996	134,111,779	131,727,709	129,316,477	126,877,770	124,411,272	121,916,659	119,393,611	116,841,796
CWIP		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rate Base		154,396,013	152,242,895	150,065,275	147,862,872	145,635,399	143,382,568	141,104,089	138,799,665	136,468,996	134,111,779	131,727,709	129,316,477	126,877,770	124,411,272	121,916,659	119,393,611	116,841,796
Return on Rate Base		7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%	7.26%
Required Return	7.26%	11,209,151	11,052,834	10,894,739	10,734,845	10,573,130	10,409,574	10,244,157	10,076,856	9,907,649	9,736,515	9,563,492	9,388,376	9,211,326	9,032,258	8,851,149	8,667,976	8,482,714
Achieved Income & Return																		
Net Operating Income		1,796,704	3,643,987	3,494,304	3,332,152	3,126,269	2,884,823	2,634,767	2,387,455	2,144,885	1,907,812	1,675,838	1,448,965	1,227,692	1,011,519	800,946	596,473	398,700
Taxes		(152,965)	588,019	499,868	405,937	312,842	2,073,699	2,107,358	3,091,614	3,136,087	4,169,779	4,226,632	4,282,138	4,336,379	4,389,423	5,619,790	5,689,455	5,758,365
Achieved Income		1,949,669	3,055,968	2,994,436	2,926,215	2,813,427	5,411,124	5,527,409	6,985,841	7,120,598	8,652,033	8,807,606	8,963,017	9,118,414	9,273,932	11,091,585	11,274,279	11,457,838
Achieved Return		1.26%	2.03%	2.00%	1.98%	1.93%	3.77%	3.92%	5.03%	5.22%	6.45%	6.69%	6.93%	7.19%	7.45%	9.10%	9.44%	9.81%
Return Shortfall		(9,258,482)	(7,996,866)	(7,906,303)	(7,808,630)	(7,699,703)	(7,588,450)	(7,474,748)	(7,358,105)	(7,238,611)	(7,115,282)	(6,988,110)	(6,857,006)	(6,722,072)	(6,583,418)	(6,440,245)	(6,292,552)	(6,140,328)
Tax Rate	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%	41.49%
Tax True Up		58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%	58.51%
Required Rate Increase		(15,825,469)	(13,667,520)	(13,502,483)	(13,345,804)	(13,188,684)	(13,031,124)	(12,873,133)	(12,714,711)	(12,555,868)	(12,396,604)	(12,236,920)	(12,076,817)	(11,916,294)	(11,755,351)	(11,593,988)	(11,432,205)	(11,269,992)
Revenues		13,625,068	15,851,212	16,025,575	16,201,856	16,378,137	16,554,418	16,730,699	16,906,980	17,083,261	17,259,542	17,435,823	17,612,104	17,788,385	17,964,666	18,140,947	18,317,228	18,493,509
Required Percentage Rate Increase		116%	86%	84%	82%	81%	80%	79%	78%	77%	76%	75%	74%	73%	72%	71%	70%	69%
Rate Increase Used		0%	15%	0%	0%	15%	0%	0%	11%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Pennsylvania American, Inc.
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 As of September 2016

	18	19	20 and beyond
	17.5	18.5	19.5

Rate Case Activity

Rate Base			
Plant	192,058,193	194,257,690	196,482,809
Accumulated Depreciation	(77,797,308)	(82,607,149)	(87,472,383)
Net Plant	114,260,885	111,650,541	109,010,426
CWIP	0	0	0
Rate Base	114,260,885	111,650,541	109,010,426
Return on Rate Base	7.26%	7.26%	7.26%
Required Return	8,295,340	8,105,829	7,914,157
Achieved Income & Return			
Net Operating Income	17,468,913	17,721,967	21,353,091
Taxes	5,826,558	5,894,059	7,362,268
Achieved Income	11,642,355	11,827,908	13,990,822
Achieved Return	10.19%	10.59%	12.83%
Return Shortfall	3,347,015	3,722,079	6,076,665
Tax Rate	41.49%	41.49%	41.49%
Tax True Up	58.51%	58.51%	58.51%
Required Rate Increase	5,720,415	6,361,441	10,385,686
Revenues	33,580,234	34,117,518	38,075,150
Required Percentage Rate Increase	-17%	-19%	-27%
Rate Increase Used	0%	0%	0%

Income Approach

**The City of McKeesport, Pennsylvania
And
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**Appraisal Work Papers
As of September 2016**

**Income Approach
DCF Forecast Parameters
Private Rate Regulated Wastewater Utility
Period 1 through 19 and 20 to perpetuity**

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September 2016

DCF Forecast Parameters

	Forecat Base	Forecast Parameters for Periods		
		1-5	6-beyond	
Revenue Base	13,504,519	Use		1.035
2015 to 2016	12428606		1.03458453	
2016 to 2017	12446927		1.025939675	
Revenue Forecast				
Annual Subscriber Growth	1.1%	1.6%	1.6%	
Periodic Subscriber Growth	10%			
Period every ? years	5			
Rate Adjustment				
Rate Adjustment Periods	5			
Rate Adjustment based on Rate Case	Based on Authorized Return on Rate Base			
Operating Expenses				
Personnel Cost	4,126,408	3%	3%	
Professional Services	328,759	6%	-10%	
Sewage Plant Costs	1,789,156	6%	3%	
Other General and Administrative	392,040	6%	3%	
Intergovernmental Agreement Fee	-			
Bad Debt Expense	230,865	2%	1%	
Depreciation	2,368,937	Based on Plant and Depreciation Parameters		
Total Operating expenses	9,236,165	Calculated		
Net Operating Income before Non-operating Revenue and Expenses				
	3,811,679			
Non-Operating Income (Expenses)				
Interest Income				
Interest Rate on Investments		2%	2%	
Long term Debt Interest				
Interest Rate on Long term Debt		-4.44%	-4.44%	
Depreciation				
Property Taxes	2.000%	Calculated based on Plant		
of Assessed (Beginning Net Book Value) Value of Taxable Property				
Taxes				
Federal	35.00%	of Pretax Income		
State	9.99%	of Pretax Income		
State & Federal Tax Rate	41.49%			
		='ValueLine Data'!AP30		
		='ValueLine Data'!AP32		
		='ValueLine Data'!AP33		

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

DCF Forecast Parameters

Cost of Capital Required Return

Valuation Cost of Capital	Cost of Capital	Cost of Capital (Debt-free)	Return on Rate Base Cost of Capital
Debt - Market			
Capital Structure Debt	31%	31.0%	41%
Cost of Debt	4.44%	4.44%	4.80%
Tax Rate		41.49%	Not Applicable
Wtd Cost of Debt	1.38%	0.81%	1.97%
Equity - Market			
Capital Structure Equity	69%	69%	59%
Cost of Equity	8.97%	8.97%	8.97%
Wtd Cost of Equity	6.19%	6.30%	1.97%
Required Return			
Capital Structure Total	100%	100%	100%
Cost of Capital Total	7.57%	7.00%	7.26%
Growth Rate (inflation)	3.04%	3.04%	Not Applicable
Cost of Capital without growth	4.40%	3.84%	7.26%

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DCF Forecast Parameters

Working Capital

Current Assets

Cash initial balance	-
Cash Additions % of revenues	2.00%
Cash Decreases % of revenues	-1.75% Sign (-)
Accounts Receivable Initial Balance	-
Accounts Receivable Additions as % of Revenue	2.00%
Accounts Receivable Deductions as % of Revenue	-1.75% Sign (-)

Current Liabilities

Notes Payable Current Portion Initial Balance	-
Additions Notes Payable	From debt schedule
Decreases Notes Payable as % of Additions	100.00%
Accounts Payable Initial Balance	-
Accounts Payable Additions as % of Revenue	2.00%
Accounts Payable Deductions as % of Revenue	-1.75% Sign (-)

Use OCLD (1) or RCNLD (2)

	1	2	3	4	5	6	7
Note 3-Property, Plant, and Equipment			Financials			Appraisal	
		Plant OC	Depreciation OC	OC LD	RCN	Depreciation	RCNLD
Land	100	61,132	-	61,132	1,110,000	-	1,110,000
Infrastructure	200	33,487,620	659,904	32,817,716	215,166,523	(122,404,205)	92,762,318
Building	300	33,723,580	548,610	33,174,970	106,863,107	(44,210,516)	62,652,591
Plant Machinery & Equipment	400	22,627,410	611,668	22,015,742	-	-	-
Office Machinery and Equipment	500	126,615	16,900	109,715	-	-	-
Vehicles and Equipment	600	1,409,440	138,187	1,271,253	-	-	-
Total Plant in Service	700	91,435,797	17,485,167	73,950,630	323,139,630	(166,614,721)	156,524,909
Construction in Progress	800	-	-	-	-	-	-
Total Plant		91,435,797	17,485,167	73,950,630	323,139,630	(166,614,721)	156,524,909

Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
September 2016

DCF Forecast Parameters

Asset	Forecast Base	Forecast Parameters for Periods	
		1-5	6-beyond
Current Assets			
Cash & Cash Equivalents	605,230	5%	5%
Cash & Cash Equivalents as % of Revenues			
Account Receivables	1,757,902	13%	13%
Account Receivables as % of Revenues			
Total Current Assets	2,363,132		
Investments	6,967,248		
Liabilities			
Current Liabilities			
Accounts Payable	343,445	4%	4%
Accounts Payable as % of Revenues			
Current Portion of Debt	2,479,174	2%	2%
Long Term Debt			
Proportion of Acquisition & CapX		31%	
Acquisition	156,000,000	48,360,000	
Current Portion Retired		2%	2%
Equity			
Proportion of Acquisition		69%	
Acquisition	156,000,000	107,640,000	

Pennsylvania American, Inc.
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September 2016

DCF Forecast Parameters

Use OCLD (1) or RCNLD (2)	2
Plant	
Land	100
Begin Balance	
Additions	
Addition Rate	0%
Retirements	
Retirement Rate	0%
End Balance - Calculated	1,110,000
Infrastructure	200
Begin Balance	
Additions	
Addition Rate	0.75%
Retirements	
Retirement Rate	0.5%
End Balance - Calculated	92,762,318
Buildings	300
Begin Balance	
Additions	
Addition Rate	1.0%
Retirements	
Retirement Rate	0%
End Balance - Calculated	62,652,591
Plant Machinery & Equipment	400
Begin Balance	
Additions	
Addition Rate	2%
Retirements	
Retirement Rate	-1%
End Balance - Calculated	-
Office Machinery and Equipment	500
Begin Balance	
Additions	
Addition Rate	10%
Retirements	
Retirement Rate	-5%
End Balance - Calculated	-
Vehicles and Equipment	600
Begin Balance	
Additions	
Addition Rate	15%
Retirements	
Retirement Rate	-5%
End Balance - Calculated	-
Construction in Progress	800
Begin Balance	
Additions	
Addition Rate	0%
Retirements	
Retirement Rate	0%
End Balance - Calculated	-

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DCF Forecast Parameters

Depreciation

Land

Begin Balance	
Depreciation	
Depreciation Rate	0%
Retirements Calculated in Plant	
End Balance - Calculated	

Infrastructure

Begin Balance	
Depreciation	
Depreciation Rate	-2%
Retirements Calculated in Plant	
End Balance - Calculated	

Buildings

Begin Balance	
Depreciation	
Depreciation Rate	-2.5%
Retirements Calculated in Plant	
End Balance - Calculated	

Plant Machinery & Equipment

Begin Balance	
Depreciation	
Depreciation Rate	-4.0%
Retirements Calculated in Plant	
End Balance - Calculated	

Office Machinery and Equipment

Begin Balance	
Depreciation	
Depreciation Rate	-12.5%
Retirements Calculated in Plant	
End Balance - Calculated	

Vehicles and Equipment

Begin Balance	
Depreciation	
Depreciation Rate	-10.0%
Retirements Calculated in Plant	
End Balance - Calculated	

Construction in Progress

Begin Balance	
Depreciation	
Depreciation Rate	0.0%
Retirements Calculated in Plant	
End Balance - Calculated	

**The City of McKeesport, Pennsylvania
And
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**Appraisal Work Papers
As of September 2016**

**Income Approach
Analysis of McKeesport Municipal Authority's
Statement of Revenues, Expenses, and Net Position**

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Pennsylvania American, Inc.
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 As of September 2016

AUS Account	Reference	2008	2009	2010	2011	2012	2013	2014	2015	Average		Use Period	
										2008-2015	2013-2015	1-5	6-beyond
Statement of Revenues, Expenses and Changes in Net Position													
Operating Revenues													
2000	Header												
2010	Input	3,900,570	7,085,477	8,939,124	10,644,558	10,676,796	10,863,476	13,068,117	12,901,104				
			82%	26%	19%	0%	2%	20%	-1%	21%	7%		
Sludge Hauling	2020	69,380	59,950	105,115	93,639	97,501	97,750	110,683	101,813				
			-14%	75%	-11%	4%	0%	13%	-8%	9%	2%		
Tap Fees and Permits	2030	145,250	-	5,250	5,350	30,800	21,250	90,500	12,250				
Well Water Processing	2032	52,466	678,670	1,820,000	799,521								
Miscellaneous	2040	51,526	27,009	1,780	26,770	63,375	98,473	54,729	32,677				
			-48%	-93%	-1404%	137%	57%	-45%	-40%	196%	-9%		
Total Operating Revenues	2050	4,219,192	7,851,101	10,871,269	11,569,838	10,868,472	11,081,949	13,314,029	13,047,841				
			86%	38%	6%	-6%	2%	20%	-2%	21%	7%		
Operating Expenses													
2060	Header												
2070	Input	1,613,022	2,043,561	2,404,579	3,076,961	3,654,000	4,061,889	4,023,979	4,126,408				
			27%	18%	28%	19%	11%	-1%	3%	15%	4%	3%	3%
Professional Services	2080	15,471	111,825	209,567	253,750	290,693	308,558	255,492	328,759				
			623%	87%	21%	15%	6%	-17%	29%	109%	6%	6%	10%
Sewage Plant Costs	2090	933,808	1,628,276	1,546,237	1,817,447	1,842,633	1,861,463	1,687,267	1,789,156				
			74%	-5%	18%	1%	-9%	6%	6%	12%	-1%	6%	3%
Other General and Administrative	2100	211,925	234,804	277,534	359,686	340,150	398,879	375,446	392,040				
			11%	18%	30%	-5%	17%	-6%	4%	10%	5%	5%	3%
Intergovernmental Agreement Fee	2102					1,000,000							
Bad Debt Expense	2110							287,213	230,855				
Base on % of Revenues									-20%	-20%	-20%		
Depreciation	2120							2%	2%	2%	2%	2%	2%
Base on Plant and Depreciation Parameters									2%	2%	2%	2%	2%
Total Operating expenses	2130	3,274,530	5,104,091	5,601,619	6,810,216	8,425,796	7,947,913	7,952,944	9,236,165				
OpX as % of Revenues			78%	65%	52%	59%	78%	72%	60%	71%	65%	67%	
OpX less Depreciation as % of Revenues			66%	51%	41%	48%	66%	60%	53%	52%	54%		
Net Operating Income before Non-operating Revenue and Expenses	2140	944,662	2,747,010	5,269,650	4,759,622	2,442,676	3,134,036	5,361,085	3,811,679				
Non-Operating Revenue and Expense													
2150	Header												
2160	Input	126,064	32,675	48,923	37,254	45,536	73,054	12,219	12,309				
Pennvest Grant Proceeds	2170												
FEMA Grant Proceeds	2180					11,456,371	2,593,712	211,828	753,293				
Intergovernmental Agreement Fees	2190												
Interest on Long-Term Debt	2200						(1,010,000)	(1,020,100)	(1,030,301)				
Bond Issue Cost (Amortization of Bond Issue Cost)	2210	(639,838)	(2,110,727)	(2,624,504)	(3,501,941)	(3,483,798)	(3,607,211)	(3,568,314)	(3,349,738)				
Gain (loss) on Disposal of Fixed Assets	2220	(16,079)	(27,527)	(30,526)	(63,679)	(104,022)	(416,110)	(224,643)					
	2220						(10,161)	31,190					
Total Non-Operating Revenue and Expense	2230	(529,853)	(2,105,579)	(2,606,107)	(3,528,366)	7,914,087	(2,376,716)	(4,557,820)	(3,145,999)				
Increase (Decrease) in Net Position	2240	414,809	641,431	2,663,543	1,231,256	10,356,763	757,320	803,265	665,680				
Net Position - January 1,	2250	1,358,955	1,535,607	1,929,063	4,616,770	5,839,893	16,196,656	14,639,669	15,442,936				
Prior Period Adjustment	2260	(238,157)	(247,975)	24,164	(8,133)		(2,314,307)		(24,190,701)				
Net Position - December 31,	2270	1,535,607	1,929,063	4,616,770	5,839,893	16,196,656	14,639,669	15,442,936	(8,062,067)				

**The City of McKeesport, Pennsylvania
And
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As of September 2016**

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Analysis of McKeesport Municipal Authority's
Statement of Net Position – Balance Statement**

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As of September 2016**

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Analysis of McKeesport Municipal Authority's
Statement of Net Position – Cash Flows**

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Pennsylvania American, Inc.
The Municipal Authority of the City of McKeesport
Wastewater
Investor-Owned Utility
As of September 2016

AUS Account	Reference	2008	2009	2010	2011	2012	2013	2014	2015	Average		Use Period	
										2008-2015	2013-2015	1-5	6-beyond
Statement of Net Position													
Cash Flows from Operating Activities													
3000	Header												
3010	Input	4,056,302	6,995,805	11,201,071	11,642,301	10,950,816	10,821,595	12,807,740	12,166,128				
3020	Input	(1,604,953)	(2,039,946)	(2,402,158)	(3,058,616)	(3,617,835)	(3,843,206)	(3,814,020)	(4,039,549)				
3030	Input	(1,220,503)	(2,830,662)	(1,384,702)	(2,795,914)	(3,862,713)	(2,605,317)	(2,275,301)	(1,981,364)				
3040	Σ3010-3040	1,230,846	2,125,197	7,414,211	5,787,771	3,470,268	4,373,072	6,718,419	6,145,215				
Cash Flows from Capital and Related Financing Activities													
3050	Header												
3060	Input	(3,953,705)	(7,734,003)	(17,938,386)	1,731,186	13,313,773	6,243,138	1,801,915	1,356,468				
3070	Input	10,000,000	10,000,000	25,000,000	26,180,000	10,640,000	13,715,000	6,410,000					
3080	Input				5,000,000	19,796,676	4,612,761	920,983	1,140,530				
3082	Input				330,000								
3090	Input					11,456,372	2,593,712	211,828	753,293				
3100	Input					11,456,371	2,593,712	211,828	1,221,731				
3110	Input		27,029,287	328,364		196,824	18,502	376,718	21,650				
3112	Input					(75,000)	(75,000)						
3120	Input	(649,346)	(391,782)	(1,137,857)	(577,724)	(601,032)	(643,044)	(224,643)					
3130	Input	(195,845)	(1,191,951)	(3,207,950)	(26,155,145)	(27,633,278)	(25,670,349)	(8,251,540)	(3,730,407)				
3140	Input	(549,143)	(2,179,807)	(2,538,576)	(3,420,729)	(3,471,709)	(3,565,061)	(3,492,082)	(3,271,149)				
3142	Input						(1,356,831)						
3150	Input	(5,436,903)	(28,785,895)	(4,661,340)	(9,411,662)	(32,498,478)	(11,093,756)	(3,294,056)	(3,000,255)				
3160	Σ3060-3150	(784,842)	(3,254,151)	(4,155,701)	(6,374,041)	2,580,519	(12,627,216)	(5,529,048)	(5,508,139)				
Cash Flows from Non Capital and Related Financing Activities													
3170	Header												
3180	Input						(1,010,000)	(1,020,100)	(1,500,000)				
3182	Input						35,000						
3190	Σ3180-3182						(975,000)	(1,020,100)	(1,500,000)				
Cash Flow from Investing Activities													
3200	Header												
3210	Input	126,064	32,675	48,923	37,254	45,536	73,054	12,220	12,309				
3212	Σ3012	126,064	32,675	48,923	37,254	45,536	73,054	12,220	12,309				
3220	Σ3040, 3160, 3190, 3210	571,968	(1,096,279)	3,307,389	(499,049)	6,096,323	(9,156,090)	181,690	(850,615)				
Net Increase (Decrease) in Cash and Cash Equivalents													
3230	Header												
3240	Input	1,905,542						3					
3250	Σ3230, 3240	2,477,510	1,381,233	4,688,620	4,189,573	10,285,894	1,129,804	1,511,294	660,679				
Reconciliation of Operating Income to Net Cash Provided by Operating Activities													
3260	Header												
3270	Input							(461,777)	(78,111,425)				
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities:													
3280	Header												
3290	Input	509,304	1,049,625	1,189,702	1,302,372	1,269,310	1,317,121	1,329,541	2,369,937				
3300	Input							287,213	230,865				
Change in Current Assets and Liabilities:													
3310	Header												
3320	Input	(162,890)	(1,610,979)	323,702	21,750	84,094	(260,004)	(502,889)	(499,297)				
3330	Input								(257,434)				
3340	Input	(59,299)	(107,024)	632,377	(321,756)	(390,087)	1,445	42,904	(10,523)				
3350	Input	9,558	(13,610)	2,421	18,345	24,876	(900)	11,328	37,079				
3360	Input		6,950	6,100	(5,850)			(3,400)					
3370	Input							200,795	194,746				
3380	Input								194,169				
3390	Input												113,045
3400	Input	(1,489)	17,225	16,259	13,288	11,289	16,445	3,885					
3410	Σ3270, 3290-3300, 3320-3400	1,210,846	2,125,197	7,414,211	5,787,771	3,470,268	4,408,072	6,718,419	6,145,215				

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Income Approach
Analysis of McKeesport Municipal Authority's
Statement of Detailed Operating Expenses**

**AUS Consultants
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Pennsylvania American, Inc.
 The Municipal Authority of the City of McKeesport
 Wastewater
 Investor-Owned Utility
 As of September 2016

