



BOROUGH *of* BROOKVILLE
BROOKVILLE MUNICIPAL AUTHORITY

BROOKVILLE MUNICIPAL AUTHORITY

Brookville, Pennsylvania

December 31, 2018

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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, 2018, 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, 2018, 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 September 11, 2019 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
September 11, 2019

Brookville Municipal Authority

Management's Discussion and Analysis

December 31, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's December 31, 2018 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 \$22,533,150 (net position).
- The Authority currently has \$8,172,060 of debt for the Water Revenue Fund and \$12,419,270 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

December 31, 2018

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 20-37 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 \$22,533,150 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	
	2018	2017	2018	2017	2018	2017
<i>Assets:</i>						
Current & Other Assets	\$ 1,535,868	\$ 1,398,268	\$ 1,787,965	\$ 1,926,957	\$ 3,323,833	\$ 3,325,225
Fixed Assets – Net of						
Deprec.	14,311,791	14,652,048	25,681,395	17,877,053	39,993,186	32,529,101
Total Assets	15,847,659	16,050,316	27,469,360	19,804,010	43,317,019	35,854,326
Deferred Outflows	-	-	-	-	-	-
Total Assets & Deferred						
Outflows	\$15,847,659	\$16,050,316	\$27,469,360	\$19,804,010	\$43,317,019	\$35,854,326
<i>Liabilities:</i>						
Current Liabilities	\$ 563,864	\$ 547,676	\$ 99,329	\$ 86,759	\$ 663,193	\$ 634,435
Long Term Liabilities	7,650,645	8,172,060	12,386,102	9,917,216	20,036,747	18,089,276
Customer Deposits	77,772	73,271	-	-	77,772	73,271
Total Liabilities	8,292,281	8,793,007	12,485,431	10,003,975	20,777,712	18,796,982
Deferred Inflows	4,470	7,086	1,687	-	6,157	7,086
Total Liabilities & Deferred						
Inflow	\$ 8,296,751	\$ 8,800,093	\$ 12,487,118	\$ 10,003,975	\$ 20,783,869	\$18,804,068
<i>Net Position:</i>						
Invested in Capital Assets,						
Net of Related Debt	\$ 6,139,731	\$ 5,971,672	\$ 13,262,124	\$ 7,926,999	\$ 19,401,855	\$13,898,671
Unrestricted	1,411,177	1,278,551	1,720,118	1,873,036	3,131,295	3,151,587
Total Net Position	7,550,908	7,250,223	14,982,242	9,800,035	22,533,150	17,050,258
Total Liabilities, Deferred						
Inflows & Net Position	\$ 15,847,659	\$ 16,050,316	\$ 27,469,360	\$ 19,804,010	\$ 43,317,019	\$35,854,326

Brookville Municipal Authority

Management's Discussion and Analysis

December 31, 2018

Statement of Revenues and Expenses

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

Brookville Municipal Authority Statement of Revenues and Expenses

	Water Revenue		Sewer Revenue		Totals	
	2018	2017	2018	2017	2018	2017
<i>Operating Revenues:</i>						
System Usage Charges	\$ 1,809,044	\$ 1,819,877	\$ 1,405,046	\$1,436,287	\$ 3,214,090	\$ 3,256,164
Miscellaneous Revenue	22,032	36,325	24,340	43,593	46,372	79,918
Total Operating Revenues	1,831,076	1,856,202	1,429,386	1,479,880	3,260,462	3,336,082
Operating Expenses	1,324,980	\$1,334,729	1,195,758	\$1,163,102	2,520,738	\$2,497,831
Income (Loss) From Operations	506,096	\$521,473	233,628	\$316,778	739,724	\$838,251
Non-Operating Income & (Expenses)	\$ (205,411)	\$ (187,402)	\$ (5,603)	\$ (1,453)	\$ (211,014)	\$ (188,855)
Income (Loss) Before Capital Contributions	\$300,685	\$334,071	\$228,025	\$315,325	\$528,710	\$649,396
Capital Contributions	-	-	4,954,182	1,151,863	4,954,182	1,151,863
Change in Net Position	300,685	334,071	5,182,207	1,467,188	5,482,892	1,801,259
Net Position, January 1	7,250,223	6,916,152	9,800,035	8,332,847	17,050,258	15,248,999
Net Position, December 31	\$ 7,550,908	\$ 7,250,223	\$14,982,242	\$9,800,035	\$22,533,150	\$17,050,258

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, 2018 was \$14,652,048 for the Water Revenue Fund and \$17,877,053 for the Sewer Revenue Fund. Over the course of 2018, the Water Revenue Fund decreased by \$340,257 and the Sewer Revenue Fund increased by \$7,804,342. Capital assets as of December 31, 2018 were \$14,311,791 for the Water Revenue Fund and \$25,681,395 for the Sewer Revenue Fund.

The Capital Assets activity for 2018 may be found in Note 2 on pages 25-27 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, 2018. These debts are for improvements to both the water and sewer systems.

