



BOROUGH *of* BROOKVILLE
BROOKVILLE MUNICIPAL AUTHORITY

BROOKVILLE MUNICIPAL AUTHORITY

Brookville, Pennsylvania

December 31, 2016

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Brookville Municipal Authority

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brookville Municipal Authority
18 Western Avenue; Suite A
Brookville, PA 15825

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Brookville Municipal Authority, Brookville, PA as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Brookville Municipal 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinions.

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, PA as of December 31, 2016, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brookville Municipal Authority, Brookville, PA's basic financial statements. The financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2017, on our consideration of Brookville Municipal Authority internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Brookville Municipal Authority's internal control over financial reporting and compliance.


Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
August 24, 2017

Brookville Municipal Authority

Management's Discussion and Analysis

December 31, 2016

As management of the Brookville Municipal Authority, we offer readers of the Brookville Municipal Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's December 31, 2016 financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Brookville Municipal Authority exceed its liability at the close of the most recent fiscal year by \$15,248,999 (net position).
- The Authority currently has \$9,193,507 of debt for the Water Revenue Fund and \$2,621,332 of debt for the Sewer Revenue Fund.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Brookville Municipal Authority's basic financial statements. The Authority's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

Brookville Municipal Authority is organized on the basis of Proprietary Funds instead of government-wide financial statements. The Proprietary Funds record activity similar to business operations in the private sector and focus on net income, financial position, and changes in financial position. The Authority's funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the Brookville Municipal Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Brookville Municipal Authority is improving or deteriorating.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Brookville Municipal Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds for the Brookville Municipal Authority are identified as proprietary funds.

Proprietary Funds

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operation, which are considered to be major funds of the Brookville Municipal Authority. The funds distinguish operating revenues and expenses from non-operating items.

The basic proprietary fund financial statements can be found on pages 11-19 of this report.

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2016

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Brookville Municipal Authority, assets and deferred outflow of resources exceed liabilities and deferred inflows by \$15,248,999 at the close of the most recent fiscal year.

Brookville Municipal Authority's Statement of Net Position

The following table reflects the condensed Statement of Net Position which is compared to the prior year.

	Water Revenue		Sewer Revenue		Totals	
	2016	2015	2016	2015	2016	2015
<i>Assets:</i>						
Current & Other Assets	\$ 1,278,050	\$ 1,342,279	\$ 1,938,245	\$ 1,104,073	\$ 3,216,295	\$ 2,446,352
Fixed Assets - Net of						
Deprec.	14,945,674	14,721,182	9,052,132	5,121,792	23,997,806	19,842,974
Total Assets	16,223,724	16,063,461	10,990,377	6,225,865	27,214,101	22,289,326
Deferred Outflows	-	-	-	-	-	-
Total Assets & Deferred						
Outflows	\$ 16,223,724	\$ 16,063,461	\$ 10,990,377	\$ 6,225,865	\$ 27,214,101	\$ 22,289,326
<i>Liabilities:</i>						
Current Liabilities	\$ 548,232	\$ 585,648	\$ 112,558	\$ 145,778	\$ 660,790	\$ 731,426
Long Term Liabilities	8,680,376	9,193,507	2,544,972	139,306	11,225,348	9,332,813
Customer Deposits	73,359	60,609	-	-	73,359	60,609
Total Liabilities	9,301,967	9,839,764	2,657,530	285,084	11,959,497	10,124,848
Deferred Inflows	5,605	8,827	-	-	5,605	8,827
Total Liabilities & Deferred						
Inflows	\$ 9,307,572	\$ 9,848,591	\$ 2,657,530	\$ 285,084	\$ 11,965,102	\$ 10,133,675
<i>Net Position:</i>						
Invested in Capital Assets,						
Net of Related Debt	\$ 5,752,167	\$ 4,988,168	\$ 6,430,800	\$ 4,939,074	\$ 12,182,967	\$ 9,927,242
Unrestricted	1,163,985	1,226,702	1,902,047	1,001,707	3,066,032	2,228,409
Total Net Position	6,916,152	6,214,870	8,332,847	5,940,781	15,248,999	12,155,651
Total Liabilities, Deferred						
Inflows & Net Position	\$ 16,223,724	\$ 16,063,461	\$ 10,990,377	\$ 6,225,865	\$ 27,214,101	\$ 22,289,326

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2016

Statement of Revenues and Expenses

The following schedule compares the revenues and expenses for the current and prior year.

	Water Revenue		Sewer Revenue		Totals	
	2016	2015	2016	2015	2016	2015
<i>Operating Revenues:</i>						
System Usage Charges	\$ 1,736,212	\$ 1,719,185	\$ 1,437,874	\$ 1,310,873	\$ 3,174,086	\$ 3,030,058
Miscellaneous Revenue	35,042	29,634	45,728	70,696	80,770	100,330
Total Operating Revenues	1,771,254	1,748,819	1,483,602	1,381,569	3,254,856	3,130,388
Operating Expenses	1,421,345	1,362,315	1,060,230	969,952	2,481,575	2,332,267
Income (Loss) From						
Operations	349,909	386,504	423,372	411,617	773,281	798,121
Non-Operating Income						
& (Expenses)	(19,769)	(123,693)	(10,700)	(7,684)	(30,469)	(131,377)
Income (Loss) Before						
Capital Contributions	330,140	262,811	412,672	403,933	742,812	666,744
Capital Contributions	371,142	20,000	1,979,394	153,707	2,350,536	173,707
Change in Net Position	701,282	282,811	2,392,066	557,640	3,093,348	840,451
Net Position, January 1	6,214,870	5,932,059	5,940,781	5,383,141	12,155,651	11,315,200
Net Position, December 31	\$ 6,916,152	\$ 6,214,870	\$ 8,332,847	\$ 5,940,781	\$ 15,248,999	\$ 12,155,651

Capital Asset and Debt Administration

Capital Assets

The Brookville Municipal Authority's investment in capital assets for its business-type activities as of January 1, 2016 was \$14,721,182 for the Water Revenue Fund and \$5,121,792 for the Sewer Revenue Fund. Over the course of 2016, the Water Revenue Fund increased by \$224,492 and the Sewer Revenue Fund increased by \$3,930,340. Capital assets as of December 31, 2016 were \$14,945,674 for the Water Revenue Fund and \$9,052,132 for the Sewer Revenue Fund.

