

BROOKVILLE MUNICIPAL AUTHORITY

Brookville, Pennsylvania

December 31, 2013

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MAUTHE, YUTZEY, GABLER & TROXELL, LLC

Certified Public Accountants

TELEPHONE: (814) 371-1760

FAX: (814) 375-1003

Gregory L. Yutzey, CPA
Larry A. Gabler, CPA
Megan R. Troxell, CPA

P.O. Box 1029
2882 Oklahoma-Salem Road
DuBois, PA 15801

INDEPENDENT AUDITOR'S REPORT

William L. Mauthe, CPA
(Retired/Inactive)

Brookville Municipal Authority
18 Western Ave.; Suite A
Brookville, PA 15825

We have audited the accompanying financial statements of the business-type activities and each major fund of Brookville Municipal Authority, a component unit of Borough of Brookville, Pennsylvania, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MEMBER:

*American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants*

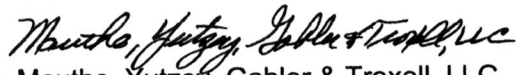
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Brookville Municipal Authority, Brookville, Pennsylvania as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Requirement Supplementary Information

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


Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
October 31, 2014

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

December 31, 2013

	Water Revenue <u>Fund</u>	Sewer Revenue <u>Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Current Assets:			
Cash - regular	\$ 338,298	\$ 646,579	\$ 984,877
Cash - customer deposits	11,605	11,605	23,210
	<hr/>	<hr/>	<hr/>
Total Cash	349,903	658,184	1,008,087
Bank Certificates of Deposit	500,735	652,061	1,152,796
Accounts receivable - customers	102,408	105,425	207,833
Accounts receivable - tap fees		14,001	14,001
Accounts receivable - other	4,748	5,364	10,112
Due from Sewer Fund/Water Fund	1,292	455	1,747
Accrued interest	695	425	1,120
Inventory	23,745	16,782	40,527
	<hr/>	<hr/>	<hr/>
Total Current Assets	983,526	1,452,697	2,436,223
Fixed Assets:			
Land	3,600	15,351	18,951
Land and site improvements - net of depreciation	26,576	13,721	40,297
Buildings - net of depreciation	12,392,794	814,220	13,207,014
Water distribution system - net of depreciation	2,832,676		2,832,676
Sewer collection system - net of depreciation		2,974,810	2,974,810
Machinery and equipment - net of depreciation	104,574	72,399	176,973
Vehicles - net of depreciation	25,267	74,302	99,569
Renovation project in process		3,032	3,032
	<hr/>	<hr/>	<hr/>
Total Fixed Assets - net of depreciation	15,385,487	3,967,835	19,353,322
	<hr/>	<hr/>	<hr/>
Total Assets	16,369,013	5,420,532	21,789,545
	<hr/>	<hr/>	<hr/>
Deferred Outflows	- 0 -	- 0 -	- 0 -
	<hr/>	<hr/>	<hr/>
Total Assets and Deferred Outflows	\$ 16,369,013	\$ 5,420,532	\$ 21,789,545
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

December 31, 2013

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	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 10,749	\$ 17,871	\$ 28,620
Accrued payroll	16,136	16,715	32,851
Due to Borough of Brookville General Fund		170	170
Due to Sewer Fund/Water Fund	455	1,292	1,747
Current portion of long-term debt	525,940	42,553	568,493
Total Current Liabilities	<u>553,280</u>	<u>78,601</u>	<u>631,881</u>
Long-Term Debt:			
Penn Vest - Water Plant	10,265,694		10,265,694
Penn Vest - Corsica Treatment Plant		144,957	144,957
Total Long-Term Debt	<u>10,265,694</u>	<u>144,957</u>	<u>10,410,651</u>
Other Liabilities:			
Customer deposits	26,081	26,081	52,162
Total Liabilities	<u>10,845,055</u>	<u>249,639</u>	<u>11,094,694</u>
Deferred Inflows	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	4,593,854	3,780,325	8,374,179
Unrestricted	930,104	1,390,568	2,320,672
Total Net Position	<u>5,523,958</u>	<u>5,170,893</u>	<u>10,694,851</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 16,369,013</u>	<u>\$ 5,420,532</u>	<u>\$ 21,789,545</u>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2013

