

BROOKVILLE MUNICIPAL AUTHORITY

Brookville, Pennsylvania

December 31, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	3
Statement of Net Position	5
Statement of Cash Flows	7
Combining Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Revenues, Expenses and Changes in Net Position - Water Revenue Fund	10
Statement of Revenues, Expenses and Changes in Net Position - Sewer Revenue Fund	12
Notes to Financial Statements	14

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## INDEPENDENT AUDITOR'S REPORT

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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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*

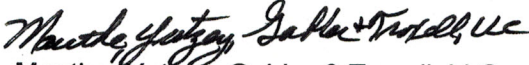
## Opinions

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, 2015, 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  
Certified Public Accountants  
September 16, 2016

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

December 31, 2015

<u>ASSETS</u>	Water Revenue <u>Fund</u>	Sewer Revenue <u>Fund</u>	<u>Totals</u>
Cash in Bank - Checking	\$ 583,155	\$ 622,812	\$ 1,205,967
Bank Certificates of Deposit	503,193	252,846	756,039
Accounts Receivable - Customers	129,745	117,107	246,852
Accounts Receivable - Tap Fees		3,760	3,760
Accounts Receivable - Other	13,774	9,694	23,468
Due from Sewer Fund/Water Fund	4,265	13,582	17,847
Due from Borough of Brookville Clearing Fund	613	763	1,376
Accrued Interest	1,003	566	1,569
Inventory	106,531	82,943	189,474
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,342,279	1,104,073	2,446,352
Fixed Assets:			
Land	3,600	15,351	18,951
Land and Site Improvements - Net of Depreciation	16,672	12,593	29,265
Buildings - Net of Depreciation	11,746,618	839,212	12,585,830
Water Distribution System - Net of Depreciation	2,856,225		2,856,225
Sewer Collection System - Net of Depreciation		2,918,102	2,918,102
Machinery and Equipment - Net of Depreciation	79,538	62,436	141,974
Vehicles - Net of Depreciation	18,529	71,079	89,608
Renovation Project in Process		1,203,019	1,203,019
	<hr/>	<hr/>	<hr/>
Total Fixed Assets - Net of Depreciation	14,721,182	5,121,792	19,842,974
	<hr/>	<hr/>	<hr/>
Total Assets	16,063,461	6,225,865	22,289,326
Deferred Outflows	- 0 -	- 0 -	- 0 -
	<hr/>	<hr/>	<hr/>
Total Assets and Deferred Outflows	<u>\$ 16,063,461</u>	<u>\$ 6,225,865</u>	<u>\$ 22,289,326</u>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

STATEMENT OF NET POSITION

December 31, 2015

Page 2

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 26,944	\$ 92,364	\$ 119,308
Accrued Payroll	5,021	5,142	10,163
Due to Borough of Brookville Clearing Fund	595	595	1,190
Due to Sewer Fund/Water Fund	13,582	4,265	17,847
Current Portion of Long-Term Debt	539,506	43,412	582,918
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	585,648	145,778	731,426
Long-Term Debt:			
S&T Bank - Interim Line of Credit		80,741	80,741
Penn Vest - Water Plant	9,193,507		9,193,507
Penn Vest - Corsica Treatment Plant		58,565	58,565
	<hr/>	<hr/>	<hr/>
Total Long-Term Debt	9,193,507	139,306	9,332,813
Other Liabilities:			
Customer Deposits	60,609	- 0 -	60,609
	<hr/>	<hr/>	<hr/>
Total Liabilities	9,839,764	285,084	10,124,848
	<hr/>	<hr/>	<hr/>
Deferred Inflows	8,827	- 0 -	8,827
	<hr/>	<hr/>	<hr/>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	4,988,168	4,939,074	9,927,242
Unrestricted	1,226,702	1,001,707	2,228,409
	<hr/>	<hr/>	<hr/>
Total Net Position	6,214,870	5,940,781	12,155,651
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 16,063,461</u>	<u>\$ 6,225,865</u>	<u>\$ 22,289,326</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, 2015

