Allegheny County
Sanitary Authority

Financial Statements and
Required Supplementary and
Supplementary Information

Years Ended December 31, 2013 and 2012
with Independent Auditor's Report

ALLEGHENY COUNTY SANITARY AUTHORITY

YEARS ENDED DECEMBER 31, 2013 AND 2012

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Independent Auditor's Report

Board of Directors
Allegheny County Sanitary Authority

We have audited the accompanying financial statements of Allegheny County Sanitary Authority (Authority), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness if significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension plans' schedules, and other post-employment benefits on pages i through xii, pages 26 through 27, and pages 28 through 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of investments and other assets are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of investments and other assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
March 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUDIT ASSURANCE

The unmodified (i.e., clean) opinion of our independent auditors, Maher Duessel, Certified Public Accountants, is included in this report. You will note that the Allegheny County Sanitary Authority (Authority) has included for 2013 this Management Discussion and Analysis section, which is in compliance with Statement 34 of the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

Allegheny County (County) is located in Southwestern Pennsylvania and encompasses approximately 730 square miles of land. Founded in 1788, the County is the second most populated county in Pennsylvania, with over 1.2 million residents. Roughly 25% of the County's residents live within the City of Pittsburgh. The Allegheny and Monongahela Rivers flow through the County to form the Ohio River in downtown Pittsburgh.

Economy

The County is the location of seven Fortune 500 corporate headquarters. The County's 2013 Fortune 500 companies include: U.S. Steel (147), PNC Financial Services Group (170), PPG Industries (182), H.J. Heinz (234), Wesco International, Inc. (385), Dick's Sporting Goods (437), and Allegheny Technologies (490). The County has experienced substantial growth in areas such as technology, tourism, and health care. The County is also a strong supporter of its manufacturing industries and has traditionally been one of the major industrial centers of the world with its access to major fields of coal and shipping access to 8,000 miles of navigable rivers. The Port of Pittsburgh is the second largest inland port in the nation. There is annual benefit to the region of over 800 million dollars for the shipping and receiving of over 32 million tons of cargo.

The County has undergone an economic transformation spanning more than three decades with a shift from the manufacturing industry to the service and trade industries. Specifically, the new focus industries have been healthcare and life sciences, advanced manufacturing, energy, information and communications technology, and financial and business services. This shift is attributed to the continuing diversification of the employment base.

The region's health services sector employs nearly 190,000 people and is a robust network that is cultivating lifesaving technologies, regenerative medicine, and pharmaceuticals. The University of Pittsburgh Medical Center has grown into the region's top employer and an $8 billion global healthcare enterprise. Bayer Healthcare, GlaxoSmithKline Consumer Healthcare, Mylan, and West Penn Allegheny Health System are also part of this sector. (*Source: Allegheny Conference on Community Development 2012 Annual Report*)

Top manufacturers such as Alcoa, Allegheny Technologies, Bayer, Calgon Corporation, Eaton Corp., Kennametal, Koppers, LANXESS, Mine Safety Appliances, NOVA Chemicals, PPG

Industries, RTI International Metals, U.S. Steel, and Westinghouse are either headquartered or have a presence in the greater County region. Smaller precision tooling and machining companies meet global demands for custom components. (*Source: Allegheny Conference on Community Development 2012 Annual Report*)

The County and the surrounding region has become a national leader in energy technology, innovation, and supply chain related to production, distribution, and efficient usage. The area is home to more than 800 companies in the global energy market, including Aquatech, Chester Engineering, Chevron, CONSOL, EQT, and Westinghouse. An estimated $1 billion is invested annually in energy-related research, much of that generated by the National Energy Technology Laboratory located in the County. (*Source: Allegheny Conference on Community Development 2012 Annual Report*)

Nearly 1,500 technology firms including ANSYS, Apple, Black Box, Confluence, Google, Intel, and Mastech have a presence within the County and employ some 25,000 people. A tech-savvy talent pipeline flowing from the many area colleges and universities and a robust network of organizations supporting and financing innovation are helping the region's knowledge-based economy to thrive. (*Source: Allegheny Conference on Community Development 2012 Annual Report*)

Global financial institutions with headquarters or major business units within the County include The PNC Financial Services Group, Inc., BNY Mellon, Citizens Bank, Dollar Bank, Federated Investors, and First Niagara. Two of the world's largest law firms, K&L Gates and Reed Smith, are based in the City of Pittsburgh, as is Pennsylvania's largest health insurer, Highmark. (*Source: Allegheny Conference on Community Development 2012 Annual Report*)

Higher Education

Adding to the County's diverse labor and business climate, some of the most prestigious health, educational, and cultural institutions in the country are located here. The County's colleges and universities include Carnegie Mellon University, Carlow University, Chatham College, Community College of Allegheny County, Duquesne University, La Roche College, Point Park University, Robert Morris University, the Art Institute of Pittsburgh, and the University of Pittsburgh. The County is also home to more than fifteen junior and technical colleges.

While the region continues to recover and expand, manufacturing remains a soft spot. The loss of once dominant, heavy water-use manufacturing such as steel and food processing has had a negative impact on the Authority’s residential users. Decline in regional manufacturing over the years has shifted a significant portion of the Authority’s cost burden to residential users. This decline in consumption base, combined with outside regulatory emphasis on reducing overflows, will have a dramatic impact on rates for years to come.

- Billed flow for 2013 of 22,016,966 tgal (thousands of gallons) decreased by 395,900 tgal. This reflects a continued decline in billable flow, as heavy water use manufacturing becomes less a part of the region and water conservation on behalf of residential users increases as rates climb.

- In 2013, the Authority treated 70,287,900 tgal, of which 22,016,966 tgal was billed. Stated differently, the Authority billed for 31.32 % of the water it treated. During 2012, the Authority treated 67,027,000 tgal, for which it billed 22,412,881 tgal, or 34.44% of what was treated was actually billed to customers. The difference between what is treated vs. that which is billed is attributed to direct inflow of storm water from combined sewer communities served and groundwater infiltration into the system from old and deteriorating sewer lines throughout the service area.

- The Authority maintained compliance with all debt covenants required by the governing Trust Indentures.

- Debt Service Coverage, when allowing for available revenue funds on hand at the beginning of the year was 1.93, which exceeded the 1.10 Trust Requirements. In addition, stand-alone coverage without consideration to beginning balances was 1.05, which exceeded the required 1.00 Trust Requirement. Strong coverage achieved in 2013 was achieved despite holding the line on customer rates during the year.

- On October 24, 2013, the Board of Directors (Board) adopted a multi-year rate structure increasing customer service charges 17 percent for in 2014, 11 percent in 2015, 11 percent in 2016, and 11 percent in 2017.

REQUIRED FINANCIAL STATEMENTS

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

The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows) and obligations to Authority creditors (liabilities and deferred inflows). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its sewage disposal rates and other fees. As required under the Authority's Trust Indentures, the Consulting Engineer, Chester Engineers, has reviewed the rate structure and agrees that a 17 percent rate increase in 2014 was necessary to meet the Trust requirements.

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

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

SUMMARY OF ORGANIZATION AND BUSINESS

The Allegheny County Sanitary Authority was incorporated in May 1945 under the Commonwealth of Pennsylvania Municipality authorities Act of 1945. Plant operations began on April 30, 1959. The Authority serves as the exclusive agency for the collection, transportation, and treatment of wastewater for the City of Pittsburgh and 82 neighboring municipalities. The Authority charges users for processing of wastewater at a flat rate per thousand gallons. Additional charges are levied for septage (solid waste removed from septic tanks), and industrial waste discharges into the system.

In addition to the main treatment site located on City of Pittsburgh's Northside, the Authority operates and maintains over 85 miles of interceptor sewers, and seven pumping or ejector stations throughout the service area. The Authority's service area covers over 310 square miles and includes portions of Washington and Westmoreland Counties in addition to the County.

The Authority's Articles of Incorporation (Articles), as amended, provide that the Authority's Board shall consist of seven members serving staggered five-year terms. Pursuant to the Articles, three members of the Board are appointed by the County, three are appointed by the City of Pittsburgh, and one is jointly appointed by the County and the City of Pittsburgh. The day-to-day operation of the Authority is the responsibility of the Executive Director, who is appointed by the Board to carry out its policies.