Brookville Municipal Authority

Management's Discussion and Analysis

December 31, 2018

**Water Plant Loan
PennVest Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
December 31, 2022	562,772.83	160,726.01	723,498.84
December 31, 2023	577,275.15	146,223.69	723,498.84
2023 to 2027	3,117,333.36	500,160.84	3,617,494.20
2028 to 2031	<u>2,309,776.59</u>	<u>101,886.18</u>	<u>2,411,662.77</u>
	<u>\$8,172,060.08</u>	<u>\$1,474,591.09</u>	<u>\$ 9,646,651.17</u>

**Rose Township Wastewater System Loan
PennVest Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
December 31, 2022	34,177.74	5,611.26	39,789.00
December 31, 2023	34,521.07	5,267.93	39,789.00
2024 to 2028	177,877.56	21,067.44	198,945.00
2029 to 2033	186,993.62	11,951.38	198,945.00
2034 to 2037	<u>143,193.24</u>	<u>2,700.92</u>	<u>145,894.16</u>
	<u>\$ 677,270.29</u>	<u>\$ 65,458.87</u>	<u>\$ 742,729.16</u>

**United States Department of Agriculture – Rural Utilities Service
Initial Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2019	\$ -	\$ 207,017.49	\$ 207,017.49
December 31, 2020	162,119.09	206,714.91	368,834.00
December 31, 2021	166,155.66	202,678.34	368,834.00
December 31, 2022	169,705.23	199,128.77	368,834.00
December 31, 2023	173,330.62	195,503.38	368,834.00
2024 to 2028	922,731.74	921,438.26	1,844,170.00
2029 to 2033	1,026,212.95	817,957.05	1,844,170.00
2034 and thereafter	<u>7,121,744.71</u>	<u>2,095,600.09</u>	<u>9,217,344.80</u>
	<u>\$ 9,742,000.00</u>	<u>\$ 4,846,038.29</u>	<u>\$ 14,588,038.29</u>

Brookville Municipal Authority

Management's Discussion and Analysis

December 31, 2018

United States Department of Agriculture – Rural Utilities Service
Subsequent Loan

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2019	\$ -	\$ 39,999.99	\$ 39,999.99
December 31, 2020	34,182.96	39,937.04	74,120.00
December 31, 2021	34,980.73	39,139.27	74,120.00
December 31, 2022	35,683.85	38,436.15	74,120.00
December 31, 2023	36,401.09	37,718.91	74,120.00
2024 to 2028	193,073.18	177,526.82	370,600.00
2029 to 2033	213,391.76	157,208.24	370,600.00
2034 and thereafter	<u>1,452,286.43</u>	<u>400,457.19</u>	<u>1,852,743.62</u>
	<u>\$ 2,000,000.00</u>	<u>\$ 930,423.61</u>	<u>\$ 2,930,423.61</u>

Additional information on Brookville Municipal Authority's long-term debt can be found in Note 7 on pages 28-31 of this report.

Economic Factors

- The unemployment rate as of December 31, 2018 for Jefferson County is 4.50 percent.
- Capital Improvements:
 - In preparation for the water plant membrane replacement project, the Board has designed that \$54,000 be set aside each year from the Water Revenue Fund. See Note 8 on page 32 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 2018, the Authority paid \$11,500 in penalties for not being in compliance with DEP regulations. See Note 10 on page 36 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, 2018

	Water Revenue Fund	Sewer Revenue Fund	Totals
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 749,974	\$ 554,113	\$ 1,304,087
Bank Certificates of Deposit	607,246	1,060,343	1,667,589
Accounts Receivable - Customers	141,169	111,464	252,633
Accounts Receivable - Other	378	43,204	43,582
Due from Sewer Fund/Water Fund	451	5	456
Due from Borough of Brookville	2,033	2,982	5,015
Accrued Interest	646	3,096	3,742
Inventory	33,971	12,758	46,729
Total Current Assets	<u>1,535,868</u>	<u>1,787,965</u>	<u>3,323,833</u>
<i>Fixed Assets:</i>			
Land	13,600	15,351	28,951
Land and Site Improvements - Net of Depreciation	9,097	10,904	20,001
Buildings - Net of Depreciation	10,777,582	700,789	11,478,371
Water Distribution System - Net of Depreciation	3,411,211		3,411,211
Sewer Collection System - Net of Depreciation		4,829,451	4,829,451
Machinery and Equipment - Net of Depreciation	61,417	56,801	118,218
Vehicles - Net of Depreciation	8,422	71,627	80,049
Construction in Progress	30,462	19,996,472	20,026,934
Total Fixed Assets - Net of Depreciation	<u>14,311,791</u>	<u>25,681,395</u>	<u>39,993,186</u>
Total Assets	<u>15,847,659</u>	<u>27,469,360</u>	<u>43,317,019</u>
Deferred Outflows	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Assets and Deferred Outflows	<u>\$ 15,847,659</u>	<u>\$ 27,469,360</u>	<u>\$ 43,317,019</u>

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Net Position (continued)

