

BROOKVILLE MUNICIPAL AUTHORITY

Brookville, Pennsylvania

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

William L. Mauthe, CPA
(Retired/Inactive)

Brookville Municipal Authority
18 Western Avenue, 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, Brookville, Pennsylvania, as of and for the year ended December 31, 2014, 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, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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
Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
August 24, 2015

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

December 31, 2014

<u>ASSETS</u>	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
Cash in Bank - Checking	\$ 645,814	\$ 685,870	\$ 1,331,684
Bank Certificates of Deposit	502,464	654,453	1,156,917
Accounts receivable - customers	123,450	117,103	240,553
Accounts receivable - tap fees	-	7,937	7,937
Accounts receivable - other	8,199	2,323	10,522
Due from Sewer Fund/Water Fund	17,558	12,665	30,223
Accrued interest	293	177	470
Inventory	30,332	20,429	50,761
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,328,110	1,500,957	2,829,067
	<hr/>	<hr/>	<hr/>
Fixed Assets:			
Land	3,600	15,351	18,951
Land and site improvements - net of depreciation	20,815	13,157	33,972
Buildings - net of depreciation	12,069,629	807,550	12,877,179
Water distribution system - net of depreciation	2,824,763	-	2,824,763
Sewer collection system - net of depreciation	-	2,951,203	2,951,203
Machinery and equipment - net of depreciation	88,233	70,517	158,750
Vehicles - net of depreciation	21,898	57,006	78,904
Renovation project in process	-	251,547	251,547
	<hr/>	<hr/>	<hr/>
Total Fixed Assets - net of depreciation	15,028,938	4,166,331	19,195,269
	<hr/>	<hr/>	<hr/>
Total Assets	16,357,048	5,667,288	22,024,336
	<hr/>	<hr/>	<hr/>
Deferred Outflows	14,797	13,704	28,501
	<hr/>	<hr/>	<hr/>
Total Assets and Deferred Outflows	<u>\$ 16,371,845</u>	<u>\$ 5,680,992</u>	<u>\$ 22,052,837</u>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

December 31, 2014

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	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 18,416	\$ 64,827	\$ 83,243
Accrued payroll	19,667	18,412	38,079
Due to Borough of Brookville General Fund	2,019	2,019	4,038
Due to Sewer Fund/Water Fund	12,665	17,558	30,223
Current portion of long-term debt	540,236	50,536	590,772
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	593,003	153,352	746,355
Long-Term Debt:			
S&T Bank - Remote Meters	42,522	42,522	85,044
Penn Vest - Water Plant	9,733,013	0	9,733,013
Penn Vest - Corsica Treatment Plant	0	101,977	101,977
	<hr/>	<hr/>	<hr/>
Total Long-Term Debt	9,775,535	144,499	9,920,034
Other Liabilities:			
Customer deposits	58,309	0	58,309
	<hr/>	<hr/>	<hr/>
Total Liabilities	10,426,847	297,851	10,724,698
	<hr/>	<hr/>	<hr/>
Deferred Inflows	12,939	0	12,939
	<hr/>	<hr/>	<hr/>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	4,713,167	3,971,296	8,684,463
Unrestricted	1,218,892	1,411,845	2,630,737
	<hr/>	<hr/>	<hr/>
Total Net Position	5,932,059	5,383,141	11,315,200
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows and Net Position	\$ 16,371,845	\$ 5,680,992	\$ 22,052,837
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2014