FINANCIAL ANALYSIS

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

Condensed Statements of Net Position (Balance Sheet)
(In Millions of Dollars)

	2013	2012	$ Change	% Change
Current assets	$103.17	$100.08	$3.09	3.09%
Restricted assets	90.73	45.82	44.91	98.01%
Unamortized prepaid bond costs	8.35	7.92	0.43	5.43%
Plant and equipment, net	579.66	581.95	-2.29	-0.39%
Capital fees receivable	0.15	0.18	-0.03	-16.67%
Total Assets	782.06	735.95	46.11	6.27%
Deferred Outflows of Resources	11.53	13.21	-1.68	-12.72%
Current liabilities	31.76	36.54	-4.78	-13.08%
Long-term liabilities	636.84	587.48	49.36	8.40%
Total Liabilities	668.60	624.02	44.58	7.14%
Net Position	$124.99	$125.14	-$0.15	-0.12%

Condensed Statements of Net Position (Balance Sheet)
(In Millions of Dollars)

	2012	2011	$ Change	% Change
Current assets	$100.08	$87.02	$13.06	15.01%
Restricted assets	45.82	86.63	-40.81	-47.11%
Unamortized prepaid bond costs	7.92	8.69	-0.77	-8.86%
Plant and equipment, net	581.95	567.60	14.35	2.53%
Capital fees receivable	0.18	0.18	0.00	0.00%
Total Assets	735.95	750.12	-14.17	-1.89%
Deferred Outflows of Resources	13.21	14.96	-1.75	-11.70%
Current liabilities	36.54	34.56	1.98	5.73%
Long-term liabilities	587.48	609.92	-22.44	-3.68%
Total Liabilities	624.02	644.48	-20.46	-3.17%
Net Position	$125.14	$120.60	$4.54	3.76%

Condensed Statements of Revenues, Expenses and Changes in Net Position (In Millions of Dollars)

	2013	2012	$ Change	% Change
Operating revenues	$109.65	$112.08	-$2.43	-2.17%
Non-operating revenue	0.19	0.15	0.04	26.67%
Total revenues	109.84	112.23	-2.39	-2.13%
Operating expenses	59.10	57.75	1.35	2.34%
Non-operating expenses	27.44	27.64	-0.20	-0.72%
Depreciation	23.45	22.30	1.15	5.16%
Total expenses	109.99	107.69	2.30	2.14%
Net income (loss)	-0.15	4.54	-4.69	-103.30%
Net Position, Beginning of Year	125.14	120.60	4.54	3.76%
Net Position, End of Year	$124.99	$125.14	-$0.15	-0.12%

Condensed Statements of Revenues, Expenses and Changes in Net Position (In Millions of Dollars)

	2012	2011	$ Change	% Change
Operating revenues	$112.08	$106.34	$5.74	5.40%
Non-operating revenue	0.15	0.43	-0.28	-65.12%
Total revenues	112.23	106.77	5.46	5.11%
Operating expenses	57.75	57.90	-0.15	-0.26%
Non-operating expenses	27.64	27.87	-0.23	-0.83%
Depreciation	22.30	21.58	0.72	3.34%
Total expenses	107.69	107.35	0.34	0.32%
Net income (loss)	4.54	-0.58	5.12	882.76%
Net Position, Beginning of Year	120.60	121.18	-0.58	-0.48%
Net Position, End of Year	$125.14	$120.60	$4.54	3.76%

OTHER SELECTED INFORMATION

Selected Data:	2013	2012		Difference	% Change
Authorized employees	401	401		0	0.00%
Actual employees at year-end	346	356		-10	-2.81%
Wastewater treated (billons of gallons)	70,288	67,027		3,261	4.87%
Wastewater billed (billions of gallons)	22,017	22,413		-396	-1.77%
Percentage of billed /treated wastewater	31.32%	33.44%		-2.12%	-6.34%
Rates:					
Charge per 1,000 gallons of water consumption	$4.32	$4.32		$0.00	0.00%
Account service charge per bill rendered	$9.07	$9.07		$0.00	0.00%
Average customer bill:					
Per year	$260.92	$260.92	*	0.00	0.00%
Per quarter	65.23	65.23	*	0.00	0.00%
Per month	21.74	21.74	*	0.00	0.00%

* Based on 13,000 gallons per quarter

Selected Data:	2012	2011		Difference	% Change
Authorized employees	401	393		8	2.04%
Actual employees at year-end	356	363		-7	-1.93%
Wastewater treated (billons of gallons)	67,027	73,671		-6,644	-9.02%
Wastewater billed (billions of gallons)	22,413	23,247		-834	-3.59%
Percentage of billed /treated wastewater	33.44%	31.56%		1.88%	5.96%
Rates:					
Charge per 1,000 gallons of water consumption	$4.32	$4.04		$0.28	6.93%
Account service charge per bill rendered	$9.07	$8.48		$0.59	6.96%
Average customer bill:					
Per year	$260.92	$244.00	*	16.92	6.93%
Per quarter	65.23	61.00	*	4.23	6.93%
Per month	21.74	20.33	*	1.41	6.94%

* Based on 13,000 gallons per quarter

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Authority entered into a Consent Decree with the United States Environmental Protection Agency (USEPA), Pennsylvania Department of Environmental Protection, and the Allegheny County Health Department on January 23, 2008. The Consent Decree requires reduction of Combined Sewer Overflows and elimination of Sanitary Sewer Overflows by September 30, 2026. The Final Wet Weather Plan Control Plan (WWCP) was submitted for regulatory review and approval on January 23, 2013.

The Authority is proposing a phased course of wet weather controls. The $2 billion Balanced Plan detailed in Section 10 of the WWCP is recommended for implementation by September 30, 2026, per the Consent Decree. This would be followed with subsequent phased improvements based on adaptive management principles that respond to evolving environmental, regulatory and economic conditions.

The Authority's Recommended 2026 Plan is comprised of the following key Program Elements as summarized below.

1. ***Complementary and Early Action WWP Projects*** - Without waiting on WWP approval, the Authority has already started or will implement several major projects at the Woods Run wastewater treatment plant in preparation for upgrading the wet weather treatment capacity.

2. ***Woods Run Waste Water Treatment Plant Expansion*** - The Woods Run wastewater treatment plant wet weather treatment capacity will be expanded to 480 million gallons per day and the secondary treatment capacity will be expanded to 295 million gallons per day from its currently permitted full treatment capacity of 250 million gallons per day.

3. ***Tunnel Dewatering Pump Station*** – A 120 million gallons per day tunnel dewatering pump station will be constructed at the wastewater treatment plant to pump captured wet weather flows into the wastewater treatment plant treatment process from a proposed regional tunnel.

4. ***Ohio River Tunnel and Facilities*** - A regional tunnel will be constructed along the Ohio River from near the West End Bridge to the tunnel dewatering pump station at the wastewater treatment plant. New consolidation sewers will convey excess wet weather flows from selected existing trunk sewers to the new tunnel via new drop shafts.

5. ***Allegheny River Tunnel and Facilities*** - A regional tunnel will be constructed along the Allegheny River from near Herr's Island to the upstream end of the Ohio River regional tunnel segment. New consolidation sewers will convey excess wet weather flows from selected existing trunk sewers to the new tunnel via new drop shafts.

6. ***Monongahela River Tunnel and Facilities*** - A regional tunnel will be constructed along the Monongahela River from near Four Mile Run / Panther Hollow to the upstream end of the Ohio River regional tunnel segment. New consolidation sewers will convey excess wet weather flows from selected existing trunk sewers to the new tunnel via new drop shafts.

7. ***Chartiers Creek Conveyance and Treatment*** - A relief interceptor will be constructed along Chartiers Creek, and an interim Combined Sewer Overflow (CSO) retention treatment basin will be constructed in Crafton to treat excess combined flows from the relief interceptor before discharging to Chartiers Creek.

The Authority's Recommended 2026 Plan will provide significant water quality improvements, including the control of CSO discharges to key sensitive areas, the increase in percent capture of CSO volumes to approximately 79% and the reduction in Sanitary Sewer Overflow discharges by approximately 90%. If coupled with reductions in pollutant loadings from upstream sources, including stormwater runoff, the Balanced Plan will lead to receiving water quality fecal coliform levels below 200 colony forming units/100 milliliters more than 90% of the time during the recreational season on a system-wide average. This level is important in that it serves as the basis for water quality standards developed to protect the public health of water contact recreationists. The recommended 2026 Plan will be in conformance with the CSO Policy and provide the maximum pollution reduction benefits that are reasonably attainable by September 30, 2026.

Implementation of the Balanced Plan will result in $1.5 billion in new capital expenditures for the Authority and an additional $0.5 billion in expenditures for the municipalities in current dollars. Accounting for inflation, the Authority and the municipalities will face capital expenditures of approximately $2.8 billion. The Authority anticipates using combinations of pay-as-you-go funding utilizing accumulated reserve funds and revenue bond financing owing to the Authority's strength in the municipal bond market.

FINANCIAL CONDITION

A continued decline in user consumption of 396,000 tgal, an increase in operating expenses of $1.3 million and lack of a 2012 rate increase resulted in negative earnings of $154,419. This almost break-even position was not entirely unexpected, as the Authority decided to hold rates at 2012 levels while it conducted a comprehensive cost of service analysis during 2013, resulting in the adoption of a multi-year rate structure covering 2014 through 2017. While the Authority's net position was at break-even, positive cash flow resulted in an increase in the operating fund of almost $4.9 million.