December 31, 2018

	Water Revenue Fund	Sewer Revenue Fund	Totals
<u>LIABILITIES</u>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 33,204	\$ 54,348	\$ 87,552
Accrued Payroll	9,236	11,358	20,594
Due to Borough of Brookville	4	4	8
Due to Sewer Fund/Water Fund	5	451	456
Current Portion of Long-term Debt	521,415	33,168	554,583
Total Current Liabilities	<u>563,864</u>	<u>99,329</u>	<u>663,193</u>
<i>Long-term Debt:</i>			
USDA -Rural Development Loans		11,742,000	11,742,000
Penn Vest - Water Plant	7,650,645		7,650,645
Penn Vest - Rose Township Collection System		644,102	644,102
Total Long-term Debt	<u>7,650,645</u>	<u>12,386,102</u>	<u>20,036,747</u>
<i>Other Liabilities:</i>			
Customer Deposits	<u>77,772</u>		<u>77,772</u>
Total Liabilities	<u>8,292,281</u>	<u>12,485,431</u>	<u>20,777,712</u>
Deferred Inflows	<u>4,470</u>	<u>1,687</u>	<u>6,157</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	6,139,731	13,262,124	19,401,855
Unrestricted	<u>1,411,177</u>	<u>1,720,118</u>	<u>3,131,295</u>
Total Net Position	<u>7,550,908</u>	<u>14,982,242</u>	<u>22,533,150</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 15,847,659</u>	<u>\$ 27,469,360</u>	<u>\$ 43,317,019</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, 2018

	Water Revenue Fund	Sewer Revenue Fund	Totals
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Users	\$ 1,835,051	\$ 1,440,254	\$ 3,275,305
Cash Received from Other Operating Revenue	22,745	30,364	53,109
Cash Payments to Employees for Services	(479,425)	(597,922)	(1,077,347)
Cash Payments to Suppliers for Goods and Services	(386,294)	(383,160)	(769,454)
Net Cash Provided (Used) by Operating Activities	<u>992,077</u>	<u>489,536</u>	<u>1,481,613</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		14,244,054	14,244,054
Principal Paid on Loans	(508,316)	(11,774,838)	(12,283,154)
Acquisition of Capital Assets	(98,740)	(8,031,109)	(8,129,849)
Interest Paid on Loans	(215,183)	(6,951)	(222,134)
Contributed Capital		4,954,182	4,954,182
Payment of DEP Civil Penalties		(12,500)	(12,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(822,239)</u>	<u>(627,162)</u>	<u>(1,449,401)</u>
<i>Cash Flows from Investing Activities:</i>			
Redemption/(Purchase) of Certificates of Deposit (Net)	(3,884)	(6,275)	(10,159)
Interest Income	13,686	12,631	26,317
Net Cash Provided (Used) by Investing Activities	<u>9,802</u>	<u>6,356</u>	<u>16,158</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, 2018

	Water Revenue Fund	Sewer Revenue Fund	Totals
Net Increase/(Decrease) in Cash and Cash Equivalents	175,615	(131,295)	44,320
Cash and Cash Equivalents - Jan. 1, 2018	574,359	685,408	1,259,767
Cash and Cash Equivalents - Dec. 31, 2018	<u>\$ 749,974</u>	<u>\$ 554,113</u>	<u>\$ 1,304,087</u>
<i>Cash Flows from Operating Activities:</i>			
Operating Income (Loss)	\$ 506,096	\$ 233,628	\$ 739,724
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:</i>			
Depreciation	440,094	208,361	648,455
(Increase) Decrease in Accounts Receivable	24,836	39,546	64,382
(Increase) Decrease in Inventory	13,297	17,378	30,675
Increase (Decrease) in Accounts Payable	5,130	(12,467)	(7,337)
Increase (Decrease) in Accrued Payroll	740	1,403	2,143
Increase (Decrease) in Customer Deposits	4,500	- 0 -	4,500
Increase (Decrease) in Deferred Inflows	(2,616)	1,687	(929)
Net Cash Provided (Used) by Operations	<u>\$ 992,077</u>	<u>\$ 489,536</u>	<u>\$ 1,481,613</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, 2018

	Water Revenue Fund	Sewer Revenue Fund	Totals
<i>Operating Revenue:</i>			
System Usage Charges	\$ 1,809,044	\$ 1,405,046	\$ 3,214,090
Miscellaneous Revenue	22,032	24,340	46,372
Total Operating Revenue	1,831,076	1,429,386	3,260,462
Total Operating Expenses	1,324,980	1,195,758	2,520,738
Income (Loss) from Operations	506,096	233,628	739,724
Non-Operating Income (Expense)	(205,411)	(5,603)	(211,014)
Income (Loss) before Capital Contributions	300,685	228,025	528,710
Capital Contributions	- 0 -	4,954,182	4,954,182
Change in Net Position	300,685	5,182,207	5,482,892
Net Position, January 1, 2018	7,250,223	9,800,035	17,050,258
Net Position, December 31, 2018	<u>\$ 7,550,908</u>	<u>\$ 14,982,242</u>	<u>\$ 22,533,150</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, 2018

Operating Revenue:

Water Sales	\$ 1,809,044	
Hydrant Fees	3,960	
Miscellaneous Revenue	18,072	
	<hr/>	
Total Operating Revenue		<hr/> 1,831,076

Operating Expenses:

Salaries and Wages	343,022	
Payroll Taxes	28,031	
Employee Benefits	84,724	
Pension Expense	22,374	
Chemicals	50,693	
Lab Fees and Testing Supplies	9,255	
Sludge Disposal	968	
Utilities	142,838	
Telephone and Internet	4,593	
Automated Dialing System	1,600	
Repairs and Maintenance	93,875	
Engineering Services	8,492	
Legal and Professional Services	14,007	
Insurance	24,357	
Office Expense	3,688	
Postage and Shipping	5,962	
Vehicle Expenses	12,630	
Office Rent	8,675	
Computer Maintenance/Software	15,112	
GIS Water System Map	3,639	
Training, Dues and Subscriptions	5,004	
Miscellaneous	1,347	
Depreciation	440,094	
	<hr/>	
Total Operating Expenses		<hr/> 1,324,980