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from users	\$ 1,661,187	\$ 1,096,708	\$ 2,757,895
Cash received from other operating revenue	58,965	54,782	113,747
Cash payments to employees for services	(472,193)	(350,405)	(822,598)
Cash payments to suppliers for goods and services	<u>(410,167)</u>	<u>(458,090)</u>	<u>(868,257)</u>
Net Cash Provided (Used) by Operating Activities	<u>837,792</u>	<u>342,995</u>	<u>1,180,787</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:			
Advances received on loans	56,765	56,765	113,530
Proceeds from sale of capital asset	-	867	867
Principal paid on loans	(532,627)	(49,240)	(581,867)
Acquisition of capital assets	(67,835)	(307,153)	(374,988)
Interest paid on loans	(136,078)	(3,337)	(139,415)
Net proceeds from sale of timber	138,348	-	138,348
Payment of DEP civil penalties	<u>-</u>	<u>(13,500)</u>	<u>(13,500)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(541,427)</u>	<u>(315,598)</u>	<u>(857,025)</u>
Cash Flows from Investing Activities:			
Redemption/(purchase) of Certificate of Deposit	(1,729)	(2,391)	(4,120)
Interest income	<u>1,275</u>	<u>2,680</u>	<u>3,955</u>
Net Cash Provided (Used) by Investing Activities	<u>(454)</u>	<u>289</u>	<u>(165)</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, 2014

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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	295,911	27,686	323,597
Cash and Cash Equivalents - Jan. 1, 2014	<u>349,903</u>	<u>658,184</u>	<u>1,008,087</u>
Cash and Cash Equivalents - Dec. 31, 2014	<u>\$ 645,814</u>	<u>\$ 685,870</u>	<u>\$ 1,331,684</u>
 Cash Flows from Operating Activities:			
Operating income (loss)	\$ 404,504	\$ 226,070	\$ 630,574
 Adjustments to reconcile operating income (loss) to net cash provided by operations:			
Depreciation	424,384	149,717	574,101
(Increase) Decrease in accounts receivable	1,109	(15,238)	(14,129)
(Increase) Decrease in inventory	(6,587)	(3,646)	(10,233)
Increase (Decrease) in accounts payable	7,945	6,354	14,299
Increase (Decrease) in accrued payroll	(8,323)	(11,648)	(19,971)
Increase (Decrease) in customer deposits	14,760	(8,614)	6,146
 Net Cash Provided (Used) by Operations	<u>\$ 837,792</u>	<u>\$ 342,995</u>	<u>\$ 1,180,787</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, 2014

	Water Revenue Fund	Sewer Revenue Fund	Totals
Operating Revenue:			
System usage charges	\$ 1,664,933	\$ 1,106,342	\$ 2,771,275
Miscellaneous revenue	39,349	68,999	108,348
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	1,704,282	1,175,341	2,879,623
Total Operating Expenses	<hr/> 1,299,778	<hr/> 949,271	<hr/> 2,249,049
Income (Loss) from Operations	404,504	226,070	630,574
Non-Operating Income (Expense)	<hr/> 3,597	<hr/> (13,822)	<hr/> (10,225)
Change in Net Position	408,101	212,248	620,349
Net Position, January 1, 2014	<hr/> 5,523,958	<hr/> 5,170,893	<hr/> 10,694,851
Net Position, December 31, 2014	<hr/> <u>\$ 5,932,059</u>	<hr/> <u>\$ 5,383,141</u>	<hr/> <u>\$ 11,315,200</u>

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, 2014

Operating Revenue:		
Water sales	\$ 1,664,933	
Hydrant fees	12,000	
Miscellaneous revenue	27,349	
	<hr/>	
Total Operating Revenue		1,704,282
		<hr/>
Operating Expenses:		
Salaries and wages	345,415	
Payroll taxes	30,444	
Employee benefits	78,130	
Pension expense	9,971	
Chemicals	42,661	
Lab fees and testing supplies	8,629	
Sludge disposal	4,509	
Utilities	149,870	
Telephone and Internet	7,562	
Repairs and maintenance	84,725	
Engineering services	21,674	
Legal and professional services	16,938	
Insurance	23,464	
Office supplies	4,632	
Postage and shipping	7,745	
Vehicle expenses	8,162	
Office rent	8,200	
Computer upgrade/software	10,774	
Small tools and supplies	4,104	
Training, dues and subscriptions	2,819	
Miscellaneous	4,966	
Depreciation	424,384	
	<hr/>	
Total Operating Expenses		1,299,778
		<hr/>
Income (Loss) from Operations		404,504

