



BROOKVILLE MUNICIPAL AUTHORITY

Brookville, Pennsylvania

December 31, 2019

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**Brookville Municipal Authority**

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# Troxell & Associates, LLC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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, 2019, 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.

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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.

## **Opinion**

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, 2019, 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**

### *Supplemental and Other Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-11 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.

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 14, 2020 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.



Troxell & Associates, LLC  
Certified Public Accountants  
September 14, 2020

## **Brookville Municipal Authority**

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### Management's Discussion and Analysis

December 31, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's December 31, 2019 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 \$25,835,201 (net position).
- The Authority currently has \$7,782,585 of debt for the Water Revenue Fund and \$25,835,201 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.

## Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2019

### 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 12-20 of this report.

### 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 21-38 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 \$25,835,201 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	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current & Other Assets	\$ 1,611,111	\$ 1,535,868	\$ 2,413,474	\$ 1,787,965	\$ 4,024,585	\$ 3,323,833
Fixed Assets – Net of Deprec.	14,128,506	14,311,791	28,007,901	25,681,395	42,136,407	39,993,186
Total Assets	15,739,617	15,847,659	30,421,375	27,469,360	46,160,992	43,317,019
Deferred Outflows	-	-	-	-	-	-
Total Assets & Deferred Outflows	\$ 15,739,617	\$ 15,847,659	\$ 30,421,375	\$ 27,469,360	\$ 46,160,992	\$ 43,317,019
<b>Liabilities:</b>						
Current Liabilities	\$ 588,717	\$ 563,864	\$ 199,403	\$ 99,329	\$ 788,120	\$ 663,193
Long Term Liabilities	7,115,793	7,650,645	12,337,302	12,386,102	19,453,095	20,036,747
Customer Deposits	78,075	77,772	-	-	78,075	77,772
Total Liabilities	7,782,585	8,292,281	12,536,705	12,485,431	20,319,290	20,777,712
Deferred Inflows	4,549	4,470	1,952	1,687	6,501	6,157
Total Liabilities & Deferred Inflow	\$ 7,787,134	\$ 8,296,751	\$ 12,538,657	\$ 12,487,118	\$ 20,325,791	\$ 20,783,869



**Brookville Municipal Authority**

Management's Discussion and Analysis (continued)

December 31, 2019

**Brookville Municipal Authority Net Position**

	Water Revenue		Sewer Revenue		Totals	
	2019	2018	2019	2018	2019	2018
<i>Net Position:</i>						
Invested in Capital Assets						
Net of Related Debt	\$ 6,477,861	\$ 6,139,731	\$15,637,098	\$13,262,124	\$22,114,959	\$19,401,855
Unrestricted	1,474,622	1,411,177	2,245,620	1,720,118	3,720,242	3,131,295
<b>Total Net Position</b>	<b>7,952,483</b>	<b>7,550,908</b>	<b>17,882,718</b>	<b>14,982,242</b>	<b>25,835,201</b>	<b>22,533,150</b>
Total Liabilities, Deferred						
Inflows & Net Position	\$15,739,617	\$15,847,659	\$30,421,375	\$27,469,360	\$46,160,992	\$43,317,019

**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	
	2019	2018	2019	2018	2019	2018
<i>Operating Revenues:</i>						
System Usage Charges	\$ 1,786,236	\$ 1,809,044	\$ 1,637,181	\$ 1,405,046	\$ 3,423,417	\$ 3,214,090
Miscellaneous						
Revenue	43,023	22,032	42,992	24,340	86,015	46,372
<b>Total Operating Revenues</b>	<b>1,829,259</b>	<b>1,831,076</b>	<b>1,680,173</b>	<b>1,429,386</b>	<b>3,509,432</b>	<b>3,260,462</b>
Operating Expenses	1,471,993	1,324,980	1,407,601	1,195,758	2,879,594	2,520,738
Income (Loss) From						
Operations	357,266	506,096	272,572	233,628	629,838	739,724
Non-Operating Income						
& (Expenses)	\$ (203,002)	\$ (205,411)	\$ (783,749)	\$ (5,603)	\$ (986,751)	\$ (211,014)
Income (Loss) Before						
Capital						
Contributions	\$ 154,264	\$ 300,685	\$ (511,177)	\$ 228,025	\$ (356,913)	\$ 528,710
Capital Contributions	247,311	-	3,411,653	4,954,182	3,658,964	4,954,182
Change in Net						
Position	401,575	300,685	2,900,476	5,182,207	3,302,051	5,482,892
Net Position, January 1	7,550,908	7,250,223	14,982,242	9,800,035	22,533,150	17,050,258
Net Position,						
December 31	\$ 7,952,483	\$ 7,550,908	\$ 17,882,718	\$14,982,242	\$25,835,201	\$22,533,150