	Water Revenue <u>Fund</u>	Sewer Revenue <u>Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from users	\$ 1,610,660	\$ 1,102,831	\$ 2,713,491
Cash received from other operating revenue	32,745	75,869	108,614
Cash payments to employees for services	(440,741)	(462,038)	(902,779)
Cash payments to suppliers for goods and services	(389,533)	(464,567)	(854,100)
	<u>813,131</u>	<u>252,095</u>	<u>1,065,226</u>
Net Cash Provided (Used) by Operating Activities			
	<u>813,131</u>	<u>252,095</u>	<u>1,065,226</u>
Net Cash Provided (Used) by Non-Capital Financing Activities			
	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of capital asset	1,667	-	1,667
Principal paid on loans	(519,286)	(42,130)	(561,416)
Acquisition of capital assets	(386,808)	(100,286)	(487,094)
Interest paid on loans	(141,076)	(2,104)	(143,180)
Contributed capital	142,065	3,517	145,582
	<u>(903,438)</u>	<u>(141,003)</u>	<u>(1,044,441)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
	<u>(903,438)</u>	<u>(141,003)</u>	<u>(1,044,441)</u>
Cash Flows from Investing Activities:			
Redemption/(purchase) of Certificate of Deposit	(735)	(51,676)	(52,411)
Interest income	1,519	2,989	4,508
	<u>784</u>	<u>(48,687)</u>	<u>(47,903)</u>
Net Cash Provided (Used) by Investing Activities			
	<u>784</u>	<u>(48,687)</u>	<u>(47,903)</u>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2013

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	Water Revenue <u>Fund</u>	Sewer Revenue <u>Fund</u>	<u>Total</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(89,523)	62,405	(27,118)
Cash and Cash Equivalents - Jan. 1, 2013	<u>439,426</u>	<u>595,779</u>	<u>1,035,205</u>
Cash and Cash Equivalents - Dec. 31, 2013	<u>\$ 349,903</u>	<u>\$ 658,184</u>	<u>\$ 1,008,087</u>
 Cash Flows from Operating Activities:			
Operating income (loss)	\$ 326,304	\$ 78,940	\$ 405,244
 Adjustments to reconcile operating income (loss) to net cash provided by operations:			
Depreciation	419,093	148,435	567,528
(Increase) Decrease in accounts receivable	34,090	13,606	47,696
(Increase) Decrease in inventory	34,449	1,948	36,397
Increase (Decrease) in accounts payable	(3,680)	1,361	(2,319)
Increase (Decrease) in accrued payroll	1,833	6,763	8,596
Increase (Decrease) in customer deposits	1,042	1,042	2,084
 Net Cash Provided (Used) by Operations	<u>\$ 813,131</u>	<u>\$ 252,095</u>	<u>\$ 1,065,226</u>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN NET POSITION

For The Year Ended December 31, 2013

	Water Revenue <u>Fund</u>	Sewer Revenue <u>Fund</u>	<u>Totals</u>
Operating Revenue:			
System usage charges	\$ 1,577,962	\$ 1,101,483	\$ 2,679,445
Miscellaneous revenue	30,310	62,568	92,878
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	1,608,272	1,164,051	2,772,323
Total Operating Expenses	1,281,968	1,085,111	2,367,079
	<hr/>	<hr/>	<hr/>
Income (Loss) from Operations	326,304	78,940	405,244
Non-Operating Income (Expense)	(137,830)	384	(137,446)
	<hr/>	<hr/>	<hr/>
Income (Loss) before Capital Contributions and Transfers	188,474	79,324	267,798
Capital contributions and transfers	145,582	NONE	145,582
	<hr/>	<hr/>	<hr/>
Change in Net Position	334,056	79,324	413,380
Net Position, January 1, 2013	5,189,902	5,091,569	10,281,471
	<hr/>	<hr/>	<hr/>
Net Position, December 31, 2013	\$ 5,523,958	\$ 5,170,893	\$ 10,694,851
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