The Capital Assets activity for 2016 may be found in Note 2 on pages 24-26 of this report.

Long-Term Debt

Brookville Municipal Authority has several outstanding debts secured by liens on either water or sewer revenues as of December 31, 2016. These debts are for improvements to both the water and sewer systems.

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2016

**Water Plant Loan
PennVest Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2017*	\$ 513,130.59	\$ 189,322.57	\$ 702,453.16
December 31, 2018	508,316.34	215,182.50	723,498.84
December 31, 2019	521,415.38	202,083.46	723,498.84
December 31, 2020	534,851.97	188,646.87	723,498.84
December 31, 2021	548,634.80	174,864.04	723,498.84
2022 to 2026	2,962,673.11	654,821.09	3,617,494.20
2027 to 2031	3,364,592.85	252,901.35	3,617,494.20
2032	239,891.90	1,274.28	241,166.18
	<u>\$ 9,193,506.94</u>	<u>\$ 1,879,096.16</u>	<u>\$11,072,603.10</u>

*Interest rate change from 1.274% to 2.547% on April 1, 2017.
Monthly payment adjustment to \$60,291.57.

**Corsica Wastewater System Loan
PennVest Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2017	\$ 43,848.43	\$ 385.01	\$ 44,233.44
December 31, 2018	14,716.14	30.67	14,746.81
	<u>\$ 58,564.57</u>	<u>\$ 415.68</u>	<u>\$ 58,980.25</u>

**Rose Township Wastewater System Loan
PennVest Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2017	\$ 32,511.54	\$ 7,277.46	\$ 39,789.00
December 31, 2018	32,838.14	6,950.86	39,789.00
December 31, 2019	33,168.03	6,620.97	39,789.00
December 31, 2020	33,501.24	6,287.76	39,789.00
December 31, 2021	33,837.79	5,951.21	39,789.00
2022 to 2026	174,356.80	24,588.20	198,945.00
2027 to 2031	183,292.43	15,652.57	198,945.00
2032 to 2036	192,686.04	6,258.96	198,945.00
2037	26,427.96	99.20	26,527.16
	<u>\$ 742,619.97</u>	<u>\$ 79,687.19</u>	<u>\$ 822,307.16</u>

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2016

Additional information on Brookville Municipal Authority's long-term debt can be found in Note 7 on pages 27-30 of this report.

Economic Factors

- The unemployment rate as of December 31, 2016 for Jefferson County is 6.60 percent.
- Brookville Municipal Authority acquired Rose Township Municipal Authority, a neighboring municipal authority, on January 1, 2016. See Note 9 on page 30 for additional information.
- Brookville Municipal Authority raised water rates by five percent (5%) effective January 1, 2016.
- Previous Rose Township Municipal Authority customers received a ten dollar (\$10.00) deduction in sewer rates effective June 1, 2016. This deduction was the result of the loan company, PennVest, adjusting the interest rate on the outstanding loan balance when the loan was transferred over to Brookville Municipal Authority.
- Capital Improvements:
 - In preparation for the water plant membrane replacement project, the Board has designated that \$54,000 be set aside each year from the Water Revenue Fund. See Note 8 on page 30 for additional information.
 - Brookville Municipal Authority is in the process of constructing a new wastewater treatment plant to meet Department of Environmental Protection (DEP) compliance by December 31, 2019. In 2016, the Authority paid \$4,000 in penalties for not being in compliance with DEP regulations. See Note 11 on page 33 for additional information.

Financial Contact

The financial report is designed to provide a general overview of the Brookville Municipal Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Accountant or Administrative Manager, Brookville Municipal Authority, 18 Western Avenue, Suite A, Brookville, PA 15825.

Brookville Municipal Authority

Statement of Net Position

December 31, 2016

	Water Revenue Fund	Sewer Revenue Fund	Totals
ASSETS			
Cash in Bank - Checking	\$ 530,112	\$ 1,114,256	\$ 1,644,368
Bank Certificates of Deposit	505,275	604,103	1,109,378
Accounts Receivable - Customers	153,722	132,746	286,468
Accounts Receivable - Other	2,940	6,071	9,011
Due from Sewer Fund/Water Fund	237	5,966	6,203
Due from Borough of Brookville			
Clearing Fund	-	600	600
Accrued Interest	1,872	1,308	3,180
Inventory	83,892	73,195	157,087
Total Current Assets	<u>1,278,050</u>	<u>1,938,245</u>	<u>3,216,295</u>
<i>Fixed Assets:</i>			
Land	4,600	15,351	19,951
Land and Site Improvements - Net of Depreciation	14,147	12,030	26,177
Buildings - Net of Depreciation	11,423,606	793,071	12,216,677
Water Distribution System - Net of Depreciation	3,189,409		3,189,409
Sewer Collection System - Net of Depreciation		4,923,999	4,923,999
Machinery and Equipment - Net of Depreciation	70,805	54,355	125,160
Vehicles - Net of Depreciation	15,160	82,821	97,981
Construction in Progress	227,947	3,170,505	3,398,452
Total Fixed Assets - Net of Depreciation	<u>14,945,674</u>	<u>9,052,132</u>	<u>23,997,806</u>
Total Assets	<u>16,223,724</u>	<u>10,990,377</u>	<u>27,214,101</u>
Deferred Outflows	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Assets and Deferred Outflows	<u>\$ 16,223,724</u>	<u>\$ 10,990,377</u>	<u>\$ 27,214,101</u>