Income (Loss) from Operations 506,096

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, 2018

Non-Operating Income and (Expense):

Contributions	(4,025)	
Interest Expense - Penn Vest Loan	(215,183)	
Interest Income	<u>13,797</u>	
Total Non-Operating Income (Expense)		<u>(205,411)</u>
Change in Net Position		300,685
Net Position, January 1, 2018		<u>7,250,223</u>
Net Position, December 31, 2018		<u>\$ 7,550,908</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, 2018

Operating Revenue:

Sewer Usage Charges	\$ 1,405,046	
Solid Waste Collection Fees	3,010	
Miscellaneous Revenue	21,330	
	<hr/>	
Total Operating Revenue		1,429,386

Operating Expenses:

Salaries and Wages	428,495	
Payroll Taxes	34,751	
Employee Benefits	108,127	
Pension Expense	26,635	
Chemicals	19,863	
Lab Fees and Testing Supplies	20,135	
Sludge Disposal	31,339	
Utilities	116,749	
Telephone and Internet	13,450	
Automated Dialing System	1,600	
Repairs and Maintenance	40,735	
Engineering Services	24,136	
Legal and Professional Services	18,007	
Permits and Licenses	2,048	
Insurance	40,263	
Office Expense	5,030	
Postage and Shipping	5,961	
Vehicle Expenses	7,912	
Office Rent	8,675	
Computer Maintenance/Software	15,432	
Training, Dues and Subscriptions	3,651	
I & I Work	12,930	
Depreciation	208,361	
Miscellaneous	1,473	
	<hr/>	
Total Operating Expenses		1,195,758

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, 2018

Income (Loss) from Operations	233,628
<i>Non-Operating Income and (Expense):</i>	
Interest Expense - Penn Vest Loan - Corsica	
Interest Expense - Penn Vest Loan - Rose Township	(6,951)
PA - DEP Civil Penalties	(11,500)
Contributions	(25)
Interest Income	12,873
	<hr/>
Total Non-Operating Income (Expense)	(5,603)
	<hr/>
Income (Loss) before Capital Contributions	228,025
<i>Capital Contributions:</i>	
United States Department of Agriculture - Rural Utilities Service - Water and Waste System Grant	4,954,182
	<hr/>
Change in Net Position	5,182,207
Net Position, January 1, 2018	9,800,035
	<hr/>
Net Position, December 31, 2018	<u>\$ 14,982,242</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 wastewater. The activities of providing water delivery service is accounted for in the Water Revenue Fund and the collection and treatment of wastewater 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) is 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, 2018

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, \$2,196,415 of the Authority's bank balance of \$2,946,415 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	\$ 2,196,415
Plus: Insured Amount	750,000
Deposits in Transit	25,261
Less: Outstanding Checks	<u>- 0 -</u>
Carrying Amount – Bank Balance	2,971,676
Less: Certificates of Deposit – Investments	<u>1,667,589</u>
Total Cash Per Statement of Net Position	<u>\$ 1,304,087</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 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, 2018, the Authority had \$220,262 on deposit with PLGIT. This amount is included in cash and cash equivalents on the Statement of Net Position.

Bank Certificates of Deposit

The Authority has the following bank certificates of deposit as of December 31, 2018:

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

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

Water Revenue Fund

S&T Bank – Purchased June 14, 2018 for a term of 12 months. Interest at 1.84 percent added semi-annually.	\$ 504,612	
Farmers National Bank – Purchased Feb. 10, 2017 for a term of 36 months. Interest at 1.49% added quarterly.	<u>102,634</u>	
Total Water Revenue Fund		607,246

Sewer Revenue Fund

S&T Bank – Purchased Oct. 5, 2018 for a term of 12 months. Interest at 2.00 percent added semi-annually.	201,806	
S&T Bank – Purchased Jan. 22, 2018 for a term of 12 months. Interest at .74 percent added semi-annually.	301,107	
S&T Bank – Purchased Jan. 22, 2018 for a term of 12 months. Interest at .74 percent added semi-annually.	250,922	
Farmers National Bank – Purchased Feb. 10, 2017 for a term of 36 months. Interest at 1.49 percent added quarterly.	102,634	
Farmers National Bank – Purchased Sept. 20, 2017 for a term of 25 months. Interest at 1.54 percent added quarterly.	<u>203,874</u>	
Total Sewer Revenue Fund		<u>1,060,343</u>
Total Bank Certificates of Deposit		<u>\$ 1,667,589</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. \$1,258,447 or 75 percent of the Authority's investments are in S&T Bank certificates of deposit. The balance of \$409,142 or 25 percent of the Authority's investments are in Farmers National Bank certificates of deposit.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

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

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, 2018.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