AUS Account	Reference	2008	2009	2010	2011	2012	2013	2014	2015	Average		Use Period	
										2008-2015	2013-2015	1-5	6-beyond
Statement of Detailed Operating Expenses													
Personnel cost													
Plant Salaries		1,038,098	1,406,773	1,614,571	1,816,463	2,160,123	2,291,821	1,898,677	1,944,197				
Administrative Salaries		163,958	191,156	264,830	340,647	385,590	331,625	692,021	615,062				
Payroll Taxes		93,728	121,726	142,918	164,586	194,846	199,933	198,702	194,555				
Pension		7,276	17,202	40,052	318,960	309,526	341,096	352,176	463,318				
Employee Benefits		309,962	306,504	342,208	436,305	603,915	897,414	882,403	909,276				
Total Personnel		1,613,022	2,045,561	2,404,579	3,076,961	3,654,009	4,061,689	4,023,979	4,126,408				
Professional Services													
Engineering (Net of COE Reimbursements)		(21,947)	56,888	88,983	115,141	172,059	57,417	25,510	49,971				
Audit		8,300	14,610	6,000	6,302	6,900	8,200	6,500	6,845				
Legal		20,419	29,842	28,560	76,707	75,317	185,946	144,051	175,157				
Accounting		6,699	10,485	4,800	4,800	4,800	4,800	4,800	5,721				
Pension Services				24,023	18,012	22,525	37,529	31,370	27,244				
Oxford Solutions/Delta Development				51,594	27,000	2,500							
Payroll Services				5,607	5,788	6,592	7,016	7,230	7,119				
Miscellaneous Professional Services							7,650	36,031	56,702				
Total Professional Services		15,471	111,825	209,567	253,750	290,693	308,558	255,492	328,759				
Sewage Plant Costs													
Utilities		360,677	418,111	441,201	442,217	303,740	423,732	542,529	732,188				
Repair & Maintenance		157,362	340,129	189,717	283,939	479,031	334,066	226,992	238,540				
Lease Rental Expense			303,689	303,698	309,129	311,849	312,166	312,491	260,192				
Chemicals		46,090	69,929	52,291	44,633	39,681	66,369	67,601	60,011				
Lab Supplies and Analysis		41,168	60,808	59,674	76,112	48,797	47,522	48,900	50,940				
Safety Program		2,779	4,646	15,895	13,296	8,058	19,238	11,598	40,476				
Vehicles Expense		20,563	48,535	82,162	76,954	77,834	95,170	87,769	97,610				
Sludge Hauling		218,025	248,587	292,305	251,624	318,230	264,866	250,630	157,232				
Sewer Rental		25,856	25,856	25,868									
Computers		13,835	45,542	21,929	23,911	31,608	26,019	45,401	35,274				
Uniforms		4,021	5,747	7,337	9,227	11,476	10,569	9,767	11,772				
CSO Study		36,050	37,000	44,985	45,819	42,976	114,572	73,480	89,510				
Duquesne/Dravosburg Expenses					233,007	155,331	113,649						
Miscellaneous		7,382	19,697	9,196	7,579	14,022	33,525	9,909	15,211				
Total Sewage Plant Costs		933,808	1,628,276	1,546,258	1,817,447	1,842,683	1,861,463	1,687,267	1,789,156				
Other General and Administrative													
Insurance		66,122	86,765	97,216	108,470	82,430	121,918	115,143	114,808				
Office Supplies		4,333	18,214	13,745	13,987	9,239	4,245	3,396	16,519				
Telephone		12,640	26,516	29,217	30,479	28,972	64,148	33,722	37,700				
Billing and Collection		69,284	37,251	37,165	56,690	65,501	76,745	117,813	160,321				
Travel and Education		32,761	21,453	28,243	25,282	26,952	21,059	14,061	19,081				
Advertising		2,999	833	1,973	1,767	3,997	2,773	184	3,099				
Bond and Asset Management Fees		9,334	20,636	31,447	75,967	64,666	45,700	39,341	3,218				
Permits/Dues/Fees						9,795	14,875	16,430	18,566				
Miscellaneous		14,452	23,136	38,528	47,044	48,598	47,416	35,356	18,728				
Total Other General and Administrative		211,925	234,804	277,534	354,656	340,150	398,879	375,446	392,040				
Bad Debt Expense													
								287,214	230,865				
Depreciation													
		500,304	1,085,625	1,163,702	1,302,372	1,298,320	1,317,124	1,323,547	2,368,937				
Total Operating Expenses		3,274,530	5,104,091	5,601,640	6,810,216	7,425,796	7,947,913	7,952,945	9,236,165				

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Income Approach
Financials 2009**

**AUS Consultants
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**THE MUNICIPAL AUTHORITY
OF THE CITY OF MCKEESPORT**



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**THE MUNICIPAL AUTHORITY OF
THE CITY OF McKEESPORT
McKEESPORT, PENNSYLVANIA**

FINANCIAL STATEMENTS

WITH REPORT BY
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
MCKEESPORT, PENNSYLVANIA

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Mark C. Turnley

Certified Public Accountant

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**To the Board of Directors
The Municipal Authority of the City of McKeesport**

Independent Auditor's Report

I have audited the accompanying statement of net assets of the Municipal Authority of the City of McKeesport, a component unit of the City of McKeesport, Pennsylvania as of December 31, 2009 and 2008, and the related statement of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Authority of the City of McKeesport as of December 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii-xi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the Municipal Authority of the City of McKeesport. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Mark C. Turnley, CPA

June 10, 2010
Ambridge, Pennsylvania

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

This section of the Authority's annual financial report represents our discussion and analysis of the Authority's financial performance during the years ended December 31, 2009 and 2008. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. We encourage readers to consider the information presented here in conjunction with the information provided in the Authority's financial statements.

OPERATING AGREEMENTS

The Authority owns and operates a wastewater treatment facility pursuant to Agreements with each of the ten communities its serves. The Authority has Agreements to provide wastewater treatment services with the City of McKeesport, the Borough of Liberty, the Borough of Port Vue, the Borough of East McKeesport, the Township of Elizabeth, the Borough of Glassport, the Borough of White Oak, the Borough of Versailles, the Borough of Lincoln and the Township of North Versailles. The Authority's Board of Directors establishes a rate which is designed to recover the cost of providing services. The rate is based upon the gallons of water used by the community. The Authority bills the municipalities, with certain exceptions, on a quarterly basis for services provided to the communities' residents at the established rate. The municipalities are responsible for setting a rate for customers within their municipalities and for billing and collecting from those customers.

The City of McKeesport sold its Collection System to the Authority effective January 1, 2009. On that date the Authority began maintaining the system and in March of 2009 began billing the rate payers of McKeesport for water consumed in the previous month. It should be noted that the City of McKeesport billed for water consumed in January 2009 as part of its 4th quarter 2008 statements for the City of McKeesport & Versailles Borough. The Authority began conducting billing services for Versailles Borough in March of 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include only those of the Authority which is a component unit of the City of McKeesport, Pennsylvania. The financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. They are designed to provide a broad overview of the Authority's finances, in a manner similar to a private-sector business. All of the Authority's activities are reported in the statements except for activities associated with the pension fund because those funds are not available to support the Authority's own programs.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference of the two reported as net assets. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed during the year. All of the changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected rates and earned but unused vacation leave).

These two financial statements report the Authority's net assets and the changes in the net assets. Net assets, which represent the difference between assets and liabilities, are one measure of the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in these financial statements. The financial statements and accompanying notes can be found in the financial section of this report.

FINANCIAL HIGHLIGHTS

In 2009, the Authority adopted a general rate increase of \$0.86/ 1,000 gallons consumed to create a new rate of \$5.30/1000 gallons consumed. This increase was assessed to finance the debt service of the twenty (20) million dollar 2009 bond borrowed for an anticipated sixty (60) million dollar expansion project as required under the Act 537 Plan. This Plan was projected to go out for bids in early 2010 however; it has been delayed as a result of a prolonged permit review process by the PA Department of Environmental Protection.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

The Tapping Fee (Capacity fee) remained unchanged in 2009 at a rate of \$1,750 per Equivalent Dwelling Unit ("EDU"). An EDU, equivalent dwelling unit, is the average amount of wastewater that each household in the service area discharges each day. The Authority calculates an EDU to be 236 gallons per day. During 2009 there were no new residential or commercial taps purchased within the Authority's service area. This lack of activity was indicative of what was happening all over the country during the financial crisis that swept the country in 2009. The Authority borrowed funds from this account in the Fall of 2009 in order to purchase delinquent sewage accounts from the City of McKeesport. (As of the writing of this report the borrowed funds have been repaid in full.) The balance of cash accumulated from tapping fees (The Tapping Fee Account), reserved by the Board for capital projects, on December 31, 2009 was \$123,832.21.

On December 31, 2009, total assets were \$56,483,117 and total liabilities were \$54,554,054 yielding a net asset of \$1,929,063. This resulted in an increase in the total net assets of \$641,431 over last year's totals.

For the year 2009, 3.75 billion gallons of wastewater were treated at the wastewater facility. Approximately 1.16 billion gallons of water were consumed in 2009 by the Authority's customers and paid for by their user fees. The remaining 2.59 billion gallons of wastewater, up 180 million gallons from 2008, entered the sewer system from rainwater, groundwater, streams and rivers, water line breaks, fire fighting efforts, etc. This increase in flow is thought to be due to the sewage systems increased ability to convey water to the treatment facility. During 2009 the newly formed collection system crew successfully cleared many clogged catch basins and sewer lines which allowed the rain water to flow unimpeded to the sewage plant. This occurred even though the annual rainfall in the area dropped from 38.76 inches in 2008 to 32.10 inches in 2009. By comparison, 30.9% of the wastewater treated was billable, down from 33.4% in 2008.

Sewage Treatment Revenues per 1,000 gallons consumed - \$6.11
Operating expenses per 1,000 gallons consumed - \$4.40

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

Operating Revenues were \$7,851,101, an increase of \$3,631,909, or 86% over 2008, primarily caused by the addition of the collection system revenue from the City of McKeesport. This revenue was collected and used by the City prior to 2009 to maintain their system. With the purchase of this system in 2009, this revenue now belongs to the Authority.

Operating Expenses were \$5,104,091, an increase of \$1,829,561, or 55.9% over 2008. The largest increase came from the addition of the collection system maintenance costs, pension costs, and depreciation.

FINANCIAL ANALYSIS

The following condensed financial statements and other selected information serve as financial data and indicators to help the Authority manage, monitor, and plan.

Condensed Statement of Net Assets

	Dec. 31, 2009	Dec. 31, 2008	% Change
Current and other assets	18,223,978	9,894,831	84.2%
Capital assets-net of accumulated depreciation	38,259,139	10,806,844	254.0%
Total Assets	56,483,117	20,701,675	172.8%
Current and other liabilities	54,554,054	19,166,068	184.6%
Net Assets	1,929,063	1,535,607	25.6%

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL ANALYSIS (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Dec. 31, 2009	Dec. 31, 2008	% Change
Operating revenues	7,851,101	4,219,192	86.1%
Operating expenses	5,104,091	3,274,530	55.9%
Operating income	2,747,010	944,662	190.8%
Interest and grant income	32,675	126,064	-74.1%
Interest expense	(2,110,727)	(639,838)	229.9%
Amortization of Bond Issue Costs	(27,527)	(16,079)	71.2%
Change in Net Assets	641,431	414,809	54.6%

Overall, the Authority's financial condition remained strong in 2009. Most of the ten service communities are up to date with their payments with the exception of East McKeesport which continues to lag one quarter behind due to the length of time it takes to get their consumption numbers from the water authority. The addition of the McKeesport Collection System has made the Authority even stronger and the acquisition of other systems and neighboring facilities are currently being explored.

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	2009	2008	Variance
Total operating revenues	\$7,851,101	\$ 4,219,192	\$3,631,909
Net cash provided by operations	\$2,125,197	\$1,230,846	\$894,351
Operating cash as a percentage of operating revenues	27.1%	29.2%	-7.2%

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At December 31, 2009, the Authority had \$38,259,139 invested in capital assets, including land, infrastructure, buildings, plant and office machinery and equipment, and vehicles net of depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$27,452,295, or approximately 254% from last year.

The Authority had approximately \$28,785,895 in capital additions during the 2009 year, mainly comprised of 1) the purchase of lines from the City of McKeesport for \$27,000,000, 2) costs incurred of \$1,157,228 for the Act 537 system improvements and upgrades, and 3) construction costs for the Marshall Drive Project totaling \$300,572.

A summary of the Authority's capital assets net of accumulated depreciation for the past two years is as follows:

	2009	2008	INCREASE <DECREASE>
Land	\$ 56,332	\$ 33,036	\$ 23,296
Infrastructure	32,820,000	5,422,181	27,397,819
Buildings	5,628,676	5,195,753	432,923
Plant Machinery & Equipment	7,749,428	8,723,875	(974,447)
Office Machinery & Equipment	85,619	74,833	10,786
Vehicles and Equipment	474,479	400,633	73,846
	<u>\$ 46,814,534</u>	<u>\$ 19,850,311</u>	<u>\$ 26,964,223</u>
Accumulated Depreciation	(11,283,196)	(10,313,468)	(969,728)
	<u>\$ 35,531,338</u>	<u>\$ 9,536,843</u>	<u>\$ 25,994,495</u>
Construction in Progress	2,727,801	1,270,001	1,457,800
	<u>\$ 38,259,139</u>	<u>\$ 10,806,844</u>	<u>\$ 27,452,295</u>

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION

As of December 31, 2009, the Authority had total long-term debt outstanding of \$54,694,804. The Authority's debt obligations are comprised of 1) three sewer revenue bonds and 2) two capital lease obligations with the City of McKeesport and one capital lease with Bank Capital Services as follows:

In October of 2006, The Authority issued Sewer Revenue Bonds - Series of 2006, in the amount of \$6,140,000 to for 1) the design and construction of capital project acquisition of facilities required for the proper operation and maintenance of the Authority wastewater conveyance and treatment system and 2) refund an existing bank loan. The bonds were issued in denominations of \$5,000 with interest payable at rates between 3.6 and 4.5% on June 15 and December 15 each year through maturity. The bonds are scheduled to mature on December 15, 2036. The remaining principal balance on the bond issue as of December 31, 2009 is \$5,905,000.

In October of 2008, The Authority issued Sewer Revenue Bonds - Series of 2008, in the amount of \$10,000,000 for the initial stages of an anticipated sixty (60) million dollar expansion project as required under the Act 537 Plan. The bonds were issued in denominations of \$5,000 with interest payable at rates between 2.5 and 5.45% on June 15 and December 15 each year through maturity. The bonds are scheduled to mature on December 15, 2039. The remaining principal balance on the bond issue as of December 31, 2009 is \$9,995,000.

In December of 2009, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2009 in the amount of \$10,000,000 for the purpose of 1) the design and construction of capital projects, 2) acquisition of facilities required for proper operation and maintenance of the Authority wastewater conveyance and treatment system, 3) funding a debt service reserve fund, and 4) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 3.0 and 5.75%. The bonds are scheduled to mature December 15, 2039. The remaining principal balance on the bond issue as of December 31, 2009 is \$10,000,000.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION: (Continued)

In 1997, the Authority entered into a Cooperation Agreement with the City of McKeesport to finance \$3.5 million in capital improvements. Under this Cooperation Agreement, the Authority leases from the City the improvements and the lease payments made by the Authority are to be utilized in connection with the debt service on bonds issued by the City to finance the project. The Cooperation Agreement calls for the quarterly payment of \$86,000 to the City during the term of the bond issue. The lease is being amortized over a 25-year period. The remaining principal balance on the lease as of December 31, 2009 is \$2,665,270.

In 2009, the Authority entered into a capital lease agreement with the Bank Capital Services for the purchase of two F-150 2009 Ford truck vehicles totaling \$45,231. The terms of the lease call for three annual payments of \$15,952.92 at an interest rate of 5.9%. The remaining principal balance on the lease as of December 31, 2009 is \$29,286.

Effective January 1, 2009, the Authority entered into a lease purchase agreement with the City of McKeesport for the purchase of the City's sanitary collection system for \$30,000,000. The terms of the agreement call for the monthly payment of \$163,614.69 (principal and interest) at the annual rate of 4% for a period of 240 months. The lease is scheduled to expire in December of 2028. The remaining principal balance on the lease as of December 31, 2009 is \$26,100,247.

The Authority is scheduled to make principal and interest payments on their total debt of approximately \$3,924,947 during the 2010 calendar year.

GENERAL TRENDS AND SIGNIFICANT EVENTS

Population in the Authority's service area continues to remain fairly constant, with a decrease in the population of the City of McKeesport being offset by increases in other communities such as White Oak Borough, North Versailles Township and Elizabeth Township. It has been estimated that the population in the service area will increase at a rate of 90 persons per year for the next five years.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

Throughout the year the Authority continued to work with the PA Department of Environmental Protection to develop its Act 537 Sewage Facility Plan and Combined Sewer Overflow (CSO) Long Term Control Plan. These plans were approved in July of 2007. The project design work was completed and submitted to the PA Department of Environmental Protection for review in July of 2009 with the hopes of construction being finished by the end of 2012 or Spring of 2013. (As of the writing of this report, the PA DEP has not completed its review process.) These Plans will require significant new treatment processes, pumping stations & interceptor lines with an associated capital cost of approximately sixty (60) million dollars. In order to prevent a huge increase in the sewer rates the Authority has chosen to issue a series of \$10 million bonds at a rate of one per year. By doing this the Authority will be able to step the necessary rate increases over a period of several years. To this end a ten (10) million dollar bond was issued in 2008 and the rates were increased by \$0.74/1000 gallons, or 20.5% and a second ten million dollar bond was issued in 2009 which increased the rates \$0.86/1000 gallons, or 19.4%.

The US Army Corps of Engineers (COE) is undergoing a project to raise the water level in the Monongahela River which will significantly impact the Authority's Combine Sewer Overflow (CSO) outfall structures. As a result the federal government funded the relocation of most of the CSO structures. Construction for Phase 1 of the project was completed in 2007. Phase II of the project has been bid and the construction began in May of 2010. When all of the construction is completed, the Authority will have new outfall structures that will greatly reduce the amount of river water that flows back through the pipes and into the sewer lines. This in return will reduce the costs associated with treating unnecessary water.

As was noted earlier in this report, in January of 2009, the Authority acquired the sewage collection system from the City of McKeesport. The acquisition of the sewer system included more than 550,000 feet of sewer lines ranging in size from 6" to 42" and two pumping stations. In order to maintain this vast system, eight new employees were hired to complete a 13 man crew dedicated to maintaining and repairing the lines, manholes, catch basins and pumping stations.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

With the acquisition of the above mentioned collection system, the Authority also assumed the sewage billing responsibilities from the City. A staff of three billing personnel was hired to perform this task. To house the billing department, along with the collection system crew, the Authority purchased a building in the Christy Park area of McKeesport. This structure was previously used by the local water authority to house their billing department and line maintenance crew.

CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to show the Board of Directors' accountability for the money they administer on behalf of the customers of the Municipal Authority of the City of McKeesport. If you have questions about this report or wish to request additional financial information, please contact the Authority offices at 100 Atlantic Avenue, McKeesport, PA 15132, (412)-673-8276.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF NET ASSETS
DECEMBER 31,

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,381,231	\$ 2,477,510
Sewage Service Receivable	918,335	59,988
Delinquent Sewage Service Receivable - City of McKeesport	591,463	-
Other Accounts Receivable	148,733	-
Unbilled Sewage Service:		
City of McKeesport	467,640	394,530
Other Governmental Units	613,796	674,470
Deposits	3,000	3,000
TOTAL CURRENT ASSETS	<u>\$ 4,124,198</u>	<u>\$ 3,609,498</u>
RESTRICTED ASSETS:		
Investments	\$ 13,475,342	\$ 5,741,339
TOTAL RESTRICTED ASSETS	<u>\$ 13,475,342</u>	<u>\$ 5,741,339</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	\$ 56,332	\$ 33,036
Infrastructure	32,820,000	5,422,181
Buildings	5,628,676	5,195,753
Plant Machinery and Equipment	7,749,428	8,723,875
Office Machinery and Equipment	85,619	74,833
Vehicles and Equipment	474,479	400,633
	<u>\$ 46,814,534</u>	<u>\$ 19,850,311</u>
Less: Accumulated Depreciation	(11,283,196)	(10,313,468)
	<u>\$ 35,531,338</u>	<u>\$ 9,536,843</u>
Construction in Progress	2,727,801	1,270,001
NET PROPERTY, PLANT AND EQUIPMENT	<u>\$ 38,259,139</u>	<u>\$ 10,806,844</u>
OTHER ASSETS:		
Deferred Bond Issue Costs	\$ 624,438	\$ 543,994
TOTAL OTHER ASSETS	<u>\$ 624,438</u>	<u>\$ 543,994</u>
TOTAL ASSETS	<u>\$ 56,483,117</u>	<u>\$ 20,701,675</u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF NET ASSETS
DECEMBER 31,
(CONTINUED)