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Net Position (continued)

December 31, 2016

	Water Revenue Fund	Sewer Revenue Fund	Totals
<u>LIABILITIES</u>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 22,033	\$ 27,773	\$ 49,806
Accrued Payroll	7,034	8,120	15,154
Due to Borough of Brookville			
Clearing Fund	68	68	136
Due to Sewer Fund/Water Fund	5,966	237	6,203
Current Portion of Long-term Debt	513,131	76,360	589,491
Total Current Liabilities	<u>548,232</u>	<u>112,558</u>	<u>660,790</u>
<i>Long-term Debt:</i>			
S&T Bank - Interim Line of Credit		1,820,147	1,820,147
Penn Vest - Water Plant	8,680,376		8,680,376
Penn Vest - Corsica Treatment Plant		14,716	14,716
Penn Vest - Rose Township Collection System		710,109	710,109
Total Long-term Debt	<u>8,680,376</u>	<u>2,544,972</u>	<u>11,225,348</u>
<i>Other Liabilities:</i>			
Customer Deposits	73,359	- 0 -	73,359
Total Liabilities	<u>9,301,967</u>	<u>2,657,530</u>	<u>11,959,497</u>
Deferred Inflows	5,605	- 0 -	5,605
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	5,752,167	6,430,800	12,182,967
Unrestricted	1,163,985	1,902,047	3,066,032
Total Net Position	<u>6,916,152</u>	<u>8,332,847</u>	<u>15,248,999</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 16,223,724</u>	<u>\$ 10,990,377</u>	<u>\$ 27,214,101</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, 2016

	Water Revenue Fund	Sewer Revenue Fund	Totals
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Users	\$ 1,709,013	\$ 1,422,234	\$ 3,131,247
Cash Received from Other Operating Revenue	55,039	56,699	111,738
Cash Payments to Employees for Services	(496,406)	(517,725)	(1,014,131)
Cash Payments to Suppliers for Goods and Services	(472,488)	(326,757)	(799,245)
Net Cash Provided (Used) by Operating Activities	<u>795,158</u>	<u>634,451</u>	<u>1,429,609</u>
<i>Net Cash Provided (Used) by Non-Capital Financing Activities - Contributions to Local Agencies</i>			
	<u>(4,025)</u>	<u>(25)</u>	<u>(4,050)</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Advances Received on Loans	- 0 -	2,663,225	2,663,225
Principal Paid on Loans	(539,506)	(224,611)	(764,117)
Acquisition of Capital Assets	(657,119)	(4,199,316)	(4,856,435)
Interest Paid on Loans	(120,855)	(8,674)	(129,529)
Contributed Capital	371,142	1,979,394	2,350,536
Net Proceeds from Sale of Timber	102,162	- 0 -	102,162
Payment of DEP Civil Penalties	- 0 -	(3,000)	(3,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(844,176)</u>	<u>207,018</u>	<u>(637,158)</u>
<i>Cash Flows from Investing Activities:</i>			
Redemption/(Purchase) of Certificate of Deposit	(2,081)	(351,257)	(353,338)
Interest Income	2,081	1,257	3,338
Net Cash Provided (Used) by Investing Activities	<u>- 0 -</u>	<u>(350,000)</u>	<u>(350,000)</u>

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Cash Flows (continued)

For the Year Ended December 31, 2016

	Water Revenue Fund	Sewer Revenue Fund	Totals
Net Increase/(Decrease) in Cash and Cash Equivalents	(53,043)	491,444	438,401
Cash and Cash Equivalents - Jan. 1, 2016	583,155	622,812	1,205,967
Cash and Cash Equivalents - Dec. 31, 2016	<u>\$ 530,112</u>	<u>\$ 1,114,256</u>	<u>\$ 1,644,368</u>
<i>Cash Flows from Operating Activities:</i>			
Operating Income (Loss)	\$ 349,909	\$ 423,372	\$ 773,281
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:</i>			
Depreciation	432,626	203,700	636,326
(Increase) Decrease in Accounts Receivable	(8,502)	(478)	(8,980)
(Increase) Decrease in Inventory	22,639	9,748	32,387
Increase (Decrease) in Accounts Payable	(13,054)	(4,869)	(17,923)
Increase (Decrease) in Accrued Payroll	2,012	2,978	4,990
Increase (Decrease) in Customer Deposits	12,750	-	12,750
Increase (Decrease) in Deferred Inflows	(3,222)	-	(3,222)
Net Cash Provided (Used) by Operations	<u>\$ 795,158</u>	<u>\$ 634,451</u>	<u>\$ 1,429,609</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, 2016