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

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 11, 2019, the date the financial statements were available.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 2 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 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	\$ 13,600	\$ -	\$ -	\$ 13,600
Construction in Progress	227,947	55,329	252,814	30,462
Total Capital Assets not being Depreciated	241,547	55,329	252,814	44,062
<i>Capital Assets being Depreciated:</i>				
Land and Site Improvements	99,041	-	-	99,041
Buildings	13,457,787	-	-	13,457,787
Water Distribution System	4,807,905	297,322	-	5,105,227
Machinery and Equipment	491,017	-	-	491,017
Vehicles	57,029	-	-	57,029
Total Capital Assets being Depreciated	18,912,779	297,322	-	19,210,101
<i>Less Accumulated Depreciation:</i>				
Land and Site Improvements	87,419	2,525	-	89,944
Buildings	2,357,193	323,012	-	2,680,205
Water Distribution System	1,599,996	94,020	-	1,694,016
Machinery and Equipment	412,432	17,168	-	429,600
Vehicles	45,238	3,369	-	48,607
Total Accumulated Depreciation	4,502,278	440,094	-	4,942,372
Total Capital Assets Being Depreciated, Net	14,410,501	(142,772)	-	14,267,729
Total Water Revenue Fund Capital Assets, Net	\$ 14,652,048	\$ (87,443)	\$ (252,814)	\$ 14,311,791

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

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	12,067,276	7,929,196	-	19,996,472
Total Capital Assets not being Depreciated	<u>12,082,627</u>	<u>7,929,196</u>	<u>-</u>	<u>20,011,823</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	6,678,993	83,507	-	6,762,500
Machinery and Equipment	2,210,377	-	-	2,210,377
Vehicles	492,460	-	-	492,460
Total Capital Assets being Depreciated	<u>11,431,621</u>	<u>83,507</u>	<u>-</u>	<u>11,515,128</u>
<i>Less Accumulated Depreciation:</i>				
Land and Site Improvements	32,409	563	-	32,972
Buildings	1,258,985	46,141	-	1,305,126
Sewer Collection System	1,798,634	134,415	-	1,933,049
Machinery and Equipment	2,145,276	8,300	-	2,153,576
Vehicles	401,891	18,942	-	420,833
Total Accumulated Depreciation	<u>5,637,195</u>	<u>208,361</u>	<u>-</u>	<u>5,845,556</u>
Total Capital Assets being Depreciated, Net	<u>5,794,426</u>	<u>(124,854)</u>	<u>-</u>	<u>5,669,572</u>
Total Sewer Revenue Fund Capital Assets, Net	<u>\$ 17,877,053</u>	<u>\$ 7,804,342</u>	<u>\$ -</u>	<u>\$ 25,681,395</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 2 – CHANGES IN CAPITAL ASSETS (continued)

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

1. Water Revenue Fund

Short Street/Richard Street Water Line Replacement	\$	252,814	
Water Plant Sludge Line		9,500	
Purchase/Installation of Remote Read Meters		23,666	
Church Street Water Line		5,469	
Mendenhall Road Water Line		<u>5,873</u>	
Total Cost/Value of Capital Additions			\$ <u>297,322</u>

2. Sewer Revenue Fund

Purchase/Installation of Remote Read Meters	\$	24,861	
Sewer Line Renovations – South Main Street		42,819	
Franklin/Madison Streets		<u>15,827</u>	
Total Cost/Value of Capital Additions			\$ <u>83,507</u>

Construction in progress reflected above consists of the following:

1. Water Revenue Fund

Engineering Fees for:			
SR322 and 28 Project	\$	29,446	
Main/Franklin Streets Project		<u>1,016</u>	
Total Water Revenue Fund Construction in Progress			\$ <u>30,462</u>

2. Sewer Revenue Fund

Wastewater Treatment Plant Renovation and System Improvements:			
Preliminary Studies and Fees	\$	287,859	
S&T Bank – Line of Credit Fees		92,566	
Phase 1A Costs		5,359,364	
Phase 1B Costs		5,456,792	
Phase II Costs		8,248,137	
S&T Bank – Line of Credit Interest		507,088	
Other Project Costs		<u>14,204</u>	

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 2 – CHANGES IN CAPITAL ASSETS (continued)

Total Wastewater Treatment Plant and System Improvement	19,966,010
Engineering Fees for:	
SR322 and 28 Project	29,446
Main/Franklin Streets Project	<u>1,016</u>
Total Sewer Revenue Fund Construction in Progress	<u>\$ 19,996,472</u>

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

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$451 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 consists of the Water Revenue Fund's share of bank fees.

NOTE 4 – DUE FROM/ DUE TO BOROUGH OF BROOKVILLE

Amounts reported as due from/due to Borough of Brookville are adjustments to reconcile payroll and related liabilities and other costs of the Brookville Municipal Authority paid through the Borough's Clearing Fund during the year 2018.

NOTE 5 – DEFERRED INFLOWS

Deferred inflows of \$6,157 reflected on the statement of net position consists of billing credits of customer excess payments or prepayments which will be applied to 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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 7 – LONG-TERM DEBT (continued)

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. Effective April 1, 2017, the interest rate increased to 2.547 percent and the monthly scheduled payment was increased to \$60,291.57. Total principal payments made in 2018 were \$508,316.34 and interest paid was \$215,182.50. The outstanding loan balance as of December 31, 2018, is \$8,172,060.08. Scheduled debt service requirements on the loan as of December 31, 2018 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2022	562,772.83	160,726.01	723,498.84
Dec. 31, 2023	577,275.15	146,223.69	723,498.84
2024 to 2028	3,117,333.36	500,160.84	3,617,494.20
2029 to 2032	<u>2,309,776.59</u>	<u>101,886.18</u>	<u>2,411,662.77</u>
	<u>\$ 8,172,060.08</u>	<u>\$ 1,474,591.09</u>	<u>\$ 9,646,651.17</u>

Pennsylvania Infrastructure Investment Authority – Rose Township Wastewater System Loan

Upon 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.