**Brookville Municipal Authority**

Management's Discussion and Analysis (continued)

December 31, 2019

**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, 2019 was \$14,311,791 for the Water Revenue Fund and \$25,681,395 for the Sewer Revenue Fund. Over the course of 2019, the Water Revenue Fund decreased by \$183,285 and the Sewer Revenue Fund increased by \$2,326,506. Capital assets as of December 31, 2019 were \$14,128,506 for the Water Revenue Fund and \$28,007,901 for the Sewer Revenue Fund.

The Capital Assets activity for 2019 may be found in Note 2 on pages 27-30 of this report.

**Water Plant Loan  
PennVest Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	592,151.24	146,223.69	723,498.84
December 31, 2024	592,151.24	131,347.60	723,498.84
2025 to 2029	3,197,665.29	419,828.91	3,617,494.20
2030 to 2032	<u>1,637,293.42</u>	<u>50,870.51</u>	<u>1,688,163.93</u>
	<u>\$ 7,650,644.70</u>	<u>\$ 1,272,217.63</u>	<u>\$ 8,922,862.33</u>

**Rose Township Wastewater System Loan  
PennVest Loan**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
December 31, 2024	34,867.88	4,921.12	39,789.00
2025 to 2029	179,664.49	19,280.51	198,945.00
2030 to 2034	188,872.17	10,072.83	198,945.00
2035 to 2037	<u>104,659.88</u>	<u>1,445.28</u>	<u>106,105.16</u>
	<u>\$ 644,102.26</u>	<u>\$ 58,837.90</u>	<u>\$ 702,940.16</u>

## Brookville Municipal Authority

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Management's Discussion and Analysis (continued)

December 31, 2019

Additional information on Brookville Municipal Authority's long-term debt can be found in Note 7 on pages 31-35 of this report.

### Economic Factors

- The unemployment rate as of December 31, 2019 for Jefferson County is 6.20 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 35 for additional information.
  - Brookville Municipal Authority completed constructing a new wastewater treatment plant to meet Department of Environmental Protection (DEP) compliance on December 31, 2019. In 2019, the Authority did not have any penalties for not being in compliance with DEP regulations.

### 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, 2019

	Water Revenue Fund	Sewer Revenue Fund	Totals
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 844,323	\$ 1,934,908	\$ 2,779,231
Bank certificates of deposit	558,503	104,171	662,674
Accounts receivable - customers	140,752	129,021	269,773
Accounts receivable - grants	-	210,737	210,737
Accounts receivable - other	670	6,587	7,257
Due from sewer fund/water fund	25,862	1,365	27,227
Due from Borough of Brookville	1,814	1,574	3,388
Prepaid insurance	4,825	7,344	12,169
Accrued interest	656	251	907
Inventory	33,706	17,516	51,222
<b>Total Current Assets</b>	<b>1,611,111</b>	<b>2,413,474</b>	<b>4,024,585</b>
<b>Fixed Assets:</b>			
Land	13,600	15,351	28,951
Land and site improvements - net of depreciation	6,572	17,006	23,578
Buildings - net of depreciation	10,435,238	22,796,235	33,231,473
Water distribution system - net of depreciation	3,318,404	-	3,318,404
Sewer collection system - net of depreciation	-	4,722,966	4,722,966
Machinery and equipment - net of depreciation	53,128	49,106	102,234
Vehicles - net of depreciation	5,053	54,447	59,500
Construction in progress	296,511	352,790	649,301
<b>Total Fixed Assets - Net of Depreciation</b>	<b>14,128,506</b>	<b>28,007,901</b>	<b>42,136,407</b>
<b>Total Assets</b>	<b>15,739,617</b>	<b>30,421,375</b>	<b>46,160,992</b>
Deferred outflows	-	-	-
<b>Total Assets and Deferred Outflows</b>	<b>\$ 15,739,617</b>	<b>\$ 30,421,375</b>	<b>\$ 46,160,992</b>