The Authority achieved a debt service coverage ratio of 193 percent with consideration of amounts in the Revenue Fund at the beginning of the year in excess of one-fourth of the current operating expenses. Debt service coverage without consideration of beginning revenue balances was 105 percent. The relative strength of this coverage resulted in affirmation of the Standard & Poor's A/Stable bond rating on the Authority's existing and 2013 Bond Series. Moody's also affirmed its A1 rating and assigned a stable outlook to the existing debt.

RESULTS OF OPERATIONS

Operating Revenues

As noted above, the Authority's operating revenues declined by $2.3 million, as consumer water use declined 396,000 tgal from that of the previous year. The trend in consumption declines continues as heavy water use manufacturing in the region has all but vanished and consumer home products such as high efficiency washing machines and low water use grasses and landscaping continue to improve.

All of the Authority's operating revenue was derived from customer billing for sewage treatment service; the Authority receives no subsidies. The Authority, the City of Pittsburgh, and 82 other municipalities in and around the County have entered into agreements (Standard Municipal Agreements) under which the Authority is designated (within its service area) the exclusive agent of the respective municipality to furnish sewage treatment and disposal service. Each municipality contracting with the Authority is given two options with respect to billing, "Direct" or "Lump-sum." With the Direct method of billing, accounts not paid within 60 days become the responsibility of the community, thus the Authority insures no bad debt. Under the Direct Method, the Authority bills and collects for its services directly from the individual customer.

Under the Lump-sum method, consumption for the entire community is compiled and billed to the municipality who in turn bill their own residents. All but three municipalities utilize this method of billing in order to attach fees for local sewer infrastructure maintenance. Under both scenarios, the Authority is guaranteed full payment for services.

Operating Expenses

Operating expenses in 2013 of $59.1 million were $1.3 million higher than 2012 operating expenses of $57.8 million. Increases in operating costs were primarily the result of a 39.5 percent increase in sludge land application fees, resulting in almost a $700,000 increase in overall disposal costs. In addition, interceptor cleaning costs increased by almost $1.5 million as the Authority continued its mandatory cleaning program under the Federal Consent Decree.

Depreciation and Non-operating Expenses

Over the past decade, the Authority has placed into service almost $500 million in capital projects. This has had a significant impact on both interest expense on bonds and depreciation expense. Interest on borrowing for the decade-long plant expansion programs, which was previously capitalized as part of project costs, is now being expensed. Depreciation expense increased $1.1 million to $23.4 million in 2013.

Non-operating Revenues

Interest earnings on the Authority's revenue and non-restricted capital facilities funds remain anemic as interest rates on money market and treasury holdings continue to earn at record lows throughout the country.

Litigation Contingency

As noted above, the Authority has finalized an agreement with U.S. EPA, Pennsylvania DEP, and the Allegheny County Health Department (Agencies) regarding wet weather overloads in the sanitary sewer system. Penalties may be incurred if the Authority fails to meets specific project deadlines as detailed in the agreement.

Debt

On December 19, 2013, the Authority issued $64,755,000 of Sewer Revenue Bonds at an all in interest cost of 4.8 %. The Bonds will be used to fund the ongoing Capital Improvement Program.

At year-end, the Authority had $640 million in long- and short-term debt.

More detailed information about the Authority's long-term debt is presented in the notes to financial statements.

FINAL COMMENTS

A virtual break-even in financial results for 2013 was not unexpected, as the Authority opted to hold the line on customer rates, giving Black & Veatch time to complete the Sewer Rate and Cost of Service Study. The Board also retained Black & Veatch to study the cost of operations and compile recommendations to the Board of Directors on cost-saving operational efficiencies. This report is due in the fall of 2014.

The Long Term Wet Weather Control Plan was submitted on time to the regulatory agencies in accordance with our federal consent decree mandate. In addition, the Authority submitted a request for a time extension of 18 months so that a study could be conducted to examine the feasibility of source control options, commonly referred to as 'green infrastructure.' The Authority's member municipalities typically own the local collection system and areas where source control is most effective. The Authority hopes that by studying the issue, we can assist and even incentivize our members to implement more green infrastructure within their system to reduce flow into our collection facilities and ultimately to the treatment plant. During 2013, a number of meetings between the Authority and the regulatory agencies have been conducted, with additional meetings scheduled in 2014 to reach a final agreement.

You have the opportunity to become an informed participant in this program. Become familiar with the consent decree by reviewing it on-line at *www.alcosan.org* or by contacting our Public Relations Department for a copy.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Allegheny County Sanitary Authority's Director of Finance and Administration at 3300 Preble Avenue, Pittsburgh, PA 15233.

ALLEGHENY COUNTY SANITARY AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2013 AND 2012

Assets and Deferred Outflows of Resources

	2013	2012
Assets:		
Current assets:		
Cash and cash equivalents	$ 62,028,796	$ 57,164,254
Accrued interest receivable	645	970
Accounts receivable:		
Billed sewer revenue	11,017,183	12,536,660
Unbilled sewer revenue	24,636,939	25,026,145
Other	244,391	215,153
Other current assets	5,237,581	5,135,962
Total current assets	103,165,535	100,079,144
Restricted assets:		
Cash and cash equivalents	24,431,648	35,137,919
Investments	66,293,224	10,539,784
Accrued interest receivable	754	139,614
Total restricted assets	90,725,626	45,817,317
Prepaid bond costs	8,350,912	7,924,009
Nondepreciable capital assets:		
Land	5,140,679	5,140,679
Construction in progress	82,964,010	82,001,832
Total nondepreciable capital assets	88,104,689	87,142,511
Depreciable capital assets - at cost, net of accumulated depreciation	491,561,544	494,805,133
Total	579,666,233	581,947,644
Capital fees receivable	148,000	180,000
Total Assets	782,056,306	735,948,114
Deferred Outflows of Resources:		
Refunding adjustment	11,527,370	13,209,162
Total Deferred Outflows of Resources	11,527,370	13,209,162
Total Assets and Deferred Outflows of Resources	$ 793,583,676	$ 749,157,276

Liabilities and Net Position

	2013	2012
Liabilities:		
Current liabilities:		
Accounts payable	$ 4,372,752	$ 5,431,977
Accrued liabilities:		
Compensated absences	3,975,159	3,927,689
Salaries and wages	705,840	559,002
Accrued interest on bonds	2,478,504	2,311,006
Reserve for litigation	2,371,900	2,494,500
Pretreatment advance payments	67,700	-
Current maturities of sewer revenue bonds	23,862,015	21,815,000
Total current liabilities	37,833,870	36,539,174
Long-term liabilities:		
Other post-employment benefits	3,049,054	2,359,986
Sewer revenue bonds - less current maturities	604,421,897	561,573,702
Unamortized bond premium	23,290,055	23,541,195
Net long-term debt	627,711,952	585,114,897
Total long-term liabilities	630,761,006	587,474,883
Total Liabilities	668,594,876	624,014,057
Net Position:		
Net investment in capital assets	54,104,479	55,848,235
Unrestricted	70,884,321	69,294,984
Total Net Position	124,988,800	125,143,219
Total Liabilities and Net Position	$ 793,583,676	$ 749,157,276

The notes to financial statements are an integral part of this statement.

ALLEGHENY COUNTY SANITARY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating Revenues	$ 109,649,877	$ 112,083,231
Operating Expenses:		
Treatment	39,672,612	39,159,005
Intercepting sewer systems	6,197,048	4,774,825
Upper Allegheny system	517,980	509,309
Administrative and engineering	6,978,401	7,385,874
Billing and collecting	2,951,247	2,980,121
Management information systems	2,781,412	2,940,618
Total operating expenses before depreciation	59,098,700	57,749,752
Operating Income Before Depreciation	50,551,177	54,333,479
Depreciation	23,445,928	22,300,939
Operating Income	27,105,249	32,032,540
Non-operating Revenues (Expenses):		
Interest income, net of amounts capitalized	186,285	148,839
Interest expense on bonds, net of amounts capitalized	(26,653,017)	(26,698,055)
Amortization of prepaid bond costs	(746,611)	(769,634)
Loss on equipment retired	(46,325)	(171,159)
Total non-operating revenues (expenses)	(27,259,668)	(27,490,009)
Change in Net Position	(154,419)	4,542,531
Net Position:		
Beginning of year	125,143,219	120,600,688
End of year	$ 124,988,800	$ 125,143,219

The notes to financial statements are an integral part of this statement.