	Water Revenue Fund	Sewer Revenue Fund	Totals
<i>Operating Revenue:</i>			
System Usage Charges	\$ 1,736,212	\$ 1,437,874	\$ 3,174,086
Miscellaneous Revenue	35,042	45,728	80,770
Total Operating Revenue	1,771,254	1,483,602	3,254,856
Total Operating Expenses	1,421,345	1,060,230	2,481,575
Income (Loss) from Operations	349,909	423,372	773,281
Non-Operating Income (Expense)	(19,769)	(10,700)	(30,469)
Income (Loss) before Capital Contributions	330,140	412,672	742,812
Capital Contributions	371,142	1,979,394	2,350,536
Change in Net Position	701,282	2,392,066	3,093,348
Net Position, January 1, 2016	6,214,870	5,940,781	12,155,651
Net Position, December 31, 2016	<u>\$ 6,916,152</u>	<u>\$ 8,332,847</u>	<u>\$ 15,248,999</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, 2016

<i>Operating Revenue:</i>		
Water Sales	\$ 1,736,212	
Hydrant Fees	2,040	
Miscellaneous Revenue	33,002	
	<hr/>	
Total Operating Revenue		<hr/> 1,771,254
 <i>Operating Expenses:</i>		
Salaries and Wages	358,266	
Payroll Taxes	29,439	
Employee Benefits	90,544	
Pension Expense	20,255	
Chemicals	41,083	
Lab Fees and Testing Supplies	10,353	
Sludge Disposal	4,692	
Utilities	135,306	
Telephone and Internet	6,480	
Repairs and Maintenance	175,685	
Engineering Services	21,514	
Legal and Professional Services	29,048	
Insurance	31,701	
Office Expense	4,691	
Postage and Shipping	7,203	
Vehicle Expenses	5,035	
Office Rent	8,415	
Computer Upgrade/Software	3,267	
Small Tools and Supplies	406	
Training, Dues and Subscriptions	2,727	
Miscellaneous	2,609	
Depreciation	432,626	
	<hr/>	
Total Operating Expenses		<hr/> 1,421,345
 Income (Loss) from Operations		 349,909

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 (continued)

For the Year Ended December 31, 2016

Non-Operating Income and (Expense):

Contributions	(4,025)	
Interest Expense - Penn Vest Loan	(120,856)	
Sale of Lumber	120,191	
Lumber - Consulting Fees	(18,029)	
Interest Income	2,950	
	<hr/>	
Total Non-Operating Income (Expense)		<hr/> (19,769)
Income (Loss) before Capital Contributions		330,140
Capital Contributions:		
Net Equity Transfer from Rose Township Municipal Authority		<hr/> 371,142
Change in Net Position		701,282
Net Position, January 1, 2016		<hr/> 6,214,870
Net position, December 31, 2016		<hr/> <hr/> \$ 6,916,152

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, 2016

Operating Revenue:

Sewer Usage Charges	\$ 1,437,874	
Solid Waste Collection Fees	21,058	
Miscellaneous Revenue	24,670	
	<hr/>	
Total Operating Revenue		1,483,602

Operating Expenses:

Salaries and Wages	375,804	
Payroll Taxes	30,968	
Employee Benefits	90,346	
Pension Expense	23,221	
Chemicals	18,821	
Lab Fees and Testing Supplies	23,902	
Sludge Disposal	30,829	
Utilities	80,652	
Telephone and Internet	16,207	
Repairs and Maintenance	34,220	
Engineering Services	15,964	
Legal and Professional Services	23,845	
Insurance	42,380	
Office Expense	7,587	
Postage and Shipping	7,203	
Vehicle Expenses	9,345	
Office Rent	8,415	
Computer Upgrade/Software	3,182	
Training, Dues and Subscriptions	3,726	
I & I Work	5,591	
Depreciation	203,700	
Miscellaneous	4,322	
	<hr/>	
Total Operating Expenses		1,060,230

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 (continued)

For the Year Ended December 31, 2016

Income (Loss) from Operations		423,372
<i>Non-Operating Income and (Expense):</i>		
Interest Expense - Penn Vest Loan - Corsica	(821)	
Interest Expense - Penn Vest Loan - Rose Township	(7,853)	
PA - DEP Civil Penalties	(4,000)	
Interest Income	1,999	
Contributions	(25)	
Total Non-Operating Income (Expense)		<u>(10,700)</u>
Income (Loss) before Capital Contributions		412,672
<i>Capital Contributions:</i>		
Commonwealth of PA - CFA Grant - Sewer Renovation Project	963,597	
Penn Vest Grant - Rose Township Collection System	144,824	
Net Equity Transfer from Rose Township Municipal Authority	870,973	
Total Capital Contributions		<u>1,979,394</u>
Change in Net Position		2,392,066
Net Position, January 1, 2016		<u>5,940,781</u>
Net Position, December 31, 2016		<u>\$ 8,332,847</u>

The accompanying notes are an integral part of the financial statements

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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS (continued)

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, \$2,254,065 of the Authority's bank balance of \$2,754,065 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	\$ 2,254,065
Plus: Insured Amount	500,000
Deposits in Transit	1,881
Less: Outstanding Checks	<u>(2,200)</u>
Carrying Amount – Bank Balance	2,753,746
Less: Certificates of Deposit – Investments	<u>(1,109,378)</u>
Total Cash Per Statement of Net Position	<u>\$ 1,644,368</u>

As of December 31, 2016, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Bank Certificates of Deposit	6 to 12 months	\$1,109,378

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 consist 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, 2016, 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, 2016:

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS (continued)

Water Revenue Fund

S&T Bank – Purchased June 6, 2016 for a term of 1 year with interest payable at .65 percent.	\$ 505,275
-------------------------------------------------------------------------------------------------	------------

Sewer Revenue Fund

S&T Bank – Purchased July 19, 2016 for a term of 6 months with interest payable at .50 percent.	254,103
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S&T Bank – Purchased Sept. 20, 2016 for a term of 1 year with interest payable at .75 percent.	<u>350,000</u>
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Total Bank Certificates of Deposit	<u>\$1,109,378</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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS (continued)

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, 2016.