WATER REVENUE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN NET POSITION

For The Year Ended December 31, 2013

Operating Revenue:		
Water sales	\$ 1,577,962	
Hydrant fees	6,030	
Miscellaneous revenue	24,280	
	<hr/>	
Total Operating Revenue		<hr/> 1,608,272
Operating Expenses:		
Purification:		
Chemicals	45,970	
Laboratory	13,153	
Materials and supplies	530	
Sludge disposal	2,776	
Decommission expens - old plant	7,215	
Repair and maintenance - plant	30,169	
	<hr/>	
Total Purification Expense		99,813
Pumping:		
Salaries and wages	123,182	
Utilities	154,517	
	<hr/>	
Total Pumping Expense		277,699
Distribution:		
Salaries and wages	70,732	
Water dam inspection fees	384	
Repair and maintenance - system	44,691	
Repair and maintenance - hydrants and meters	7,980	
	<hr/>	
Total Distribution Expense		123,787

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

WATER REVENUE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN NET POSITION

For The Year Ended December 31, 2013

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Administration:		
Salaries and wages	139,432	
Engineering services	8,491	
Legal	5,784	
Audit and accounting	4,955	
Insurance	33,522	
Dues and conventions	6,709	
Postage	5,008	
Office supplies and expense	5,106	
Vehicle expense	5,502	
Telephone	9,496	
Employee benefits	101,136	
Depreciation	419,093	
Office rent	7,974	
Computer upgrade/software	17,433	
Pension expense	8,092	
Miscellaneous	2,936	
		<hr/>
Total Administration Expense		780,669
		<hr/>
Total Operating Expenses		1,281,968
		<hr/>
Income (Loss) from Operations		326,304

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

WATER REVENUE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN NET POSITION

For The Year Ended December 31, 2013

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Non-Operating Income and (Expense):		
Interest expense - Penn Vest Loan	(141,076)	
Gain on sale of vehicle	1,667	
Interest income	1,579	
	<hr/>	
Total Non-Operating Income (Expense)		<hr/> (137,830)
Income (Loss) before capital contributions and transfers		188,474
Capital Contributions and Transfers:		
Capital contribution - Borough of Brookville - CDBG Funds	145,582	
	<hr/>	
Total Capital Contributions and Transfers		<hr/> 145,582
Change in Net Position		334,056
Net Position, January 1, 2013		<hr/> 5,189,902
Net position, December 31, 2013		<hr/> <hr/> \$ 5,523,958

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

SEWER REVENUE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN NET POSITION

For The Year Ended December 31, 2013

Operating Revenue:		
Sewer usage charges	\$	1,101,483
Solid waste collection fees		51,134
Miscellaneous revenue		11,434
		<hr/>
Total Operating Revenue		1,164,051
Operating Expenses:		
Salaries and wages - administration		131,535
Salaries and wages - operation		227,419
Chemicals		13,548
Lab fees		14,949
Utilities		86,636
Sludge disposal		33,161
Telephone		3,205
Engineering services		26,234
Audit and accounting		5,522
Legal		5,652
Office expense		4,081
Vehicle expense		19,608
Repairs and maintenance		77,580
Postage		4,863
Employee benefits		104,453
Pension expense		5,395
Insurance		37,145
PA DEP civil penalties		9,250
Miscellaneous expense		2,991
Office rent		7,974
Computer upgrade/software		18,263
Dues and conventions		4,084

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

SEWER REVENUE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN NET POSITION

For The Year Ended December 31, 2013

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Corrective Action Plan Costs	84,386	
I and I work	8,742	
Depreciation	148,435	
	<hr/>	
Total Operating Expenses		1,085,111
		<hr/>
Income (Loss) from Operations		78,940
Non-Operating Income and (Expense):		
Interest expense	(2,104)	
Interest income	2,488	
	<hr/>	
Total Non-Operating Income (Expense)		384
		<hr/>
Income (Loss) before capital contributions and transfers		79,324
		<hr/>
Total Capital Contributions and Transfers		NONE
		<hr/>
Change in Net Position		79,324
		<hr/>
Net Position, January 1, 2013		5,091,569
		<hr/>
Net position, December 31, 2013		\$ 5,170,893
		<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS