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, 2014

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Non-Operating Income and (Expense):		
Interest expense - S & T Bank loan	(1,656)	
Interest expense - Penn Vest loan	(134,421)	
Sale of lumber	153,720	
Lumber - consulting fees	(15,372)	
Interest income	1,326	
	<hr/>	
Total Non-Operating Income (Expense)		<hr/> 3,597
Change in Net Position		408,101
Net Position, January 1, 2014		<hr/> 5,523,958
Net position, December 31, 2014		<hr/> <hr/> \$ 5,932,059

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, 2014

Operating Revenue:		
Sewer usage charges	\$ 1,106,342	
Solid waste collection fees	47,186	
Miscellaneous revenue	<u>21,813</u>	
Total Operating Revenue		1,175,341
Operating Expenses:		
Salaries and wages	338,757	
Payroll taxes	29,061	
Employee benefits	64,619	
Pension expense	6,646	
Chemicals	16,693	
Lab fees and testing supplies	19,622	
Sludge disposal	25,071	
Utilities	98,982	
Telephone and Internet	6,275	
Repairs and maintenance	62,864	
Engineering services	16,465	
Legal and professional services	19,805	
Insurance	30,513	
Office supplies	2,706	
Postage and shipping	8,199	
Vehicle expenses	14,973	
Office rent	8,200	
Computer upgrade/software	10,971	
Small tools and supplies	1,763	
Training, dues and subscriptions	3,443	
I & I Work	7,798	
Depreciation	149,717	
Miscellaneous	<u>6,128</u>	
Total Operating Expenses		949,271

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, 2014

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Income (Loss) from Operations		226,070
Non-Operating Income and (Expense):		
Interest expense - S & T Bank loan	(1,656)	
Interest expense - Penn Vest loan	(1,680)	
PA - DEP civil penalties	(13,500)	
Interest income	2,147	
Gain on sale of vehicle	867	
	<hr/>	
Total Non-Operating Income (Expense)		<u>(13,822)</u>
Change in Net Position		212,248
Net Position, January 1, 2014		<u>5,170,893</u>
Net position, December 31, 2014		<u><u>\$ 5,383,141</u></u>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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.

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, \$2,234,817 of the Authority's bank balance of \$2,484,817 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	\$ 2,234,817
Plus: Insured amount	250,000
Deposits in transit	5,984
Less: Outstanding checks	(2,200)
Carrying amount – bank balance	2,488,601
Less: Certificates of deposit – investments	(1,156,917)
Total cash per statement of net position	<u>\$ 1,331,684</u>

As of December 31, 2014 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>\$1,156,917</u>

The Authority invests funds in the Pennsylvania Local Government Investment Trust (PLGIT). 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). As of December 31, 2014, the Authority had no funds on deposit with PLGIT.

Bank Certificates of Deposit

The Authority has the following bank certificates of deposit as of December 31, 2014:

Water Revenue Fund

S&T Bank – purchased August 6, 2014 for a term of 12 months with interest payable at .145 percent.	\$ 502,464
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Sewer Revenue Fund

S&T Bank – purchased July 19, 2014 for a term of 182 days with interest payable at .145 percent.	252,481
S&T Bank – purchased December 24, 2014 for a term of 12 months with interest payable at .145 percent.	<u>401,972</u>

Total Bank Certificates of Deposit	<u>\$ 1,156,917</u>
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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, 2014.

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 August 24, 2015, the date the financial statements were available.