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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF OPERATIONS (continued)

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, 2017, the date the financial statements were available.

NOTE 2 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

<u>Water Revenue Fund</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 3,600	\$ 1,000	\$ -	\$ 4,600
Construction in Progress	- 0 -	227,947	-	227,947
Total Capital Assets not being Depreciated	<u>3,600</u>	<u>228,947</u>	<u>-</u>	<u>232,547</u>
<i>Capital Assets being Depreciated:</i>				
Land and Site Improvements	99,041	-	-	99,041
Buildings	13,457,787	-	-	13,457,787
Water Distribution System	3,927,446	772,054	-	4,699,500
Machinery and Equipment	459,249	7,054	-	466,303
Vehicles	57,029	-	-	57,029
Total Capital Assets being Depreciated	<u>18,000,552</u>	<u>779,108</u>	<u>-</u>	<u>18,779,660</u>
<i>Less Accumulated Depreciation:</i>				
Land and Site Improvements	82,369	2,525	-	84,894
Buildings	1,711,169	323,012	-	2,034,181
Water Distribution System	1,071,221	438,870	-	1,510,091
Machinery and Equipment	379,711	15,787	-	395,498
Vehicles	38,500	3,369	-	41,869
Total Accumulated Depreciation	<u>3,282,970</u>	<u>783,563</u>	<u>-</u>	<u>4,066,533</u>
Total Capital Assets Being Depreciated, Net	<u>14,717,582</u>	<u>(4,455)</u>	<u>-</u>	<u>14,713,127</u>
Total Water Revenue Fund Capital Assets, Net	<u>\$ 14,721,182</u>	<u>\$ 224,492</u>	<u>\$ -</u>	<u>\$ 14,945,674</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 2 – CHANGES IN CAPITAL ASSETS (continued)

<u>Sewer Revenue Fund</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 15,351	\$ -	\$ -	\$ 15,351
Construction in Progress	1,203,019	1,967,486	-	3,170,505
Total Capital Assets not being Depreciated	<u>1,218,370</u>	<u>1,967,486</u>	<u>-</u>	<u>3,185,856</u>
<i>Capital Assets being Depreciated:</i>				
Land and Site Improvements	43,876	-	-	43,876
Buildings	2,005,915	-	-	2,005,915
Sewer Collection System	4,095,294	2,494,650	-	6,589,944
Machinery and Equipment	2,190,694	-	-	2,190,694
Vehicles	452,915	32,580	-	485,495
Total Capital Assets being Depreciated	<u>8,788,694</u>	<u>2,527,230</u>	<u>-</u>	<u>11,315,924</u>
<i>Less Accumulated Depreciation:</i>				
Land and Site Improvements	31,283	563	-	31,846
Buildings	1,166,703	46,141	-	1,212,844
Sewer Collection System	1,177,192	488,753	-	1,665,945
Machinery and Equipment	2,128,258	8,081	-	2,136,339
Vehicles	381,836	20,838	-	402,674
Total Accumulated Depreciation	<u>4,885,272</u>	<u>564,376</u>	<u>-</u>	<u>5,449,648</u>
Total Capital Assets being Depreciated, Net	<u>3,903,422</u>	<u>1,962,854</u>	<u>-</u>	<u>5,866,276</u>
Total Sewer Revenue Fund Capital Assets, Net	<u>\$ 5,121,792</u>	<u>\$ 3,930,340</u>	<u>\$ -</u>	<u>\$ 9,052,132</u>

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

1. Water Revenue Fund

Acquisition of Rose Township Municipal Authority – Water Distribution System	\$ 701,408
Purchase/Installation of Remote Read Meters	70,646
Purchase of Equipment	<u>7,054</u>
Total Cost/Value of Capital Additions	<u>\$ 779,108</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 2 – CHANGES IN CAPITAL ASSETS (continued)

2. Sewer Revenue Fund

Acquisition of Rose Township Municipal Authority – Sewer Collection System	\$ 2,122,392	
Purchase/Installation of Remote Read Meters	70,205	
Sewer Line Renovations – Pickering Street	302,053	
Purchase of Vehicle	<u>32,580</u>	
Total Cost/Value of Capital Additions		<u>\$ 2,527,230</u>

Construction in progress reflected above consists of the following:

1. Water Revenue Fund

Short Street/Richard Street Water Line Replacement Project		<u>\$ 227,947</u>
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2. Sewer Revenue Fund

Wastewater Treatment Plant Renovation and System Improvements:		
Preliminary Studies and Fees	\$ 287,859	
S&T Bank – Line of Credit Fees	80,741	
Phase 1A Costs	1,917,025	
Phase II Costs	874,231	
S&T Bank – Line of Credit Interest	<u>10,649</u>	
Total Sewer Revenue Fund Construction in Progress		<u>\$ 3,170,505</u>

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

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$237 consists of the Sewer Revenue Fund's share of various bank fees and service charges.

The amount due from the Water Revenue Fund to the Sewer Revenue Fund of \$5,966 consists of customer usage fees and billing credit collected and deposited into the Water Revenue Fund but not yet transferred to the Sewer Revenue Fund as of December 31, 2016.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

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 2016.