	Water Revenue <u>Fund</u>	Sewer Revenue <u>Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received from Users	\$ 1,708,778	\$ 1,310,870	\$ 3,019,648
Cash Received from Other Operating Revenue	40,568	53,293	93,861
Cash Payments to Employees for Services	(501,106)	(474,971)	(976,077)
Cash Payments to Suppliers for Goods and Services	<u>(509,849)</u>	<u>(402,633)</u>	<u>(912,482)</u>
Net Cash Provided (Used) by Operating Activities	<u>738,391</u>	<u>486,559</u>	<u>1,224,950</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	- 0 -	80,741	80,741
Proceeds from Sale of Parts and Supplies	3,818	- 0 -	3,818
Principal Paid on Loans	(582,758)	(93,058)	(675,816)
Acquisition of Capital Assets	(113,160)	(1,084,540)	(1,197,700)
Interest Paid on Loans	(128,950)	(2,521)	(131,471)
Contributed Capital	20,000	153,707	173,707
Payment of DEP Civil Penalties	<u>- 0 -</u>	<u>(6,500)</u>	<u>(6,500)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(801,050)</u>	<u>(952,171)</u>	<u>(1,753,221)</u>
Cash Flows from Investing Activities:			
Redemption/(Purchase) of Certificate of Deposit	(729)	401,606	400,877
Interest Income	<u>729</u>	<u>948</u>	<u>1,677</u>
Net Cash Provided (Used) by Investing Activities	<u>- 0 -</u>	<u>402,554</u>	<u>402,554</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, 2015

Page 2

	Water Revenue <u>Fund</u>	Sewer Revenue <u>Fund</u>	<u>Total</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(62,659)	(63,058)	(125,717)
Cash and Cash Equivalents - Jan. 1, 2015	<u>645,814</u>	<u>685,870</u>	<u>1,331,684</u>
Cash and Cash Equivalents - Dec. 31, 2015	<u>\$ 583,155</u>	<u>\$ 622,812</u>	<u>\$ 1,205,967</u>
 Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 386,504	\$ 411,617	\$ 798,121
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	420,917	153,296	574,213
(Increase) Decrease in Accounts Receivable	(1,773)	(17,406)	(19,179)
(Increase) Decrease in Inventory	(76,199)	(62,514)	(138,713)
Increase (Decrease) in Accounts Payable	8,529	3,320	11,849
Increase (Decrease) in Accrued Payroll	(1,887)	(1,754)	(3,641)
Increase (Decrease) in Customer Deposits	2,300	- 0 -	2,300
Net Cash Provided (Used) by Operations	<u>\$ 738,391</u>	<u>\$ 486,559</u>	<u>\$ 1,224,950</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, 2015

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
Operating Revenue:			
System Usage Charges	\$ 1,719,185	\$ 1,310,873	\$ 3,030,058
Miscellaneous Revenue	29,634	70,696	100,330
Total Operating Revenue	1,748,819	1,381,569	3,130,388
Total Operating Expenses	1,362,315	969,952	2,332,267
Income (Loss) from Operations	386,504	411,617	798,121
Non-Operating Income (Expense)	(123,693)	(7,684)	(131,377)
Income (Loss) before Capital Contributions	262,811	403,933	666,744
Capital Contributions	20,000	153,707	173,707
Change in Net Position	282,811	557,640	840,451
Net Position, January 1, 2015	5,932,059	5,383,141	11,315,200
Net Position, December 31, 2015	\$ 6,214,870	\$ 5,940,781	\$ 12,155,651

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, 2015

Operating Revenue:		
Water Sales	\$ 1,719,185	
Hydrant Fees	4,080	
Miscellaneous Revenue	25,554	
	<hr/>	
Total Operating Revenue		<u>1,748,819</u>
Operating Expenses:		
Salaries and Wages	360,094	
Payroll Taxes	28,707	
Employee Benefits	94,521	
Pension Expense	19,587	
Chemicals	45,417	
Lab Fees and Testing Supplies	8,956	
Sludge Disposal	2,821	
Utilities	134,457	
Telephone and Internet	4,108	
Repairs and Maintenance	123,766	
Engineering Services	24,937	
Legal and Professional Services	10,641	
Insurance	33,844	
Office Supplies	4,779	
Postage and Shipping	7,239	
Vehicle Expenses	5,240	
Office Rent	8,250	
Computer Upgrade/Software	8,360	
Small Tools and Supplies	1,322	
Training, Dues and Subscriptions	8,253	
Miscellaneous	6,099	
Depreciation	420,917	
	<hr/>	
Total Operating Expenses		<u>1,362,315</u>
Income (Loss) from Operations		386,504