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Net Position (continued)

December 31, 2019

	Water Revenue Fund	Sewer Revenue Fund	Totals
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 40,593	\$ 128,648	\$ 169,241
Accrued payroll	11,853	11,289	23,142
Due to sewer fund/water fund	1,365	25,862	27,227
Due to Borough of Brookville	54	103	157
Current portion of long-term debt	534,852	33,501	568,353
<b>Total Current Liabilities</b>	<b>588,717</b>	<b>199,403</b>	<b>788,120</b>
<b>Long-term Debt:</b>			
USDA - rural development loans	-	11,726,701	11,726,701
PennVest - water plant	7,115,793	-	7,115,793
PennVest - Rose Township collection system	-	610,601	610,601
<b>Total Long-term Debt</b>	<b>7,115,793</b>	<b>12,337,302</b>	<b>19,453,095</b>
<b>Other Liabilities:</b>			
Customer deposits	78,075	-	78,075
<b>Total Liabilities</b>	<b>7,782,585</b>	<b>12,536,705</b>	<b>20,319,290</b>
Deferred Inflows	4,549	1,952	6,501
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	6,477,861	15,637,098	22,114,959
Unrestricted	1,474,622	2,245,620	3,720,242
<b>Total Net Position</b>	<b>7,952,483</b>	<b>17,882,718</b>	<b>25,835,201</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 15,739,617</b>	<b>\$ 30,421,375</b>	<b>\$ 46,160,992</b>

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Cash Flows

For the Year Ended December 31, 2019

	Water Revenue Fund	Sewer Revenue Fund	Totals
<b>Cash Flows from Operating Activities:</b>			
Cash received from users	\$ 1,786,733	\$ 1,619,889	\$ 3,406,622
Cash received from other operating revenue	18,983	61,062	80,045
Cash payments to employees for services	(565,902)	(529,006)	(1,094,908)
Cash payments to suppliers for goods and services	(474,113)	(388,543)	(862,656)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>765,701</b>	<b>763,402</b>	<b>1,529,103</b>
<b>Net Cash Provided (Used) by Non-Capital Financing activities - contributions to local agencies</b>	<b>(4,000)</b>	<b>-</b>	<b>(4,000)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Advances received on loans	-	-	-
Principal paid on loans	(521,415)	(48,467)	(569,882)
Acquisition of capital assets	(276,525)	(3,289,512)	(3,566,037)
Interest paid on loans	(202,083)	(251,041)	(453,124)
Contributed capital	259,351	3,215,220	3,474,571
Payment of DEP civil penalties	-	(750)	(750)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(740,672)</b>	<b>(374,550)</b>	<b>(1,115,222)</b>
<b>Cash Flows from Investing Activities:</b>			
Redemption/(purchase) of certificates of deposit (net)	48,743	956,171	1,004,914
Interest income	24,577	35,772	60,349
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>73,320</b>	<b>991,943</b>	<b>1,065,263</b>