Description of Operations and Basis of Presentation

The Brookville Municipal Authority is an operating water and sewer authority incorporated by the Borough of Brookville, Pennsylvania, under the Municipal Authorities Act of 1945, as amended. The Authority provides water delivery service to the residents of the Borough of Brookville and surrounding areas as well as provides for collection and treatment of waste water. The activities of providing water delivery service is accounted for in the Water Revenue Fund and the collection and treatment of waste water is accounted for in the Sewer Revenue Fund.

The Authority is considered a component unit of the Borough of Brookville, Pennsylvania. These financial statements present only the financial position, results of operations and cash flows of the component unit.

Fund Accounting and Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses.

Both funds of the Authority are categorized as Proprietary Fund Type. This fund type accounts for Authority activities that are similar to business operations in the private sector where the reporting focus is on determining net income, financial position and changes in financial position (economic resources measurement focus).

The two funds of the Authority consist of the Water Revenue Fund and the Sewer Revenue Fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Water Revenue Fund are potable water sales and of the Sewer Revenue Fund are wastewater collection and treatment fees. Operating expenses of both funds include salaries and benefits, chemicals and supplies, utilities and depreciation on fixed assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. User fees are recognized as revenues in the year for which services are provided. Grant and similar items are recognized as revenues as soon as all eligible requirements imposed by the provider have been met. Net position (total assets and deferred outflows less total liabilities and deferred inflows) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is deducted from the cost of fixed assets on the statement of net position.

Other Significant Accounting Policies:

Deposits and Investments

The deposit and investment policy of the Authority adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either state statutes or the policy of the Authority.

Custodial Credit Risk

Custodial credit risk related to deposits is risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year-end, \$1,941,726 of the Authority's bank balance of \$2,191,726 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name (as permitted under PA Act 72 of 1971).

Reconciliation to Financial Statements

Uncollateralized amount above	\$ 1,941,726
Plus: Insured amount	250,000
Deposits in transit	7,714
Less: Outstanding checks	<u>(40,589)</u>
Carrying amount – bank balance	2,158,851
Plus: Deposits in PLGIT	2,032
Less: Certificates of deposit – investments	<u>(1,152,796)</u>
Total cash per statement of net position	<u>\$ 1,008,087</u>

As of December 31, 2013 the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Bank Certificates of Deposit	6 to 12 months	<u>\$1,152,796</u>

The Authority invests funds in the Pennsylvania Local Government Investment Trust. The Trust is governed by a Board of Trustees each of whom is an active local government or school district official. The Board monitors the Trust and its investments. The allowable investments of the Trust consists of obligations of the United States Government or its agencies or instrumentalities; the Commonwealth of Pennsylvania or its agencies, instrumentalities or political subdivision; and deposits in savings accounts or time deposits of institutions fully insured by the Federal Deposit Insurance Corporation and, when required, collateralized under the provisions of Act 72 (P.L. 181 No. 72 as amended).

Bank Certificates of Deposit

The Authority has the following bank certificates of deposit as of December 31, 2013:

Water Revenue Fund

S&T Bank – purchased August 6, 2013 for a term of 12 months with interest payable at .345 percent.	\$ 500,735
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Sewer Revenue Fund

S&T Bank – purchased January 19, 2013 for a term of 12 months with interest payable at .345 percent.	251,672
S&T Bank – purchased December 24, 2013 for a term of 12 months with interest payable at .395 percent.	<u>400,389</u>

Total Bank Certificates of Deposit \$ 1,152,796

Interest Rate Risk

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

Credit Risk

The Authority has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk – Investments

The Authority places no limit on the amount the Authority may invest in any one issuer. All of the Authority's investments are in S&T Bank certificates of deposit.