	<u>2009</u>	<u>2008</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Due to City of McKeesport	\$ -	\$ 35,161
Accounts Payable	188,865	260,728
Accrued Payroll and Taxes	45,283	58,893
Sewage Service Deposits	6,950	-
Accrued Interest	54,651	153,479
Capital Lease - Current Portion	1,067,010	112,652
Current Portion of Bonds Payable	290,000	125,000
TOTAL CURRENT ASSETS	<u>\$ 1,652,759</u>	<u>\$ 745,913</u>
LONG-TERM LIABILITIES:		
Capital Leases - Long Term Portion	\$ 27,727,794	\$ 2,719,815
Bonds Payable - Long Term Portion	25,610,000	15,900,000
Discount on Bonds Payable	(523,632)	(269,568)
Compensated Absences	87,133	69,908
TOTAL LONG-TERM LIABILITIES	<u>\$ 52,901,295</u>	<u>\$ 18,420,155</u>
TOTAL LIABILITIES	<u>\$ 54,554,054</u>	<u>\$ 19,166,068</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$ (4,221,305)	\$ (3,473,987)
Restricted for Debt Service	1,784,614	1,432,695
Unrestricted	4,365,754	3,576,899
TOTAL NET ASSETS	<u>\$ 1,929,063</u>	<u>\$ 1,535,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 56,483,117</u>	<u>\$ 20,701,675</u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES</u>		
Sewage Treatment Services	\$ 7,085,472	\$ 3,900,570
Sludge Hauling	59,950	69,380
Tap Fees and Permits	-	145,250
Well Water Processing	678,670	52,466
Miscellaneous	27,009	51,526
	<u>\$ 7,851,101</u>	<u>\$ 4,219,192</u>
<u>OPERATING EXPENSES</u>		
Personnel Costs	\$ 2,043,561	\$ 1,613,022
Professional Services	111,825	15,471
Sewage Plant Costs	1,628,276	933,808
Other General and Administrative	234,804	211,925
Depreciation	1,085,625	500,304
	<u>\$ 5,104,091</u>	<u>\$ 3,274,530</u>
NET OPERATING INCOME BEFORE NON-OPERATING REVENUE AND EXPENSE	<u>\$ 2,747,010</u>	<u>\$ 944,662</u>
<u>NON-OPERATING REVENUE AND (EXPENSE)</u>		
Interest Income	\$ 32,675	\$ 126,064
Interest on Long-Term Debt	(2,110,727)	(639,838)
Amortization of Bond Issue Costs	(27,527)	(16,079)
TOTAL NON-OPERATING REVENUE AND (EXPENSE)	<u>\$ (2,105,579)</u>	<u>\$ (529,853)</u>
INCREASE <DECREASE> IN NET ASSETS	<u>\$ 641,431</u>	<u>\$ 414,809</u>
NET ASSETS - JANUARY 1,	1,535,607	1,358,955
Prior Period Adjustments	(247,975)	(238,157)
NET ASSETS - DECEMBER 31,	<u><u>\$ 1,929,063</u></u>	<u><u>\$ 1,535,607</u></u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Sewage Billings	\$ 6,995,805	\$ 4,056,302
Cash Paid to Employees for Salaries and Benefits	(2,039,946)	(1,604,953)
Cash Paid to Suppliers for Goods and Services	(2,830,662)	(1,220,503)
Net Cash Provided by Operating Activities	<u>\$ 2,125,197</u>	<u>\$ 1,230,846</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
(Increase) Decrease in Restricted Assets	\$ (7,734,003)	\$ (3,953,705)
Proceeds from Bond Issues	10,000,000	10,000,000
Proceeds from Capital Lease	27,029,287	-
Bond Closing Costs	(391,782)	(649,346)
Principal Payments on Long-Term Debt	(1,191,951)	(195,845)
Interest Paid on Long-Term Debt	(2,179,807)	(549,143)
Purchase of Property and Equipment (Net of Refund)	(28,785,895)	(5,436,903)
Net Cash (Used for) Capital and Related Financing Activities	<u>\$ (3,254,151)</u>	<u>\$ (784,942)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Income Received	\$ 32,675	\$ 126,064
Net Cash Provided By Investing Activities	<u>\$ 32,675</u>	<u>\$ 126,064</u>
Net Increase in Cash and Cash Equivalents	\$ (1,096,279)	\$ 571,968
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>2,477,510</u>	<u>1,905,542</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 1,381,231</u>	<u>\$ 2,477,510</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 2,747,010	\$ 944,662
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,085,625	500,304
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,610,979)	(162,890)
Increase (Decrease) in Accounts Payable	(107,024)	(59,299)
Increase (Decrease) in Accrued Expenses	(13,610)	9,558
Increase (Decrease) in Sewage Service Deposits	6,950	-
Increase (Decrease) in Accumulated Compensated Absences	17,225	(1,489)
Net Cash Provided by Operating Activities	<u>\$ 2,125,197</u>	<u>\$ 1,230,846</u>

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

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 – DESCRIPTION AND REPORTING ENTITY

DESCRIPTION

The Municipal Authority of the City of McKeesport (the Authority) is a public corporation of the Commonwealth of Pennsylvania, organized and existing under the Municipality Authorities Act of 1945 (as amended). The Council of the City of McKeesport (the City) created the Authority on November 29, 1949 under an order from the Sanitary Water Board of the Commonwealth of Pennsylvania. The Authority was created for a period of 50 years to end December 5, 1999, and was subsequently extended through December 5, 2026 pursuant to a Cooperation Agreement between the Authority and the City. The Authority was created for the purpose of acquiring, holding, constructing, improving, maintaining and operating, owning and leasing (either in capacity as lessor or lessee) certain projects. These projects include sewers, sewer systems or parts thereof, sewage treatment works, also including the acquisition of land for sewage treatment works and pumping stations, and all other necessary facilities and apparatus that the Board of Directors may authorize as necessary for the project. The Authority provides waste collection and treatment services, under agreement, for the following municipalities:

City of McKeesport	White Oak Borough
Port Vue Borough	Liberty Borough
East McKeesport Borough	Elizabeth Township
Glassport Borough	Lincoln Borough
Versailles Borough	North Versailles Borough

Per the terms of these agreements, the Authority is the sole and exclusive provider of sewage treatment and disposal service to the above municipalities, and these municipalities have agreed to construct and maintain such sewers, interceptors and pumping stations as is necessary to bring the sewage and industrial waste to a point where it flows into the interceptors of the Authority.

The five-members of the Authority Board of Directors are appointed by the members of Council of the City of McKeesport. The Authority has no stockholders nor equity holders, and revenue or other cash received must be disbursed in accordance with provisions of the Trust Indentures dated October 1, 2006, the First Supplemental Trust Indenture dated as of October 2, 2008, and the Second Supplemental Trust Indenture dated as of December 1, 2009, by and between the Authority and the Bank of New York Mellon Trust Company as trustee (formerly through M&T Investment Group), securing the Sewer Revenue Bonds Series of 2006, 2008 and 2009 respectively.

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Municipal Authority of the City of McKeesport consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves their budget, approves and/or guarantees the issuance of their debt, or otherwise can impose its will in a significant manner.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 – DESCRIPTION AND REPORTING ENTITY (Continued)

REPORTING ENTITY (Continued)

The management of the Municipal Authority of the City of McKeesport applies the criteria set forth in the 'Codification of Governmental Accounting and Financial Reporting Standards' for defining the scope of its reporting entity. Based on the application of these criteria, the Municipal Authority of the City of McKeesport has no component units, but is considered a component unit of the City of McKeesport. These financial statements include only the activity of the Municipal Authority of the City of McKeesport.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal Authority of the City of McKeesport have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The most significant of the Authority's accounting policies are as follows:

BASIS OF ACCOUNTING

The Authority is accounted for as an enterprise fund since its operations are financed and operated in a manner similar to the private sector. The Authority utilizes the accrual method of accounting. Under this method, revenues are recognized when earned rather than when cash is received, and expenses are recognized when an obligation is incurred rather than when cash is actually paid.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposit accounts, and any other short-term highly liquid assets with original maturity terms of less than three months.

INVESTMENTS

Investments are made pursuant to Section 7.1 of the Municipal Authorities Act and can include the following:

- I. U.S. Treasury Bills
- II. Obligations of the U.S. Government and Federal Agencies
- III. Certificates of Deposit, Checking and Savings Accounts insured by the FDIC or National Credit Union Share Insurance Fund (NCUSIF)
- IV. General obligation bonds of the federal government, Commonwealth of Pennsylvania or any state agency
- V. Shares of Mutual Funds whose investments are restricted to the aforementioned investments

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS (Continued)

In addition, the Board of Directors can invest the Authority's sinking funds as authorized for local governments in the Local government Unit Debt Act, 53 Pa.C.S. 8224. Investment of the Authority's restricted assets are made pursuant to and restricted by the aforementioned Trust Indentures securing the Sewer Revenue Bonds Series of 2006, 2008 and 2009. Investments for 2008 and 2009 (See Restricted Assets) include Dreyfus Government cash management agency fund shares, fixed income investments with the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and U.S. Treasury Bills. Investments are stated at fair value. The Authority is in compliance with these restrictions as of December 31, 2009 and 2008.

RESTRICTED ASSETS

In accordance with the provisions of the Trust Indentures, dated October 1, 2006, October 2, 2008 and December 1, 2009 by and between the Bank of New York Mellon Trust Company and the Municipal Authority of the City of McKeesport, which secure the Sewer Revenue Bonds Series of 2006, 2008 and 2009, the Authority is obligated to restrict certain funds to pay for construction related expenditures and to meet debt service requirements. The total of these funds is reflected in Exhibit A as 'restricted assets' and detailed in Note 3.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at net realizable value. Receivables are mainly comprised of billed and unbilled sewage services rendered to the participating municipalities as described in Note 1. The Authority does not maintain an allowance for doubtful accounts, as management estimates that uncollectible amounts at year-end, if any, would not materially effect the financial position of the Authority.

INVENTORY

The Authority does not maintain a physical inventory of materials, chemicals, and other supplies. Management estimates that inventory values during the year are minimal for cost control purposes. Accordingly, management is of the opinion that any value that existed at December 31, 2009 and 2008 would not materially effect the financial position of the Authority.

PROPERTY, PLANT, AND EQUIPMENT

The Authority records property, plant and equipment purchases at cost. Property, plant and equipment include major betterments that extend the economic useful life of the assets affected. The Authority maintains a capitalization threshold of \$500. Routine repair and maintenance costs are charged to operations as incurred. Depreciation expense is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Infrastructure	50 Years
Buildings	40 Years
Machinery and Equipment	7-20 Years
Vehicles	7-10 Years
Software	3 Years

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT, AND EQUIPMENT (Continued)

Depreciation expense for the year ended December 31, 2009 and 2008 was \$1,085,625 and \$500,304 respectively. Construction in progress represents funds paid toward the following Authority projects:

	<u>12/31/2009</u>	<u>12/31/2008</u>
Act 537 System Improvements Project	\$ 2,427,229	\$ 1,270,001
Marshall Drive project	300,572	-
	<u>\$ 2,727,801</u>	<u>\$ 1,270,001</u>

NET ASSETS

GASB Statement No. 34 requires equity in the statement of net assets to be reported as 'Net Assets'. Net assets are classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Authority obligations. Net assets are classified as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets.
- Restricted-Nonexpendable – Net assets subject to externally imposed restrictions which are required to be maintained in perpetuity.
- Restricted-Expendable – Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Authority or by the passage of time.
- Unrestricted – Consists of net assets that do not meet the definition of 'restricted' or 'invested in capital assets, net of related debt'.

The Authority applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS:

At December 31, 2009 and 2008, the Authority had the following carrying value on its' cash and cash equivalent accounts held with PNC Bank:

	--- December 31, 2008 ---		--- December 31, 2008 ---	
	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash and Cash Equivalents	<u>\$ 1,416,562</u>	<u>\$ 1,381,231</u>	<u>\$ 2,425,221</u>	<u>\$ 2,477,510</u>

The difference between the bank balance and the carrying value represents reconciling items such as deposits in transit and outstanding checks. The first \$250,000 held at PNC Bank is insured through the Federal Deposit Insurance Corporation.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2009 and 2008, \$1,166,562 and \$2,175,221 respectively of the Authority's bank balance totals are exposed to custodial credit risk as these amounts represent uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Authority's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

INVESTMENTS:

The fair value and maturity term of the Authority's investments as of December 31, 2009 and 2008 is as follows:

	----- December 31, 2009 -----		
	<u>Fair Value</u>	<u>No Stated Maturity</u>	<u>0-1 Years</u>
Dreyfus Cash Mgt Agency Funds	\$ 8,412,899	\$ 8,412,899	\$ -
U.S Treasury Bills	249,395	-	249,395
U.S. Agency Fixed Income	4,813,048	-	4,813,048
	<u>\$ 13,475,342</u>	<u>\$ 8,412,899</u>	<u>\$ 5,062,443</u>

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS: (Continued)

	----- December 31, 2008 -----		
	Fair Value	No Stated Maturity	0-1 Years
Dreyfus Cash Mgt Agency Funds	\$ 1,252,939	\$ 1,252,939	\$ -
U.S. Agency Fixed Income	4,488,400	-	4,488,400
	\$ 5,741,339	\$ 1,252,939	\$ 4,488,400

Investments classified as U.S. Agencies are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Management does not anticipate any problems with these securities.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of December 31, 2009, investments in U.S. Agencies have received a 'AAA' rating from Standards & Pools.

Custodial Credit Risk:

For an investment, 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 investments or collateral security that are in the possession of an outside party. The Authority's investments in money market mutual funds and the guaranteed income contract are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Authority does not have a formal investment policy for custodial credit risk.

Interest Rate Risk:

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

Concentration of Credit Risk:

The Authority places no limit on the amount it may invest in any one issuer.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS: (Continued)

The Authority's restricted assets as of December 31, 2009 and 2008 are comprised of the following:

	<u>12/31/2009</u>	<u>12/31/2008</u>
Construction Funds	\$ 11,690,728	\$ 4,307,068
Clearing Fund	-	1,576
Debt Service Funds	1,784,614	1,432,695
	<u>\$ 13,475,342</u>	<u>\$ 5,741,339</u>

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT

The following comprises the changes to the Authority's property, plant, and equipment account during 2009 and 2008:

	<u>Balance</u> <u>1/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/09</u>
Land	\$ 33,036	\$ 23,296	\$ -	\$ 56,332
Infrastructure	5,671,267	27,148,733	-	32,820,000
Buildings	5,537,977	90,699	-	5,628,676
Plant Machinery and Equipment	7,788,730	(39,302)	-	7,749,428
Office Machinery and Equipment	73,172	12,447	-	85,619
Vehicles and Equipment	382,257	92,222	-	474,479
	<u>\$ 19,486,439</u>	<u>\$ 27,328,095</u>	<u>\$ -</u>	<u>\$ 46,814,534</u>
Less: Accumulated Depreciation	(10,197,571)	(1,085,625)	-	(11,283,196)
	<u>\$ 9,288,868</u>	<u>\$ 26,242,470</u>	<u>\$ -</u>	<u>\$ 35,531,338</u>
Construction in Progress	1,270,001	1,457,800	-	2,727,801
	<u>\$ 10,558,869</u>	<u>\$ 27,700,270</u>	<u>\$ -</u>	<u>\$ 38,259,139</u>

	<u>Balance</u> <u>1/1/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/08</u>
Land	\$ 33,036	\$ -	\$ -	\$ 33,036
Infrastructure	2,422,181	3,000,000	-	5,422,181
Buildings	5,195,753	-	-	5,195,753
Plant Machinery and Equipment	6,685,017	2,038,858	-	8,723,875
Office Machinery and Equipment	58,682	16,151	-	74,833
Vehicles and Equipment	400,633	-	-	400,633
	<u>\$ 14,795,302</u>	<u>\$ 5,055,009</u>	<u>\$ -</u>	<u>\$ 19,850,311</u>
Less: Accumulated Depreciation	(9,813,164)	(500,304)	-	(10,313,468)
	<u>\$ 4,982,138</u>	<u>\$ 4,554,705</u>	<u>\$ -</u>	<u>\$ 9,536,843</u>
Construction in Progress	888,107	2,379,392	(1,997,498)	1,270,001
	<u>\$ 5,870,245</u>	<u>\$ 6,934,097</u>	<u>\$ (1,997,498)</u>	<u>\$ 10,806,844</u>

Fixed asset balances and related accumulated depreciation have been re-stated in 2009 and 2008 to reflect changes in the fixed asset appraisal report (Note 8).

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 – LONG-TERM DEBT

SEWER REVENUE BONDS – SERIES OF 2006

In October of 2006, the Authority issued Sewer Revenue Bonds - Series of 2006 under the terms of a Trust Indenture dated October 1, 2006, by and between the Authority and M&T Investment Group (formerly through First Commonwealth Bank), as Trustee, in the amount of \$6,140,000. The purpose of the bond issue was for 1) the design and construction of capital projects acquisition facilities required for the proper operation and maintenance of the Authority wastewater conveyance and treatment system, 2) refund an existing bank loan, and 3) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 3.6 and 4.5%. The bonds provide for early redemption options as detailed in the official statement of issue. The bonds are scheduled to mature December 15, 2036.

SEWER REVENUE BONDS – SERIES OF 2008

In October of 2008, the Authority issued Sewer Revenue Bonds - Series of 2008 under the terms of a First Supplemental Trust Indenture dated October 2, 2008, by and between the Authority and the Bank of New York Mellon Trust Company, as Trustee, in the amount of \$10,000,000. The purpose of the bond issue was for 1) the design and construction of capital projects, 2) acquisition facilities required for the proper operation and maintenance of the Authority wastewater conveyance and treatment system, 3) funding of a debt service reserve fund, and 4) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 2.5 and 5.45%. The bonds provide for early redemption options as detailed in the official statement of issue. The bonds are scheduled to mature December 15, 2039.

SEWER REVENUE BONDS – SERIES OF 2009

In December of 2009, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2009 under the terms of a Trust Indenture dated December 1, 2009, by and between the Authority and The Bank of New York Mellon Trust Company, as Trustee, in the amount of \$10,000,000. The purpose of the bond issue was for 1) the design and construction of capital projects, 2) acquisition of facilities required for proper operation and maintenance of the Authority wastewater conveyance and treatment system, 3) funding a debt service reserve fund, and 4) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 3.0 and 5.75%. The bonds provide for early redemption options as detailed in the official statement of issue. The bonds are scheduled to mature December 15, 2039.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 – LONG-TERM DEBT (Continued)

The following summarizes the debt service obligations of the Authority as of December 31, 2009:

<u>Year</u>	<u>2006 Principal</u>	<u>2008 Principal</u>	<u>2009 Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 125,000	\$ 165,000	\$ -	\$ 1,311,618	\$ 1,601,618
2011	130,000	170,000	-	1,282,039	1,582,039
2012	135,000	175,000	-	1,272,227	1,582,227
2013	140,000	180,000	165,000	1,426,545	1,911,545
2014	145,000	190,000	170,000	1,415,269	1,920,269
2015-2019	805,000	1,050,000	960,000	5,923,184	8,738,184
2020-2024	985,000	1,320,000	1,210,000	5,233,595	8,748,595
2025-2029	1,225,000	1,695,000	1,550,000	4,281,850	8,751,850
2030-2034	1,510,000	2,195,000	2,045,000	2,995,290	8,745,290
2035-2039	705,000	2,855,000	3,900,000	1,291,805	8,751,805
	<u>\$ 5,905,000</u>	<u>\$ 9,995,000</u>	<u>\$ 10,000,000</u>	<u>\$ 26,433,422</u>	<u>\$ 52,333,422</u>

DEFERRED FINANCING COSTS

In connection with the Authority's Series of 2006, 2008 and 2009 bond issues, the Authority paid approximately \$684,605 in bond issuance costs. These costs are being amortized on a straight-line basis over the life of the bond issues. The unamortized amount of bond issuance costs at December 31, 2009 and 2008 totaling \$624,438 and \$543,994 respectively, is reflected in Exhibit A as part of other assets. Amortization expense was \$27,527 and \$16,079 for 2009 and 2008 respectively. In addition, the original issue discount and underwriters discount in connection with these bond issues was \$573,410. This amount is being amortized on a straight-line basis over the life of the bond issues and is charged as a component of interest expense in the statement of revenues, expenses and changes in net assets. The unamortized amount of bond discount at December 31, 2009 and 2008 totaling \$523,632 and \$269,568 respectively, is reflected in Exhibit A as a reduction in long-term liabilities. The amount of discount charged to interest expense was \$29,747 and \$10,804 for 2009 and 2008 respectively.

CAPITAL LEASE – CITY OF MCKEESPORT

In 1997, the Authority entered into a Cooperation Agreement with the City of McKeesport to finance \$3.5 million in capital improvements. Under this Cooperation Agreement, the Authority leases the improvements from the City, and the lease payments made by the Authority to the City are used to pay the debt service on bonds issued by the City to finance the project. The Cooperation Agreement calls for the Authority to make quarterly payments of \$86,000 to the City during the term of the City's bond issue. The lease is being amortized over a 25-year period commencing with calendar year 1998.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 – LONG-TERM DEBT (Continued)

CAPITAL LEASE – CITY OF MCKEESPORT SANITARY COLLECTION SYSTEM

Effective January 1, 2009, the Authority entered into a lease purchase agreement with the City of McKeesport for the purchase of the City's sanitary collection system for \$30,000,000. The terms of the agreement call for the monthly payment of \$163,614.69 (principal and interest) at the annual rate of 4% for a period of 240 months. The lease is scheduled to expire in December of 2028.

CAPITAL LEASE – BANK CAPITAL SERVICES

In March of 2009, the Authority entered into a capital lease agreement with Bank Capital Services for the purchase of (2) F-150 2009 Ford Truck vehicles for \$45,231. The terms of the lease call for 3 annual payments of \$15,952.92 at an annual interest rate of 5.9% with a \$1 buy-out option at the completion of the lease term. The lease is scheduled to expire in May of 2011.