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 principal payments made in 2018 were \$32,838.14 and interest paid was \$6,950.86. The outstanding loan balance as of December 31, 2018 is \$677,270.29. Scheduled debt service requirements on the loan as of December 31, 2018 is as follows:

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 7 – LONG-TERM DEBT (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2022	34,177.74	5,611.26	39,789.00
Dec. 31, 2023	34,521.07	5,267.93	39,789.00
2024 to 2028	177,877.56	21,067.44	198,945.00
2029 to 2033	186,993.62	11,951.38	198,945.00
2034 to 2037	<u>143,193.24</u>	<u>2,700.92</u>	<u>145,894.16</u>
	<u>\$ 677,270.29</u>	<u>\$ 65,458.87</u>	<u>\$ 742,729.16</u>

S&T Bank – Interim Lines 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 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 and \$7,369,798.23 in 2017 for payment of various costs incurred for the improvements to the wastewater collection and treatment facilities. Final draw on the note of \$552,054.79 was obtained in January, 2018.

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 2018 ranged from 3.3178% to 3.8268%. Interest of \$346,167.02 was paid during 2018 and is included in construction in progress costs.

On July 18, 2017, the Municipal Authority obtained a supplemental interim line of credit note through S&T Bank in the amount of \$2,000,000.00. The supplemental line of credit note is to be fully repaid with the proceeds of additional permanent financing from USDA of the same amount. Proceeds of the non-revolving line of credit are to be used for the improvement project of the wastewater collection and treatment system.

An advance of \$50,001 was taken on the note in order to pay various fees in association with obtaining the line of credit (\$11,825) and costs of the project (\$38,176). The balance of the note of \$1,949,999.00 was drawn down during the current year to pay construction costs of the project.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 7 – LONG-TERM DEBT (continued)

Interest is payable quarterly on the outstanding loan balance beginning September 1, 2017, and thereafter on December 1, March 1, June 1 and September 1 of each year. The interest rate on the note is computed monthly based upon the 1 month LIBOR rate plus 2.25% plus the tax-exempt rate. The initial interest rate was 2.2900%. During 2018 the interest rate varied from 2.4569% to 2.8431%. Interest of \$39,711.15 was paid during 2018 and is included in construction in progress costs.

The S&T Bank interim line of credit notes of \$9,742,000.00 and \$2,000,000.00 were fully repaid on November 21, 2018 from the proceeds of the permanent financing obtained through the United States Department of Agriculture, Rural Utilities Service.

United States Department of Agriculture – Rural Utilities Service (RUS)

Permanent financing for the multi-phase improvement plan of the wastewater collection and treatment system was obtained through the United States Department of Agriculture – Rural Utilities Service (RUS). The initial loan commitment of \$9,742,000.00 was received in 2015 and a subsequent loan commitment of \$2,000,000.00 was received in 2017. The proceeds of the permanent financing are to be used to fully repay the S&T Bank interim lines of credit loans.

Closing on the RUS loans was held on November 21, 2018, at which time the interim loans at S&T Bank were fully repaid, along with all outstanding interest due on the loans.

The initial loan of \$9,742,000.00 is to be repaid over a period of 40 years. The first year will consist of interest only payments (beginning May 21, 2019) and the remaining 39 years (beginning May 21, 2020) consist of equal semi-annual payments of \$184,417.00 which includes interest at 2.125%. The subsequent loan of \$2,000,000.00 is to be repaid over a period of 40 years, with interest only payments the first year and the remaining 39 years consist of equal semi-annual payments of \$37,060.00 which includes interest at 2.000%.

The scheduled annual debt service requirements on the loans are as follows:

Initial Loan - \$9,742,000.00

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2019	\$ -	\$ 207,017.49	\$ 207,017.49
Dec. 31, 2020	162,119.09	206,714.91	368,834.00
Dec. 31, 2021	166,155.66	202,678.34	368,834.00
Dec. 31, 2022	169,705.23	199,128.77	368,834.00
Dec. 31, 2023	173,330.62	195,503.38	368,834.00
2024 to 2028	922,731.74	921,438.26	1,844,170.00
2029 to 2033	1,026,212.95	817,957.05	1,844,170.00
2034 and thereafter	<u>7,121,744.71</u>	<u>2,095,600.09</u>	<u>9,217,344.80</u>
	<u>\$ 9,742,000.00</u>	<u>\$ 4,846,038.29</u>	<u>\$14,588,038.29</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 7 – LONG-TERM DEBT (continued)

Subsequent Loan - \$2,000,000.00

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2019	\$ -	\$ 39,999.99	\$ 39,999.99
Dec. 31, 2020	34,182.96	39,937.04	74,120.00
Dec. 31, 2021	34,980.73	39,139.27	74,120.00
Dec. 31, 2022	35,683.85	38,436.15	74,120.00
Dec. 31, 2023	36,401.09	37,718.91	74,120.00
2024 to 2028	193,073.18	177,526.82	370,600.00
2029 to 2033	213,391.76	157,208.24	370,600.00
2034 and thereafter	<u>1,452,286.43</u>	<u>400,457.19</u>	<u>1,852,743.62</u>
	<u>\$ 2,000,000.00</u>	<u>\$ 930,423.61</u>	<u>\$ 2,930,423.61</u>

The loans from USDA – RUS are secured by a guaranty agreement dated November 21, 2018 by and among the Borough of Brookville (88.05%); Pine Creek Township (6.04%); Rose Township (5.36%) and Know Township (.55%) severally as guarantors, and Brookville Municipal Authority and the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture. The guarantors agree to the full and prompt payment of principal and interest when due on the loans along with all costs, fees, expenses, and charges that may be paid or incurred in enforcing this guarantee agreement. The guarantors are to pay only that portion of the debt service that cannot be paid from the receipts and revenues from the Municipal Authority Sewer System.