NOTE 5 – DEFERRED INFLOWS

Deferred inflows of \$5,605 reflected on the Water Revenue Fund statement of net position consists of billing credits of customer excess payments or prepayments which will be applied to a future billing.

NOTE 6 – CUSTOMER DEPOSITS

All customer deposits are 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 was 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 2016 were \$539,506.30 and interest paid was \$120,855.50. The outstanding loan balance as of December 31, 2016, is \$9,193,506.94. Scheduled debt service requirements on the loan as of December 31, 2016 is as follows:

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 7 – LONG-TERM DEBT (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2021	548,634.80	174,864.04	723,498.84
2022 to 2026	2,962,673.11	654,821.09	3,617,494.20
2027 to 2031	3,364,592.85	252,901.35	3,617,494.20
2032	<u>239,891.90</u>	<u>1,274.28</u>	<u>241,166.18</u>
	<u>\$ 9,193,506.94</u>	<u>\$ 1,879,096.16</u>	<u>\$11,072,603.10</u>

* Interest rate change from 1.274% to 2.547% on April 1, 2017.
Monthly payment adjustment to \$60,291.57.

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 2016 were \$43,412.29 and interest paid was \$821.15. The outstanding loan balance as of December 31, 2016 is \$58,564.57. Scheduled debt service requirements on the loan as of December 31, 2016 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 58,564.57</u>	<u>\$ 415.68</u>	<u>\$ 58,980.25</u>

Pennsylvania Infrastructure Investment Authority – Rose Township Wastewater System Loan

In connection with the conveyance of the wastewater collection and conveyance system from the Rose Township Municipal Authority to the Brookville Municipal Authority, the Brookville Municipal Authority, assumed all of the obligations of the Rose Township Municipal Authority in respect of the loan Rose Township had received from the Pennsylvania Infrastructure Investment Authority (Pennvest) to construct the wastewater collection and conveyance system. The balance on the note at the date of conveyance, which was January 1, 2016, was \$923,818.72 and is secured by a lien on the sewer revenues. The original loan was obtained in 2006 and was payable in 276 monthly installments of \$4,795.32 including interest at 1 percent per annum.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 7 – LONG-TERM DEBT (continued)

Upon assumption of the loan by the Brookville Municipal Authority, Pennvest provided a grant of \$144,824.34 which was applied to the outstanding loan balance and reduced the monthly required loan payments to \$3,315.75, which includes interest at 1 percent per annum. Total loan payments made by Brookville Municipal Authority during 2016 were \$44,227.71, which consisted of 3 payments at \$4,795.32 and 9 payments of \$3,315.75. Principal paid was \$36,374.41 and interest paid was \$7,853.30. The outstanding loan balance as of December 31, 2016 is \$742,619.97. Scheduled debt service requirements on the loan as of December 31, 2016 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2017	\$ 32,511.54	\$ 7,277.46	\$ 39,789.00
Dec. 31, 2018	32,838.14	6,950.86	39,789.00
Dec. 31, 2019	33,168.03	6,620.97	39,789.00
Dec. 31, 2020	33,501.24	6,287.76	39,789.00
Dec. 31, 2021	33,837.79	5,951.21	39,789.00
2022 to 2026	174,356.80	24,588.20	198,945.00
2027 to 2031	183,292.43	15,652.57	198,945.00
2032 to 2036	192,686.04	6,258.96	198,945.00
2037	<u>26,427.96</u>	<u>99.20</u>	<u>26,527.16</u>
	<u>\$ 742,619.97</u>	<u>\$ 79,687.19</u>	<u>\$ 822,307.16</u>

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. The proceeds were used to pay various fees in association with obtaining the line of credit. Additional draws of \$1,739,406.27 were obtained in 2016 for payment of various costs incurred for the improvements to the wastewater collection and treatment facilities. The outstanding interim line of credit note balance as of December 31, 2016 is \$1,820,146.98.

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 to be applied is 1.28% and the rate is to be reset each month. The interest rate in 2016 ranged from 1.4300% to 2.5200%. The interest rate as of December 31, 2016 was 2.5200%. Interest of \$10,648.66 was paid during 2016 and is included in construction in progress costs.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 7 – LONG-TERM DEBT (continued)

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 – DESIGNATION OF UNRESTRICTED NET ASSETS – WATER REVENUE FUND

Pursuant to Board approval, the Water Revenue Fund has designated \$108,000 of unrestricted net assets to cover future membrane replacement at the water plant. The amount represents the approval amount of \$54,000 per year for 2015 and 2016. The Board’s intentions are to designate \$54,000 per year to provide necessary resources when needed for the water plant membrane replacement.

Note 9 – ACQUISITION OF ROSE TOWNSHIP MUNICIPAL AUTHORITY

Effective January 1, 2016, the Rose Township Municipal Authority ceased all operations and all of its assets and liabilities were transferred to the Brookville Municipal Authority and the Brookville Municipal Authority assumed all management and operational responsibilities of the Rose Township Municipal Authority. Operations include providing water service and wastewater collection service to various portions of Rose Township, Pennsylvania. Included in the transfer was the balance on a loan obtained in 2006 by the Rose Township Municipal Authority to construct the wastewater collection and conveyance system. The loan is more fully discussed in Note 7.