A schedule of the future minimum lease rental payments as of December 31, 2009 is as follows:

<u>Year</u>	<u>1997</u>	<u>2009</u>	<u>Bank Capital</u>		<u>Total</u>
	<u>City Lease</u>	<u>City Lease</u>	<u>Principal</u>	<u>Interest</u>	
	<u>Principal</u>	<u>Principal</u>			
2010	\$ 116,375	\$ 936,410	\$ 14,225	\$ 1,256,319	\$ 2,323,329
2011	126,810	974,561	15,061	1,206,897	2,323,329
2012	138,180	1,014,266	-	1,154,930	2,307,376
2013	150,571	1,055,589	-	1,101,216	2,307,376
2014	164,071	1,098,595	-	1,044,710	2,307,376
2015-2019	1,069,256	6,201,956	-	4,265,668	11,536,880
2020-2024	900,007	7,572,567	-	2,376,306	10,848,880
2025-2028	-	7,246,303	-	607,201	7,853,504
	<u>\$ 2,665,270</u>	<u>\$ 26,100,247</u>	<u>\$ 29,286</u>	<u>\$ 13,013,247</u>	<u>\$ 41,808,050</u>

The following represents the changes in the Authority's long-term debt obligations during 2009 and 2008:

	<u>Balance 1/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>	<u>Due Within One Year</u>
Bonds	\$ 16,025,000	\$ 10,000,000	\$ (125,000)	\$ 25,900,000	\$ 290,000
Capital Leases	2,832,467	27,029,287	(1,066,950)	28,794,804	1,067,010
	<u>\$ 18,857,467</u>	<u>\$ 37,029,287</u>	<u>\$ (1,191,950)</u>	<u>\$ 54,694,804</u>	<u>\$ 1,357,010</u>

	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/08</u>	<u>Due Within One Year</u>
Bonds	\$ 6,140,000	\$ 10,000,000	\$ (115,000)	\$ 16,025,000	\$ 125,000
Capital Leases	2,913,312	-	(80,845)	2,832,467	112,652
	<u>\$ 9,053,312</u>	<u>\$ 10,000,000</u>	<u>\$ (195,845)</u>	<u>\$ 18,857,467</u>	<u>\$ 237,652</u>

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 6 – LEASE RENTAL EXPENSE

On October 17, 2008, the Authority entered into a lease purchase agreement with the City of McKeesport, effective January 1, 2009, for the purchase of the City's sanitary collection system (Note 5). In connection with that agreement, the Authority agreed to also pay, on a monthly basis, the outstanding balance due on two (2) loans the City has with the Pennsylvania Infrastructure Investment Authority (PENNVEST) related to improvements made to the collection system. The monthly payments total \$25,307. During the calendar year 2009, the Authority reimbursed the City \$303,689 in total for these PENNVEST loans. The remaining amounts due on these loans, per amortization schedules received from the City, total approximately \$4,678,519 at December 31, 2009. The following represents the minimum lease rental payments remaining on this obligation as of December 31, 2009:

<u>Year</u>	<u>AMOUNT</u>
2010	\$ 303,689
2011	303,689
2012	303,689
2013	303,689
2014	303,689
2015-2019	1,518,445
2020-2024	1,518,445
2025-2028	1,316,670
	<u>\$ 5,872,005</u>

NOTE 7 – ACCUMULATED COMPENSATED ABENCES

In accordance with the terms of the collective bargaining agreement between the Authority and the Utility Workers Union of America, AFL-CIO, all regular full-time employees are entitled to receive payment for the value of all unused vacation days upon separation of service from the Authority at the employee's regular daily rate. This practice also applies to administrative personnel not covered under the terms of the bargaining agreement. As of December 31, 2009 and 2008, the value of accumulated compensated absences totaled \$87,133 and \$69,908 respectively.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$247,975 and \$238,157 to the January 1, 2009 and January 1, 2008 net assets of the Authority respectively represents adjustments to the calculation of the Authority's prior year fixed asset and accumulated depreciation totals based on updated appraisal information.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 9 – TRANSACTIONS WITH THE CITY OF MCKEESPORT

The Authority entered into an agreement with the City of McKeesport dated December 29, 1949, as amended June 2, 1992, to provide sewage treatment services to the City and to pay the City \$30,000 annually for the maintenance cost of the sewers located within the City. In addition, during 2008, the Authority was responsible for paying the City a quarterly administrative fee, based on water usage, for the City to bill and collect certain fees from its customers within the City. Effective February 1, 2009, the Authority began billing and collecting these fees directly to the customers within the City of McKeesport. In addition, the Authority paid the City of McKeesport \$600,000 for the estimated value of collectible delinquent sewage fees outstanding. This amount, less delinquent collections in 2009, is reflected in the statement of net assets totaling \$591,463. The Authority incurred billing and collection fees to the City for 2008 of \$69,156. As of December 31, 2008, the Authority owed the City \$35,161 for these billing services. Amounts due from the City for sewage treatment services totaled \$394,530 at December 31, 2008. Approximately 58% and 40% of the Authority's sewage treatment services revenue for 2009 and 2008 respectively was generated from the City of McKeesport.

NOTE 10 - AUTHORITY PENSION PLAN

The Authority established a single-employer defined benefit pension plan on March 1, 1964, as amended, to provide retirement benefits to eligible employees of the Authority.

Plan membership as of January 1, 2007 was comprised of:

Active employees	24
Retirees and beneficiaries currently receiving benefits	16
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u><u>41</u></u>

A summary of the plan's provisions is as follows:

- PARTICIPANTS** - All employees of the Authority who customarily work at least 20 hours per week and at least 5 months per year.
- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have attained the age of 62 and have completed 10 years of continuous service. Participants are eligible for early retirement at age 55 with 20 years of continuous service.
- VESTING** - Vesting occurs on a sliding scale with full vesting occurring after 20 years of service.
- BENEFITS** - 50% of Average Compensation multiplied by participants short service percentage (effective 1/1/2008).

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 10 - AUTHORITY PENSION PLAN (Continued)

DEATH BENEFIT - The plan provides for beneficiary benefits named by the participant under options as detailed in the retirement plan.

FUNDING - Member contributions equal 2.5% of compensation. This rate increases to 2.75% if the Authority's Minimum Municipal Obligation (MMO) exceeds \$65,000 and 3% if the MMO exceeds \$90,000. Members contributed \$42,108 and \$30,663 to the plan during 2009 and 2008 respectively. Pension expense of the Authority totaled \$17,202 for 2009 and \$7,166 for 2008.

The investment income of the plan was used to fund administrative costs. There are no long-term contracts for contributions as of December 31, 2009 and 2008. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits. The plan does not issue a stand-alone report.

The significant assumptions employed in the most recent actuarial valuation (dated 1/1/2007) to determine funding included the use of an 8% interest rate and a salary projection of 4.5%. The pension plan uses the Entry Age Normal Actuarial Cost Method. Net assets available for benefits as of January 1, 2007 were \$5,105,407.

A schedule of the Authority's annual required contributions (ARC) to the plan is as follows:

<u>Year</u>	<u>ARC</u>	<u>% Contributed</u>
2009	\$ 17,202	100%
2008	7,166	100%
2007	83,326	100%
2006	98,910	100%
2005	92,823	100%
2004	79,697	100%
2003	49,541	100%
2002	48,792	100%
2001	31,288	100%
2000	28,998	100%

Historical trend information, designed to provide information about the plan's progress made accumulating sufficient assets to pay benefits when due, is as follows:

	<u>(A)</u>	<u>(B)</u>	<u>(B-A)</u> <u>(UAAL)</u> <u>UNFUNDED</u> <u>ACTUARIAL</u>	<u>(A/B)</u>	<u>(C)</u>	<u>(B-A)/C</u> <u>UAAL AS A</u> <u>% OF</u> <u>COVERED</u> <u>PAYROLL</u>
<u>ACTUARIAL</u> <u>VALUATION</u> <u>DATE</u>	<u>ACTUARIAL</u> <u>VALUE OF</u> <u>ASSETS</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u>	<u>FUNDED</u> <u>RATIO</u>	<u>COVERED</u> <u>PAYROLL</u>	
1/1/01	\$ 3,725,113	\$ 3,573,948	\$ (151,165)	104%	\$ 872,199	-17%
1/1/03	3,877,556	3,780,883	(96,673)	103%	796,600	-12%
1/1/05	4,264,511	4,049,779	(214,732)	105%	1,065,402	-20%
1/1/07	5,105,407	4,262,176	(843,231)	120%	1,063,399	-79%

Additional trend information regarding net pension obligations (NPO) is available from the Authority's actuary.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFIT OTHER THAN PENSION

In accordance with the terms of the collective bargaining agreement between the Authority and the Utility Workers Union of America, AFL-CIO, the Authority will purchase hospitalization coverage and pay the premium cost at any one time for a maximum of two retired union employees between the ages of 62 and 65, subject to the same deductibles that apply for regular employees. As of December 31, 2009 and 2008, two union retirees were receiving post-retirement health care benefits from the Authority. The Authority finances these benefits on a pay-as-you-go basis. Amounts paid for these benefits for the years ended December 31, 2009 and 2008 were deemed immaterial.

NOTE 12 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years. The risk of loss retained by the Authority is limited to deductibles under each of the policies which can range between \$2,500 and \$10,000 per item.

For its workers compensation insurance coverage, the Authority participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), which is a public entity risk pool comprised of approximately 200 governmental organizations. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals from the Pennsylvania Department of Labor and Industry. All Trust participants may be subject to a supplemental assessment/dividend based on overall experience of the participants. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers Compensation Act and Occupational Disease Act of each and every participant of the Trust.

The Trust purchases excess insurance coverage within statutory limits. The retention for this coverage is \$750,000 per occurrence. Political subdivisions joining the Trust must remain members for a minimum of four years. Members may withdraw from the Trust after that time by giving ninety days notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdraw, the participant is responsible for their share of assessments but has no claim on any assets of the Trust.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

LEGAL MATTERS

The Authority, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2009, the Authority is unaware of any pending litigation.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

PENNSYLVANIA SEWAGE FACILITIES ACT (ACT 537)

Act 537 requires municipalities in Pennsylvania to develop and implement official sewage plans that address existing sewage disposal needs, account for future land development and provide for future sewage disposal needs. During 2008 and 2009, the Authority continued to work with the PA Department of Environmental Protection to develop its Act 537 Sewage Facility Plan and Combined Sewer Overflow (CSO) Long Term Control Plan. These plans were approved in July of 2007 and the Authority has begun the project design work. These Plans will require significant new treatment processes, pumping stations and interceptor lines with an associated capital cost of approximately \$50 million. To finance the project, the Authority has chosen to issue a series of \$10 million bonds (see Note 5) at a rate of one per year, thereby enabling the Authority to step the necessary sewage rate increases over the next four to five years as opposed to a significant rate increase in any one year.

U.S. ARMY CORPS OF ENGINEERS (COE)

The U.S. Army Corps of Engineers (COE) is undergoing a project to raise the water level in the Monongahela River which will significantly impact the Authority's Combine Sewer Overflow (CSO) outfall structures. As a result, the federal government is funding the relocation of most of the CSO structures. Construction for Phase 1 of the project was completed in 2007. Phase II began in the second half of 2009 and is scheduled to be completed in 2010. When all of the construction is completed, the Authority will have new outfall structures that will greatly reduce the amount of river water that flows back through the pipes and into the sewer lines. This in return will reduce the costs associated with treating unnecessary water.

NOTE 14 – PENDING AND EXISTING GASB PRONOUNCEMENTS

In June of 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, 'Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions'. This statement provides the accounting and reporting requirements for benefit plans, as well as, requires that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. The Authority currently recognizes the costs of post-employment benefits on a pay-as-you-go basis (Note 11). GASB Statement No. 45 stipulates that governments account for and report the annual cost of OPEB, and the outstanding obligations and commitments related to OPEB, in the same manner as they currently do for pensions. This change to the accrued retiree healthcare provision, as detailed in Note 10, may require the performance of an actuarial valuation. Management is of the opinion, based on the language in the collective bargaining agreement, and the limitation in participants, that the effect of this valuation on the Authority's financial position would be immaterial. Accordingly, the accompanying financial statements contain no provision for this net pension obligation, if any.

In addition, the GASB issued Statement No. 42, 'Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries' which is effective for periods beginning after December 15, 2005. In connection with the approved Act 537 plan (Note 12), the Authority is evaluating whether significant impairments to its capital assets will occur and the potential impairment loss that would be required to be recognized in the financial statements. The Authority has not as yet determined the amount of any such loss, and accordingly no provision for an impairment loss is provided for in the accompanying financial statements.

***SUPPLEMENTAL
SCHEDULE***

SCHEDULE 1

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF DETAIL OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	<u>2009</u>	<u>2008</u>
<u>PERSONNEL COSTS</u>		
Plant Salaries	\$ 1,406,773	\$ 1,038,098
Administrative Salaries	191,356	163,958
Payroll Taxes	121,726	93,728
Pension	17,202	7,276
Employee Benefits	306,504	309,962
TOTAL PERSONNEL	<u>\$ 2,043,561</u>	<u>\$ 1,613,022</u>
<u>PROFESSIONAL SERVICES</u>		
Engineering (Net of COE Reimbursements)	\$ 56,888	\$ (21,947)
Audit	14,610	8,300
Legal	29,842	20,419
Other Professional Services (Accounting/Payroll)	10,485	8,699
TOTAL PROFESSIONAL SERVICES	<u>\$ 111,825</u>	<u>\$ 15,471</u>
<u>SEWAGE PLANT COSTS</u>		
Utilities	\$ 418,111	\$ 360,677
Repair and Maintenance	340,129	157,362
Lease Rental Expense	303,689	-
Chemicals	69,929	46,090
Lab Supplies and Analysis	60,808	41,168
Safety Program	4,646	2,779
Vehicle Expense	48,535	20,563
Sludge Hauling	248,587	218,025
Sewer Rental	25,856	25,856
Computers	45,542	13,835
Uniforms	5,747	4,021
CSO Study	37,000	36,050
Miscellaneous	19,697	7,382
TOTAL SEWAGE PLANT COSTS	<u>\$ 1,628,276</u>	<u>\$ 933,808</u>
<u>OTHER GENERAL AND ADMINISTRATIVE</u>		
Insurance	\$ 86,765	\$ 66,122
Office Supplies	18,214	4,333
Telephone	26,516	12,640
Billing and Collecting	37,251	69,284
Travel and Education	21,453	32,761
Advertising	833	2,999
Bond and Asset Management Fees	20,636	9,334
Miscellaneous	23,136	14,452
TOTAL OTHER GENERAL AND ADMINISTRATIVE	<u>\$ 234,804</u>	<u>\$ 211,925</u>
<u>DEPRECIATION</u>	<u>\$ 1,085,625</u>	<u>\$ 500,304</u>
TOTAL OPERATING EXPENSES	<u>\$ 5,104,091</u>	<u>\$ 3,274,530</u>

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Income Approach
Financials 2010**

**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**

Operating Data 2010

2010 LARGEST CUSTOMERS

<u>Customer</u>	<u>Consumption</u>	<u>2010 Annual Revenues</u>	<u>% of Total 2010 Revenues</u>
UPMC Health System #11	25,856	\$252,162.00	4.6%
McKeesport Housing Auth (23-41 Crawford Village)	8,868	\$86,529.00	1.6%
McKeesport Housing Auth (1-14 Harrison Village)	7,008	\$68,394.00	1.3%
Guy Deluca (Kane Hospital)	6,665	\$65,049.75	1.2%
Midtown Plaza Apts./7105	5,344	\$52,170.00	1.0%
Camp Hill Corp	4,312	\$42,108.00	0.8%
McKeesport Housing Auth (64 Crawford Village)	3,572	\$34,893.00	0.6%
McKeesport Housing Auth (Isbir – Harrison Village)	3,400	\$33,216.00	0.6%
McKeesport Housing Auth (6 th st and Huey st)	3,072	\$30,018.00	0.6%
McKeesport Area High School	2,634	\$25,747.50	0.5%
TOTAL	70,731	\$690,287.25	12.8%

Source: Authority Officials

SEWER SYSTEM RATES

Sewage Service Rates Per Quarter

Size Charge/1,000 Consumed Gallons allowed for min.

2007	1,000	\$3.16
2008	1,000	\$3.70
2009	1,000	\$4.44
2010	1,000	\$5.30
2011	1,000	\$6.10

**Trends in Customer Breakdown – Sewer System
Year**

Historical Number of Customers

2001	19,987*
2002	19,987*
2003	19,987*
2004	19,142*
2005	19,070*
2006	19,180*
2007	19,225*
2008	19,225*
2009	19,225*
2010	18,985~

* Number provided by the communities in their annual waste load management report

~Number provided by Service Community billing departments

Source: Authority Officials

**THE MUNICIPAL AUTHORITY
OF THE CITY OF MCKEESPORT**



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

**THE MUNICIPAL AUTHORITY OF
THE CITY OF McKEESPORT
McKEESPORT, PENNSYLVANIA**

FINANCIAL STATEMENTS

**WITH REPORT BY
CERTIFIED PUBLIC ACCOUNTANT**

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
MCKEESPORT, PENNSYLVANIA

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Mark C. Turnley

Certified Public Accountant

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**To the Board of Directors
The Municipal Authority of the City of McKeesport**

Independent Auditor's Report

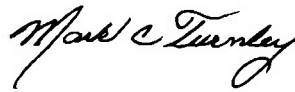
I have audited the accompanying statement of net assets of the Municipal Authority of the City of McKeesport, a component unit of the City of McKeesport, Pennsylvania as of December 31, 2010 and 2009, and the related statement of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Authority of the City of McKeesport as of December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii-xi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the Municipal Authority of the City of McKeesport. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Mark C. Turnley, CPA

June 30, 2011
Ambridge, Pennsylvania

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

This section of the Authority's annual financial report represents our discussion and analysis of the Authority's financial performance during the years ended December 31, 2010 and 2009. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. We encourage readers to consider the information presented here in conjunction with the information provided in the Authority's financial statements.

OPERATING AGREEMENTS

The Authority owns and operates a wastewater treatment facility pursuant to Agreements with each of the ten communities it serves. The Authority has Agreements to provide wastewater treatment services with the City of McKeesport, the Borough of Liberty, the Borough of Port Vue, the Borough of East McKeesport, the Township of Elizabeth, the Borough of Glassport, the Borough of White Oak, the Borough of Versailles, the Borough of Lincoln and the Township of North Versailles. The Authority's Board of Directors establishes a rate which is designed to recover the cost of providing services. The rate is based upon the gallons of water used by the community. The Authority bills the municipalities on a quarterly basis for services provided to the communities' residents at the established rate. The municipalities are responsible for setting a rate for customers within their municipalities and for billing and collecting from those customers. The Authority began conducting billing services for Versailles Borough in March of 2009.

The City of McKeesport sold its Collection System to the Authority effective January 1, 2009 under a lease purchase agreement. Since that date Authority personnel have performed routine maintenance and repairs to the system.

On November 8, 2010 the City of Duquesne sold its wastewater treatment plant and collection system to the Authority for \$3.8 million. Under the terms of the agreement the City of Duquesne used the vast portion of the funds to pay off the balance of the sewage plant's \$3.2 million bond. The rate payers from the City of Duquesne will continue to pay all expenses and debt service incurred by the system. A combined sewer overflow long term control plan will be developed over the next three or four years. Once the plan has been approved by the PA DEP, a new permit will be issued to the facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include only those of the Authority which is a component unit of the City of McKeesport, Pennsylvania. The financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. They are designed to provide a broad overview of the Authority's finances,

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

in a manner similar to a private-sector business. All of the Authority's activities are reported in the statements except for activities associated with the pension fund because those funds are not available to support the Authority's own programs.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference of the two reported as net assets. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed during the year. All of the changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected rates and earned but unused vacation leave).

These two financial statements report the Authority's net assets and the changes in the net assets. Net assets, which represent the difference between assets and liabilities, are one measure of the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in these financial statements. The financial statements and accompanying notes can be found in the financial section of this report.

FINANCIAL HIGHLIGHTS

In 2010, the Authority adopted a general rate increase of \$0.80/ 1,000 gallons consumed to create a new rate of \$6.10/1000 gallons consumed. This increase was assessed to finance the debt service of the twenty-five (25) million dollar 2010 bond borrowed for a fifty-four (54) million dollar expansion project as required under the Act 537 Plan. Bids for this project were opened on March 7, 2011 and fifteen (15) contracts were awarded on May 26, 2011.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

The Authority was awarded PennVest funding on April 20, 2011. The funding consisted of \$18,412,500 in the form of a grant and an equal amount in the form of a one (1.0) percent thirty (30) year loan. These funds are to apply only to the two contracts pertaining to the construction relating to the upgrade of the wastewater treatment facility itself. It cannot be used for the upgrades to the pump stations or lines.

The Tapping Fee (Capacity fee) remained unchanged in 2010 at a rate of \$1,750 per Equivalent Dwelling Unit ("EDU"). An EDU, equivalent dwelling unit, is the average amount of wastewater that each household in the service area discharges each day. The Authority calculates an EDU to be 236 gallons per day. During 2010 there were two (2) new residential taps and two (2) new commercial taps purchased within the Authority's service area. The balance of cash accumulated from tapping fees (The Tapping Fee Account), reserved by the Board for capital projects, on December 31, 2010 was \$748,496.36.

On December 31, 2010, total assets were \$81,588,050 and total liabilities were \$76,971,280 yielding a net asset of \$4,616,770. This resulted in an increase in the total net assets of \$2,687,707 over last year's totals.

For the year 2010, 3.62 billion gallons of wastewater were treated at the wastewater facility. Approximately 1.15 billion gallons of water were consumed in 2010 by the Authority's customers and paid for by their user fees. By comparison, 31.8% of the wastewater treated was billable, slightly up from 30.9% in 2009. The remaining 2.47 billion gallons of wastewater, down 120 million gallons from 2009, entered the sewer system from rainwater, groundwater, streams and rivers, water line breaks, firefighting efforts, etc. The 2010 annual rainfall in the area remained relatively stable from the previous year; 32.10 inches in 2009 to 32.90 inches in 2010.

In 2010 the Authority continued to treat wastewater from gas well drilling operations. During the year the facility treated 14,626,358 gallons of this wastewater and received payment of \$1,526,877.72. Due to the changes that the gas companies have made with the way that they recycle and dispose of this wastewater, this revenue stream will be greatly reduced in 2011 and thereafter.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

The City of Duquesne sold its wastewater treatment facility and associated sanitary and combined sewer lines to the Authority for \$3.8 million on November 8, 2010. These funds were used by the City to pay off the facility's \$3.2 million bond. The Authority will continue to use the revenue generated by the Duquesne System to pay for its expenses, thus keeping the finances separate from the rest of the MACM system. As part of the purchase agreement rates will be frozen through 2012.

Revenues generated by Sewage Treatment per 1,000 gallons consumed - \$7.77
Operating expenses per 1,000 gallons consumed - \$4.87

Total Operating Revenues were \$10,871,269, an increase of \$3,020,168, or 38% over 2009, primarily caused by the increase in volume of the gas well water that was treated and the \$0.86/1000 gallons rate increase that occurred in 2010.

Operating Expenses were \$5,601,619, an increase of \$497,528, or 9.7% over 2009. The largest increases came from depreciation and the additional personnel.

FINANCIAL ANALYSIS

The following condensed financial statements and other selected information serve as financial data and indicators to help the Authority manage, monitor, and plan.

Condensed Statement of Net Assets

	Dec. 31, 2010	Dec. 31, 2009	% Change
Current and other assets	39,806,046	18,223,978	118.4%
Capital assets-net of accumulated depreciation	41,782,004	38,259,139	9.2%
Total Assets	81,588,050	56,483,117	44.4%
Current and other liabilities	76,971,280	54,554,054	41.1%
Net Assets	4,616,770	1,929,063	139.3%

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL ANALYSIS (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Dec. 31, 2010	Dec. 31, 2009	% Change
Operating revenues	10,871,269	7,851,101	38.5%
Operating expenses	5,601,619	5,104,091	9.7%
Operating income	5,269,650	2,747,010	91.8%
Interest income	48,923	32,675	49.7%
Interest expense	(2,624,504)	(2,110,727)	24.3%
Amortization of Bond Issue Costs	(30,526)	(27,527)	10.9%
Change in Net Assets	2,663,543	641,431	315.3%

Overall, the Authority's financial condition remained strong in 2010. Most of the ten service communities are up to date with their payments with the exception of East McKeesport which continues to lag one quarter behind due to the length of time it takes to get their consumption numbers from the water authority. The addition of the McKeesport Collection System in 2009 and the Duquesne Wastewater Treatment Plant and System in 2010 has greatly expanded the scope of the Authority's influence and responsibilities. The purchase of the Borough of Dravosburg's plant and system in 2011, as well as, the expressed interest of at least three of the Authority's service communities to sell their systems to the Authority bodes well for the future success of the Authority.