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, 2015

Page 2

Non-Operating Income and (Expense):	
Interest Expense - S&T Bank Loan	(1,268)
Interest Expense - Penn Vest Loan	(127,682)
Sale of Parts & Supplies	3,818
Interest Income	<u>1,439</u>
Total Non-Operating Income (Expense)	<u>(123,693)</u>
Income (Loss) before Capital Contributions	262,811
Capital Contributions:	
Haugh Hollow Waterline - CRUMA	<u>20,000</u>
Change in Net Position	282,811
Net Position, January 1, 2015	<u>5,932,059</u>
Net Position, December 31, 2015	<u><u>\$ 6,214,870</u></u>

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, 2015

Operating Revenue:		
Sewer Usage Charges	\$ 1,310,873	
Solid Waste Collection Fees	47,987	
Miscellaneous Revenue	22,709	
	<hr/>	
Total Operating Revenue		1,381,569
Operating Expenses:		
Salaries and Wages	345,267	
Payroll Taxes	27,569	
Employee Benefits	74,241	
Pension Expense	22,451	
Chemicals	22,994	
Lab Fees and Testing Supplies	16,635	
Sludge Disposal	42,162	
Utilities	90,308	
Telephone and Internet	11,895	
Repairs and Maintenance	33,067	
Engineering Services	8,617	
Legal and Professional Services	10,203	
Insurance	45,637	
Office Supplies	2,790	
Postage and Shipping	7,147	
Vehicle Expenses	22,343	
Office Rent	8,250	
Computer Upgrade/Software	6,455	
Training, Dues and Subscriptions	5,120	
I & I Work	9,623	
Depreciation	153,296	
Miscellaneous	3,882	
	<hr/>	
Total Operating Expenses		969,952

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, 2015

Page 2

Income (Loss) from Operations		411,617
Non-Operating Income and (Expense):		
Interest Expense - S&T Bank Loan	(1,268)	
Interest Expense - Penn Vest Loan	(1,253)	
PA - DEP Civil Penalties	(6,500)	
Interest Income	1,337	
		<hr/>
Total Non-Operating Income (Expense)		(7,684)
Income (Loss) before Capital Contributions		403,933
Capital Contributions		
Commonwealth of PA-CFA Grant - Sewer Renovation Project		153,707
		<hr/>
Change in Net Position		557,640
Net Position, January 1, 2015		5,383,141
		<hr/>
Net Position, December 31, 2015		<u>\$ 5,940,781</u>

The accompanying notes are an integral part of the financial statements

BROOKVILLE MUNICIPAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, \$1,462,265 of the Authority's bank balance of \$1,962,265 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	\$ 1,462,265
Plus: Insured Amount	500,000
Deposits in Transit	7,626
Less: Outstanding Checks	<u>(7,885)</u>
Carrying Amount – Bank Balance	1,962,006
Less: Certificates of Deposit – Investments	<u>756,039</u>
Total Cash Per Statement of Net Position	<u>\$ 1,205,967</u>

As of December 31, 2015 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>\$ 756,039</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, 2015, 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, 2015:

Water Revenue Fund

S&T Bank – purchased August 6, 2015 for a term of 10 months with interest payable at .495 percent.	\$ 503,193
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Sewer Revenue Fund

S&T Bank – purchased July 19, 2015 for a term of 12 months with interest payable at .495 percent.	<u>252,846</u>
Total Bank Certificates of Deposit	<u>\$ 756,039</u>

### 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, 2015.

### Long Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

### 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 September 16, 2016, the date the financial statements were available.