ALLEGHENY COUNTY SANITARY AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Cash received from customers	$ 111,597,022	$ 110,391,309
Cash paid to suppliers	(20,985,559)	(19,173,776)
Cash paid to employees	(37,128,897)	(38,568,985)
Net cash provided by (used in) operating activities	53,482,566	52,648,548
Cash Flows From Capital and Related Financing Activities:		
Interest paid on bonds	(27,643,077)	(28,440,855)
Principal paid on bonds	(21,815,000)	(18,770,000)
Proceeds from debt issues	67,466,736	-
Prepaid bond costs	(1,173,513)	-
Acquisition and construction of capital assets	(20,772,358)	(35,264,877)
Net cash provided by (used in) capital and related financing activities	(3,937,212)	(82,475,732)
Cash Flows From Investing Activities:		
Purchase of investment securities	(66,919,148)	(74,627)
Proceeds from sale and maturities of investment securities	11,165,709	43,324,408
Interest earnings	366,356	717,507
Net cash provided by (used in) investing activities	(55,387,083)	43,967,288
Increase (Decrease) in Cash and Cash Equivalents	(5,841,729)	14,140,104
Cash and Cash Equivalents:		
Beginning of year, including $35,137,919 and $32,135,324, respectively, in restricted accounts	92,302,173	78,162,069
End of year, including $24,431,648 and $35,137,919, respectively, in restricted accounts	$ 86,460,444	$ 92,302,173
Noncash Capital and Related Financing Activities:		
Property, plant, and equipment additions reflected in accounts payable	$ 791,643	$ 2,175,955
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	$ 27,105,249	$ 32,032,540
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	23,445,928	22,300,939
Change in operating assets and liabilities:		
Accounts receivable	1,879,445	(1,669,497)
Other current assets	(101,619)	(254,242)
Accounts payable	325,087	371,197
Accrued liabilities	71,708	(684,398)
Other post employment benefits	689,068	574,434
Pretreatment advance payments	67,700	(22,425)
Net adjustments	26,377,317	20,616,008
Net cash provided by (used in) operating activities	$ 53,482,566	$ 52,648,548

The notes to financial statements are an integral part of this statement.

1. ORGANIZATION

The Allegheny County Sanitary Authority (Authority) was incorporated in May 1945 under the Commonwealth of Pennsylvania Municipality Authorities Act of 1945. The Authority serves as the exclusive agency for the collection, transportation, and treatment of wastewater for the City of Pittsburgh and 82 neighboring municipalities. The Authority charges users for processing of wastewater at applicable rates. Additional charges are levied for septage (solid waste removed from septic tanks) and industrial waste discharges into the system.

In evaluating the Authority as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *"The Financial Reporting Entity,"* management has addressed all potential component units. Consistent with this Statement, the criteria used by the Authority to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship.

Upon review of the criteria above, the Authority determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The Authority operates as a stand-alone entity governed by a Board of Directors appointed by the City of Pittsburgh and County of Allegheny. Neither the City of Pittsburgh nor the County of Allegheny appoints a voting majority of the Authority's Board of Directors. The Authority's pension plans, the Management Employees Plan and Union Employees Plan (Plans), are excluded from the Authority's financial statements because the Plans are governed by independent boards composed primarily of participants in the Plans, and the Authority does not directly participate in the management of the Plans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus

The Authority uses "income determination" as its measurement focus. Accordingly, all assets and liabilities are included on the balance sheet and net position reflects the economic net worth of the Authority. The operating statement reflects the change in total economic net worth for the period, presented through revenues and expenses of the Authority.

Basis of Accounting

The financial statements of the Authority for the years ended December 31, 2013 and 2012 have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value at December 31, 2013 and 2012.

Accounts Receivable

Accounts receivable consist of amounts due from customers, lump-sum billings to municipalities (which in turn bill customers individually), and estimated unbilled services since the previous billing.

Under the terms of the respective servicing agreements, each local municipality is responsible for the payment to the Authority and subsequent collection of individual customer billings outstanding over 60 days. Accordingly, an allowance for doubtful accounts is currently not considered necessary by management.

Prepaid Bond Costs

Certain prepaid bond issue and surety bond costs are deferred and amortized over the life of the related outstanding bonds. The original amortization periods are as follows:

Description	Amortization Period
1991 Bonds	25 years, 10 months
1993 Bonds	23 years, 8 months
Surety Bond	27 years, 6 months
2005 Bonds	25 years
2007 Bonds	30 years
2010 Bonds	30 years
2011 Bonds	9 years
2013 Bonds	31 years

Refunding Adjustment

In accordance with GASB pronouncements the excess of the reacquisition price over the net carrying amount of debt refunded with proceeds from Series 2011, Series 2010, Series 2005, and Series 2002 Bonds were recorded as refunding adjustments. The refunding adjustments are being amortized using the effective interest method over the originally scheduled life of the defeased issues, which extend to 2040, 2030, 2013, and 2019, respectively. The unamortized balances are reflected as deferred outflows of resources.

Capital Assets

Capital Assets are recorded at cost which includes, when appropriate, interest cost incurred on qualifying assets during the construction period.

Depreciation of fixed assets is provided for on the straight-line method based on the estimated useful lives of the various classes of assets. Maintenance and repairs are charged to expense as incurred. Estimated useful lives of major classes of assets are as follows:

Land improvements	40 years
Buildings and improvements	50 years
Utility plant in service	60 years
Machinery and equipment	3-20 years

The cost of the study for a potential capital project is capitalized in construction in progress. Upon commencement of the related capital project, the cost of the study is allocated to the project. Upon the Authority's final determination that a project is not viable, the cost of the study is expensed.

Compensated Absences

Vested or accumulated vacation and sickness leave are recorded as a liability and expensed as the benefits accrue to employees.

Pension Plans

Substantially all full-time employees of the Authority are enrolled in one of two single-employer defined benefit pension plans.

Post-retirement Benefits

The Authority provides certain health insurance benefits to retirees. The costs of these benefits are recognized in accordance with generally accepted accounting principles and are funded when incurred.

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salaries until future years. Participation in the plan is optional. The deferred compensation is not available to the employee until termination, retirement, death, or unforeseeable emergency. At December 31, 2013 and 2012, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust solely for the benefit of the participants. Investments are managed by the plan's trustee under several investment options selected by the participant. Under the provisions of GASB Statement No. 32, *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,"* the plan is not required to be included in the Authority's financial statements.

Use of Estimates

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

Management makes significant estimates regarding the amount of unbilled accounts receivable, reserves for accrued litigation, actuarial pension liabilities, other post employment benefit liabilities and environmental contingencies.

Adopted Pronouncements

The following statements have been issued by GASB, and the Authority has adopted them for the current year.

GASB Statement No. 61, *"The Financial Reporting Entity."* The objective of this Statement is for financial reporting entity financial statements to be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB has issued Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* effective for periods beginning after December 15, 2012 (the Authority's December 31, 2013 financial statements). This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The primary impact of this statement on the Authority's financial statements was the presentation of refunding adjustments as deferred outflows of resources rather than as a reduction to bonds payable. The provisions of this Statement were applied retroactively to all periods presented.

Pending Pronouncements

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

GASB has issued Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* effective for fiscal years beginning after June 15, 2014 (the Authority's December 31, 2015 financial statements). This Statement revises existing guidance for the financial reports of most pension plans, and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

3. Revenue Bonds

In February 1991, the Authority issued $13,802,180 principal value ($48,215,000 maturity value) of Compound Interest Bonds (1991 Bonds) intended to finance various construction projects.

An irrevocable trust was established in 1994 to defease $28,450,000 maturity value of the 1991 Bonds. Neither the trust, which has a sufficient amount on deposit to retire the $28,450,000 of 1991 Bonds at maturity, nor the obligation are included on the Authority's statements of net position. The maturity value of defeased bonds outstanding at December 31, 2013 and 2012 was $5,815,000 and $9,165,000, respectively.

The 1991 Bonds bear interest at rates ranging from 6.80% to 7.05%. Interest on each of the 1991 Bonds is compounded annually and paid only at maturity of such 1991 Bonds. The 1991 Bonds have a final maturity on December 1, 2015. The portions of the 1991 Bonds payable were $596,405 and $596,405 plus accumulated interest of $2,293,847 and $2,100,371 at December 31, 2013 and 2012, respectively, on the remaining outstanding 1991 Bonds.

In September 1992, the Authority issued $101,185,000 of Current Interest Bonds (1992 Bonds) intended to finance a 1992 capital improvement program.

An irrevocable trust was established in 1994 to defease $34,160,000 of the 1992 Bonds. An irrevocable trust was established in 2001 to defease an additional $51,710,000 of the 1992 Bonds. An irrevocable trust was established in 2002 to defease the remaining 1992 Bonds. Neither the trusts, nor the defeased obligations are included on the Authority's statements of net position. The amount of defeased bonds outstanding at December 31, 2013 and 2012 was $11,295,000 and $11,295,000, respectively.

In March 1993, the Authority issued $9,608,540 principal value ($37,625,000 maturity value) of Compound Interest Bonds and $32,470,000 of Current Interest Bonds (1993 Bonds). The proceeds from the bond issuance were used to advance refund the 1991 C Bonds, which were called in 2001.

An irrevocable trust was established in 1994 to defease $3,580,000 maturity value of the 1993 Compound Interest Bonds. Neither the trust, which has a sufficient amount on deposit to retire the $3,580,000 of 1993 Bonds at maturity, nor the obligation are included on the Authority's statements of net position. The maturity value of defeased bonds outstanding at December 31, 2013 and 2012 was $3,580,000. During 2003, the 1993 Current Interest Bonds were refunded.