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	2010	2009	Variance
Total operating revenues	\$10,871,269	\$ 7,851,101	\$3,020,168
Net cash provided by operations	\$7,414,211	\$2,125,197	\$5,289,014
Operating cash as a percentage of operating revenues	68.2%	27.1%	41.1%

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

On December 31, 2010, the Authority had \$41,782,004 invested in capital assets, including land, infrastructure, buildings, plant and office machinery and equipment, and vehicles net of depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$3,522,865, or approximately 9% from last year.

The Authority had approximately \$4,661,340 in capital additions during the 2010 year, mainly comprised of 1) the purchase of lines from the City of Duquesne for \$3,800,000, 2) costs incurred of \$169,618 for the Act 537 system improvements and upgrades, 3) construction costs for additions to the administration and laboratory buildings totaling \$204,999 and 4) the purchase of a Vactor 2100 on a 2009 international cab and chassis totaling \$356,691.

A summary of the Authority's capital assets net of accumulated depreciation for the past two years is as follows:

	2010	2009	INCREASE <DECREASE>
Land	\$ 56,332	\$ 56,332	\$ -
Infrastructure	36,959,918	32,820,000	4,139,918
Buildings	5,637,354	5,628,676	8,678
Plant Machinery & Equipment	7,838,347	7,749,428	88,919
Office Machinery & Equipment	86,566	85,619	947
Vehicles and Equipment	845,670	474,479	371,191
	<u>\$ 51,424,187</u>	<u>\$ 46,814,534</u>	<u>\$ 4,609,653</u>
Accumulated Depreciation	(12,449,395)	(11,283,196)	(1,166,199)
	<u>\$ 38,974,792</u>	<u>\$ 35,531,338</u>	<u>\$ 3,443,454</u>
Construction in Progress	2,807,212	2,727,801	79,411
	<u>\$ 41,782,004</u>	<u>\$ 38,259,139</u>	<u>\$ 3,522,865</u>

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION

As of December 31, 2010, the Authority had total long-term debt outstanding of \$76,815,222. The Authority's debt obligations are comprised of 1) four sewer revenue bonds and 2) two capital lease obligations with the City of McKeesport, one capital lease with Bank Capital Services, and one capital lease with PNC Equipment Finance as follows:

In October of 2006, The Authority issued Sewer Revenue Bonds - Series of 2006, in the amount of \$6,140,000 for 1) the design and construction of capital project acquisition of facilities required for the proper operation and maintenance of the Authority wastewater conveyance and treatment system and 2) refund an existing bank loan. The bonds were issued in denominations of \$5,000 with interest payable at rates between 3.6 and 4.5% on June 15 and December 15 each year through maturity. The bonds are scheduled to mature on December 15, 2036. The remaining principal balance on the bond issue as of December 31, 2010 is \$5,780,000.

In October of 2008, The Authority issued Sewer Revenue Bonds - Series of 2008, in the amount of \$10,000,000 for the initial stages of an anticipated sixty (60) million dollar expansion project as required under the Act 537 Plan. The bonds were issued in denominations of \$5,000 with interest payable at rates between 2.5 and 5.45% on June 15 and December 15 each year through maturity. The bonds are scheduled to mature on December 15, 2039. The remaining principal balance on the bond issue as of December 31, 2010 is \$9,830,000.

In December of 2009, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2009 in the amount of \$10,000,000 for the purpose of 1) the design and construction of capital projects, 2) acquisition of facilities required for proper operation and maintenance of the Authority wastewater conveyance and treatment system, 3) funding a debt service reserve fund, and 4) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 3.0 and 5.75%. The bonds are scheduled to mature December 15, 2039. The remaining principal balance on the bond issue as of December 31, 2010 is \$10,000,000.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION: (Continued)

In December of 2010, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2010 under the terms of a Trust Indenture dated December 28, 2010, by and between the Authority and The Bank of New York Mellon Trust Company, as Trustee, in the amount of \$25,000,000. The purpose of the bond issue was for 1) the design and construction of capital projects, 2) funding a debt service reserve fund, and 3) paying the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 2.0 and 5.16%. The bonds are scheduled to mature December 15, 2040. The remaining principal balance on the bond issue as of December 31, 2010 is \$25,000,000.

In 1997, the Authority entered into a Cooperation Agreement with the City of McKeesport to finance \$3.5 million in capital improvements. Under this Cooperation Agreement, the Authority leases from the City the improvements and the lease payments made by the Authority are to be utilized in connection with the debt service on bonds issued by the City to finance the project. The Cooperation Agreement calls for the quarterly payment of \$86,000 to the City during the term of the bond issue. The lease is being amortized over a 25-year period. The remaining principal balance on the lease as of December 31, 2010 is \$2,548,895.

In 2009, the Authority entered into a capital lease agreement with the Bank Capital Services for the purchase of two F-150 2009 Ford truck vehicles totaling \$45,231. The terms of the lease call for three annual payments of \$15,952.92 at an interest rate of 5.9%. The remaining principal balance on the lease as of December 31, 2010 is \$15,062.

Effective January 1, 2009, the Authority entered into a lease purchase agreement with the City of McKeesport for the purchase of the City's sanitary collection system for \$30,000,000. The terms of the agreement call for the monthly payment of \$163,614.69 (principal and interest) at the annual rate of 4% for a period of 240 months. The lease is scheduled to expire in March of 2027. The remaining principal balance on the lease as of December 31, 2010 is \$23,384,475.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION: (Continued)

In July of 2010, the Authority entered into a capital lease agreement with PNC Equipment Finance for the purchase of a Vactor 2100 on a 2009 International Cab and Chassis for \$328,368. The terms of the lease call for 5 annual payments of \$71,578.41 at an annual interest rate of 4.5% with a \$1 buy-out option at the completion of the lease term. The lease is scheduled to expire in August of 2014. The remaining principal balance on the lease as of December 31, 2010 is \$256,789.

The Authority is scheduled to make principal and interest payments on their total debt of approximately \$5,165,661 during the 2011 calendar year.

GENERAL TRENDS AND SIGNIFICANT EVENTS

Population in the Authority's service area continues to remain fairly constant, with a decrease in the population of the City of McKeesport being offset by increases in other communities such as White Oak Borough, North Versailles Township and Elizabeth Township. It has been estimated that the population in the service area will increase at a rate of 90 persons per year for the next five years.

Throughout the year the Authority continued to work with the PA Department of Environmental Protection to develop its Act 537 Sewage Facility Plan and Combined Sewer Overflow (CSO) Long Term Control Plan. These plans were approved in July of 2007. The project design work was completed and submitted to the PA Department of Environmental Protection for review in July of 2009 and approved in July of 2010. Fifteen construction projects were put out for bid in February of 2011 and awarded in May. The completion date for these projects is the summer of 2013. The project involves significant new treatment processes, pumping stations & interceptor lines with an associated capital cost of approximately fifty-four (54) million dollars. In order to prevent a huge increase in the sewer rates the Authority has chosen to issue a series of \$10 million bonds at a rate of one per year. By doing this the Authority will be able to step the necessary rate increases over a period of several years. To this end a ten (10) million dollar bond was issued in 2008 and the rates were increased by \$0.74/1000 gallons, or 20.5% , a second ten million dollar bond was issued in 2009 which increased the rates \$0.86/1000 gallons, or 19.4%, and a final twenty-five (25) million dollar bond was issued in 2010 raising the rates \$0.80/1000 gallons, or 15.1%.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

The US Army Corps of Engineers (COE) is undergoing a project to raise the water level in the Monongahela River which will significantly impact the Authority's Combine Sewer Overflow (CSO) outfall structures. As a result the federal government funded the relocation of most of the CSO structures. Construction for Phase I of the project was completed in 2007 and the final phase (II) of the project was completed in 2010. The Authority's new outfall structures should greatly reduce the amount of river water that flows back through the pipes and into the sewer lines. This in return will reduce the costs associated with treating unnecessary water.

As was noted earlier in this report, in 2009, the Authority acquired the sewage collection system from the City of McKeesport. The acquisition of the sewer system included more than 550,000 feet of sewer lines ranging in size from 6" to 42" and two pumping stations. The acquisition of the Duquesne plant and system in 2010 added an additional 157,880 feet of sewer lines and 557 manholes to the Authority's care. In order to maintain this vast system, eight new employees were hired in 2010 to complete a 13 man crew dedicated to maintaining and repairing the lines, manholes, catch basins and pumping stations.

With the acquisition of the Duquesne system, the Authority also assumed the corresponding sewage billing responsibilities. Two additional employees were hired in 2010 to assist the initial staff in order to perform this task.

CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to show the Board of Directors' accountability for the money they administer on behalf of the customers of the Municipal Authority of the City of McKeesport. If you have questions about this report or wish to request additional financial information, please contact the Authority offices at 100 Atlantic Avenue, McKeesport, PA 15132, (412)-673-8276.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF NET ASSETS
DECEMBER 31,

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 4,688,620	\$ 1,381,231
Sewage Service Receivable	957,473	918,335
Delinquent Sewage Service Receivable - City of McKeesport	241,161	591,463
Other Accounts Receivable	-	148,733
Accrued Sewage Service (Unbilled)	1,217,631	1,081,436
Deposits	3,000	3,000
TOTAL CURRENT ASSETS	<u>\$ 7,107,885</u>	<u>\$ 4,124,198</u>
RESTRICTED ASSETS:		
Investments	\$ 31,413,728	\$ 13,475,342
TOTAL RESTRICTED ASSETS	<u>\$ 31,413,728</u>	<u>\$ 13,475,342</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	\$ 56,332	\$ 56,332
Infrastructure	36,959,918	32,820,000
Buildings	5,637,354	5,628,676
Plant Machinery and Equipment	7,838,347	7,749,428
Office Machinery and Equipment	86,566	85,619
Vehicles and Equipment	845,670	474,479
	<u>\$ 51,424,187</u>	<u>\$ 46,814,534</u>
Less: Accumulated Depreciation	(12,449,395)	(11,283,196)
	<u>\$ 38,974,792</u>	<u>\$ 35,531,338</u>
Construction in Progress	2,807,212	2,727,801
NET PROPERTY, PLANT AND EQUIPMENT	<u>\$ 41,782,004</u>	<u>\$ 38,259,139</u>
OTHER ASSETS:		
Deferred Bond Issue Costs	\$ 1,284,433	\$ 624,438
TOTAL OTHER ASSETS	<u>\$ 1,284,433</u>	<u>\$ 624,438</u>
TOTAL ASSETS	<u>\$ 81,588,050</u>	<u>\$ 56,483,117</u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF NET ASSETS
DECEMBER 31,
(CONTINUED)

	<u>2010</u>	<u>2009</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 854,450	\$ 188,865
Accrued Payroll and Taxes	47,704	45,283
Sewage Service Deposits	13,050	6,950
Accrued Interest	102,948	54,651
Capital Lease - Current Portion	1,248,949	1,067,010
Current Portion of Bonds Payable	300,000	290,000
TOTAL CURRENT LIABILITIES	<u>\$ 2,567,101</u>	<u>\$ 1,652,759</u>
LONG-TERM LIABILITIES:		
Capital Leases - Long Term Portion	\$ 24,956,273	\$ 27,727,794
Bonds Payable - Long Term Portion	50,310,000	25,610,000
Discount on Bonds Payable	(965,486)	(523,632)
Compensated Absences	103,392	87,133
TOTAL LONG-TERM LIABILITIES	<u>\$ 74,404,179</u>	<u>\$ 52,901,295</u>
TOTAL LIABILITIES	<u>\$ 76,971,280</u>	<u>\$ 54,554,054</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$ (6,130,544)	\$ (4,221,305)
Restricted for Debt Service	3,435,456	1,784,614
Unrestricted	7,311,858	4,365,754
TOTAL NET ASSETS	<u>\$ 4,616,770</u>	<u>\$ 1,929,063</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 81,588,050</u>	<u>\$ 56,483,117</u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES</u>		
Sewage Treatment Services	\$ 8,939,124	\$ 7,085,472
Sludge Hauling	105,115	59,950
Tap Fees and Permits	5,250	-
Well Water Processing	1,820,000	678,670
Miscellaneous	1,780	27,009
TOTAL OPERATING REVENUES	<u>\$ 10,871,269</u>	<u>\$ 7,851,101</u>
<u>OPERATING EXPENSES</u>		
Personnel Costs	\$ 2,404,579	\$ 2,043,561
Professional Services	209,567	111,825
Sewage Plant Costs	1,546,237	1,628,276
Other General and Administrative	277,534	234,804
Depreciation	1,163,702	1,085,625
TOTAL OPERATING EXPENSES	<u>\$ 5,601,619</u>	<u>\$ 5,104,091</u>
NET OPERATING INCOME BEFORE NON-OPERATING REVENUE AND EXPENSE	<u>\$ 5,269,650</u>	<u>\$ 2,747,010</u>
<u>NON-OPERATING REVENUE AND (EXPENSE)</u>		
Interest Income	\$ 48,923	\$ 32,675
Interest on Long-Term Debt	(2,624,504)	(2,110,727)
Amortization of Bond Issue Costs	(30,526)	(27,527)
TOTAL NON-OPERATING REVENUE AND (EXPENSE)	<u>\$ (2,606,107)</u>	<u>\$ (2,105,579)</u>
INCREASE <DECREASE> IN NET ASSETS	<u>\$ 2,663,543</u>	<u>\$ 641,431</u>
NET ASSETS - JANUARY 1,	1,929,063	1,535,607
Prior Period Adjustments	24,164	(247,975)
NET ASSETS - DECEMBER 31,	<u>\$ 4,616,770</u>	<u>\$ 1,929,063</u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Sewage Billings	\$ 11,201,071	\$ 6,995,805
Cash Paid to Employees for Salaries and Benefits	(2,402,158)	(2,039,946)
Cash Paid to Suppliers for Goods and Services	(1,384,702)	(2,830,662)
Net Cash Provided by Operating Activities	<u>\$ 7,414,211</u>	<u>\$ 2,125,197</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
(Increase) Decrease in Restricted Assets	\$ (17,938,386)	\$ (7,734,003)
Proceeds from Bond Issues	25,000,000	10,000,000
Proceeds from Capital Lease	328,364	27,029,287
Bond Closing Costs	(1,137,857)	(391,782)
Principal Payments on Long-Term Debt	(3,207,950)	(1,191,951)
Interest Paid on Long-Term Debt	(2,538,576)	(2,179,807)
Purchase of Property and Equipment (Net of Refund)	(4,661,340)	(28,785,895)
Net Cash (Used for) Capital and Related Financing Activities	<u>\$ (4,155,745)</u>	<u>\$ (3,254,151)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Income Received	\$ 48,923	\$ 32,675
Net Cash Provided By Investing Activities	<u>\$ 48,923</u>	<u>\$ 32,675</u>
Net Increase in Cash and Cash Equivalents	\$ 3,307,389	\$ (1,096,279)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>1,381,231</u>	<u>2,477,510</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 4,688,620</u>	<u>\$ 1,381,231</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 5,269,650	\$ 2,747,010
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,163,702	1,085,625
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	323,702	(1,610,979)
Increase (Decrease) in Accounts Payable	632,377	(107,024)
Increase (Decrease) in Accrued Expenses	2,421	(13,610)
Increase (Decrease) in Sewage Service Deposits	6,100	6,950
Increase (Decrease) in Accumulated Compensated Absences	16,259	17,225
Net Cash Provided by Operating Activities	<u>\$ 7,414,211</u>	<u>\$ 2,125,197</u>

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

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 – DESCRIPTION AND REPORTING ENTITY

DESCRIPTION

The Municipal Authority of the City of McKeesport (the Authority) is a public corporation of the Commonwealth of Pennsylvania, organized and existing under the Municipality Authorities Act of 1945 (as amended). The Council of the City of McKeesport (the City) created the Authority on November 29, 1949 under an order from the Sanitary Water Board of the Commonwealth of Pennsylvania. The Authority was created for a period of 50 years to end December 5, 1999, and was subsequently extended through December 5, 2026 pursuant to a Cooperation Agreement between the Authority and the City. The Authority was created for the purpose of acquiring, holding, constructing, improving, maintaining and operating, owning and leasing (either in capacity as lessor or lessee) certain projects. These projects include sewers, sewer systems or parts thereof, sewage treatment works, also including the acquisition of land for sewage treatment works and pumping stations, and all other necessary facilities and apparatus that the Board of Directors may authorize as necessary for the project. The Authority provides waste collection and treatment services, under agreement, for the following municipalities:

City of McKeesport	White Oak Borough
Port Vue Borough	Liberty Borough
East McKeesport Borough	Elizabeth Township
Glassport Borough	Lincoln Borough
Versailles Borough	North Versailles Borough

Per the terms of these agreements, the Authority is the sole and exclusive provider of sewage treatment and disposal service to the above municipalities, and these municipalities have agreed to construct and maintain such sewers, interceptors and pumping stations as is necessary to bring the sewage and industrial waste to a point where it flows into the interceptors of the Authority.

The five-members of the Authority Board of Directors are appointed by the members of Council of the City of McKeesport. The Authority has no stockholders nor equity holders, and revenue or other cash received must be disbursed in accordance with provisions of the Trust Indentures dated October 1, 2006, the First Supplemental Trust Indenture dated as of October 2, 2008, and the Second Supplemental Trust Indenture dated as of December 1, 2009, and the Third Supplemental Trust Indenture dated as of December 28, 2010 by and between the Authority and the Bank of New York Mellon Trust Company as trustee, securing the Sewer Revenue Bonds Series of 2006, 2008, 2009, and 2010 respectively.

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Municipal Authority of the City of McKeesport consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves their budget, approves and/or guarantees the issuance of their debt, or otherwise can impose its will in a significant manner.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 – DESCRIPTION AND REPORTING ENTITY (Continued)

REPORTING ENTITY (Continued)

The management of the Municipal Authority of the City of McKeesport applies the criteria set forth in the 'Codification of Governmental Accounting and Financial Reporting Standards' for defining the scope of its reporting entity. Based on the application of these criteria, the Municipal Authority of the City of McKeesport has no component units, but is considered a component unit of the City of McKeesport. These financial statements include only the activity of the Municipal Authority of the City of McKeesport.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal Authority of the City of McKeesport have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The most significant of the Authority's accounting policies are as follows:

BASIS OF ACCOUNTING

The Authority is accounted for as an enterprise fund since its operations are financed and operated in a manner similar to the private sector. The Authority utilizes the accrual method of accounting. Under this method, revenues are recognized when earned rather than when cash is received, and expenses are recognized when an obligation is incurred rather than when cash is actually paid.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposit accounts, and any other short-term highly liquid assets with original maturity terms of less than three months.

INVESTMENTS

Investments are made pursuant to Section 7.1 of the Municipal Authorities Act and can include the following:

- I. U.S. Treasury Bills
- II. Obligations of the U.S. Government and Federal Agencies
- III. Certificates of Deposit, Checking and Savings Accounts insured by the FDIC or National Credit Union Share Insurance Fund (NCUSIF)
- IV. General obligation bonds of the federal government, Commonwealth of Pennsylvania or any state agency
- V. Shares of Mutual Funds whose investments are restricted to the aforementioned investments

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS (Continued)

In addition, the Board of Directors can invest the Authority's sinking funds as authorized for local governments in the Local government Unit Debt Act, 53 Pa.C.S. 8224. Investment of the Authority's restricted assets are made pursuant to and restricted by the aforementioned Trust Indentures securing the Sewer Revenue Bonds Series of 2006, 2008, 2009, and 2009. Investments for 2009 and 2010 (See Restricted Assets) include Dreyfus Government cash management agency fund shares, certificates of deposit, corporate notes, fixed income investments with the Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, Federal National Mortgage Association, and U.S. Treasury Bills. Investments are stated at fair value. The Authority is in compliance with these restrictions as of December 31, 2010 and 2009.

RESTRICTED ASSETS

In accordance with the provisions of the Trust Indentures, dated October 1, 2006, October 2, 2008, December 1, 2009, and December 28, 2010 by and between the Bank of New York Mellon Trust Company and the Municipal Authority of the City of McKeesport, which secure the Sewer Revenue Bonds Series of 2006, 2008, 2009, and 2010, the Authority is obligated to restrict certain funds to pay for construction related expenditures and to meet debt service requirements. The total of these funds is reflected in Exhibit A as 'restricted assets' and detailed in Note 3.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at net realizable value. Receivables are mainly comprised of billed and unbilled sewage services rendered to the participating municipalities as described in Note 1. The Authority does not maintain an allowance for doubtful accounts, as management estimates that uncollectible amounts at year-end, if any, would not materially effect the financial position of the Authority.

INVENTORY

The Authority does not maintain a physical inventory of materials, chemicals, and other supplies. Management estimates that inventory values during the year are minimal for cost control purposes. Accordingly, management is of the opinion that any value that existed at December 31, 2010 and 2009 would not materially effect the financial position of the Authority.

PROPERTY, PLANT, AND EQUIPMENT

The Authority records property, plant and equipment purchases at cost. Property, plant and equipment include major betterments that extend the economic useful life of the assets affected. The Authority maintains a capitalization threshold of \$500. Routine repair and maintenance costs are charged to operations as incurred. Depreciation expense is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Infrastructure	50 Years
Buildings	40 Years
Machinery and Equipment	7-20 Years
Vehicles	7-10 Years
Software	3 Years

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT, AND EQUIPMENT (Continued)

Depreciation expense for the year ended December 31, 2010 and 2009 was \$1,163,702 and 1,085,625 respectively. Construction in progress represents funds paid toward the following Authority projects:

	<u>12/31/2010</u>	<u>12/31/2009</u>
Act 537 System Improvements Project	\$ 2,602,213	\$ 2,427,229
Marshall Drive project	-	300,572
Administration and Lab Buildings	204,999	-
	<u>\$ 2,807,212</u>	<u>\$ 2,727,801</u>

NET ASSETS

GASB Statement No. 34 requires equity in the statement of net assets to be reported as 'Net Assets'. Net assets are classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Authority obligations. Net assets are classified as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets.
- Restricted-Nonexpendable – Net assets subject to externally imposed restrictions which are required to be maintained in perpetuity.
- Restricted-Expendable – Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Authority or by the passage of time.
- Unrestricted – Consists of net assets that do not meet the definition of 'restricted' or 'invested in capital assets, net of related debt'.