Inventory

Inventory of materials and supplies are valued at cost on a first in-first out basis.

Fixed Assets

Fixed assets, which includes property, plant, collection and distribution systems, and equipment are valued at cost or estimated fair market value at the date of acquisition. Fixed assets are defined by the Municipal Authority as assets with an initial acquisition cost of more than \$5,000 and an estimated useful life in excess of one year.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method utilizing the half-year convention with no consideration given to salvage value, over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life</u>
Buildings	30 - 40 years
Site Improvements	15 - 40 years
Infrastructure - Collection and Distribution Systems	50 years
Machinery and Equipment	8 - 20 years
Vehicles	8 years

Compensated Absences

Employees earn vacation based upon years of continuous service to the Authority. Vacation time earned is to be used during the year earned unless demands of the work schedule prohibit the employee from using the vacation, in which case the vacation time may be carried over for one year with the consent of the Authority or payment in lieu of vacation may be made. Employees also earn twelve days of sick leave annually, which may be accumulated up to a maximum of 120 days. Sick leave must be used during employment with the Authority. Upon termination or retirement, no payment is made to the employee for unused accumulated sick leave. If an employee dies as a result of a work related injury or disease, all unused sick leave will be paid as a death benefit. The cost of vacation and sick leave is recognized when payment is made to the employee. No provision has been made to record accumulated cost of unused vacation or sick leave as of December 31, 2013.

Long Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Under GASB #65, bond and note issuance costs are written off in the year incurred.

Statement of Cash Flows

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

Allowance for Uncollectible Accounts

No allowance is maintained for uncollectible accounts receivable. Accounts determined to be uncollectible are specifically charged off in the year of uncollectibility.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, expenses and expenditures. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent Events

Management has evaluated subsequent events through October 31, 2014, the date the financial statements were available.

NOTE 2 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

<u>Water Revenue Fund</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 600	\$ 3,000	\$ -	\$ 3,600
Total Capital Assets not being depreciated	600	3,000	-	3,600
Capital assets being depreciated:				
Land and site improvements	99,041	-	-	99,041
Buildings	13,457,787	-	-	13,457,787
Water distribution system	3,504,607	248,895	-	3,753,502
Machinery and equipment	419,235	32,962	-	452,197
Vehicles	42,078	26,951	12,000	57,029
Total Capital Assets being Depreciated	17,522,748	308,808	12,000	17,819,556
Less Accumulated Depreciation:				
Land and site improvements	66,704	5,761	-	72,465
Buildings	741,676	323,317	-	1,064,993
Water distribution system	848,245	72,581	-	920,826
Machinery and equipment	331,874	15,749	-	347,623
Vehicles	42,078	1,684	12,000	31,762
Total Accumulated Depreciation	2,030,577	419,092	12,000	2,437,669
Total Capital Assets Being Depreciated, Net	15,492,171	(110,284)	-	15,381,887
Total Water Revenue Fund Capital Assets, Net	\$ 15,492,771	\$ (107,284)	\$ -	\$ 15,385,487

<u>Sewer Revenue Fund</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 15,351	\$ -	\$ -	\$ 15,351
Renovation project in process	-	3,032	-	3,032
Total Capital Assets not being depreciated	<u>15,351</u>	<u>3,032</u>	<u>-</u>	<u>18,383</u>
Capital assets being depreciated:				
Land and site improvements	43,876	-	-	43,876
Buildings	1,847,292	44,847	-	1,892,139
Sewer collection system	3,990,208	-	-	3,990,208
Machinery and equipment	2,132,287	52,408	-	2,184,695
Vehicles	443,678	-	22,885	420,793
Total Capital Assets Being Depreciated	<u>8,457,341</u>	<u>97,255</u>	<u>22,885</u>	<u>8,531,711</u>
Less Accumulated Depreciation:				
Land and site improvements	29,592	563	-	30,155
Buildings	1,035,183	42,736	-	1,077,919
Sewer collection system	935,593	79,805	-	1,015,398
Machinery and equipment	2,105,615	6,681	-	2,112,296
Vehicles	350,725	18,651	22,885	346,491
Total Accumulated Depreciation	<u>4,456,708</u>	<u>148,436</u>	<u>22,885</u>	<u>4,582,259</u>
Total Capital Assets Being Depreciated, Net	<u>4,000,633</u>	<u>(51,181)</u>	<u>-</u>	<u>3,949,452</u>
Total Sewer Revenue Fund Capital Assets, Net	<u>\$ 4,015,984</u>	<u>\$ (48,149)</u>	<u>\$ -</u>	<u>\$ 3,967,835</u>