The book value of the assets and liabilities at the date of transfer was as follows:

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>
Water Distribution System	\$ 701,408.06	\$
Wastewater Collection System		2,122,392.39
Less: Accumulated Depreciation	<u>(350,936.69)</u>	<u>(360,676.95)</u>
Net Book Value of Systems	350,471.37	1,761,715.44
Cash	15,878.43	17,628.28
Customer Accounts Receivable	8,567.54	15,447.18
Customer Deposits	(3,775.00)	
Pennvest Loan Balance	<u> </u>	<u>(923,818.72)</u>
Net Equity Transfer	<u>\$ 371,142.34</u>	<u>\$ 870,972.18</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 10 – PENSION

The Brookville Municipal Authority maintains a single-employer defined benefit pension plan controlled by the provisions a 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 \$43,476, which was the Minimum Municipal Obligation computed under Act 205. The Water Revenue Fund was charged \$20,255 and the Sewer Revenue Fund was charged \$23,221. The Authority has contributed 100 percent of the Minimum Municipal Obligation for the past ten years.

GASB 68 Disclosures:

For Government Accounting Standards Board Statement 68 (GASB68) the measurement date is as of December 31, 2015, 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, 2015 were as follows:

Total Pension Liability	\$ 2,859,477
Plan Fiduciary Net Position	\$ 2,554,472
Net Pension Liability	\$ 305,005
Plan Fiduciary Net Position as a percentage of Total Pension Liability	89.33%

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:

	<u>1% Decrease</u> <u>4.50%</u>	<u>Current Rate</u> <u>5.50%</u>	<u>1% Increase</u> <u>6.50%</u>
Net Pension Liability	\$ 600,723	\$ 305,005	\$ 48,132

Brookville Municipal Authority

Required Supplementary Information - Schedule of Changes in Net Pension Liability

Last 10 Years*

December 31, 2016

Schedule of Changes in Net Pension Liability*

	Measurement Year Ending	
	12/31/2015	12/31/2014
Total Pension Liability		
Service Cost (Beginning of Year)	\$ 58,341	\$ 54,427
Interest (includes Interest on Service Cost)	150,416	147,290
Changes of Benefit Terms		
Differences between Expected and Actual Experience		(91,093)
Changes of Assumptions	6,070	
Transfers		
Benefit Payments, including Refunds of Employee Contributions	(62,945)	(52,517)
<i>Net Change in Total Pension Liability</i>	\$ 151,882	\$ 58,107
<i>Total Pension Liability - Beginning</i>	2,707,595	2,649,488
<i>Total Pension Liability - Ending</i>	<u>\$ 2,859,477</u>	<u>\$ 2,707,595</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 41,738	\$ 17,124
Contributions - PMRS Assessment	320	
Contributions - Employee	26,017	23,814
PMRS Investment Income	150,014	134,937
Market Value Investment Income	(152,762)	7,020
Transfers		
Benefit Payments, including Refunds of Employee Contributions	(62,945)	(52,517)
PMRS Administrative Expense	(320)	(320)
Additional Administrative Expense	(6,254)	(5,175)
<i>Net Change in Plan Fiduciary Net Position</i>	\$ (4,192)	\$ 124,883
<i>Plan Fiduciary Net Position - Beginning</i>	2,558,664	2,433,781
<i>Plan Fiduciary Net Position - Ending</i>	<u>\$ 2,554,472</u>	<u>\$ 2,558,664</u>
<i>Net Pension Liability - Ending</i>	<u>\$ 305,005</u>	<u>\$ 148,931</u>
<i>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</i>	89.33%	94.50%
<i>Covered Employee Payroll</i>	\$ 650,413	\$ 614,948
<i>Net Pension Liability as a Percentage of Covered Employee Payroll</i>	46.89%	24.22%

Schedule of Employer Contributions*

Actuarially Determined Contribution	\$ 42,038	\$ 16,617
Contributions in Relation to the Actuarially Determined Contribution	42,058	17,124
Contribution Deficiency/(Excess)	<u>\$ (20)</u>	<u>\$ (507)</u>
Participant Payroll	\$ 650,413	\$ 614,948
Contributions as a Percentage of Participant Payroll	6.47%	2.78%

*For those years that are available.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 11 – 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 \$4,000 were incurred during 2016.

The Authority has begun a multi-phase improvement project to eliminate inflow and infiltration within the sewer collection system and to update and improve the wastewater treatment facility. The revised estimated cost of the project is \$22,090,000 and financing has been obtained through various loans and grants as follows:

1.) USDA – Rural Development Loan	\$ 9,742,000
2.) USDA – Rural Development Loan - Supplemental	2,000,000
3.) USDA – Rural Development Grant	8,078,900
4.) Commonwealth of PA – H ₂ O Grant	<u>2,269,100</u>
Total Project Financing	<u>\$ 22,090,000</u>

As discussed in Note 2 – total project costs of \$3,170,505 have been paid through December 31, 2016 and are reflected in construction in progress on the Sewer Revenue Fund statement of net position.

Phase IA of the project, which consists of various wastewater conveyance system improvements and the White Street lift station, awarded contracts in the amount of \$4,173,326. Total cost paid on these contracts through December 31, 2016 was \$1,917,025.

Subsequent to year-end, the Authority awarded bids in conjunction with Phase II of the project, which consists of wastewater treatment facilities improvements, in the amount of \$15,020,593. Engineering fees of \$874,231 have been incurred and paid through December 31, 2016.

Additional costs estimated to be incurred in conjunction with Phase 1B, which would include additional wastewater conveyance system improvements, is \$1,620,410.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2016

NOTE 11 – CONTRACTS, COMMITMENTS AND CONTINGENCIES (continued)

The Authority has been awarded a grant from the Commonwealth of Pennsylvania; Commonwealth Financing Authority (CFA) in the amount of \$2,269,167 to be used for Phase 1A costs for pump station renovations, wastewater system renovations, and related costs. The grant amount may not exceed 66% of the total project costs. Grant funds of \$153,707 were received in 2015 and \$963,597 were received in 2016. The balance remaining on the grant is \$1,151,863.