The Authority applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS:

At December 31, 2010 and 2009, the Authority had the following carrying value on its' cash and cash equivalent accounts held with PNC Bank:

	--- December 31, 2010 ---		--- December 31, 2009 ---	
	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash and Cash Equivalents	\$ 4,678,260	\$ 4,688,620	\$ 1,416,562	\$ 1,381,231
Certificates of Deposit (Shown as part of Restricted Assets)	<u>2,792,814</u>	<u>2,792,814</u>	-	-
	<u>\$ 7,471,074</u>	<u>\$ 7,481,434</u>	<u>\$ 1,416,562</u>	<u>\$ 1,381,231</u>

The difference between the bank balance and the carrying value represents reconciling items such as deposits in transit and outstanding checks. Effective December 31, 2010, all funds in a 'noninterest-bearing transaction account' are insured in full by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2010 and 2009, \$486,356 and \$1,166,562 respectively of the Authority's bank balance totals are exposed to custodial credit risk as these amounts represent uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Authority's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

INVESTMENTS:

The fair value and maturity term of the Authority's investments as of December 31, 2010 and 2009 is as follows:

	----- December 31, 2010 -----		
	<u>Fair Value</u>	<u>No Stated Maturity</u>	<u>0-1 Years</u>
Dreyfus Cash Mgt Agency Funds	\$ 24,708,962	\$ 24,708,962	\$ -
Corporate Notes	914,020	-	914,020
U.S. Agency Fixed Income	2,997,932	-	2,997,932
	<u>\$ 28,620,914</u>	<u>\$ 24,708,962</u>	<u>\$ 3,911,952</u>

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS: (Continued)

	----- December 31, 2009 -----		
	Fair Value	No Stated Maturity	0-1 Years
Dreyfus Cash Mgt Agency Funds	\$ 8,412,899	\$ 8,412,899	\$ -
U.S Treasury Bills	249,395	-	249,395
U.S. Agency Fixed Income	4,813,048	-	4,813,048
	\$ 13,475,342	\$ 8,412,899	\$ 5,062,443

Investments classified as U.S. Agencies are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Management does not anticipate any problems with these securities.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of December 31, 2010, investments in U.S. Agencies and Corporate Notes have received a 'AAA' rating from Standards & Poors.

Custodial Credit Risk:

For an investment, 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 investments or collateral security that are in the possession of an outside party. The Authority's investments in Dreyfus Cash Management Agency Funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Authority does not have a formal investment policy for custodial credit risk.

Interest Rate Risk:

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's certificate of deposit, corporate note, and U.S. Agency Fixed Income security investments have maturity terms of less than 1 year.

Concentration of Credit Risk:

The Authority places no limit on the amount it may invest in any one issuer.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS: (Continued)

The Authority's restricted assets as of December 31, 2010 and 2009 are comprised of the following:

	<u>12/31/2010</u>	<u>12/31/2009</u>
Construction Funds	\$ 27,937,188	\$ 11,690,728
Clearing Fund	41,084	-
Debt Service Funds	3,435,456	1,784,614
	<u>\$ 31,413,728</u>	<u>\$ 13,475,342</u>

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT

The following comprises the changes to the Authority's property, plant, and equipment account during 2010 and 2009:

	<u>Balance 1/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/10</u>
Land	\$ 56,332	\$ -	\$ -	\$ 56,332
Infrastructure	32,820,000	4,139,918	-	36,959,918
Buildings	5,637,354	-	-	5,637,354
Plant Machinery and Equipment	7,780,484	59,738	(1,875)	7,838,347
Office Machinery and Equipment	73,609	12,957	-	86,566
Vehicles and Equipment	474,479	371,191	-	845,670
	<u>\$ 46,842,258</u>	<u>\$ 4,583,804</u>	<u>\$ (1,875)</u>	<u>\$ 51,424,187</u>
Less: Accumulated Depreciation	(11,286,756)	(1,163,702)	1,063	(12,449,395)
	<u>\$ 35,555,502</u>	<u>\$ 3,420,102</u>	<u>\$ (812)</u>	<u>\$ 38,974,792</u>
Construction in Progress	2,727,801	379,983	(300,572)	2,807,212
	<u>\$ 38,283,303</u>	<u>\$ 3,800,085</u>	<u>\$ (301,384)</u>	<u>\$ 41,782,004</u>

	<u>Balance 1/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>
Land	\$ 33,036	\$ 23,296	\$ -	\$ 56,332
Infrastructure	5,671,267	27,148,733	-	32,820,000
Buildings	5,537,977	90,699	-	5,628,676
Plant Machinery and Equipment	7,788,730	(39,302)	-	7,749,428
Office Machinery and Equipment	73,172	12,447	-	85,619
Vehicles and Equipment	382,257	92,222	-	474,479
	<u>\$ 19,486,439</u>	<u>\$ 27,328,095</u>	<u>\$ -</u>	<u>\$ 46,814,534</u>
Less: Accumulated Depreciation	(10,197,571)	(1,085,625)	-	(11,283,196)
	<u>\$ 9,288,868</u>	<u>\$ 26,242,470</u>	<u>\$ -</u>	<u>\$ 35,531,338</u>
Construction in Progress	1,270,001	1,457,800	-	2,727,801
	<u>\$ 10,558,869</u>	<u>\$ 27,700,270</u>	<u>\$ -</u>	<u>\$ 38,259,139</u>

Fixed asset balances and related accumulated depreciation have been re-stated in 2010 and 2009 to reflect changes in the fixed asset appraisal report (Note 8).

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 5 – LONG-TERM DEBT

SEWER REVENUE BONDS – SERIES OF 2006

In October of 2006, the Authority issued Sewer Revenue Bonds - Series of 2006 under the terms of a Trust Indenture dated October 1, 2006, by and between the Authority and M&T Investment Group (formerly through First Commonwealth Bank), as Trustee, in the amount of \$6,140,000. The purpose of the bond issue was for 1) the design and construction of capital projects acquisition facilities required for the proper operation and maintenance of the Authority wastewater conveyance and treatment system, 2) refund an existing bank loan, and 3) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 3.6 and 4.5%. The bonds provide for early redemption options as detailed in the official statement of issue. The bonds are scheduled to mature December 15, 2036.

SEWER REVENUE BONDS – SERIES OF 2008

In October of 2008, the Authority issued Sewer Revenue Bonds - Series of 2008 under the terms of a First Supplemental Trust Indenture dated October 2, 2008, by and between the Authority and the Bank of New York Mellon Trust Company, as Trustee, in the amount of \$10,000,000. The purpose of the bond issue was for 1) the design and construction of capital projects, 2) acquisition facilities required for the proper operation and maintenance of the Authority wastewater conveyance and treatment system, 3) funding of a debt service reserve fund, and 4) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 2.5 and 5.45%. The bonds provide for early redemption options as detailed in the official statement of issue. The bonds are scheduled to mature December 15, 2039.

SEWER REVENUE BONDS – SERIES OF 2009

In December of 2009, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2009 under the terms of a Trust Indenture dated December 1, 2009, by and between the Authority and The Bank of New York Mellon Trust Company, as Trustee, in the amount of \$10,000,000. The purpose of the bond issue was for 1) the design and construction of capital projects, 2) acquisition of facilities required for proper operation and maintenance of the Authority wastewater conveyance and treatment system, 3) funding a debt service reserve fund, and 4) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 3.0 and 5.75%. The bonds provide for early redemption options as detailed in the official statement of issue. The bonds are scheduled to mature December 15, 2039.

SEWER REVENUE BONDS – SERIES OF 2010

In December of 2010, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2010 under the terms of a Trust Indenture dated December 28, 2010, by and between the Authority and The Bank of New York Mellon Trust Company, as Trustee, in the amount of \$25,000,000. The purpose of the bond issue was for 1) the design and construction of capital projects, 2) funding a debt service reserve fund, and 3) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 2.0 and 5.16%. The bonds provide for early redemption options as detailed in the official statement of issue. The bonds are scheduled to mature December 15, 2040.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 5 – LONG-TERM DEBT (Continued)

The following summarizes the debt service obligations of the Authority as of December 31, 2010:

Year	2006 Principal	2008 Principal	2009 Principal	2010 Principal	Interest	Total
2011	\$ 130,000	\$ 170,000	\$ -	\$ -	\$ 2,470,752	\$ 2,770,752
2012	135,000	175,000	-	5,000	2,477,682	2,792,682
2013	140,000	180,000	165,000	435,000	2,631,926	3,551,926
2014	145,000	190,000	170,000	445,000	2,613,037	3,563,037
2015	150,000	195,000	175,000	460,000	2,415,796	3,395,796
2016-2020	835,000	1,095,000	1,005,000	2,545,000	11,544,526	17,024,526
2021-2025	1,030,000	1,385,000	1,270,000	3,140,000	10,271,508	17,096,508
2026-2030	1,275,000	1,785,000	1,635,000	4,035,000	8,461,969	17,191,969
2031-2035	1,580,000	2,310,000	2,165,000	5,270,000	5,959,304	17,284,304
2036-2040	360,000	2,345,000	3,415,000	7,005,000	2,540,214	15,665,214
2041	-	-	-	1,660,000	91,632	1,751,632
	<u>\$ 5,780,000</u>	<u>\$ 9,830,000</u>	<u>\$ 10,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 51,478,346</u>	<u>\$ 102,088,346</u>

DEFERRED FINANCING COSTS

In connection with the Authority's currently outstanding bond issues, the Authority paid approximately \$1,375,126 in bond issuance costs. These costs are being amortized on a straight-line basis over the life of the bond issues. The unamortized amount of bond issuance costs at December 31, 2010 and 2009 totaling \$1,284,433 and \$624,438 respectively, is reflected in Exhibit A as part of other assets. Amortization expense was \$30,526 and \$27,527 for 2010 and 2009 respectively. In addition, the original issue discount and underwriters discount in connection with these bond issues was \$1,052,895. This amount is being amortized on a straight-line basis over the life of the bond issues and is charged as a component of interest expense in the statement of revenues, expenses and changes in net assets. The unamortized amount of bond discount at December 31, 2010 and 2009 totaling \$965,486 and \$523,632 respectively, is reflected in Exhibit A as a reduction in long-term liabilities. The amount of discount charged to interest expense was \$37,631 and \$29,747 for 2010 and 2009 respectively.

CAPITAL LEASE – CITY OF MCKEESPORT

In 1997, the Authority entered into a Cooperation Agreement with the City of McKeesport to finance \$3.5 million in capital improvements. Under this Cooperation Agreement, the Authority leases the improvements from the City, and the lease payments made by the Authority to the City are used to pay the debt service on bonds issued by the City to finance the project. The Cooperation Agreement calls for the Authority to make quarterly payments of \$86,000 to the City during the term of the City's bond issue. The lease is being amortized over a 25-year period commencing with calendar year 1998.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 5 – LONG-TERM DEBT (Continued)

CAPITAL LEASE – CITY OF MCKEESPORT SANITARY COLLECTION SYSTEM

Effective January 1, 2009, the Authority entered into a lease purchase agreement with the City of McKeesport for the purchase of the City's sanitary collection system for \$30,000,000. The terms of the agreement call for the monthly payment of \$163,614.69 (principal and interest) at the annual rate of 4% for a period of 240 months. The Authority made an advance payment against this debt obligation of \$1,750,000 in August of 2010. The lease is scheduled to expire in March of 2027.

CAPITAL LEASE – BANK CAPITAL SERVICES

In March of 2009, the Authority entered into a capital lease agreement with Bank Capital Services for the purchase of (2) F-150 2009 Ford Truck vehicles for \$45,231. The terms of the lease call for 3 annual payments of \$15,952.92 at an annual interest rate of 5.9% with a \$1 buy-out option at the completion of the lease term. The lease is scheduled to expire in May of 2011.

CAPITAL LEASE – PNC EQUIPMENT FINANCE

In July of 2010, the Authority entered into a capital lease agreement with PNC Equipment Finance for the purchase of a Vactor 2100 on a 2009 International Cab and Chassis for \$328,368. The terms of the lease call for 5 annual payments of \$71,578.41 at an annual interest rate of 4.5% with a \$1 buy-out option at the completion of the lease term. The lease is scheduled to expire in August of 2014.

A schedule of the future minimum lease rental payments as of December 31, 2010 is as follows:

Year	1997 City Lease Principal	2009 City Lease Principal	Bank Capital Principal	PNC Principal	Interest	Total
2011	\$ 126,810	\$ 1,047,054	\$ 15,062	\$ 60,023	\$ 1,145,960	\$ 2,394,909
2012	138,180	1,089,714	-	62,724	1,088,336	2,378,954
2013	150,571	1,134,110	-	65,547	1,028,727	2,378,955
2014	164,071	1,180,315	-	68,495	966,072	2,378,953
2015	178,784	1,228,404	-	-	900,188	2,307,376
2016-2020	1,165,132	6,934,769	-	-	3,436,979	11,536,880
2021-2025	625,347	8,467,329	-	-	1,412,204	10,504,880
2026-2027	-	2,302,780	-	-	59,764	2,362,544
	<u>\$ 2,548,895</u>	<u>\$ 23,384,475</u>	<u>\$ 15,062</u>	<u>\$ 256,789</u>	<u>\$ 10,038,230</u>	<u>\$ 36,243,451</u>

The following represents the changes in the Authority's long-term debt obligations during 2010 and 2009:

	Balance 1/1/09	Additions	Deletions	Balance 12/31/09	Due Within One Year
Bonds	\$ 25,900,000	\$ 25,000,000	\$ (290,000)	\$ 50,610,000	\$ 300,000
Capital Leases	28,794,804	328,368	(2,917,950)	26,205,222	1,248,949
	<u>\$ 54,694,804</u>	<u>\$ 25,328,368</u>	<u>\$ (3,207,950)</u>	<u>\$ 76,815,222</u>	<u>\$ 1,548,949</u>

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 5 – LONG-TERM DEBT (Continued)

	<u>Balance 1/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>	<u>Due Within One Year</u>
Bonds	\$ 16,025,000	\$ 10,000,000	\$ (125,000)	\$ 25,900,000	\$ 290,000
Capital Leases	2,832,467	27,029,287	(1,066,950)	28,794,804	1,067,010
	<u>\$ 18,857,467</u>	<u>\$ 37,029,287</u>	<u>\$ (1,191,950)</u>	<u>\$ 54,694,804</u>	<u>\$ 1,357,010</u>

NOTE 6 – LEASE RENTAL EXPENSE

On October 17, 2008, the Authority entered into a lease purchase agreement with the City of McKeesport, effective January 1, 2009, for the purchase of the City's sanitary collection system (Note 5). In connection with that agreement, the Authority agreed to also pay, on a monthly basis, the outstanding balance due on two (2) loans the City has with the Pennsylvania Infrastructure Investment Authority (PENNVEST) related to improvements made to the collection system. The monthly payments total \$25,307. During the calendar year 2010, the Authority reimbursed the City \$303,689 in total for these PENNVEST loans. The remaining amounts due on these loans, per amortization schedules received from the City, total approximately \$4,451,024 at December 31, 2010. The following represents the minimum lease rental payments remaining on this obligation as of December 31, 2010

<u>Year</u>	<u>AMOUNT</u>
2011	\$ 303,689
2012	303,689
2013	303,689
2014	303,689
2015	303,689
2016-2020	1,518,445
2021-2025	1,518,445
2026-2028	1,012,981
	<u>\$ 5,568,316</u>

NOTE 7 – ACCUMULATED COMPENSATED ABENCES

In accordance with the terms of the collective bargaining agreement between the Authority and the Utility Workers Union of America, AFL-CIO, all regular full-time employees are entitled to receive payment for the value of all unused vacation days upon separation of service from the Authority at the employee's regular daily rate. This practice also applies to administrative personnel not covered under the terms of the bargaining agreement. As of December 31, 2010 and 2009, the value of accumulated compensated absences totaled \$103,392 and \$87,133 respectively.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 8 – PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$24,164 and <\$247,975> to the January 1, 2010 and January 1, 2009 net assets of the Authority respectively represents adjustments to the calculation of the Authority's prior year fixed asset and accumulated depreciation totals based on updated appraisal information.

NOTE 9 – TRANSACTIONS WITH THE CITY OF MCKEESPORT

The Authority entered into an agreement with the City of McKeesport dated December 29, 1949, as amended June 2, 1992, to provide sewage treatment services to the City and to pay the City \$30,000 annually for the maintenance cost of the sewers located within the City. In addition, during 2008, the Authority was responsible for paying the City a quarterly administrative fee, based on water usage, for the City to bill and collect certain fees from its customers within the City. Effective February 1, 2009, the Authority began billing and collecting these fees directly to the customers within the City of McKeesport. In addition, the Authority paid the City of McKeesport \$600,000 for the estimated value of collectible delinquent sewage fees outstanding. This amount, less delinquent collections in 2010 and 2009, is reflected in the statement of net assets as 'Delinquent Sewage Service Receivable – City of McKeesport' totaling \$241,161 and \$591,463 respectively. Approximately 63% and 58% of the Authority's sewage treatment services revenue for 2010 and 2009 respectively was generated from the City of McKeesport.

NOTE 10 - AUTHORITY PENSION PLAN

The Authority established a single-employer defined benefit pension plan on March 1, 1964, as amended, to provide retirement benefits to eligible employees of the Authority.

Plan membership as of January 1, 2011 was comprised of:

Active employees	37
Retirees and beneficiaries currently receiving benefits	16
Terminated employees entitled to benefits but not yet receiving them	1
Total	54

A summary of the plan's provisions is as follows:

- PARTICIPANTS** - All employees of the Authority who customarily work at least 20 hours per week and at least 5 months per year.
- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have attained the age of 62 and have completed 10 years of continuous service. Participants are eligible for early retirement at age 55 with 20 years of continuous service.
- VESTING** - Vesting occurs on a sliding scale with full vesting occurring after 20 years of service.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 10 - AUTHORITY PENSION PLAN (Continued)

- BENEFITS** - 50% of Average Compensation multiplied by participants short service percentage (effective 1/1/2008).
- DEATH BENEFIT** - The plan provides for beneficiary benefits named by the participant under options as detailed in the retirement plan.
- FUNDING** - Member contributions equal 2.5% (3% for 2011) of compensation. This rate increases to 2.75% if the Authority's Minimum Municipal Obligation (MMO) exceeds \$65,000 and 3% if the MMO exceeds \$90,000. Members contributed \$44,536 and \$42,108 to the plan during 2010 and 2009 respectively. Pension expense of the Authority totaled \$40,052 for 2010 and \$17,202 for 2009.

The investment income of the plan was used to fund administrative costs. There are no long-term contracts for contributions as of December 31, 2010 and 2009. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits. The plan does not issue a stand-alone report.

The significant assumptions employed in the most recent actuarial valuation (dated 1/1/2011) to determine funding included the use of an 8% interest rate and a salary projection of 4.5%. The pension plan uses the Entry Age Normal Actuarial Cost Method. Net assets available for benefits as of December 31, 2010 were \$3,822,068.

A schedule of the Authority's annual required contributions (ARC) to the plan is as follows:

<u>Year</u>	<u>ARC</u>	<u>% Contributed</u>
2010	\$ 40,052	100%
2009	17,202	100%
2008	7,166	100%
2007	83,326	100%
2006	98,910	100%
2005	92,823	100%
2004	79,697	100%
2003	49,541	100%
2002	48,792	100%
2001	31,288	100%

Historical trend information, designed to provide information about the plan's progress made accumulating sufficient assets to pay benefits when due, is as follows:

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 10 - AUTHORITY PENSION PLAN (Continued)

	(A)	(B)	(B-A) (UAAL)	(A/B)	(C)	(B-A)/C
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	COVERED PAYROLL	UAAL AS A % OF COVERED PAYROLL
1/1/01	\$ 3,725,113	\$ 3,573,948	\$ (151,165)	104%	\$ 872,199	-17%
1/1/03	3,877,556	3,780,883	(96,673)	103%	796,600	-12%
1/1/05	4,264,511	4,049,779	(214,732)	105%	1,065,402	-20%
1/1/07	5,105,407	4,262,176	(843,231)	120%	1,063,399	-79%
1/1/09	4,528,958	5,065,447	536,489	89%	1,312,812	41%
1/1/11	4,331,884	5,578,758	1,246,874	78%	1,804,894	69%

Additional trend information regarding net pension obligations (NPO) is available from the Authority's actuary.

NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFIT OTHER THAN PENSION

In accordance with the terms of the collective bargaining agreement between the Authority and the Utility Workers Union of America, AFL-CIO, the Authority will purchase hospitalization coverage and pay the premium cost at any one time for a maximum of two retired union employees between the ages of 62 and 65, subject to the same deductibles that apply for regular employees. As of December 31, 2010 and 2009, two union retirees were receiving post-retirement health care benefits from the Authority. The Authority finances these benefits on a pay-as-you-go basis. Amounts paid for these benefits for the years ended December 31, 2010 and 2009 were deemed immaterial.

NOTE 12 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years. The risk of loss retained by the Authority is limited to deductibles under each of the policies which can range between \$2,500 and \$10,000 per item.

For its workers compensation insurance coverage, the Authority participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), which is a public entity risk pool comprised of approximately 200 governmental organizations. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals from the Pennsylvania Department of Labor and Industry. All Trust participants may be subject to a supplemental assessment/dividend based on overall experience of the participants. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers Compensation Act and Occupational Disease Act of each and every participant of the Trust.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 12 - RISK MANAGEMENT (Continued)

The Trust purchases excess insurance coverage within statutory limits. The retention for this coverage is \$750,000 per occurrence. Political subdivisions joining the Trust must remain members for a minimum of four years. Members may withdraw from the Trust after that time by giving ninety days notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdraw, the participant is responsible for their share of assessments but has no claim on any assets of the Trust.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

LEGAL MATTERS

The Authority, on occasion, can be party to various legal actions arising from normal business operations. As of December 31, 2010, the Authority is unaware of any pending litigation.