Included in the Capital Assets schedules above are the following completed projects and capital additions:

1. Water Revenue Fund

Purchase of 3 acres of land	\$ 3,000
Improvements/additions to the water distribution system, including the Hastings Street project	248,895
Machinery and equipment purchased	32,962
Purchase of vehicle	<u>26,951</u>
	<u>\$ 311,808</u>

2. Sewer Revenue Fund

Sewer system line renovation project in process – engineering fees	\$ 3,032
Treatment plant improvement costs	44,847
Machinery and equipment purchased	<u>52,408</u>
	<u>\$ 100,287</u>

NOTE 3 - DUE AMONG FUNDS

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$1,292 consists of salary costs incorrectly charged to the Water Revenue Fund.

The amount due from the Water Revenue Fund to the Sewer Revenue Fund of \$455 consists of Certificate of Deposit interest incorrectly deposited to the Water Revenue Fund.

NOTE 4 - ACCOUNTS RECEIVABLE – OTHER

Accounts receivable - other consist of various fees, charges and reimbursements due the Authority as of December 31, 2013 as follows:

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Total</u>
Miscellaneous service fees	\$ 4,358	\$ 3,320	\$ 7,678
Other accounts receivable	<u>390</u>	<u>2,044</u>	<u>2,434</u>
Total	<u>\$ 4,748</u>	<u>\$ 5,364</u>	<u>\$ 10,112</u>

NOTE 5 - DUE TO BOROUGH OF BROOKVILLE GENERAL FUND

Due to the Borough of Brookville General Fund by the Sewer Revenue Fund in the amount of \$170 is for interest income of the Borough General Fund but incorrectly deposited into the Sewer Revenue Fund.

NOTE 6 - LONG-TERM DEBT

Pennsylvania Infrastructure Investment Authority – Water Plant Loan

The Authority obtained permanent financing for the cost of construction of a new water treatment plant from the Pennsylvania Infrastructure Investment Authority (Pennvest). The total loan amount is for \$11,655,000. The interest rate on the loan for years 1 through 5 is at 1.274 percent and for years 6 through maturity is at 2.547 percent. The loan provides for interest only payments for up to 36 months and amortization of loan principal and interest of 240 months (20 years). The note is secured by a lien on the water revenues of the Authority and the Authority's resolution providing for increases in the water rates of the Authority sufficient to support the projected future operating expenses and debt service requirements of the Water Revenue Fund.

Interest only payments were made on the loan up through April 1, 2012. An interim amortization schedule for the note began May 1, 2012 with monthly payments of \$55,037.45. Upon final payment of the loan amount of \$582,750.00 in June 2012, the final amortization schedule was prepared which adjusted the actual monthly payment amount to \$55,030.15. Total principal payments made in 2013 were \$519,285.90 and interest paid was \$141,075.90. Scheduled debt service requirements on the loan as of December 31, 2013 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2014	\$ 525,940.37	\$ 134,421.43	\$ 660,361.80
Dec. 31, 2015	532,680.13	127,681.67	660,361.80
Dec. 31, 2016	539,506.23	120,855.57	660,361.80
Dec. 31, 2017 *	513,130.59	189,322.57	702,453.16
Dec. 31, 2018	508,316.34	215,182.50	723,498.84
2019 to 2023	2,744,950.13	872,544.07	3,617,494.20
2024 to 2028	3,117,333.36	500,160.84	3,617,494.20
2029 to 2032	<u>2,309,776.59</u>	<u>101,886.18</u>	<u>2,411,662.77</u>
	<u>\$ 10,791,633.74</u>	<u>\$ 2,262,054.83</u>	<u>\$ 13,053,688.57</u>

* Interest rate change from 1.274% to 2.547% on April 1, 2017.