NOTE 2 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 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	\$ 3,600	\$ -	\$ -	\$ 3,600
Total Capital Assets not being depreciated	3,600	-	-	3,600
Capital assets being depreciated:				
Land and site improvements	99,041	-	-	99,041
Buildings	13,457,787	-	-	13,457,787
Water distribution system	3,753,502	67,835	-	3,821,337
Machinery and equipment	452,197	-	-	452,197
Vehicles	57,029	-	-	57,029
Total Capital Assets being Depreciated	17,819,556	67,835	-	17,887,391
Less Accumulated Depreciation:				
Land and site improvements	72,465	5,761	-	78,226
Buildings	1,064,993	323,165	-	1,388,158
Water distribution system	920,826	75,748	-	996,574
Machinery and equipment	347,623	16,341	-	363,964
Vehicles	31,762	3,369	-	35,131
Total Accumulated Depreciation	2,437,669	424,384	-	2,862,053
Total Capital Assets Being Depreciated, Net	15,381,887	(356,549)	-	15,025,338
Total Water Revenue Fund Capital Assets, Net	<u>\$ 15,385,487</u>	<u>\$ (356,549)</u>	<u>\$ -</u>	<u>\$ 15,028,938</u>

<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	248,515	-	251,547
Total Capital Assets not being depreciated	18,383	248,515	-	266,898
Capital assets being depreciated:				
Land and site improvements	43,876	-	-	43,876
Buildings	1,892,139	36,934	-	1,929,073
Sewer collection system	3,990,208	56,765	-	4,046,973
Machinery and equipment	2,184,695	5,999	-	2,190,694
Vehicles	420,793	-	-	420,793
Total Capital Assets Being Depreciated	8,531,711	99,698	-	8,631,409
Less Accumulated Depreciation:				
Land and site improvements	30,155	564	-	30,719
Buildings	1,077,919	43,604	-	1,121,523
Sewer collection system	1,015,398	80,372	-	1,095,770
Machinery and equipment	2,112,296	7,881	-	2,120,177
Vehicles	346,491	17,296	-	363,787
Total Accumulated Depreciation	4,582,259	149,717	-	4,731,976
Total Capital Assets Being Depreciated, Net	3,949,452	(50,019)	-	3,899,433
Total Sewer Revenue Fund Capital Assets, Net	\$ 3,967,835	\$ 198,496	\$ -	\$ 4,166,331

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

1. Water Revenue Fund

Purchase/installation of remote read meters \$ 67,835

2. Sewer Revenue Fund

Purchase/installation of remote read meters \$ 56,765

Treatment Plant renovations – RBC units 36,934

Purchase of equipment 5,999

System line renovation project in process – engineering fees and plans 248,515

\$ 348,213

NOTE 3 - DUE FROM/TO SEWER FUND/WATER FUND

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$17,558 consists of the following:

1.) Sewer Revenue Fund share of December, 2014 account analysis fee	\$ 90
2.) Customer deposit money in Sewer Revenue Fund to be transferred to Water Revenue Fund	<u>17,468</u>
	<u>\$ 17,558</u>

The amount due from the Water Revenue Fund to the Sewer Revenue Fund of \$12,665 consists of Sewer Fund customer usage fees collected and deposited into the Water Revenue Fund but not yet transferred to the Sewer Revenue Fund.

NOTE 4 - DEFERRED OUTFLOWS

Deferred outflows consist of funds for payment of salaries and related costs for January 1, 2015 transferred on December 31, 2014 less amount due for each funds respective share of bank fees for 2014, as follows:

	Water Revenue Fund	Sewer Revenue Fund
Salary cost for January 1, 2015	\$ 15,164	\$ 14,071
Share of fees	<u>(367)</u>	<u>(367)</u>
Total Deferred Outflows	<u>\$ 14,797</u>	<u>\$ 13,704</u>

NOTE 5 - DUE TO BOROUGH OF BROOKVILLE - GENERAL FUND

The amount of \$2,019 due from the Water Revenue Fund and the Sewer Revenue Fund represents amounts due to the Borough of Brookville for the Municipal Authority's portion of payroll costs for shared employees.