PENNSYLVANIA SEWAGE FACILITIES ACT (ACT 537)

Act 537 requires municipalities in Pennsylvania to develop and implement official sewage plans that address existing sewage disposal needs, account for future land development and provide for future sewage disposal needs. During 2009 and 2010, the Authority continued to work with the PA Department of Environmental Protection to develop its Act 537 Sewage Facility Plan and Combined Sewer Overflow (CSO) Long Term Control Plan. These plans were approved in July of 2007 and the Authority has begun the project design work. These Plans will require significant new treatment processes, pumping stations and interceptor lines with an associated capital cost of approximately \$50 million. To finance the project, the Authority has chosen to issue a series of bonds (see Note 5) at a rate of one per year, thereby enabling the Authority to step the necessary sewage rate increases over the next four to five years as opposed to a significant rate increase in any one year.

U.S. ARMY CORPS OF ENGINEERS (COE)

The U.S. Army Corps of Engineers (COE) is undergoing a project to raise the water level in the Monongahela River which will significantly impact the Authority's Combine Sewer Overflow (CSO) outfall structures. As a result, the federal government is funding the relocation of most of the CSO structures. Construction for Phase 1 of the project was completed in 2007. Phase II began in the second half of 2009. When all of the construction is completed, the Authority will have new outfall structures that will greatly reduce the amount of river water that flows back through the pipes and into the sewer lines. This in return will reduce the costs associated with treating unnecessary water.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 14 – PENDING AND EXISTING GASB PRONOUNCEMENTS

In June of 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, 'Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions'. This statement provides the accounting and reporting requirements for benefit plans, as well as, requires that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. The Authority currently recognizes the costs of post-employment benefits on a pay-as-you-go basis (Note 11). GASB Statement No. 45 stipulates that governments account for and report the annual cost of OPEB, and the outstanding obligations and commitments related to OPEB, in the same manner as they currently do for pensions. This change to the accrued retiree healthcare provision, if any, may require the performance of an actuarial valuation. Management is of the opinion, based on the language in the collective bargaining agreement, and the limitation in participants, that the effect of this valuation on the Authority's financial position would be immaterial. Accordingly, the accompanying financial statements contain no provision for this net pension obligation.

In addition, the GASB issued Statement No. 42, 'Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries' which is effective for periods beginning after December 15, 2005. In connection with the approved Act 537 plan (Note 13), the Authority is evaluating whether significant impairments to its capital assets will occur and the potential impairment loss that would be required to be recognized in the financial statements. The Authority has not as yet determined the amount of any such loss, and accordingly no provision for an impairment loss is provided for in the accompanying financial statements.

NOTE 15 – SUBSEQUENT EVENTS

Effective January 1, 2011, the Authority and the City of Dravosburg entered into a Sale and Purchase Agreement for the sale, transfer and conveyance of the Dravosburg sanitary sewer system and wastewater treatment plant, including a 2000 Ford 350 1 ton dump truck.

Management has determined that there are no additional events subsequent to December 31, 2010 through the date of the 'Independent Audit Report', which is the date the financial statements were available to be issued, that require additional disclosure.

***SUPPLEMENTAL
SCHEDULE***

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF DETAIL OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2010	2009
<u>PERSONNEL COSTS</u>		
Plant Salaries	\$ 1,614,571	\$ 1,406,773
Administrative Salaries	264,830	191,356
Payroll Taxes	142,918	121,726
Pension	40,052	17,202
Employee Benefits	342,208	306,504
TOTAL PERSONNEL	\$ 2,404,579	\$ 2,043,561
<u>PROFESSIONAL SERVICES</u>		
Engineering (Net of COE Reimbursements)	\$ 88,983	\$ 56,888
Audit	6,000	14,610
Legal	28,560	29,842
Accounting	4,800	4,800
Pension Services	24,023	-
Oxford Solutions/Delta Development	51,594	-
Payroll Services	5,607	5,685
TOTAL PROFESSIONAL SERVICES	\$ 209,567	\$ 111,825
<u>SEWAGE PLANT COSTS</u>		
Utilities	\$ 441,201	\$ 418,111
Repair and Maintenance	189,717	340,129
Lease Rental Expense	303,689	303,689
Chemicals	52,291	69,929
Lab Supplies and Analysis	59,674	60,808
Safety Program	15,895	4,646
Vehicle Expense	82,162	48,535
Sludge Hauling	292,305	248,587
Sewer Rental	25,856	25,856
Computers	21,929	45,542
Uniforms	7,337	5,747
CSO Study	44,985	37,000
Miscellaneous	9,196	19,697
TOTAL SEWAGE PLANT COSTS	\$ 1,546,237	\$ 1,628,276
<u>OTHER GENERAL AND ADMINISTRATIVE</u>		
Insurance	\$ 97,216	\$ 86,765
Office Supplies	13,745	18,214
Telephone	29,217	26,516
Billing and Collecting	37,165	37,251
Travel and Education	28,243	21,453
Advertising	1,973	833
Bond and Asset Management Fees	31,447	20,636
Miscellaneous	38,528	23,136
TOTAL OTHER GENERAL AND ADMINISTRATIVE	\$ 277,534	\$ 234,804
<u>DEPRECIATION</u>	\$ 1,163,702	\$ 1,085,625
TOTAL OPERATING EXPENSES	\$ 5,601,619	\$ 5,104,091

**The City of McKeesport, Pennsylvania
And
The Municipal Authority of the City McKeesport**

**Appraisal Work Papers
As of September 2016**

**Income Approach
Financials 2011**

**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**

Operating Data 2011

2011 LARGEST CUSTOMERS

<u>Customer</u>	<u>Consumption</u>	<u>2011 Annual Revenues</u>	<u>% of Total 2011 Revenues</u>
UPMC Health System #11	26,251	\$276,249.10	5.0%
Dravosburg Housing Auth (250 Scott Dr)	11,150	\$89,222.00	1.6%
McKeesport Housing Auth (23-41 Crawford Village)	8,331	\$87,439.20	1.6%
McKeesport Housing Auth (1-14 Harrison Village)	7,018	\$75,575.15	1.4%
Midtown Plaza Apts./7105	6,605	\$70,322.80	1.3%
McKeesport Housing Auth (64 Crawford Village)	4,057	\$42,954.55	0.8%
Guy Deluca 1 (Kane Hospital)	3,730	\$39,300.70	0.7%
McKeesport Housing Auth (6 th St & Huey St)	3,087	\$33,383.10	0.6%
Camp Hill Corp	3,076	\$32,173.80	0.6%
Guy Deluca 2 (Kane Hospital)	2,837	\$30,245.95	0.5%
TOTAL	76,142	\$776,866.35	14.0%

Source: Authority Officials

SEWER SYSTEM RATES

Sewage Service Rates Per Quarter

Size Charge/1,000 Consumed Gallons allowed for min.

2007	1,000	\$3.16
2008	1,000	\$3.70
2009	1,000	\$4.44
2010	1,000	\$5.30
2011	1,000	\$6.10
2012	1,000	\$6.10

Trends in Customer Breakdown – Sewer System

Year

Historical Number of Customers

2001	19,987*
2002	19,987*
2003	19,987*
2004	19,142*
2005	19,070*
2006	19,180*
2007	19,225*
2008	19,225*
2009	19,225*
2010	18,985~
2011	18,985~

* Number provided by the communities in their annual waste load management report

~Number provided by Service Community billing departments

Source: Authority Officials

**THE MUNICIPAL AUTHORITY
OF THE CITY OF MCKEESPORT**



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

**THE MUNICIPAL AUTHORITY OF
THE CITY OF McKEESPORT
McKEESPORT, PENNSYLVANIA**

FINANCIAL STATEMENTS

**WITH REPORT BY
CERTIFIED PUBLIC ACCOUNTANT**

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
MCKEESPORT, PENNSYLVANIA

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Mark C. Turnley

Certified Public Accountant

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**To the Board of Directors
The Municipal Authority of the City of McKeesport**

Independent Auditor's Report

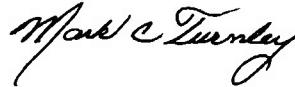
I have audited the accompanying statement of net assets of the Municipal Authority of the City of McKeesport, a component unit of the City of McKeesport, Pennsylvania as of December 31, 2011 and 2010, and the related statement of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Authority of the City of McKeesport as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii-xiv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the Municipal Authority of the City of McKeesport. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Mark C. Turnley, CPA

June 30, 2012
Ambridge, Pennsylvania

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

This section of the Authority's annual financial report represents our discussion and analysis of the Authority's financial performance during the years ended December 31, 2011 and 2010. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. We encourage readers to consider the information presented here in conjunction with the information provided in the Authority's financial statements.

OPERATING AGREEMENTS

The Authority owns and operates three wastewater treatment facilities pursuant to Agreements with each of the twelve communities it serves. The Authority has Agreements to provide wastewater treatment services with the City of McKeesport, the City of Duquesne, the Borough of Liberty, the Borough of Port Vue, the Borough of East McKeesport, the Township of Elizabeth, the Borough of Glassport, the Borough of White Oak, the Borough of Versailles, the Borough of Lincoln, the Borough of Dravosburg, and the Township of North Versailles. The Authority's Board of Directors establishes rates which are designed to recover the cost of providing services. The rates are based upon the gallons of water used by the communities. The Authority bills the municipalities on a quarterly basis for services provided to the communities' residents at the established rate. The municipalities are responsible for setting a rate for customers within their municipalities and for billing and collecting from those customers. The Authority began conducting billing services for Versailles Borough in March of 2009 in addition to the systems that it owns; McKeesport, Duquesne & Dravosburg.

The City of McKeesport sold its Collection System to the Authority effective January 1, 2009 under a lease purchase agreement. Since that date Authority personnel have performed routine maintenance and repairs to the system.

On November 8, 2010 the City of Duquesne sold its wastewater treatment plant and collection system to the Authority for \$3.8 million. Under the terms of the agreement the City of Duquesne used the vast portion of the funds to pay off the balance of the sewage plant's \$3.2 million bond. The rate payers from the City of Duquesne will continue to pay all expenses and debt service incurred by the system. The Authority will continue to use the revenue generated by the Duquesne System to pay for its expenses, thus keeping the finances separate from the rest of the MACM system. As part of the purchase agreement rates will be frozen through 2012. A combined sewer overflow (CSO) long term control plan will be developed over the next three or four years. Once the plan has been approved by the PA DEP, a new permit will be issued to the facility.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

OPERATING AGREEMENTS (Continued)

In January of 2011 the Authority purchased the Dravosburg Wastewater Treatment Facility along with its corresponding collection system from the Borough of Dravosburg for \$330,000. As with the Duquesne system, the ratepayers of Dravosburg will continue to pay all expenses and debt service incurred by the system. The CSO Long Term Control Plan will be joined with the Duquesne Plan to develop a joint plan for both systems.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include only those of the Authority which is a component unit of the City of McKeesport, Pennsylvania. The financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. They are designed to provide a broad overview of the Authority's finances, in a manner similar to a private-sector business. All of the Authority's activities are reported in the statements except for activities associated with the pension fund because those funds are not available to support the Authority's own programs.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference of the two reported as net assets. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed during the year. All of the changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected rates and earned but unused vacation leave).

These two financial statements report the Authority's net assets and the changes in the net assets. Net assets, which represent the difference between assets and liabilities, are one measure of the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to the financial statements provide additional information that is essential to a full understanding of the information proved in these financial statements. The financial statements and accompanying notes can be found in the financial section of this report.

FINANCIAL HIGHLIGHTS

In 2011, the Authority maintained the 2010 rate of \$6.10/1000 gallons consumed. In order to balance the budget without raising rates the Authority subsidized the revenue by transferring \$127,217 from savings. The decision to transfer funds from savings was made years ago as part of the Authority's multi-year budget plan.

Bids for the Act 537 Plan Expansion Project were opened on March 7, 2011 and fifteen (15) contracts were awarded on May 26, 2011. Construction is expected to be completed by late summer of 2013.

The Authority was awarded PennVest funding on April 20, 2011. The funding consisted of \$18,412,500 in the form of a grant and an equal amount in the form of a one (1.0) percent thirty (30) year loan. These funds are to apply only to the two contracts pertaining to the construction relating to the upgrade of the wastewater treatment facility itself. It cannot be used for the upgrades to the pump stations or lines. The cost of these other contracts not covered by Pennvest funds will be funded by the bond revenues.

The Tapping Fee (Capacity fee) remained unchanged in 2011 at a rate of \$1,750 per Equivalent Dwelling Unit ("EDU"). An EDU, equivalent dwelling unit, is the average amount of wastewater that each household in the service area discharges each day. The Authority calculates an EDU to be 236 gallons per day. During 2011 there were one (1) new residential tap and three (3) new commercial taps purchased within the Authority's service area. The balance of cash accumulated from tapping fees (The Tapping Fee Account), reserved by the Board for capital projects, on December 31, 2011 was \$755,807.69.

On December 31, 2011, total assets were \$94,159,578 and total liabilities were \$88,319,685 yielding a net asset of \$5,839,893. This resulted in an increase in the total net assets of \$1,223,123 over last year's totals.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS (Continued)

For the year 2011, 4.35 billion gallons of wastewater were treated at the wastewater facility. Approximately 1.11 billion gallons of water were consumed in 2011 by the Authority's customers and paid for by their user fees. By comparison, 25.5% of the wastewater treated was billable significantly down from 31.8% in 2010. The remaining 3.24 billion gallons of wastewater, up 770 million gallons from 2010, entered the sewer system from rainwater, groundwater, streams and rivers, water line breaks, firefighting efforts, etc. The 2011 annual rainfall greatly increased from the previous year; 32.90 inches in 2010 to 47.16 inches in 2011.

On April 20, 2011 Governor Corbett asked the natural gas companies to quit bringing frac water to wastewater treatment facilities for disposal. As a result the Authority did not treat any of this water after that date. Coal bed methane wastewater continued to be treated until the middle of July when the DEP decided that that waste also needed to be permitted to be accepted for treatment. During the year the facility treated 2,961,560 gallons of frac wastewater and 3,203,020 gallons of coal bed methane wastewater and received a combined payment of \$799,520.80. Due to the changes that the gas companies have made with the way that they recycle and dispose of this wastewater, along with the decision of the US EPA and PA DEP that this waste can no longer be treated by wastewater treatment facilities, this revenue stream will no longer be available.

Revenues generated by Sewage Treatment per 1,000 gallons consumed - \$9.61
Operating expenses per 1,000 gallons consumed - \$6.11

Total Operating Revenues were \$11,569,838, an increase of \$698,569, or 6.4% over 2010, primarily caused by the new revenue generated by the Duquesne and Dravosburg systems that was not there in 2010.

Operating Expenses were \$6,810,216, an increase of \$1,208,597, or 21.6% over 2010. The largest increases came from depreciation, additional personnel and the expenses of maintaining the Duquesne & Dravosburg systems.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL ANALYSIS

The following condensed financial statements and other selected information serve as financial data and indicators to help the Authority manage, monitor, and plan.

Condensed Statement of Net Assets

	Dec. 31, 2011	Dec. 31, 2010	% Change
Current and other assets	38,037,056	39,806,046	-4.4%
Capital assets-net of accumulated depreciation	56,122,522	41,782,004	34.3%
Total Assets	94,159,578	81,588,050	15.4%
Current and other liabilities	88,319,685	76,971,820	14.7%
Net Assets	5,839,893	4,616,770	26.5%

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Dec. 31, 2011	Dec. 31, 2010	% Change
Operating revenues	11,569,838	10,871,269	6.4%
Operating expenses	6,810,216	5,601,619	21.6%
Operating income	4,759,622	5,269,650	-9.7%
Interest income	37,254	48,923	-23.9%
Interest expense	(3,501,941)	(2,624,504)	33.4%
Amortization of Bond Issue Costs	(63,679)	(30,526)	108.6%
Change in Net Assets	1,231,256	2,663,543	-53.8%

Overall, the Authority's financial condition remained strong in 2011. Most of the ten service communities are up to date with their payments with the exception of East McKeesport which continues to lag one quarter behind due to the length of time it takes to get their consumption numbers from the water authority. The addition of the McKeesport Collection System in 2009 and the Duquesne Wastewater Treatment Plant and System in 2010 has greatly expanded the scope of the Authority's influence and responsibilities.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

FINANCIAL ANALYSIS (Continued)

The purchase of the Borough of Dravosburg's plant and system in 2011, as well as, the expressed interest of at least three of the Authority's service communities to sell their systems to the Authority bodes well for the future success of the Authority.

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	2011	2010	Variance
Total operating revenues	\$11,569,838	\$ 10,871,269	\$698,569
Net cash provided by operations	\$5,787,771	\$7,414,211	(\$1,626,440)
Operating cash as a percentage of operating revenues	50.0%	68.2%	(18.2)%

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

On December 31, 2011, the Authority had \$56,122,522 invested in capital assets, including land, infrastructure, buildings, plant and office machinery and equipment, and vehicles net of depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$14,340,518, or approximately 34% from last year.

The Authority had approximately \$15,691,023 in capital additions during the 2011 year, mainly comprised of 1) the purchase of the Dravosburg Borough sanitary sewer system and wastewater treatment plant for \$330,000, 2) costs incurred of \$15,090,478 for the Act 537 system improvements and upgrades including WWTP expansion, pump station construction, sanitary sewer construction and force main construction, and 3) costs for the construction of a garage at the Walnut Street line maintenance facility totaling \$143,269.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

A summary of the Authority's capital assets net of accumulated depreciation for the past two years is as follows:

	<u>2011</u>	<u>2010</u>	INCREASE <DECREASE>
Land	\$ 61,132	\$ 56,332	\$ 4,800
Infrastructure	33,159,918	33,159,918	-
Buildings	9,773,354	9,437,354	336,000
Plant Machinery & Equipment	7,859,058	7,838,347	20,711
Office Machinery & Equipment	103,929	86,566	17,363
Vehicles and Equipment	911,870	845,670	66,200
	<u>\$ 51,869,261</u>	<u>\$ 51,424,187</u>	<u>\$ 445,074</u>
Accumulated Depreciation	(13,787,698)	(12,449,395)	(1,338,303)
	<u>\$ 38,081,563</u>	<u>\$ 38,974,792</u>	<u>\$ (893,229)</u>
Construction in Progress	18,040,959	2,807,212	15,233,747
	<u>\$ 56,122,522</u>	<u>\$ 41,782,004</u>	<u>\$ 14,340,518</u>

DEBT ADMINISTRATION

As of December 31, 2011, the Authority had total long-term debt outstanding of \$81,371,767. The Authority's debt obligations are comprised of 1) five sewer revenue bonds, 2) one sewer revenue note, 3) one capital lease obligation with PNC Equipment Finance, and 4) a purchase agreement with the Borough of Dravosburg as follows:

In October of 2006, The Authority issued Sewer Revenue Bonds - Series of 2006, in the amount of \$6,140,000 for 1) the design and construction of capital project acquisition of facilities required for the proper operation and maintenance of the Authority wastewater conveyance and treatment system and 2) refund an existing bank loan. The bonds were issued in denominations of \$5,000 with interest payable at rates between 3.6 and 4.5% on June 15 and December 15 each year through maturity. The bonds are scheduled to mature on December 15, 2036. The remaining principal balance on the bond issue as of December 31, 2011 is \$5,650,000.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION: (Continued)

In October of 2008, The Authority issued Sewer Revenue Bonds - Series of 2008, in the amount of \$10,000,000 for the initial stages of an anticipated sixty (60) million dollar expansion project as required under the Act 537 Plan. The bonds were issued in denominations of \$5,000 with interest payable at rates between 2.5 and 5.45% on June 15 and December 15 each year through maturity. The bonds are scheduled to mature on December 15, 2039. The remaining principal balance on the bond issue as of December 31, 2011 is \$9,660,000.

In December of 2009, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2009 in the amount of \$10,000,000 for the purpose of 1) the design and construction of capital projects, 2) acquisition of facilities required for proper operation and maintenance of the Authority wastewater conveyance and treatment system, 3) funding a debt service reserve fund, and 4) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 3.0 and 5.75%. The bonds are scheduled to mature December 15, 2039. The remaining principal balance on the bond issue as of December 31, 2011 is \$10,000,000.

In December of 2010, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2010 under the terms of a Trust Indenture dated December 28, 2010, by and between the Authority and The Bank of New York Mellon Trust Company, as Trustee, in the amount of \$25,000,000. The purpose of the bond issue was for 1) the design and construction of capital projects, 2) funding a debt service reserve fund, and 3) paying the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 2.0 and 5.16%. The bonds are scheduled to mature December 15, 2040. The remaining principal balance on the bond issue as of December 31, 2011 is \$25,000,000.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION: (Continued)

In August of 2011, the Authority issued Tax-Exempt Sewer Revenue Bonds - Series of 2011 under the terms of a Trust Indenture dated August 31, 2011, by and between the Authority and The Bank of New York Mellon Trust Company, as Trustee, in the amount of \$26,180,000. The purpose of the bond issue was for 1) prepaying certain outstanding loans (capital leases) between the City of McKeesport and the Authority, 2) funding a debt service reserve fund, and 3) pay the costs of issuance on the bonds. The bonds were issued in denominations of \$5,000 with interest payable semi-annually June 15 and December 15 at rates ranging between 1.25 and 5.00%. The bonds are scheduled to mature December 15, 2030. The remaining principal balance on the bond issue as of December 31, 2011 is \$26,715,000.

In June of 2011, the Authority issued Sewer Revenue Note - Series of 2011 to PNC Bank in the amount of \$5,000,000. The Note was subsequently amended in December of 2011 to increase the amount to \$10,000,000. The purpose of the Note was to pay for the costs of the Authority's Waste Water Treatment Plant (WWTP) expansion costs in advance of receiving permanent financing from the Pennsylvania Infrastructure Investment Authority (see Note 15). The Note bears interest at a variable rate (currently 2.4375%) equal to 75% of the Bank's Prime Rate. The Note is scheduled to mature on February 2, 2014. As of December 31, 2011, the outstanding balance on this Note obligation is \$5,000,000.