The 1993 Compound Interest Bonds bear interest at 6.10% compounded semiannually which is paid only at maturity of such 1993 Bonds. The 1993 Compound Interest Bonds have a final maturity on December 1, 2016.

At December 31, 2013 and 2012, the 1993 Bonds payable consisted of $8,743,290 and $8,743,290, respectively, plus accumulated interest of $21,465,369 and $19,703,635, respectively.

On December 15, 2002, the Authority issued $15,030,000 of Sewer Revenue Bonds (2002 Bonds). The proceeds of the 2002 Bonds were used to provide funds for the advance refunding of the remaining portion of the 1992 Bond Series. The 2002 Bonds bear interest at rates ranging from 3.15% to 5.00%. Interest is payable in semiannual installments on June 1 and December 1 until maturity. Stated maturities for the 2002 Bonds are at various face amounts on June 1 and December 1 of each year beginning December 1, 2008 through 2013.

At December 31, 2013 and 2012, the 2002 Bonds payable consisted of $0 and $7,030,000, respectively.

On April 7, 2005, the Authority issued $255,690,000 of Sewer Revenue Bonds Refunding Series A of 2005 and $4,625,000 of Sewer Revenue Bonds Refunding Series B of 2005, collectively called the 2005 Bonds. The proceeds of the 2005 Bonds, along with an upfront contribution of $7,071,701 by the Authority, were used to provide funds for the advance refunding of portions of the 1997 and 2000 Bond Series and for the current refunding of the 1994B Current Interest Bonds.

The 2005 Bonds were issued at a bond premium of $12,467,264, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2005 Bonds bear interest at rates ranging from 3.25% to 5.00%. Interest is payable in semiannual installments on June 1 and December 1 until maturity. Stated maturities for the 2005 Bonds are at various face amounts on December 1 of each year beginning December 1, 2007 through 2030. The 2005 Bonds, which mature after December 1, 2015, are subject to redemption prior to maturity. At December 31, 2013 and 2012, the 2005 Bonds payable consisted of $227,730,000 and $232,980,000, respectively.

On July 12, 2007, the Authority issued $114,495,000 of Sewer Revenue Bonds Series of 2007, called the 2007 Bonds. The proceeds of the 2007 Bonds were used to provide funds for the financing of a portion of the Authority's capital budget for 2007 through 2009, and funding capitalized interest and a debt service reserve fund account.

The 2007 Bonds were issued at a bond premium of $3,014,408, which is being amortized as an adjustment to interest expense over the life of the bonds using the effective interest method.

The 2007 Bonds bear interest at rates ranging from 3.85% to 5.00%. Interest is payable in semiannual installments on June 1 and December 1 until maturity. Stated maturities for the 2007 Bonds are at various face amounts on December 1 of each year beginning December 1, 2010 through 2037. The 2007 Bonds, which have a final maturity date of December 1, 2037, are subject to redemption prior to maturity. At December 31, 2013 and 2012, the 2007 Bonds payable consisted of $113,445,000 and $113,745,000, respectively.

On October 1, 2010, the Authority issued $121,660,000 of Sewer Revenue Bonds Series of 2010, called the 2010 Bonds. The proceeds of the 2010 Bonds were used to provide funds for the financing of a portion of the Authority's capital budget for 2011 through 2013, current refunding of the 1997 bonds, current refunding of the 2000 bonds, payment of a PennVest loan, and funding capitalized interest.

The 2010 Bonds were issued at a bond premium of $5,113,802, which is being amortized as an adjustment to interest expense over the life of the bonds, using the effective interest method.

The 2010 Bonds bear interest at rates ranging from 1.50% to 5.00%. Interest is payable in semiannual installments on June 1 and December 1 until maturity. Stated maturities for the 2005 Bonds are at various face amounts on December 1 of each year beginning December 1, 2010 through 2012 and June 1, 2013 through 2040. The 2010 Bonds, which have a final maturity date of June 1, 2040, are subject to redemption prior to maturity. At December 31, 2013 and 2012, the 2010 Bonds payable consisted of $106,065,000 and $108,805,000, respectively.

On October 1, 2011, the Authority issued $92,250,000 of Sewer Revenue Bonds Refunding Series of 2011, called the 2011 Bonds. The proceeds of the bonds were used to currently refund all of the Authority's outstanding Sewer Revenue Bonds Refunding Series of 2001.

The 2011 Bonds were issued at a premium of $12,066,763, which is being amortized as an adjustment to interest expense over the life of the bonds, using the effective interest method.

The 2011 Bonds bear interest at rates ranging from 1.50% to 5.00%. Interest is payable in semiannual installments on June 1 and December 1 until maturity. The 2011 Bonds, which have a final maturity date of December 1, 2019, are subject to redemption prior to maturity. At December 31, 2013 and 2012, the 2011 Bonds payable consisted of $83,190,000 and $89,685,000, respectively.

On December 19, 2013, the Authority issued $64,755,000 of Sewer Revenue Bonds Series of 2013, called the 2013 Bonds. The proceeds of the 2013 Bonds were used to provide additional funding for the Authority's capital projects in 2014 and 2015.

The 2013 Bonds were issued at a bond premium of $2,711,736, which is being amortized as an adjustment to interest expense over the life of the bonds, using the effective interest method.

The 2013 Bonds bear interest at rates ranging from 3.50% to 5.00%. Interest is payable in semiannual installments on June 1 and December 1 until maturity. The 2013 Bonds, which have a final maturity date of December 1, 2044, are subject to redemption prior to maturity. At December 31, 2013, the 2013 Bonds payable was $64,755,000.

The 1993 and 1991 Bonds (1985 Indenture Bonds) are collateralized by the net revenues of the Authority and by a Surety Bond purchased under the terms of the Financial Guaranty Agreement in 1994 to replace the debt service reserve funds previously held by The Bank of New York, the trustee. The 1985 Indenture Bonds are also collateralized by all amounts held in the Revenue Fund and all amounts held by The Bank of New York, in the funds created under the 1985 Trust Indenture.

The 2005, 2007, 2010, 2011, and 2013 Bonds are collateralized by the net revenues of the Authority, by Surety Bonds, in lieu of cash, as required by the trustee and all amounts held in the Revenue Fund and all amounts held by the trustees. The security position of the 2005, 2007, 2010, 2011, and 2013 Bonds is subject, junior, and subordinate to the lien on and security interest in, such moneys and net revenues of the Authority held by the 1985 Trustee pursuant to the provisions of the 1985 Indenture.

Schedule of Required Debt Service

In accordance with the provisions of the Trust Indentures for the bonds payable, the Authority has established categories of accounts (current, special, and debt service) with certain assets, principally short-term investments, restricted for specific purposes. Each account category is further segregated into specific accounts referred to as funds. All revenues are required by the Trust Indentures to be deposited in a Revenue Fund. These Trust Indentures also require that rates be sufficient to pay current expenses of the Authority, 110% of the debt service requirements for the current fiscal year, and all amounts owed to the Bond Issuer under the terms of the Financial Guaranty Agreement. Current expenses are defined, generally, as the costs of operating and maintaining the sewer system as determined under accounting principles generally accepted in the United States of America, except for depreciation and interest expense.

Funds created as a result of the governing Trust Indentures and by Board of Directors' resolutions are summarized as follows:

	2013	2012
Current account:		
Revenue Fund	$ 62,029,441	$ 57,165,224
Special accounts:		
Capital Facilities Fund	$ 15,670,412	$ 15,663,175
Construction Fund - 2013	60,006,421	-
Construction Fund - 2010	8,761,259	28,887,010
Capital Interest Fund	6,287,043	1,266,839
	$ 90,725,135	$ 45,817,024
Debt service accounts:		
Debt Service Fund	$ 491	$ 293

Maturities of all outstanding bonds of the Authority, in the aggregate, are as follows:

	Principal	Interest	Total Debt Service
2014	$ 23,862,015	$ 30,229,509	$ 54,091,524
2015	23,357,822	30,615,648	53,973,470
2016	23,399,075	31,022,085	54,421,160
2017	26,920,000	27,498,942	54,418,942
2018	28,275,000	26,147,178	54,422,178
2019-2023	162,820,000	109,285,598	272,105,598
2024-2028	118,665,000	70,603,763	189,268,763
2029-2033	75,490,000	47,167,110	122,657,110
2034-2038	84,010,000	27,636,078	111,646,078
2039-2043	54,650,000	7,921,562	62,571,562
2044	6,835,000	358,834	7,193,834
Total	$ 628,283,912	$ 408,486,307	$ 1,036,770,219

The total debt service schedule in Note 11 represents the total debt service requirements (principal, interest, and sinking fund requirements) of the Authority's bond issuances, by issue and in the aggregate.