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, 2019

	Water Revenue Fund	Sewer Revenue Fund	Totals
Net Increase/(Decrease) in Cash and Cash Equivalents	94,349	1,380,795	1,475,144
Cash and Cash Equivalents - Jan. 1, 2019	749,974	554,113	1,304,087
Cash and Cash Equivalents - Dec. 31, 2019	<u>\$ 844,323</u>	<u>\$ 1,934,908</u>	<u>\$ 2,779,231</u>
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 357,266	\$ 272,572	\$ 629,838
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	437,205	493,931	931,136
(Increase) decrease in accounts receivable	(23,656)	(23,490)	(47,146)
(Increase) decrease in inventory	265	(4,758)	(4,493)
(Increase) decrease in prepaid insurance	(4,825)	(7,344)	(12,169)
Increase (decrease) in accounts payable	(3,553)	32,295	28,742
Increase (decrease) in accrued payroll	2,617	(69)	2,548
Increase (decrease) in customer deposits	303	-	303
Increase (decrease) in deferred inflows	79	265	344
Net Cash Provided (Used) by Operations	<u>\$ 765,701</u>	<u>\$ 763,402</u>	<u>\$ 1,529,103</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, 2019

	Water Revenue Fund	Sewer Revenue Fund	Totals
<b>Operating Revenue:</b>			
System usage charges	\$ 1,786,236	\$ 1,637,181	\$ 3,423,417
Miscellaneous revenue	43,023	42,992	86,015
<b>Total Operating Revenue</b>	<u>1,829,259</u>	<u>1,680,173</u>	<u>3,509,432</u>
<b>Total Operating Expenses</b>	<u>1,471,993</u>	<u>1,407,601</u>	<u>2,879,594</u>
Income (loss) from operations	357,266	272,572	629,838
Non-operating income (expense)	<u>(203,002)</u>	<u>(783,749)</u>	<u>(986,751)</u>
Income (loss) before capital contributions	154,264	(511,177)	(356,913)
Capital contributions	<u>247,311</u>	<u>3,411,653</u>	<u>3,658,964</u>
<b>Change in Net Position</b>	401,575	2,900,476	3,302,051
<b>Net Position, January 1, 2019</b>	<u>7,550,908</u>	<u>14,982,242</u>	<u>22,533,150</u>
<b>Net Position, December 31, 2019</b>	<u><u>\$ 7,952,483</u></u>	<u><u>\$ 17,882,718</u></u>	<u><u>\$ 25,835,201</u></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, 2019

Operating Revenue:

Water sales	\$ 1,786,236	
Hydrant fees	3,120	
Tap fees	5,100	
Sales of parts & supplies	15,498	
Rent of machinery & equipment	4,682	
Miscellaneous revenue	14,623	
<b>Total Operating Revenue</b>		<u>1,829,259</u>

Operating Expenses:

Salaries and wages	398,559	
Payroll taxes	32,520	
Employee benefits	104,262	
Pension expense	33,392	
Chemicals	58,892	
Lab fees and testing supplies	20,249	
Sludge disposal	1,155	
Utilities	144,443	
Telephone and internet	5,015	
Automated dialing system	2,823	
Repairs and maintenance	132,330	
Engineering services	13,728	
Legal and professional services	14,321	
Insurance	14,989	
Office expense	4,620	
Postage and shipping	6,073	
Vehicle expenses	7,548	
Office rent	8,675	
Computer maintenance/software	13,429	
Training, dues and subscriptions	15,365	
Miscellaneous	2,400	
Depreciation	437,205	
<b>Total Operating Expenses</b>		<u>1,471,993</u>

Income (loss) from operations 357,266

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

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Water Revenue Fund

Statement of Revenues, Expenses and Changes in Net Position (continued)

For the Year Ended December 31, 2019

**Non-Operating Income and (Expense):**

Contributions	(4,000)	
Interest expense - PennVest Loan	(202,083)	
Interest income	24,587	
Gain/(loss) on asset disposal	(21,506)	
	<hr/>	
<b>Total Non-Operating Income (Expense)</b>		<b>(203,002)</b>

Income (loss) before capital contributions 154,264

**Capital Contributions:**

Commonwealth of Pennsylvania - small water & sewer program grant	150,773	
PennDOT - sanitary sewer & waterline utility extension (new vehicle wash building)	96,538	
	<hr/>	
<b>Total Capital Contributions</b>		<b>247,311</b>