In 1997, the Authority entered into a Cooperation Agreement with the City of McKeesport to finance \$3.5 million in capital improvements. Under this Cooperation Agreement, the Authority leases from the City the improvements and the lease payments made by the Authority are to be utilized in connection with the debt service on bonds issued by the City to finance the project. The Cooperation Agreement calls for the quarterly payment of \$86,000 to the City during the term of the bond issue. The lease is being amortized over a 25-year period. The remaining principal balance on the lease as of December 31, 2010 is \$2,548,895. This lease was paid in full from the proceeds of the Sewer Revenue Bonds - Series of 2011 and as a result terminated the Cooperation Agreement with the City of McKeesport.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

DEBT ADMINISTRATION: (Continued)

In 2009, the Authority entered into a capital lease agreement with the Bank Capital Services for the purchase of two F-150 2009 Ford truck vehicles totaling \$45,231. The terms of the lease call for three annual payments of \$15,952.92 at an interest rate of 5.9%. The remaining principal balance on the lease as of December 31, 2010 is \$15,062. This lease was paid in full during calendar year 2011.

Effective January 1, 2009, the Authority entered into a lease purchase agreement with the City of McKeesport for the purchase of the City's sanitary collection system for \$30,000,000. The terms of the agreement call for the monthly payment of \$163,614.69 (principal and interest) at the annual rate of 4% for a period of 240 months. The lease is scheduled to expire in March of 2027. The remaining principal balance on the lease as of December 31, 2010 is \$23,384,475. This lease was paid in full from the proceeds of the Sewer Revenue Bonds – Series of 2011.

In July of 2010, the Authority entered into a capital lease agreement with PNC Equipment Finance for the purchase of a Vactor 2100 on a 2009 International Cab and Chassis for \$328,368. The terms of the lease call for 5 annual payments of \$71,578.41 at an annual interest rate of 4.5% with a \$1 buy-out option at the completion of the lease term. The lease is scheduled to expire in August of 2014. The remaining principal balance on the lease as of December 31, 2011 is \$196,767.

On December 28, 2010, the Authority entered into agreement with the Borough of Dravosburg for the purchase of the Borough's sanitary sewer system and wastewater treatment plant in the amount of \$330,000 effective January 1, 2011. The terms of the agreement call for the advance payment of \$180,000 in 2011 with two subsequent payments of \$75,000 on January 1, 2012 and 2013 respectively. The balance due the Borough of Dravosburg as of December 31, 2011 is \$150,000.

The Authority is scheduled to make principal and interest payments on their total debt of approximately \$4,948,416 during the 2011 calendar year.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

GENERAL TRENDS AND SIGNIFICANT EVENTS

Population in the Authority's service area continues to remain fairly constant, with a decrease in the population of the City of McKeesport being offset by increases in other communities such as White Oak Borough, North Versailles Township and Elizabeth Township. It has been estimated that the population in the service area will increase at a rate of 90 persons per year for the next five years.

Throughout the year the Authority continued to work with the PA Department of Environmental Protection to implement its Act 537 Sewage Facility Plan and Combined Sewer Overflow (CSO) Long Term Control Plan. These plans were approved in July of 2007. The project design work was completed and submitted to the PA Department of Environmental Protection for review in July of 2009 and approved in July of 2010. Fifteen construction projects were put out for bid in February of 2011 and awarded in May. The completion date for these projects is the summer of 2013. The project involves significant new treatment processes, pumping stations & interceptor lines with an associated capital cost of approximately fifty-four (54) million dollars. In order to prevent a huge increase in the sewer rates the Authority has chosen to issue a series of \$10 million bonds at a rate of one per year. By doing this the Authority has been able to step the necessary rate increases over a period of several years. To this end a ten (10) million dollar bond was issued in 2008 and the rates were increased by \$0.74/1000 gallons, or 20.5% , a second ten million dollar bond was issued in 2009 which increased the rates \$0.86/1000 gallons, or 19.4%, and a final twenty-five (25) million dollar bond was issued in 2010 raising the rates \$0.80/1000 gallons, or 15.1%. With the \$36,825,000 grant and loan awarded to the Authority from Pennvest, no further rate increases will be needed to complete the above mentioned project.

The US Army Corps of Engineers (COE) is undergoing a project to raise the water level in the Monongahela River which will significantly impact the Authority's Combine Sewer Overflow (CSO) outfall structures. As a result the federal government funded the relocation of most of the CSO structures. Construction for Phase I of the project was completed in 2007 and phase (II) of the project was completed in 2010. One remaining outfall, Evans Avenue, remains to be raised to complete the project, however funding was not available in 2011 and currently still remains unfunded. The Authority's new outfall structures have greatly reduced the amount of river water that flows back through the pipes and into the sewer lines. This in return has reduced the costs associated with treating unnecessary water.

THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT

Management's Discussion and Analysis

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

As was noted earlier in this report, in 2009, the Authority acquired the sewage collection system from the City of McKeesport. The acquisition of the sewer system included more than 550,000 feet of sewer lines ranging in size from 6" to 42" and two pumping stations. The acquisition of the Duquesne plant and system in 2010 added an additional 157,880 feet of sewer lines and 557 manholes to the Authority's care. In order to maintain this vast system, eight new employees were hired in 2010 to complete a 13 man crew dedicated to maintaining and repairing the lines, manholes, catch basins and pumping stations. The addition of the Dravosburg system in 2011 along with the Authority's stepped up efforts to map all of the lines, manholes and catch basins on its Geographic Information System (GIS) software program resulted in an additional eight new employees.

With the acquisition of the Duquesne & Dravosburg systems, the Authority also assumed the corresponding sewage billing responsibilities. Two additional employees were hired in 2010 and another one in 2011 to assist in the efficient running of the billing department.

CONTACTING THE AUTHORITY FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to show the Board of Directors' accountability for the money they administer on behalf of the customers of the Municipal Authority of the City of McKeesport. If you have questions about this report or wish to request additional financial information, please contact the Authority offices at 100 Atlantic Avenue, McKeesport, PA 15132, (412)-673-8276.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF NET ASSETS
DECEMBER 31,

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 4,189,571	\$ 4,688,620
Sewage Service Receivable	1,078,547	957,473
Delinquent Sewage Service Receivable - City of McKeesport	207,877	241,161
Accrued Sewage Service (Unbilled)	1,077,041	1,217,631
Deposits	3,000	3,000
TOTAL CURRENT ASSETS	<u>\$ 6,556,036</u>	<u>\$ 7,107,885</u>
RESTRICTED ASSETS:		
Investments	\$ 29,682,542	\$ 31,413,728
TOTAL RESTRICTED ASSETS	<u>\$ 29,682,542</u>	<u>\$ 31,413,728</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	\$ 61,132	\$ 56,332
Infrastructure	33,159,918	33,159,918
Buildings	9,773,354	9,437,354
Plant Machinery and Equipment	7,859,058	7,838,347
Office Machinery and Equipment	103,929	86,566
Vehicles and Equipment	911,870	845,670
	<u>\$ 51,869,261</u>	<u>\$ 51,424,187</u>
Less: Accumulated Depreciation	(13,787,698)	(12,449,395)
	<u>\$ 38,081,563</u>	<u>\$ 38,974,792</u>
Construction in Progress	18,040,959	2,807,212
NET PROPERTY, PLANT AND EQUIPMENT	<u>\$ 56,122,522</u>	<u>\$ 41,782,004</u>
OTHER ASSETS:		
Deferred Bond Issue Costs	\$ 1,798,478	\$ 1,284,433
TOTAL OTHER ASSETS	<u>\$ 1,798,478</u>	<u>\$ 1,284,433</u>
TOTAL ASSETS	<u>\$ 94,159,578</u>	<u>\$ 81,588,050</u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF NET ASSETS
DECEMBER 31,
(CONTINUED)

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 6,722,987	\$ 854,450
Accrued Payroll and Taxes	66,049	47,704
Sewage Service Deposits	7,200	13,050
Accrued Interest	144,868	102,948
Due to Dravosburg Borough - Current Portion	75,000	-
Capital Lease - Current Portion	62,724	1,248,949
Current Portion of Bonds Payable	1,325,000	300,000
TOTAL CURRENT ASSETS	<u>\$ 8,403,828</u>	<u>\$ 2,567,101</u>
LONG-TERM LIABILITIES:		
Capital Leases - Long Term Portion	\$ 134,043	\$ 24,956,273
Bonds Payable - Long Term Portion	74,700,000	50,310,000
Premium on Bonds Payable	802,007	-
Discount on Bonds Payable	(911,873)	(965,486)
Sewer Revenue Note 2011	5,000,000	-
Due to Dravosburg Borough - Long Term Portion	75,000	-
Compensated Absences	116,680	103,392
TOTAL LONG-TERM LIABILITIES	<u>\$ 79,915,857</u>	<u>\$ 74,404,179</u>
TOTAL LIABILITIES	<u>\$ 88,319,685</u>	<u>\$ 76,971,280</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$ (902,331)	\$ (6,130,544)
Restricted for Debt Service	5,445,495	3,435,456
Unrestricted	1,296,729	7,311,858
TOTAL NET ASSETS	<u>\$ 5,839,893</u>	<u>\$ 4,616,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 94,159,578</u>	<u>\$ 81,588,050</u>

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
<u>OPERATING REVENUES</u>		
Sewage Treatment Services	\$ 10,644,558	\$ 8,939,124
Sludge Hauling	93,639	105,115
Tap Fees and Permits	5,350	5,250
Well Water Processing	799,521	1,820,000
Miscellaneous	26,770	1,780
	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	\$ 11,569,838	\$ 10,871,269
<u>OPERATING EXPENSES</u>		
Personnel Costs	\$ 3,076,961	\$ 2,404,579
Professional Services	253,750	209,567
Sewage Plant Costs	1,817,447	1,546,237
Other General and Administrative	359,686	277,534
Depreciation	1,302,372	1,163,702
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	\$ 6,810,216	\$ 5,601,619
NET OPERATING INCOME BEFORE NON-OPERATING REVENUE AND EXPENSE	\$ 4,759,622	\$ 5,269,650
<u>NON-OPERATING REVENUE AND (EXPENSE)</u>		
Interest Income	\$ 37,254	\$ 48,923
Interest on Long-Term Debt	(3,501,941)	(2,624,504)
Amortization of Bond Issue Costs	(63,679)	(30,526)
TOTAL NON-OPERATING REVENUE AND (EXPENSE)	\$ (3,528,366)	\$ (2,606,107)
INCREASE <DECREASE> IN NET ASSETS	\$ 1,231,256	\$ 2,663,543
NET ASSETS - JANUARY 1,	4,616,770	1,929,063
Prior Period Adjustments	(8,133)	24,164
	<u> </u>	<u> </u>
NET ASSETS - DECEMBER 31,	\$ 5,839,893	\$ 4,616,770

The accompanying notes are an integral part of these financial statements

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Sewage Billings	\$ 11,642,301	\$ 11,201,071
Cash Paid to Employees for Salaries and Benefits	(3,058,616)	(2,402,158)
Cash Paid to Suppliers for Goods and Services	(2,795,914)	(1,384,702)
Net Cash Provided by Operating Activities	<u>\$ 5,787,771</u>	<u>\$ 7,414,211</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
(Increase) Decrease in Restricted Assets	\$ 1,731,186	\$ (17,938,386)
Proceeds from Bond Issues	26,180,000	25,000,000
Proceeds from Sewer Revenue Note	5,000,000	-
Proceeds - Dravosburg	330,000	-
Proceeds from Capital Lease	-	328,364
Bond Closing Costs	(577,724)	(1,137,857)
Principal Payments on Long-Term Debt	(26,155,145)	(3,207,950)
Interest Paid on Long-Term Debt	(3,420,729)	(2,538,576)
Purchase of Property and Equipment (Net of Refund)	(9,411,662)	(4,661,340)
Net Cash (Used for) Capital and Related Financing Activities	<u>\$ (6,324,074)</u>	<u>\$ (4,155,745)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Income Received	\$ 37,254	\$ 48,923
Net Cash Provided By Investing Activities	<u>\$ 37,254</u>	<u>\$ 48,923</u>
Net Increase in Cash and Cash Equivalents	\$ (499,049)	\$ 3,307,389
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>4,688,620</u>	<u>1,381,231</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 4,189,571</u></u>	<u><u>\$ 4,688,620</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 4,759,622	\$ 5,269,650
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,302,372	1,163,702
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	21,750	323,702
Increase (Decrease) in Accounts Payable	(321,756)	632,377
Increase (Decrease) in Accrued Expenses	18,345	2,421
Increase (Decrease) in Sewage Service Deposits	(5,850)	6,100
Increase (Decrease) in Accumulated Compensated Absences	13,288	16,259
Net Cash Provided by Operating Activities	<u>\$ 5,787,771</u>	<u>\$ 7,414,211</u>

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

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 – DESCRIPTION AND REPORTING ENTITY

DESCRIPTION

The Municipal Authority of the City of McKeesport (the Authority) is a public corporation of the Commonwealth of Pennsylvania, organized and existing under the Municipality Authorities Act of 1945 (as amended). The Council of the City of McKeesport (the City) created the Authority on November 29, 1949 under an order from the Sanitary Water Board of the Commonwealth of Pennsylvania. The Authority was created for a period of 50 years to end December 5, 1999, and was subsequently extended through December 5, 2026 and later to December 5, 2057. The Authority was created for the purpose of acquiring, holding, constructing, improving, maintaining and operating, owning and leasing (either in capacity as lessor or lessee) certain projects. These projects include sewers, sewer systems or parts thereof, sewage treatment works, also including the acquisition of land for sewage treatment works and pumping stations, and all other necessary facilities and apparatus that the Board of Directors may authorize as necessary for the project. The Authority provides waste collection and treatment services, under agreement, for the following municipalities:

City of McKeesport	White Oak Borough
Port Vue Borough	Liberty Borough
East McKeesport Borough	Elizabeth Township
Glassport Borough	Lincoln Borough
Versailles Borough	North Versailles Borough
City of Duquesne	Dravosburg Borough

Per the terms of these agreements, the Authority is the sole and exclusive provider of sewage treatment and disposal service to the above municipalities, and these municipalities have agreed to construct and maintain such sewers, interceptors and pumping stations as is necessary to bring the sewage and industrial waste to a point where it flows into the interceptors of the Authority.

The five-members of the Authority Board of Directors are appointed by the members of Council of the City of McKeesport. The Authority has no stockholders nor equity holders, and revenue or other cash received must be disbursed in accordance with provisions of the Trust Indentures dated October 1, 2006, as amended and supplemented by the First Supplemental Trust Indenture dated as of October 2, 2008, as amended and supplemented by the Second Supplemental Trust Indenture dated as of December 1, 2009, as amended and supplemented by the Third Supplemental Trust Indenture dated as of December 28, 2010, and as amended and supplemented by the Fourth Supplemental trust Indenture date August 31, 2011 by and between the Authority and the Bank of New York Mellon Trust Company as trustee, securing the Sewer Revenue Bonds Series of 2006, 2008, 2009, 2010 and 2011 respectively.

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Municipal Authority of the City of McKeesport consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves their budget, approves and/or guarantees the issuance of their debt, or otherwise can impose its will in a significant manner.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 – DESCRIPTION AND REPORTING ENTITY (Continued)

REPORTING ENTITY (Continued)

The management of the Municipal Authority of the City of McKeesport applies the criteria set forth in the 'Codification of Governmental Accounting and Financial Reporting Standards' for defining the scope of its reporting entity. Based on the application of these criteria, the Municipal Authority of the City of McKeesport has no component units, but is considered a component unit of the City of McKeesport. These financial statements include only the activity of the Municipal Authority of the City of McKeesport.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal Authority of the City of McKeesport have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The most significant of the Authority's accounting policies are as follows:

BASIS OF ACCOUNTING

The Authority is accounted for as an enterprise fund since its operations are financed and operated in a manner similar to the private sector. The Authority utilizes the accrual method of accounting. Under this method, revenues are recognized when earned rather than when cash is received, and expenses are recognized when an obligation is incurred rather than when cash is actually paid.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposit accounts, and any other short-term highly liquid assets with original maturity terms of less than three months.

INVESTMENTS

Investments are made pursuant to Section 7.1 of the Municipal Authorities Act and can include the following:

- I. U.S. Treasury Bills
- II. Obligations of the U.S. Government and Federal Agencies
- III. Certificates of Deposit, Checking and Savings Accounts insured by the FDIC or National Credit Union Share Insurance Fund (NCUSIF)
- IV. General obligation bonds of the federal government, Commonwealth of Pennsylvania or any state agency
- V. Shares of Mutual Funds whose investments are restricted to the aforementioned investments

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS (Continued)

In addition, the Board of Directors can invest the Authority's sinking funds as authorized for local governments in the Local government Unit Debt Act, 53 Pa.C.S. 8224. Investment of the Authority's restricted assets are made pursuant to and restricted by the aforementioned Trust Indentures securing the Sewer Revenue Bonds Series of 2006, 2008, 2009, 2010 and 2011. Investments for 2010 and 2011 (See Restricted Assets) include Dreyfus Government cash management agency fund shares, certificates of deposit, corporate notes, fixed income investments with the Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, and Federal National Mortgage Association. Investments are stated at fair value. The Authority is in compliance with these restrictions as of December 31, 2011 and 2010.

RESTRICTED ASSETS

In accordance with the provisions of the Trust Indentures, dated October 1, 2006, October 2, 2008, December 1, 2009, December 28, 2010 and August 31, 2011 by and between the Bank of New York Mellon Trust Company and the Municipal Authority of the City of McKeesport, which secure the Sewer Revenue Bonds Series of 2006, 2008, 2009, 2010 and 2011, the Authority is obligated to restrict certain funds to pay for construction related expenditures and to meet debt service requirements. The total of these funds is reflected in Exhibit A as 'restricted assets' and detailed in Note 3.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at net realizable value. Receivables are mainly comprised of billed and unbilled sewage services rendered to the participating municipalities as described in Note 1. The Authority does not maintain an allowance for doubtful accounts, as management estimates that uncollectible amounts at year-end, if any, would not materially effect the financial position of the Authority.

INVENTORY

The Authority does not maintain a physical inventory of materials, chemicals, and other supplies. Management estimates that inventory values during the year are minimal for cost control purposes. Accordingly, management is of the opinion that any value that existed at December 31, 2011 and 2010 would not materially effect the financial position of the Authority.

PROPERTY, PLANT, AND EQUIPMENT

The Authority records property, plant and equipment purchases at cost. Property, plant and equipment include major betterments that extend the economic useful life of the assets affected. The Authority maintains a capitalization threshold of \$500. Routine repair and maintenance costs are charged to operations as incurred. Depreciation expense is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Infrastructure	50 Years
Buildings	40 Years
Machinery and Equipment	7-20 Years
Vehicles	7-10 Years
Software	3 Years

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT, AND EQUIPMENT (Continued)

Depreciation expense for the year ended December 31, 2011 and 2010 was \$1,302,372 and 1,163,702 respectively. Construction in progress represents funds paid toward the following Authority projects:

	<u>12/31/2011</u>	<u>12/31/2010</u>
Act 537 System Improvements Project:		
Engineering and Other Professional Fees	\$ 3,186,769	\$ 2,602,213
WWTP Expansion Project	9,541,331	204,999
Pump Stations Construction	2,158,041	-
East/West Shore Sanitary Sewer Construction	2,696,677	-
River Crossing Force Main	314,872	-
Garage - Walnut Street Line Maint Facility	143,269	-
	<u>\$ 18,040,959</u>	<u>\$ 2,807,212</u>

NET ASSETS

GASB Statement No. 34 requires equity in the statement of net assets to be reported as 'Net Assets'. Net assets are classified into four categories according to external donor or legal restrictions or availability of assets to satisfy Authority obligations. Net assets are classified as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets.
- Restricted-Nonexpendable – Net assets subject to externally imposed restrictions which are required to be maintained in perpetuity.
- Restricted-Expendable – Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Authority or by the passage of time.
- Unrestricted – Consists of net assets that do not meet the definition of 'restricted' or 'invested in capital assets, net of related debt'.

The Authority applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS:

At December 31, 2011 and 2010, the Authority had the following carrying value on its' cash and cash equivalent accounts held with PNC Bank:

	--- December 31, 2011 ---		--- December 31, 2010 ---	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Cash and Cash Equivalents	\$ 4,367,520	\$ 4,189,571	\$ 4,678,260	\$ 4,688,620
Certificates of Deposit (Shown as part of Restricted Assets)	3,908,244	3,908,244	2,792,814	2,792,814
	<u>\$ 8,275,764</u>	<u>\$ 8,097,815</u>	<u>\$ 7,471,074</u>	<u>\$ 7,481,434</u>

The difference between the bank balance and the carrying value represents reconciling items such as deposits in transit and outstanding checks. Effective December 31, 2010, all funds in a 'noninterest-bearing transaction account' are insured in full by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2011 and 2010, \$2,414,045 and \$3,426,502 respectively of the Authority's bank balance totals are exposed to custodial credit risk as these amounts represent uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Authority's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

INVESTMENTS:

The fair value and maturity term of the Authority's investments as of December 31, 2011 and 2010 is as follows:

	----- December 31, 2011 -----		
	Fair Value	No Stated Maturity	0-1 Years
Dreyfus Cash Mgt Agency Funds	\$ 8,398,622	\$ 8,398,622	\$ -
Corporate Notes	6,747,689	-	6,747,689
U.S. Agency Fixed Income	10,627,987	-	10,627,987
	<u>\$ 25,774,298</u>	<u>\$ 8,398,622</u>	<u>\$ 17,375,676</u>

THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS: (Continued)

	----- December 31, 2010 -----		
	Fair Value	No Stated Maturity	0-1 Years
Dreyfus Cash Mgt Agency Funds	\$ 24,708,962	\$ 24,708,962	\$ -
Corporate Notes	914,020	-	914,020
U.S. Agency Fixed Income	2,997,932	-	2,997,932
	\$ 28,620,914	\$ 24,708,962	\$ 3,911,952

Investments classified as U.S. Agencies are securities of agencies of the U.S. Government that have an implied but not explicit guarantee. Management does not anticipate any problems with these securities.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of December 31, 2011 and 2010, investments in U.S. Agencies and Corporate Notes have received an 'Aaa' rating from Moodys.

Custodial Credit Risk:

For an investment, 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 investments or collateral security that are in the possession of an outside party. The Authority's investments in Dreyfus Cash Management Agency Funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Authority does not have a formal investment policy for custodial credit risk.

Interest Rate Risk:

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's certificate of deposit, corporate note, and U.S. Agency Fixed Income security investments have maturity terms of less than 1 year.

Concentration of Credit Risk:

The Authority places no limit on the amount it may invest in any one issuer.