4. Interest Cost

Interest cost, including amortization of prepaid bond costs, for the years ended December 31, 2013 and 2012 for bonds payable were as follows:

	2013	2012
1991 Bonds	$ 202,154	$ 189,198
1992 Bonds	621,225	621,225
1993 Bonds	1,780,433	1,677,676
2002 Bonds	300,227	447,569
2005 Bonds	11,924,758	12,382,618
2007 Bonds	5,588,845	5,600,576
2010 Bonds	5,243,018	5,365,073
2011 Bonds	3,293,118	3,374,719
2013 Bonds	241,808	-
	29,195,586	29,658,654
Bond surety	35,726	35,726
	$ 29,231,312	$ 29,694,380

Interest earned on funds restricted for the purpose of construction of assets or payments of debt service and the interest cost of the related tax-exempt borrowings are deferred and allocated to the cost of capital assets. The Authority used tax-exempt interest earnings to offset capitalized interest costs.

5. Deposits and Investments with Financial Institutions

The investment and deposit policy of the Authority funds is governed by the Trust Indentures and the Municipal Authority Act. In accordance with these regulations, the Authority is authorized to invest in obligations of the U.S. Treasury, agencies and instrumentalities; certificates of deposits, time deposits or deposits in savings accounts, fully insured or collateralized; commercial paper of the highest rating; bonds or notes issued by the Commonwealth of Pennsylvania, political subdivision, or related school district; repurchase agreements; money market mutual funds; and investment agreements with any bank or insurance company. Throughout the years ended December 31, 2013 and 2012, the Authority invested in authorized investments that consisted of U.S. government obligations, short-term commercial paper, money market mutual funds, an external investment pool, and guaranteed investment contracts. There were no deposit or investment transactions during

2013 and 2012 that were in violation of either state statutes or the policies of the Authority. The Authority does not have a formal investment policy which addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2013, $16,191,760 of the Authority's bank balance of $16,571,435 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of $16,057,120 as of December 31, 2013.

Included in cash and cash equivalents and investments on the statements of net position is the following short-term investments: money market funds of $134,628,393 and PA INVEST funds of $2,068,155.

At December 31, 2013, the Authority held the following investment balances:

	Carrying Value	Maturity in Years Less Than 1 Year
Money Market Funds	$ 134,628,393	$ 134,628,393
PA INVEST	2,068,155	2,068,155
Total	$ 136,696,548	$ 136,696,548

The carrying value of the Authority's investments is the same as their fair market value amount. The fair value of the Authority's investments in the external investment pool (INVEST) is the same as the value of the pool shares.

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2013, the Authority's investment in the state investment pool (INVEST) was rated AAA by Standard & Poor's. 100% of the Authority's investments in money market funds are rated AAA by Standard & Poor's, and Aaa by Moody's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. As of December 31, 2012, the Authority held approximately 14.8%, 39.2%, and 10.9% of the investments in the Morgan Stanley Institutional Liquidity Funds Government Portfolio, the JPMorgan U.S. Government Money Market Fund-Capital, and the Western Asset Institutional Government Reserve Fund, respectively. As of December 31, 2013, the Authority held approximately 10.0%, 26.3%, and 7.3% of the investments in the Morgan Stanley Institutional Liquidity Funds Government Portfolio, the JPMorgan U.S. Government Money Market Fund-Capital, and the Western Asset Institutional Government Reserve Fund, respectively.

6. CAPITAL ASSETS

A summary of capital assets is as follows:

	2013	2012
Nondepreciable assets:		
Land	$ 5,140,679	$ 5,140,679
Construction in progress	82,964,010	82,001,832
Total nondepreciable assets	88,104,689	87,142,511
Depreciable assets:		
Land improvements	4,307,434	4,307,434
Buildings and improvements	428,674,573	410,785,494
Utility plant in service	173,034,076	173,034,076
Machinery and equipment	284,509,514	282,655,903
Total depreciable assets	890,525,597	870,782,907
Less accumulated depreciation	398,964,053	375,977,774
Net depreciable assets	491,561,544	494,805,133
Total capital assets	$ 579,666,233	$ 581,947,644

The Authority has spent $82,964,010 and $82,001,832 for construction in progress as of December 31, 2013 and 2012, respectively, with estimated remaining total expansion costs of approximately $92,600,000, which are anticipated to occur over the next five years. These expansion costs are primarily attributable to activities required by the Consent Decree further discussed in Note 10.

7. Pension Plans

The Authority has two single-employer-defined benefit pension plans covering substantially all full-time employees: the Management Employees Plan and the Union Employees Plan (Plans). Pennsylvania Act 205 (Act 205) is the authority by which benefit provisions are established and may be amended. Stand-alone financial reports were not issued for either of the Plans, as they are not required under the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The Management Employees Plan is a contributory plan available to all Authority employees not participating in the union employees plan; the Management Employees Plan provides retirement, disability, and death benefits to Plan members and beneficiaries and supplemental benefits to provide for Medicare-Part B premiums to eligible retirees. Under the terms of the Management Employees Plan, employees who entered the plan after November 1, 1982 are required to contribute 3% of compensation. Employees who entered the plan prior to November 1, 1982 are required to contribute either 1.25% of earnings in excess of $4,200 per year or 3% of compensation. The Authority's contributions to the Management Employees Plan for the years ended December 31, 2013 and 2012 were $1,606,104 and $1,529,224, respectively, which were equal to the Authority's contributions required under Act 205.

The Union Employees Plan is a contributory plan including all members of the utility workers' collective bargaining unit, which also provides retirement, disability and death benefits to plan members and beneficiaries. Employees who elect to contribute under the terms of the Union Employees Plan must contribute 1.25% of their compensation in excess of $4,200 per year. The Authority's contributions to the Union Employees Plan for the years ended December 31, 2013 and 2012 were $2,260,308 and $2,199,952, respectively, which were equal to the Authority's contributions required under Act 205.

The Authority's funding policy is to comply with Act 205. Under Act 205, the Authority is to contribute the sum of each plan's normal cost, administrative expenses and amortization of the unfunded actuarial accrued liability. The amount of employee contributions reduces the employer's required contribution. The normal cost and amortization of unfunded actuarial accrued liability are determined by an actuary using guidelines established by Act 205.

	Management Employees Plan	Union Employees Plan
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	15 years	15 years
Asset valuation method	Smooth market value (with phase-in) method	Smooth market value (without phase-in) method
Actuarial assumptions:		
Investment rate of return	7.75%	7.75%
Projected salary increases	4.50%	4.50%
Cost-of-living adjustments	None	None

Trend Information

	Year Ended	Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Management Employees Plan	12/31/2013	1/1/2013	$ 1,606,029	100%	$ -
	12/31/2012	1/1/2012	1,529,224	100%	-
	12/31/2011	1/1/2011	1,358,351	100%	-
Union Employees Plan	12/31/2013	1/1/2013	$ 2,260,312	100%	$ -
	12/31/2012	1/1/2012	2,199,113	100%	-
	12/31/2011	1/1/2011	1,804,689	100%	-

The increases in the APCs for the year ended December 31, 2013 for both the Union Employees Plan and the Management Employees Plan noted above are due to increases in the cost components from the 1/1/2011 valuation to the 1/1/2012 valuation used in the APC calculation.

Funded Status

The Authority's funded status and related information for each Plan as of the latest actuarial valuation date, January 1, 2013, is as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Management Employees Plan	$ 25,927	$ 31,944	$ (6,017)	81%	$ 7,066	-85%
Union Employees Plan	$ 76,577	$ 85,920	$ (9,343)	89%	$ 16,194	-58%

Note: Dollars are in thousands

The required schedule of funding progress included as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. Post-Retirement Benefits

In addition to the pension benefits described in Note 7, the Authority provides certain post-retirement healthcare benefits to management and union retirees until age 65.

In accordance with the Authority's Policy and Procedures Manual for Management Employees, these benefits are provided to all management employees who retire on or after attaining age 55 with at least ten years of credited service. Seven retirees in 2013 and four retirees in 2012 met these eligibility requirements for which the Authority paid 100% of the medical insurance premiums. These premium expenditures amounted to $52,226 and $35,554 for 2013 and 2012, respectively.

Additionally, in accordance with the current labor agreement between the Authority and the Utility Workers Union of America AFL-CIO Local 433, certain healthcare benefits are provided to all union employees who retire at age 60 through age 65 with 25 years of credited service. In addition to the healthcare benefits, the Authority provides full hospitalization for retirees between the ages of 62 and 65 with 15 to 24 years of credited service and 25% of the life insurance coverage that was provided while employed with the Authority will be carried into retirement. Fourteen retirees in 2013 and seventeen retirees in 2012 met these eligibility requirements for which the Authority pays 100% of the medical insurance premiums. These premium expenditures amounted to $158,850 and $193,010 for 2013 and 2012, respectively.

In addition to these post-retirement healthcare benefits, the Authority also provides to both management and union retirees, the Vision Program, the Prescription Drug Program, and the Dental Program. For these programs; however, the retiree shall be responsible to pay the entire prevailing premium being paid by the Authority for its employees. Usually, these premiums are taken directly out of the retirees' pension payments.

During fiscal year 2013, the annual future other post-retirement benefits cost was determined based on the assumptions used in the actuarial valuation performed in 2013. This resulted in the Authority accruing a liability of $3,049,054 for future other post-retirement benefits.