In addition to the USDA – Rural Development Loans of \$11,742,000, the Authority has also received a grant award from USDA – Rural Development in the amount of \$8,078,900. These grant funds are to be used when other financing sources have been utilized.

NOTE 12 – 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.

Brookville Municipal Authority

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2016

The prior year's audit report did not disclose any audit findings or questioned costs which would be required to be included on this schedule.

Brookville Municipal Authority

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Grantor/ Program Title	Funding Source Code	CFDA Number	Loan or Grant Award	Loan or Grant Balance January 1, 2016	Funds Received During the Year	Expenditures	Loan or Grant Balance December 31, 2016
United States Department of Agriculture:							
Water and Waste Disposal Systems for Rural Communities - Loan	1	10.760	\$ 9,742,000.00	\$ 80,740.71	\$ 1,739,406.27	\$ 1,739,406.27	\$ 1,820,146.98
Water and Waste Disposal Systems for Rural Communities - Supplemental Loan	1	10.760	2,000,000.00	- 0 -	- 0 -	- 0 -	- 0 -
Water and Waste Disposal Systems for Rural Communities - Grant	1	10.760	8,078,900.00	- 0 -	- 0 -	- 0 -	- 0 -
Total Federal Financial Assistance				<u>\$ 80,740.71</u>	<u>\$ 1,739,406.27</u>	<u>\$ 1,739,406.27</u>	<u>\$ 1,820,146.98</u>

Funding Source Code:

1 - Direct funding from USDA

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Notes to Schedule of Expenditures of Federal Awards

December 31, 2016

Note 1 – Method of Accounting

The information presented on the Schedule of Expenditures of Federal Awards was prepared on the accrued basis of accounting, the same method of accounting used to prepare the basic financial statements.

Note 2 – Indirect Cost Rate

The Brookville Municipal Authority has not used the allowable 10 percent de minimus indirect cost rate for the program reflected on the Schedule of Expenditures of Federal Awards.

Note 3 – Amounts Passed to Subrecipients

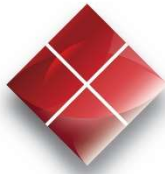
The Brookville Municipal Authority did not provide federal awards to any subrecipient during the year ended December 31, 2016.

Note 4 – Federal Programs

The Brookville Municipal Authority obtained financing for a multi-phase wastewater treatment and collection system improvement project through the United States Department of Agriculture Rural Development. Financing consists of an agency loan of \$9,742,000.00 and an agency grant of \$8,078,900.00. Subsequently, the loan commitment has been increased an additional \$2,000,000.00.

The Authority is required to utilize a commercial interim loan for the exact amount of the loan approval. The interim loan is to be used during the construction period and is to be repaid from the proceeds of the USDA loan after the interim loan is fully utilized. The Authority has obtained interim financing through S&T Bank, and the loan disbursement amounts reported have been paid through that loan.

As of December 31, 2016, the Authority has drawn \$1,820,146.98 on the interim financing, including \$80,740.71 during the year 2015 and \$1,739,406.27 in the current year. The Authority has not drawn any funds from the grant amount as of December 31, 2016.



MAUTHE, YUTZEY, GABLER & TROXELL, LLC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Brookville Municipal Authority
18 Western Avenue; Suite A
Brookville, PA 15825

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Brookville Municipal Authority, Brookville, PA, as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise Brookville Municipal Authority's basic financial statements, and have issued our report thereon dated August 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brookville Municipal Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brookville Municipal Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Brookville Municipal Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brookville Municipal Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
August 24, 2017



MAUTHE, YUTZEY, GABLER & TROXELL, LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Brookville Municipal Authority
18 Western Avenue; Suite A
Brookville, PA 15825

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Brookville Municipal Authority, Brookville, PA's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Brookville Municipal Authority's major federal programs for the year ended December 31, 2016. Brookville Municipal Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Brookville Municipal Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brookville Municipal Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Brookville Municipal Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Brookville Municipal Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Brookville Municipal Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brookville Municipal Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Brookville Municipal Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
August 24, 2017



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Board of Directors
Brookville Municipal Authority
18 Western Avenue; Suite A
Brookville, PA 15825

Members of the Board:

As required by 2 CFR Part 200, Subpart F, Section 200.515, the following information is provided as a schedule of findings and questioned costs for the year ended December 31, 2016.

(1) Summary of auditor's results:

- (i) Type of report issued on the financial statements - unqualified opinion.
- (ii) No significant deficiencies or material weaknesses in internal control were disclosed by the audit.
- (iii) The audit did not disclose any noncompliance which is material to the financial statements.
- (iv) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
- (v) Type of report issued on compliance for major programs - unqualified opinion.
- (vi) The audit did not disclose any audit findings which the auditor is required to report under Subpart F, Section 200.516(a).
- (vii) Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
10.760	Water and Waste Disposal Systems for Rural Communities	<u>\$ 1,739,406.27</u>

- (viii) Dollar threshold used to distinguish between Type A and Type B programs:
\$750,000.00

- (ix) The auditee did not qualify as a low-risk auditee under Section.530

(2) Findings related to the financial statements which are required to be reported in accordance with GAGAS: None

(3) Findings and questioned costs for federal awards which shall include audit findings as defined in Subpart F, Section 200.516a (a): None

Mauthe, Yutzey, Gabler & Troxell LLC
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Certified Public Accountants
August 24, 2017