Change in net position 401,575

Net Position, January 1, 2019 7,550,908

Net Position, December 31, 2019 \$ 7,952,483

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, 2019

**Operating Revenue:**

Sewer usage charges	\$ 1,637,181	
Solid waste collection fees	3,496	
Tap fees	5,100	
Sales of parts & supplies	10,267	
Rent of machinery & equipment	6,222	
Miscellaneous revenue	17,907	
<b>Total Operating Revenue</b>		<b>1,680,173</b>

**Operating Expenses:**

Salaries and wages	380,859	
Payroll taxes	30,895	
Employee benefits	84,375	
Pension expense	33,317	
Chemicals	6,097	
Lab fees and testing supplies	26,241	
Sludge disposal	46,216	
Utilities	111,318	
Telephone and internet	16,226	
Automated dialing system	2,823	
Repairs and maintenance	41,199	
Engineering services	15,944	
Legal and professional services	21,021	
Permits and licenses	1,615	
Insurance	33,853	
Office expense	4,798	
Postage and shipping	6,073	
Vehicle expenses	15,406	
Office rent	8,675	
Computer maintenance/software	13,335	
Training, dues and subscriptions	4,460	
I & I work	2,971	
Miscellaneous	5,953	
Depreciation	493,931	
<b>Total Operating Expenses</b>		<b>1,407,601</b>

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, 2019

Income (loss) from operations		272,572
<b>Non-Operating Income and (Expense):</b>		
Interest expense - PennVest Loan	(244,420)	
Interest expense - PennVest Loan - Rose Township	(6,621)	
PA - DEP civil penalties	(750)	
Interest income	32,927	
Gain/(loss) on asset disposal	(564,885)	
	<hr/>	
<b>Total Non-Operating Income (Expense)</b>		<b>(783,749)</b>
		<hr/>
Income (loss) before capital contributions		(511,177)
<b>Capital Contributions:</b>		
United States Department of Agriculture - rural utilities service - water and waste system grant	3,124,718	
Commonwealth of Pennsylvania - small water & sewer Program grant	156,927	
PennDOT - sanitary sewer & waterline utility extension (new vehicle wash building)	130,008	
	<hr/>	
<b>Total Capital Contributions</b>		<b>3,411,653</b>
Change in net position		2,900,476
<b>Net Position, January 1, 2019</b>		<b>14,982,242</b>
		<hr/>
<b>Net Position, December 31, 2019</b>		<b>\$ 17,882,718</b>
		<hr/> <hr/>

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.

The Municipal Authority of the Borough of Brookville (Authority) is a body corporate and politic created pursuant to an ordinance of the Council of the Borough of Brookville, under an Act of the General Assembly of the Commonwealth of Pennsylvania, approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipality Authorities Act of 1945. The Authority owns and operates both a water and sanitary sewage facility.

The Authority is considered a component unit of the Borough of Brookville, Jefferson County, Pennsylvania. The Borough of Brookville has guaranteed certain long-term debt of the Authority and appoints members to the Authority's Board of Directors. These financial statements present only the position, changes in net position and cash flows of the component unit.

**Fund Accounting and Basis of Presentation**

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

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

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

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 1 – Summary of Significant Accounting Policies and Description of Operations (continued)**

**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.

**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, \$2,671,546 of the Authority's bank balance of \$3,421,546 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	\$ 2,671,546
Plus: insured amount	750,000
Deposits in transit	20,359
Less: outstanding checks	<u>                  -</u>
Carrying amount – bank balance	3,441,905
Less: certificates of deposit – investments	<u>662,674</u>
Total cash per statement of net position	<u>\$ 2,779,231</u>

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 1 – Summary of Significant Accounting Policies and Description of Operations (continued)**

**Reconciliation to Financial Statements (continued)**

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, 2019, the Authority had \$1,613,554 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, 2019:

**Water Revenue Fund**

S&T Bank – Purchased June 14, 2018 for a term of 12 months. Interest at 1.84 percent added semi-annually.	\$ 454,332
Farmers National Bank – Purchased Feb. 10, 2017 for a term of 36 months. Interest at 1.49% added quarterly.	<u>104,171</u>
Total Water Revenue Fund	558,503

**Sewer Revenue Fund**

Farmers National Bank – Purchased Feb. 10, 2017 for a term of 36 months. Interest at 1.49 percent added quarterly.	<u>104,171</u>
Total Sewer Revenue Fund	<u>104,171</u>
Total Bank Certificates of Deposit	<u>\$ 662,674</u>

**Note 1 – Summary of Significant Accounting Policies and Description of Operations (continued)**

**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. \$454,332 or 68 percent of the Authority's investments are in S&T Bank certificates of deposit. The balance of \$208,342 or 32 percent of the Authority's investments are in Farmers National 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.



Note 1 – Summary of Significant Accounting Policies and Description of Operations (continued)

Fixed Assets (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, 2019.

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.

**Note 1 – Summary of Significant Accounting Policies and Description of Operations (continued)**

**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**

The Authority's operations may be affected by the recent and ongoing outbreak of coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Authority's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the Authority's customers and revenue, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Authority.

Management has evaluated subsequent events through September 14, 2020, the date the financial statements were available.

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 2 – Changes in Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

<u>Water Revenue Fund</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 13,600	\$ -	\$ -	\$ 13,600
Construction in progress	30,462	266,049	-	296,511
Total capital assets not being depreciated	<u>44,062</u>	<u>266,049</u>	<u>-</u>	<u>310,111</u>
<b>Capital Assets being Depreciated:</b>				
Land and site improvements	99,041	-	-	99,041
Buildings	13,457,787	-	45,113	13,412,674
Water distribution system	5,105,227	27,843	25,856	5,107,214
Machinery and equipment	491,017	5,761	216,067	280,711
Vehicles	57,029	-	25,078	31,951
Total capital assets being depreciated	<u>19,210,101</u>	<u>33,604</u>	<u>312,114</u>	<u>18,931,591</u>
<b>Less Accumulated Depreciation:</b>				
Land and site improvements	89,944	2,525	-	92,469
Buildings	2,680,205	323,012	25,781	2,977,436
Water distribution system	1,694,016	96,423	1,629	1,788,810
Machinery and equipment	429,600	11,876	213,893	227,583
Vehicles	48,607	3,369	25,078	26,898
Total accumulated depreciation	<u>4,942,372</u>	<u>437,205</u>	<u>266,381</u>	<u>5,113,196</u>
Total capital assets being depreciated, net	<u>14,267,729</u>	<u>(403,601)</u>	<u>45,733</u>	<u>13,818,395</u>
Total water revenue fund capital assets, net	<u>\$ 14,311,791</u>	<u>\$ (137,552)</u>	<u>\$ 45,733</u>	<u>\$ 14,128,506</u>

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 2 – Changes in Capital Assets (continued)**

Sewer Revenue Fund	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 15,351	\$ -	\$ -	\$ 15,351
Construction in progress	19,996,472	322,328	19,966,010	352,790
Total capital assets not being depreciated	20,011,823	322,328	19,966,010	368,141
<b>Capital Assets being Depreciated:</b>				
Land and site improvements	43,876	17,221	43,876	17,221
Buildings	2,005,915	22,977,930	1,229,425	23,754,420
Sewer collection system	6,762,500	29,056	-	6,791,556
Machinery and equipment	2,210,377	7,759	1,390,730	827,406
Vehicles	492,460	-	20,077	472,383
Total capital assets being depreciated	11,515,128	23,031,966	2,684,108	31,862,986
<b>Less Accumulated Depreciation:</b>				
Land and site improvements	32,972	779	33,535	216
Buildings	1,305,125	333,365	680,305	958,185
Sewer collection system	1,933,049	135,541	-	2,068,590
Machinery and equipment	2,153,576	7,066	1,382,343	778,299
Vehicles	420,833	17,180	20,077	417,936
Total accumulated depreciation	5,845,555	493,931	2,116,260	4,223,226
Total capital assets being depreciated, net	5,669,573	22,538,035	567,848	27,639,760
Total sewer revenue fund capital assets, net	\$ 25,681,396	\$ 22,860,363	\$20,533,858	\$ 28,007,901