NOTE 8 – DESIGNATION OF UNRESTRICTED NET ASSETS – WATER REVENUE FUND

Pursuant to Board approval, the Water Revenue Fund has designated \$216,000 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 the past four years. 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 – PENSION

The Brookville Municipal Authority maintains a single-employer defined benefit pension plan controlled by the provisions of a 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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 9 – PENSION (continued)

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, 2017, the actuarial value of plan assets was \$2,942,672, the actuarial accrued liability was \$3,163,856, and the plan had an unfunded liability of \$221,184.

**Employees Covered by Benefit Terms
as of January 1, 2017**

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	<u>14</u>
Total Participant Count	<u>18</u>

The total pension contribution paid by the Authority during the year was \$49,009, which was the Minimum Municipal Obligation computed under Act 205. The Water Revenue Fund was charged \$22,374 and the Sewer Revenue Fund was charged \$26,635. 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, 2017, 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, 2017 were as follows:

Total Pension Liability	\$ 3,299,416
Plan Fiduciary Net Position	\$ 3,201,393
Net Pension Liability	\$ 98,023
Plan Fiduciary Net Position as a percentage of Total Pension Liability	97.03%

The discount rate used to measure the total pension liability was 5.25%. The following presents the net pension liability, calculated using the discount rate of 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	<u>1% Decrease</u> <u>4.25%</u>	<u>Current Rate</u> <u>5.25%</u>	<u>1% Increase</u> <u>6.25%</u>
Net Pension Liability	\$ 450,615	\$ 98,023	\$ (207,245)

Brookville Municipal Authority

Required Supplementary Information - Schedule of Changes in Net Pension Liability

Last 10 Years*

December 31, 2018

Schedule of Changes in Net Pension Liability*

	Measurement Year Ending			
	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Total Pension Liability				
Service Cost (Beginning of Year)	\$ 54,427	\$ 58,341	\$ 52,735	\$ 64,255
Interest (includes Interest on Service Cost)	147,290	150,416	157,575	166,996
Changes of Benefit Terms				
Differences between Expected and Actual Experience	(91,093)		112,594	
Changes of Assumptions		6,070	77,166	
Transfers				
Benefit Payments, including Refunds of Employee Contributions	(52,517)	(62,945)	(95,691)	(95,691)
<i>Net Change in Total Pension Liability</i>	\$ 58,107	\$ 151,882	\$ 304,379	\$ 135,560
<i>Total Pension Liability - Beginning</i>	2,649,488	2,707,595	2,859,477	3,163,856
<i>Total Pension Liability - Ending</i>	<u>\$ 2,707,595</u>	<u>\$ 2,859,477</u>	<u>\$ 3,163,856</u>	<u>\$ 3,299,416</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 17,124	\$ 41,738	\$ 43,156	\$ 45,261
Contributions - PMRS Assessment		320	360	360
Contributions - Employee	23,814	26,017	25,751	28,064
PMRS Investment Income	134,937	150,014	149,861	150,312
Market Value Investment Income	7,020	(152,762)	76,723	333,390
Transfers				
Benefit Payments, including Refunds of Employee Contributions	(52,517)	(62,945)	(95,691)	(95,691)
PMRS Administrative Expense	(320)	(320)	(320)	(360)
Additional Administrative Expense	(5,175)	(6,254)	(7,342)	(6,913)
<i>Net Change in Plan Fiduciary Net Position</i>	\$ 124,883	\$ (4,192)	\$ 192,498	\$ 454,423
<i>Plan Fiduciary Net Position - Beginning</i>	2,433,781	2,558,664	2,554,472	2,746,970
<i>Plan Fiduciary Net Position - Ending</i>	<u>\$ 2,558,664</u>	<u>\$ 2,554,472</u>	<u>\$ 2,746,970</u>	<u>\$ 3,201,393</u>
<i>Net Pension Liability - Ending</i>	<u>\$ 148,931</u>	<u>\$ 305,005</u>	<u>\$ 416,886</u>	<u>\$ 98,023</u>

*For those years that are available.