Pennsylvania Infrastructure Investment Authority – Corsica Wastewater System Loan

In connection with the acquisition of the Borough of Corsica, Pennsylvania, wastewater treatment plant and collection system in the year 2012, the Brookville Municipal Authority entered into an Assumption Agreement with the Pennsylvania Infrastructure Investment Authority (Pennvest) in which the Brookville Municipal Authority assumed all the obligations of the Borough of Corsica in respect of the loan the Borough of Corsica had received from Pennvest in order to construct the sewer treatment plant and collection system. The assumed note is secured by a lien on revenues granted in the loan agreement. The outstanding loan obligation assumed by the Brookville Municipal Authority in 2012 was \$247,067.40. The interest rate on the note is 1 percent and monthly payments are \$3,686.12. Total principal payments made in 2013 were \$42,129.79 and interest paid was \$2,103.65. Scheduled debt service requirements on the loan as of December 31, 2013 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2014	\$ 42,553.00	\$ 1,680.44	\$ 44,233.44
Dec. 31, 2015	42,980.49	1,252.95	44,233.44
Dec. 31, 2016	43,412.29	821.15	44,233.44
Dec. 31, 2017	43,848.43	385.01	44,233.44
Dec. 31, 2018	<u>14,716.14</u>	<u>30.67</u>	<u>14,746.81</u>
	<u>\$ 187,510.35</u>	<u>\$ 4,170.22</u>	<u>\$ 191,680.57</u>

NOTE 7 - PENSION

The Brookville Municipal Authority maintains a single-employer defined benefit pension plan controlled by the provisions of resolution dated May 14, 1996 adopted pursuant to Act 15. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The plans assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board are included in PMRS's separately issued Comprehensive Annual Financial Report, which can be obtained by contacting the PMRS accounting office or is available on the PMRS website.

The plan covers substantially all full-time employees and provides retirement, disability and death benefits to plan members and their beneficiaries. Members are required to contribute 4.00 percent of compensation to the plan.

Based upon the Act 205 Actuarial Valuation Report dated January 1, 2013, the market value of plan assets was \$2,471,047, the actuarial accrued liability was \$2,568,587, and the plan had an unfunded liability of \$97,540.

The total pension contribution paid by the Authority during the year was \$13,487, which was the Minimum Municipal Obligation computed under Act 205. The Water Revenue Fund was charged \$8,092 and the Sewer Revenue Fund was charged \$5,395. The Authority has contributed 100 percent of the Minimum Municipal Obligation for the past ten years.

NOTE 8 - CONTRACTS, COMMITMENTS AND CONTINGENCIES

Consent Order and Agreement

The Authority has entered into a consent order and agreement with the Commonwealth of Pennsylvania, Department of Environmental Protection dated April 2, 2012. The agreement is the result of various sanitary sewer overflows occurring at the Brookville Municipal Authority wastewater treatment plant. Under the Agreement, the Authority must undertake various actions to bring the plant into compliance with the NPDES permit and various other state and federal laws. The wastewater treatment plant and facilities are to be in compliance by December 31, 2016.

In addition, the Authority is subject to civil penalties for overflows that have occurred or may occur until the plant is in compliance. Penalties of \$9,250 were paid during 2013.

The Authority is planning a multi-phase improvement plan to eliminate inflow and infiltration within the sewer collection system and help prevent overflow occurrences. Phase 1 of the plan is to conduct extensive sewer line replacement with expected costs to be approximately \$4 million. Engineering fees of \$3,032 have been incurred as of December 31, 2013 and are reflected as renovation project in process on the statement of net position.

NOTE 9 - RISK MANAGEMENT

The Municipal Authority is exposed to various risks of loss related to limited torts; theft, damage or destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.