NOTE 6 - DEFERRED INFLOWS

Deferred inflows of \$12,939 reflected on the Water Revenue Fund statement of net position consists of billing credits of customer over payments or prepayments which will be applied to a future billing.

NOTE 7 - CUSTOMER DEPOSITS

All customer deposits are now accounted through the Water Revenue Fund. Various system customers are required to pay a deposit for service connection. Upon termination of service, the deposit is applied to outstanding receivable balances or refunded to the customer. Any portion of the deposit applied to Sewer Revenue Fund receivable are transferred to that fund.

NOTE 8 - 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 2014 were \$525,940.37 and interest paid was \$134,421.43. Scheduled debt service requirements on the loan as of December 31, 2014 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2019	521,415.38	202,083.46	723,498.84
2020 to 2024	2,815,685.99	801,808.21	3,617,494.20
2025 to 2029	3,197,665.29	419,828.91	3,617,494.20
2030 to 2032	<u>1,637,293.42</u>	<u>50,870.51</u>	<u>1,688,163.93</u>
	<u>\$ 10,265,693.37</u>	<u>\$ 2,127,633.40</u>	<u>\$ 12,393,326.77</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 2014 were \$42,553.00 and interest paid was \$1,680.44. Scheduled debt service requirements on the loan as of December 31, 2014 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 144,957.35</u>	<u>\$ 2,489.78</u>	<u>\$ 147,447.13</u>

S&T Bank - Remote Read Meters

To provide financing to purchase remote read meters to replace existing meters, the Authority obtained a loan through S&T Bank in the total amount of \$113,529.82. The loan date was January 10, 2014 and was split between the Water Revenue Fund and the Sewer Revenue Fund. Interest is payable at 3.270 percent per annum and monthly payments of \$1,516.98 are due beginning February 15, 2014 for 84 months. The monthly payments are also split between the two funds (\$758.49 each). Total principal payments made in 2014 were \$13,374.47 (\$6,687.24 each) and interest paid was \$3,312.31 (\$1,656.16 each). Scheduled debt service requirements on the loan as of December 31, 2014 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2015	\$ 15,111.81	\$ 3,091.95	\$ 18,203.76
Dec. 31, 2016	15,612.82	2,590.94	18,203.76
Dec. 31, 2017	16,146.08	2,057.68	18,203.76
Dec. 31, 2018	16,689.59	1,514.17	18,203.76
Dec. 31, 2019	17,251.40	952.36	18,203.76
Dec. 31, 2020	17,830.62	373.14	18,203.76
Dec. 31, 2021	<u>1,513.03</u>	<u>3.95</u>	<u>1,516.98</u>
	<u>\$ 100,155.35</u>	<u>\$ 10,584.19</u>	<u>\$ 110,739.54</u>

NOTE 9 - 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 \$16,617, which was the Minimum Municipal Obligation computed under Act 205. The Water Revenue Fund was charged \$9,971 and the Sewer Revenue Fund was charged \$6,646. The Authority has contributed 100 percent of the Minimum Municipal Obligation for the past ten years.

NOTE 10 - 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, 2019.

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 \$13,500 were paid during 2014.

The Authority is in the process of planning and obtaining financing for a multi-phase improvement plan to eliminate inflow and infiltration within the sewer collection system and update and improve the wastewater treatment facility. Total estimated cost of the project is \$20,090,000 and financing is expected to be provided through various loans and or grants as follows:

1.)	USDA – Rural Development loan	\$ 9,742,000
2.)	USDA – Rural Development grant	8,078,900
3.)	Comm. of PA – H ₂ O grant	<u>2,269,100</u>
	Total project funding	<u>\$ 20,090,000</u>

Engineering fees and related cost of \$251,547 have been incurred as of December 31, 2014 and are reflected as renovation project in process on the statement of net position at December 31, 2014.

NOTE 11 - 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.