Brookville Municipal Authority

Required Supplementary Information - Schedule of Changes in Net Pension Liability (continued)

Last 10 Years*

December 31, 2018

Schedule of Changes in Net Pension Liability*

	Measurement Year Ending			
	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Plan Fiduciary Net Position (continued)				
<i>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</i>	94.50%	89.33%	86.82%	97.03%
<i>Covered Employee Payroll</i>	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593
<i>Net Pension Liability as a Percentage of Covered Employee Payroll</i>	24.22%	46.89%	64.76%	13.97%
Schedule of Employer Contributions*				
Actuarially Determined Contribution	\$ 16,617	\$ 42,038	\$ 43,476	\$ 45,621
Contributions in Relation to the Actuarially Determined Contribution	17,124	42,058	43,516	45,621
Contribution Deficiency/(Excess)	<u>\$ (507)</u>	<u>\$ (20)</u>	<u>\$ (40)</u>	<u>\$ - 0 -</u>
Participant Payroll	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593
Contributions as a Percentage of Participant Payroll	2.78%	6.47%	6.76%	6.50%

*For those years that are available.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2018

NOTE 10 – CONTRACTS, COMMITMENTS AND CONTINGENCIES

Consent Order and Agreement

The Authority has entered into a consent order and agreement with the Commonwealth of Pennsylvania, Department of Environmental Protection dated April 2, 2012. The agreement is the result of various sanitary sewer overflows occurring at the Brookville Municipal Authority wastewater treatment plant. Under the Agreement, the Authority must undertake various actions to bring the plant into compliance with the NPDES permit and various other state and federal laws. The wastewater treatment plant and facilities are to be in compliance by December 31, 2018.

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 \$11,500 were incurred during 2018.

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 \$19,966,010 have been paid through December 31, 2018 and are reflected in construction in progress on the Sewer Revenue Fund statement of net position.

Phase IA of the project consists of various wastewater conveyance system improvements and the White Street lift station. Total cost paid on Phase 1A through December 31, 2018 was \$5,359,364.

Phase II of the project consists of wastewater treatment facilities improvements. Total costs paid on Phase II through December 31, 2018 was \$8,248,137.

Phase 1B consists of additional wastewater conveyance system improvements. Total costs paid on Phase 1B through December 31, 2018 was \$5,456,792.

Additional project costs of \$901,717, which consists of preliminary studies, bank fees, construction period interest and other permits and fees, have been paid through December 31, 2018.

NOTE 10 – CONTRACTS, COMMITMENTS AND CONTINGENCIES (continued)

The Authority was awarded a grant from the Commonwealth of Pennsylvania; Commonwealth Financing Authority (CFA) in the amount of \$2,269,167 to be used for 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 of \$1,151,863 was received during 2017.

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. Grant funding of \$4,954,182 has been received in 2018 after all other funding sources had been exhausted.

The Authority has begun design and plan for a water/sewer line replacement project for East Main Street. Total expected cost of the project is \$482,539, with funding provided by the Authority, the Borough of Brookville and a grant through the Commonwealth of Pennsylvania, Department of Community and Economic Development (DCED). Expected cost sharing is expected as follows:

PA DCED	\$	307,700
Brookville Municipal Authority		153,578
Borough of Brookville		<u>21,261</u>
	\$	<u>482,539</u>

Costs incurred through December 31, 2018 for engineering fees are reflected in construction in progress.

NOTE 11 – RISK MANAGEMENT

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

Brookville Municipal Authority

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2018

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, 2018

Federal Grantor/ Program Title	Funding Source Code	CFDA Number	Loan or Grant Award	Loan or Grant Balance January 1, 2018	Funds Received During the Year	Expenditures	Loan or Grant Balance December 31, 2018
United States Department of Agriculture:							
Water and Waste Disposal Systems for Rural Communities - Loan	1	10.760	\$ 9,742,000.00	\$ 9,189,945.21	\$ 552,054.79	\$ 552,054.79	\$ 9,742,000.00
Water and Waste Disposal Systems for Rural Communities - Supplemental Loan	1	10.760	2,000,000.00	50,001.00	1,949,999.00	1,949,999.00	2,000,000.00
Water and Waste Disposal Systems for Rural Communities - Grant	1	10.760	8,078,900.00	- 0 -	4,954,182.41	4,954,182.41	4,954,182.41
Total Federal Financial Assistance				<u>\$ 9,239,946.21</u>	<u>\$ 7,456,236.20</u>	<u>\$ 7,456,236.20</u>	<u>\$ 16,696,182.41</u>

Finding 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, 2018

Note 1 – Method of Accounting

The information presented on the Schedule of Expenditures of Federal Awards was prepared on the accrual 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, 2018.

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 was increased an additional \$2,000,000.00.

The Authority was required to utilize commercial interim loans for the exact amount of the loan approvals. The interim loans were to be used during the construction period and repaid from the proceeds of the USDA loans after the interim loans were fully utilized. The Authority obtained interim financing through S&T Bank, and the loan disbursement amounts reported have been paid through these loans. Official closing on the permanent financing loans was held on November 21, 2018, at which time proceeds from the loans were applied to fully repay the interim loans at S&T Bank.

As of April 10, 2018, the Authority had drawn the full amount available on the interim financing loans, and began receiving funding through the grant. Total grant funds received and expensed in 2018 were \$4,954,182.41.



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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, 2018 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 September 11, 2019.

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
September 11, 2019



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, 2018. 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, 2018.

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
September 11, 2019



MAUTHE, YUTZEY, GABLER & TROXELL, LLC

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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, 2018.

(1) Summary of auditor's results:

- (i) Type of report issued on the financial statements - unmodified 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 - unmodified 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:

CFDA Number	Name of Federal Program	Amount Expended
10.760	Water and Waste Disposal Systems for Rural Communities	<u>\$ 7,456,236.20</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

Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
September 11, 2019

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