The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the component of the Authority's annual OPEB cost for the year, the amount actually contributed, and changes in the Authority's net OPEB obligation:

Annual required contribution	$ 1,102,950
Interest on net OPEB obligation	94,399
Adjustment to annual required contribution	(136,479)
Annual OPEB cost	1,060,870
Contributions made (includes implicit rate subsidy)	(371,802)
Increase in net OPEB obligation	689,068
Net OPEB obligation - beginning of year	2,359,986
Net OPEB obligation - end of year	$ 3,049,054

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

Year Ending	Annual OPEB Cost	Employer Contributions	% of AOC Contributed	Net OPEB Obligation
12/31/2011	$ 932,010	$ 347,147	37.25%	$ 1,785,552
12/31/2012	921,581	347,147	37.67%	2,359,986
12/31/2013	1,060,870	371,802	35.05%	3,049,054

The ARC for the current year was computed as of the latest actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	1/1/13
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Open
Asset valuation method	n/a
Amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	4.5%
Inflation rate	2.5%
Cost-of-living adjustments	n/a

Funding Status and Funding Progress

The schedule of funding progress as of January 1, 2013 for the postemployment medical and life insurance benefits is as follows:

Actuarial value of plan assets	$ -
Actuarial accrued liability (AAL)	9,851,054
Unfunded actuarial accrued liability (UAAL)	$ (9,851,054)
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 23,260,157
UAAL as a percentage of covered payroll	-42.35%

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

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

9. CONTINGENCIES

The Authority is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; disagreements arising from the interpretation of laws or regulations; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, for which the Authority carries commercial insurance. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing collection, transportation and treatment of wastewater services for applicable municipalities. The Authority does not participate in any public entity risk pool, and does not retain risk related to any aforementioned exposure except for those amounts incurred relative to policy deductibles, which are not significant. Additionally, the Authority has not significantly reduced any of its insurance coverage from the prior years. Settled claims have not exceeded the Authority’s commercial coverage in any of the past three years. Except as noted below, the Authority’s management does not expect that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

10. ENVIRONMENTAL PERMIT REQUIREMENTS

The Authority is currently engaged in a major capital program to provide additional treatment capacity as required by Pennsylvania Law. This program is the first phase of a multi-phased program designed to reduce or eliminate wet-weather discharges from the Authority’s conveyance and treatment system. As required by the Clean Water Act, the Authority concluded negotiations with the U.S. Environmental Protection Agency, Pennsylvania Department of Environmental Protection, and the Allegheny County Health Department (collectively the Agencies) in May of 2007. A Consent Decree resulting from these negotiations was entered by the United States District Court for the Western District of Pennsylvania on January 23, 2008. The Consent Decree requires the Authority to further develop, refine and submit a Long Term Wet Weather Control Plan (Plan) to the Agencies by January 30, 2013. A draft of the Plan was released for public comment at the end of July, 2012, and subsequently provided to the Agencies for review January 30, 2013. In response to public comment, the Authority requested additional time to finalize the Plan to incorporate an evaluation of green technology. The Agencies are reviewing the Authority's submissions, and continue to meet with the Authority to discuss implementing the Plan in phases that will accommodate cost and green alternatives.

The final Plan will include provisions for significant capital improvements to the Authority's conveyance and treatment system, to capture and treat a defined flow from its customer municipalities, and to achieve applicable receiving stream water quality standards. Upon approval by the Agencies, the Plan activities must be completed by September 30, 2026.

11. TOTAL DEBT SERVICE SCHEDULE

	Series of 1991	Series of 1992	Series of 1993	Subtotal
June 1, 2014	$ -	$ 310,613	$ 4,470,000	$ 4,780,613
December 1, 2014	-	310,612	4,470,000	4,780,612
June 1, 2015	-	310,613	4,475,000	4,785,613
December 1, 2015	3,320,000	310,612	4,475,000	8,105,612
June 1, 2016	-	310,613	4,470,000	4,780,613
December 1, 2016	-	-	11,685,000	11,685,000
June 1, 2017	-	-	-	-
December 1, 2017	-	-	-	-
June 1, 2018	-	-	-	-
December 1, 2018	-	-	-	-
June 1, 2019	-	-	-	-
December 1, 2019	-	-	-	-
June 1, 2020	-	-	-	-
December 1, 2020	-	-	-	-
June 1, 2021	-	-	-	-
December 1, 2021	-	-	-	-
June 1, 2022	-	-	-	-
December 1, 2022	-	-	-	-
June 1, 2023	-	-	-	-
December 1, 2023	-	-	-	-
June 1, 2024	-	-	-	-
December 1, 2024	-	-	-	-
June 1, 2025	-	-	-	-
December 1, 2025	-	-	-	-
June 1, 2026	-	-	-	-
December 1, 2026	-	-	-	-
June 1, 2027	-	-	-	-
December 1, 2027	-	-	-	-
June 1, 2028	-	-	-	-
December 1, 2028	-	-	-	-
June 1, 2029	-	-	-	-
December 1, 2029	-	-	-	-
June 1, 2030	-	-	-	-
December 1, 2030	-	-	-	-
June 1, 2031	-	-	-	-
December 1, 2031	-	-	-	-
June 1, 2032	-	-	-	-
December 1, 2032	-	-	-	-
June 1, 2033	-	-	-	-
December 1, 2033	-	-	-	-
June 1, 2034	-	-	-	-
December 1, 2034	-	-	-	-
June 1, 2035	-	-	-	-
December 1, 2035	-	-	-	-
June 1, 2036	-	-	-	-
December 1, 2036	-	-	-	-
June 1, 2037	-	-	-	-
December 1, 2037	-	-	-	-
June 1, 2038	-	-	-	-
December 1, 2038	-	-	-	-
June 1, 2039	-	-	-	-
December 1, 2039	-	-	-	-
June 1, 2040	-	-	-	-
December 1, 2040	-	-	-	-
June 1, 2041	-	-	-	-
December 1, 2041	-	-	-	-
June 1, 2042	-	-	-	-
December 1, 2042	-	-	-	-
June 1, 2043	-	-	-	-
December 1, 2043	-	-	-	-
June 1, 2044	-	-	-	-
December 1, 2044	-	-	-	-
	$ 3,320,000	$ 1,553,063	$ 34,045,000	$ 38,918,063

(Continued)