NOTE 2 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 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	<u>3,600</u>	<u>-</u>	<u>-</u>	<u>3,600</u>
Capital Assets being Depreciated:				
Land and Site Improvements	99,041	-	-	99,041
Buildings	13,457,787	-	-	13,457,787
Water Distribution System	3,821,337	106,109	-	3,927,446
Machinery and Equipment	452,197	7,052	-	459,249
Vehicles	57,029	-	-	57,029
Total Capital Assets being Depreciated	<u>17,887,391</u>	<u>113,161</u>	<u>-</u>	<u>18,000,552</u>
Less Accumulated Depreciation:				
Land and Site Improvements	78,226	4,143	-	82,369
Buildings	1,388,158	323,011	-	1,711,169
Water Distribution System	996,574	74,647	-	1,071,221
Machinery and Equipment	363,964	15,747	-	379,711
Vehicles	35,131	3,369	-	38,500
Total Accumulated Depreciation	<u>2,862,053</u>	<u>420,917</u>	<u>-</u>	<u>3,282,970</u>
Total Capital Assets Being Depreciated, Net	<u>15,025,338</u>	<u>(307,756)</u>	<u>-</u>	<u>14,717,582</u>
Total Water Revenue Fund Capital Assets, Net	<u>\$ 15,028,938</u>	<u>\$ (307,756)</u>	<u>\$ -</u>	<u>\$ 14,721,182</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	\$ 951,472	\$ -	\$ 966,823
Renovation Project in Process	251,547		-	251,547
Total Capital Assets not being Depreciated	266,898	951,472	-	1,218,370
Capital Assets being Depreciated:				
Land and Site Improvements	43,876	-	-	43,876
Buildings	1,929,073	76,842	-	2,005,915
Sewer Collection System	4,046,973	48,321	-	4,095,294
Machinery and Equipment	2,190,694	-	-	2,190,694
Vehicles	420,793	32,122	-	452,915
Total Capital Assets being Depreciated	8,631,409	157,285	-	8,788,694
Less Accumulated Depreciation:				
Land and Site Improvements	30,719	564	-	31,283
Buildings	1,121,523	45,180	-	1,166,703
Sewer Collection System	1,095,770	81,422	-	1,177,192
Machinery and Equipment	2,120,177	8,081	-	2,128,258
Vehicles	363,787	18,049	-	381,836
Total Accumulated Depreciation	4,731,976	153,296	-	4,885,272
Total Capital Assets being Depreciated, Net	3,899,433	3,989	-	3,903,422
Total Sewer Revenue Fund Capital Assets, Net	\$ 4,166,331	\$ 955,461	\$ -	\$ 5,121,792

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

1. Water Revenue Fund

Haugh Hollow Water Line Installation	\$ 58,683
Purchase/Installation of Remote Read Meters	47,426
Purchase of Equipment	7,052
	<u>\$ 113,161</u>

2. Sewer Revenue Fund

Purchase/Installation of Remote Read Meters	\$ 48,321
Treatment Plant Renovations – RBC Units	76,842
Purchase of Vehicle	32,122
System Line Renovation Project in Process – Engineering Fees, Plans and Other Costs Incurred	951,472
	<u>\$ 1,108,757</u>

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

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$4,265 consists of following:

1.) Sewer Revenue Fund share of service charges, account analysis fee and adjustments	\$ 159
2.) Sewer Revenue Fund share of telephone cost for 2015	<u>4,106</u>
	<u>\$ 4,265</u>

The amount due from the Water Revenue Fund to the Sewer Revenue Fund of \$13,582 consists of Sewer Fund customer usage fees and billing credits collected and deposited into the Water Revenue Fund but not yet transferred to the Sewer Revenue Fund as of December 31, 2015.

NOTE 4 - DUE FROM/ DUE TO BOROUGH OF BROOKVILLE CLEARING FUND

Amounts reported as due from/due to Borough of Brookville Clearing Fund are adjustments to reconcile payroll and related liabilities of the Brookville Municipal Authority paid through the Borough's Clearing Fund during the year 2015.

NOTE 5 - DEFERRED INFLOWS

Deferred inflows of \$8,827 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 6 - 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 7 - 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 2015 were \$532,680.13 and interest paid was \$127,681.67. Scheduled debt service requirements on the loan as of December 31, 2015 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2020	534,851.97	188,646.87	723,498.84
2021 to 2025	2,888,244.65	729,249.55	3,617,494.20
2026 to 2030	3,280,067.33	337,426.87	3,617,494.20
2031 to 2032	<u>947,480.75</u>	<u>17,184.34</u>	<u>964,665.09</u>
	<u>\$ 9,733,013.24</u>	<u>\$ 1,999,951.73</u>	<u>\$ 11,732,964.97</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 2015 were \$42,980.49 and interest paid was \$1,252.95. Scheduled debt service requirements on the loan as of December 31, 2015 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 101,976.86</u>	<u>\$ 1,236.83</u>	<u>\$ 103,213.69</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 was payable at 3.270 percent per annum and monthly payments of \$1,516.98 were due beginning February 15, 2014 for 84 months. The monthly payments were also split between the two funds (\$758.49 each). During the year 2015 the Authority elected to fully repay the loan. Total principal payments during the year were \$100,155.36 and interest was \$2,536.25. The payments were paid ½ by each fund.