ALLEGHENY COUNTY SANITARY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

11. TOTAL DEBT SERVICE SCHEDULE (continued)

	Series of 2005	Series of 2007	Series of 2010	Series of 2011	Series of 2013	Combined Debt Service	Annual Debt Service
June 1, 2014	$ 5,661,394	$ 2,819,848	$ 2,635,728	$ 5,342,575	$ 1,450,851	$ 22,691,009	
December 1, 2014	13,941,394	3,119,849	2,605,428	5,341,176	1,612,056	31,400,515	$ 54,091,524
June 1, 2015	5,458,416	2,813,774	2,610,428	5,348,475	1,612,057	22,628,763	
December 1, 2015	10,563,416	3,113,775	2,605,378	5,344,470	1,612,056	31,344,707	53,973,470
June 1, 2016	5,356,316	2,807,625	2,805,378	3,563,475	1,612,057	20,925,464	
December 1, 2016	10,916,316	3,112,622	2,603,128	3,566,574	1,612,056	33,495,696	54,421,160
June 1, 2017	5,219,114	2,801,295	2,803,128	11,938,875	1,612,057	24,374,469	
December 1, 2017	10,774,114	3,121,295	2,600,503	11,936,505	1,612,056	30,044,473	54,418,942
June 1, 2018	5,080,436	2,794,575	2,815,503	11,937,750	1,612,059	24,240,323	
December 1, 2018	10,910,436	3,124,575	2,597,413	11,937,375	1,612,056	30,181,855	54,422,178
June 1, 2019	4,934,687	2,787,480	2,817,413	11,940,250	1,612,056	24,091,886	
December 1, 2019	11,059,687	3,127,480	2,594,113	11,936,124	1,612,057	30,329,461	54,421,347
June 1, 2020	4,781,750	2,780,000	2,774,113	-	1,612,056	11,947,919	
December 1, 2020	35,391,750	2,880,000	2,591,188	-	1,612,057	42,474,995	54,422,914
June 1, 2021	4,016,500	2,777,875	2,781,188	-	1,612,056	11,187,619	
December 1, 2021	36,156,500	2,877,875	2,586,438	-	1,612,057	43,232,870	54,420,489
June 1, 2022	3,213,000	2,775,625	2,791,438	-	1,612,056	10,392,119	
December 1, 2022	36,958,000	2,875,624	2,581,310	-	1,612,057	44,026,991	54,419,110
June 1, 2023	2,369,375	2,773,438	2,806,313	-	1,612,056	9,561,182	
December 1, 2023	37,799,375	2,873,437	2,575,688	-	1,612,056	44,860,556	54,421,738
June 1, 2024	1,483,750	2,771,250	5,980,688	-	1,612,056	11,847,744	
December 1, 2024	16,098,750	9,771,250	2,490,563	-	7,112,056	35,472,619	47,320,363
June 1, 2025	1,118,375	2,596,250	6,030,563	-	1,489,894	11,235,082	
December 1, 2025	8,853,375	11,596,250	2,402,063	-	8,989,894	31,841,582	43,076,664
June 1, 2026	925,000	2,378,750	15,257,063	-	1,312,019	19,872,832	
December 1, 2026	925,000	2,728,750	2,080,688	-	8,812,019	14,546,457	34,419,289
June 1, 2027	925,000	2,370,000	5,805,688	-	1,124,519	10,225,207	
December 1, 2027	9,510,000	3,065,000	1,987,563	-	8,624,518	23,187,081	33,412,288
June 1, 2028	710,375	2,352,620	5,907,563	-	938,519	9,909,077	
December 1, 2028	9,720,375	3,082,625	1,889,563	-	6,438,519	21,131,082	31,040,159
June 1, 2029	485,125	2,334,375	6,004,563	-	807,319	9,631,382	
December 1, 2029	9,950,125	3,099,375	1,786,688	-	3,307,319	18,143,507	27,774,889
June 1, 2030	248,500	2,315,250	6,116,688	-	754,819	9,435,257	
December 1, 2030	10,188,500	3,115,250	1,678,438	-	754,818	15,737,006	25,172,263
June 1, 2031	-	2,295,250	4,238,438	-	754,819	7,288,507	
December 1, 2031	-	13,570,250	1,622,438	-	754,816	15,947,504	23,236,011
June 1, 2032	-	2,013,375	4,297,438	-	754,819	7,065,632	
December 1, 2032	-	13,853,373	1,563,922	-	754,819	16,172,114	23,237,746
June 1, 2033	-	1,717,375	4,353,922	-	754,819	6,826,116	
December 1, 2033	-	14,152,375	1,502,891	-	754,819	16,410,085	23,236,201
June 1, 2034	-	1,406,500	4,417,891	-	754,819	6,579,210	
December 1, 2034	-	14,461,500	1,439,125	-	754,819	16,655,444	23,234,654
June 1, 2035	-	1,080,125	4,499,125	-	754,819	6,334,069	
December 1, 2035	-	14,785,125	1,362,625	-	754,818	16,902,568	23,236,637
June 1, 2036	-	737,500	4,582,625	-	754,819	6,074,944	
December 1, 2036	-	15,127,500	1,282,125	-	754,818	17,164,443	23,239,387
June 1, 2037	-	377,750	4,662,125	-	754,819	5,794,694	
December 1, 2037	-	15,487,750	1,197,625	-	754,818	17,440,193	23,234,887
June 1, 2038	-	-	16,372,625	-	754,819	17,127,444	
December 1, 2038	-	-	818,250	-	754,819	1,573,069	18,700,513
June 1, 2039	-	-	16,773,250	-	754,819	17,528,069	
December 1, 2039	-	-	419,375	-	754,819	1,174,194	18,702,263
June 1, 2040	-	-	17,194,375	-	754,819	17,949,194	
December 1, 2040	-	-	-	-	754,819	754,819	18,704,013
June 1, 2041	-	-	-	-	754,819	754,819	
December 1, 2041	-	-	-	-	9,789,818	9,789,818	10,544,637
June 1, 2042	-	-	-	-	517,650	517,650	
December 1, 2042	-	-	-	-	6,897,650	6,897,650	7,415,300
June 1, 2043	-	-	-	-	350,175	350,175	
December 1, 2043	-	-	-	-	6,855,174	6,855,174	7,205,349
June 1, 2044	-	-	-	-	179,419	179,419	
December 1, 2044	-	-	-	-	7,014,415	7,014,415	7,193,834
	$ 331,704,226	$ 222,800,810	$ 211,599,789	$100,133,624	$131,613,707	$ 1,036,770,219	$ 1,036,770,219

(Concluded)

Required Supplementary Information

ALLEGHENY COUNTY SANITARY AUTHORITY

PENSION PLANS
SCHEDULE OF FUNDING PROGRESS

DECEMBER 31, 2013

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
Management Employees Plan:							
	1/1/2013	$ 25,927,145	$ 31,943,601	$ (6,016,456)	81%	$ 7,066,389	-85%
	1/1/2012	24,477,621	30,429,831	(5,952,210)	80%	6,957,730	-86%
	1/1/2011	23,619,236	28,253,158	(4,633,922)	84%	6,554,237	-71%
	1/1/2010	22,461,168	26,342,363	(3,881,195)	85%	6,198,835	-63%
	1/1/2009	20,308,000	24,403,743	(4,095,743)	83%	5,783,644	-71%
	1/1/2008	22,235,667	23,241,199	(1,005,532)	96%	5,259,790	-19%
Union Employees Plan:							
	1/1/2013	$ 76,577,016	$ 85,919,698	$ (9,342,682)	89%	$ 16,193,768	-58%
	1/1/2012	75,004,617	82,184,059	(7,179,442)	91%	15,871,099	-45%
	1/1/2011	74,479,168	78,013,934	(3,534,766)	96%	15,750,647	-22%
	1/1/2010	73,662,596	71,939,354	1,723,242	102%	15,233,174	11%
	1/1/2009	67,812,504	68,102,090	(289,586)	100%	14,095,975	-2%
	1/1/2008	75,489,822	64,650,688	10,839,134	117%	13,387,472	81%

ALLEGHENY COUNTY SANITARY AUTHORITY

PENSION PLANS
SCHEDULES OF CONTRIBUTIONS

DECEMBER 31, 2013

Calendar Year	Management Employees: Annual Pension Costs	Management Employees: Percentage Contributed
2008	$ 850,919	100%
2009	934,800	100%
2010	1,328,190	100%
2011	1,358,351	100%
2012	1,529,224	100%
2013	1,606,029	100%

Calendar Year	Union Employees: Annual Pension Costs	Union Employees: Percentage Contributed
2008	$ 624,065	100%
2009	667,200	100%
2010	1,765,668	100%
2011	1,804,689	100%
2012	2,199,952	100%
2013	2,260,312	100%

ALLEGHENY COUNTY SANITARY AUTHORITY

SCHEDULE OF FUNDING PROGRESS - OPEB PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2009	$ -	$ 5,571,496	$ (5,571,496)	0.00%	$ 19,879,619	(28.03%)
1/1/2010	-	6,460,601	(6,460,601)	0.00%	21,432,009	(30.14%)
1/1/2011	-	7,945,721	(7,945,721)	0.00%	22,304,884	(35.62%)
1/1/2013	-	9,851,054	(9,851,054)	0.00%	23,260,157	(42.35%)

See accompanying notes to supplementary schedules.

ALLEGHENY COUNTY SANITARY AUTHORITY

SCHEDULE OF CONTRIBUTIONS - OPEB PLAN

Calendar Year	Annual OPEB Cost	Employer Contributions	Percentage Contributed
2010	$ 760,516	$ 218,196	28.69%
2011	932,010	347,147	37.25%
2012	921,581	347,147	37.67%
2013	1,060,870	371,802	35.05%

See accompanying notes to supplementary schedules.

Supplementary Information

ALLEGHENY COUNTY SANITARY AUTHORITY

SCHEDULE OF INVESTMENTS AND OTHER ASSETS

YEAR ENDED DECEMBER 31, 2013

	Cash and Cash Equivalents	Investments	Accrued Interest Receivable	Total
Current Account:				
Revenue Fund	$ 62,028,796	$ -	$ 645	$ 62,029,441
Special Accounts:				
Capital Facilities Fund	15,669,950	-	462	15,670,412
Construction Fund 2010	8,761,184	-	75	8,761,259
Construction Fund 2013	-	60,006,204	217	60,006,421
Capital Interest Fund	23	6,287,020	-	6,287,043
	24,431,157	66,293,224	754	90,725,135
Debt Service Accounts:				
Debt Service Fund	491	-	-	491
Total	$ 86,460,444	$ 66,293,224	$ 1,399	$ 152,755,067

ALLEGHENY COUNTY SANITARY AUTHORITY

SCHEDULE OF INVESTMENTS AND OTHER ASSETS

YEAR ENDED DECEMBER 31, 2012

	Cash and Cash Equivalents	Investments	Accrued Interest Receivable	Total
Current Account:				
Revenue Fund	$ 57,164,254	$ -	$ 970	$ 57,165,224
Special Accounts:				
Capital Facilities Fund	15,662,579	-	596	15,663,175
Construction Fund 2010	19,471,455	9,276,537	139,018	28,887,010
Construction Fund 2007	-	-	-	-
Capital Interest Fund	3,592	1,263,247	-	1,266,839
	35,137,626	10,539,784	139,614	45,817,024
Debt Service Accounts:				
Debt Service Fund	293	-	-	293
Total	$ 92,302,173	$ 10,539,784	$ 140,584	$ 102,982,541