S&T Bank - Interim Line of Credit

On December 30, 2015 the Municipal Authority obtained a guaranteed sewer project note through S&T Bank to provide interim financing for the multi-phase improvement plan to eliminate inflow and infiltration within the sewer collection system and to update and improve the wastewater treatment facilities. The note is a non-revolving line of credit in the total amount of \$9,742,00.00 and is guaranteed by the Borough of Brookville and the proceeds of the permanent financing to be received from the United States Department of Agriculture, Rural Development. The interim line of credit note is to be fully repaid at the completion of the project with the proceeds of the permanent financing from USDA.

The first advance on the line of credit was obtained on December 30, 2015 in the amount of \$80,740.71. Interest is payable quarterly on the outstanding loan balance on March 1, June 1, September 1 and December 1, beginning March 1, 2016. The interest rate is computed as 65% of the sum of the 30-day LIBOR plus 1.75% plus .026%. The initial rate to be applied is 1.28% and the rate is to be reset each month. The maturity date of the line of credit is December 1, 2018.

The permanent financing to be received through the United States Department of Agriculture includes a semi-annual repayment schedule over a period of 40 years. The first year will consist of interest only and payments for the remaining 39 years will be in equal semi-annual installments of approximately \$184,417.00 with a projected interest rate of 2.125%.

NOTE 8 - 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 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, 2015, the market value of plan assets was \$2,606,865, the actuarial accrued liability was \$2,707,595, and the plan had an unfunded liability of \$100,730.

The total pension contribution paid by the Authority during the year was \$42,038, which was the Minimum Municipal Obligation computed under Act 205. The Water Revenue Fund was charged \$19,587 and the Sewer Revenue Fund was charged \$22,451. The Authority has contributed 100 percent of the Minimum Municipal Obligation for the past ten years.

For Government Accounting Standards Board Statement 68 (GASB68) the measurement date is as of December 31, 2014, which is no earlier than the end of the employer's prior fiscal year as allowed by GASB 68. The components of the net pension liability as of December 31, 2014 were as follows:

Total Pension Liability	\$ 2,707,595
Plan Fiduciary Net Position	\$ 2,558,664
Net Pension Liability	\$ 148,931
Plan Fiduciary Net Position as a percentage of Total Pension Liability	94.5%

The discount rate used to measure the total pension liability was 5.50%. The following presents the net pension liability, calculated using the discount rate of 5.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current rate:

	1% Decrease <u>4.50%</u>	Current Rate <u>5.50%</u>	1% Increase <u>6.50%</u>
Net Pension Liability	\$ 426,977	\$ 148,931	\$ (94,444)

Schedule of Employer Contributions (as Available)

	<u>December 31, 2014</u>
Actuarial Determined Contributions	\$ 16,617
Contributions Made	<u>17,124</u>
Contribution Deficiency (Excess)	\$ <u>(507)</u>
Covered Employee Payroll	<u>\$ 614,948</u>
Contributions as a Percentage of Covered Employee Payroll	2.78%

NOTE 9 - 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 \$6,500 were paid during 2015.

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 has been 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.) Commonwealth of PA – H <sub>2</sub> O Grant	<u>2,269,100</u>
Total Project Funding	<u>\$ 20,090,000</u>

Engineering fees and related cost of \$1,203,019 have been incurred as of December 31, 2015 and are reflected as renovation project in process on the statement of net position at December 31, 2015. Bids for phase 1A of the project were opened on April 12, 2016 and were awarded in the total amount of \$3,934,391. An additional sewer replacement bid was awarded in March, 2016 in the amount of \$238,935.

As of December 31, 2015 the Authority has received \$153,707.02 from the Commonwealth of PA H<sub>2</sub>O grant program for allowable grant share of engineering costs incurred.

NOTE 10 - 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.

NOTE 11 - SUBSEQUENT EVENTS

The Rose Township Municipal Authority was responsible for providing water and wastewater collection services to various portions of Rose Township, Pennsylvania. The Rose Township Municipal Authority purchased bulk water from the Brookville Municipal Authority and Brookville Municipal Authority provided wastewater treatment services to Rose Township Municipal Authority.

Effective January 1, 2016, the Rose Township Municipal Authority ceased all operations and all assets and liabilities of Rose Township Municipal Authority were transferred to the Brookville Municipal Authority. As of that date, Brookville Municipal Authority assumed all management and operational responsibilities of the Rose Township Municipal Authority.