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2019

**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

SCADA upgrade	\$	5,761	
Purchase/installation of remote read meters		<u>27,843</u>	
Total cost/value of capital additions			<u>\$ 33,604</u>

2. Sewer Revenue Fund

Wastewater treatment plant renovation	\$	22,977,930	
Purchase of conveyor belt press		7,759	
Purchase/installation of remote read meters		20,034	
Sewer line renovations - Madison Avenue		9,022	
Welch Run culvert pipe		<u>17,221</u>	
Total cost/value of capital additions			<u>\$ 23,031,966</u>

Construction in progress reflected above consists of the following:

1. Water Revenue Fund

Main Street/Franklin Avenue Project

Engineering fees	\$	22,500	
Soil removal		3,825	
Inspection fees		1,190	
Project payments		<u>158,591</u>	
Total Main Street/Franklin Avenue project costs			186,106

Penndot Truck Wash Project

Engineering fees		12,500	
Project payments		<u>63,182</u>	
Total Penndot truck wash wash project costs			75,682

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2019

**Note 2 – Changes in Capital Assets (continued)**

SR322 and 28 Improvements

Engineering fees	<u>34,723</u>
Total water revenue fund construction in progress	<u>\$ 296,511</u>

**2. Sewer Revenue Fund**

Main Street/Franklin Avenue Project

Engineering fees	\$ 22,500
Soil removal	3,825
Inspection fees	1,190
Project payments	<u>214,870</u>
Total Main Street/Franklin Avenue project costs	242,385

Penndot Truck Wash Project

Engineering fees	12,500
Project payments	<u>63,182</u>
Total Penndot truck wash wash project costs	75,682

SR322 and 28 Improvements

Engineering fees	<u>34,723</u>
Total sewer revenue fund construction in progress	<u>\$ 352,790</u>

**Note 3 – Due from/to Sewer Fund/Water Fund**

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$25,862 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 \$1,365 consists of the Water Revenue Fund's share of bank fees.

## **Brookville Municipal Authority**

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Notes to Financial Statements (continued)

December 31, 2019

### **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 2019.

### **Note 5 – Deferred Inflows**

Deferred inflows of \$6,501 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.

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 2019 were \$521,415.38 and interest paid was \$202,083.46. The outstanding loan balance as of December 31, 2019, is \$7,650,644.70. Scheduled debt service requirements on the loan as of December 31, 2019 is as follows:

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 7 – Long-Term Debt (continued)****Pennsylvania Infrastructure Investment Authority – Water Plant Loan (continued)**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2024	592,151.24	131,347.60	723,498.84
2025 to 2029	3,197,665.29	419,828.91	3,617,494.20
2030 to 2032	<u>1,637,293.42</u>	<u>50,870.51</u>	<u>1,688,163.93</u>
	<u>\$ 7,650,644.70</u>	<u>\$ 1,272,507.63</u>	<u>\$ 8,923,152.33</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 2019 were \$33,168.03 and interest paid was \$6,620.97. The outstanding loan balance as of December 31, 2019 is \$644,102.26. Scheduled debt service requirements on the loan as of December 31, 2019 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2024	34,867.88	4,921.12	39,789.00
2025 to 2029	179,664.49	19,280.51	198,945.00
2030 to 2034	188,872.17	10,072.83	198,945.00
2035 to 2037	<u>104,659.88</u>	<u>1,445.28</u>	<u>106,105.16</u>
	<u>\$ 644,102.26</u>	<u>\$ 58,837.90</u>	<u>\$ 702,940.16</u>



**Note 7 – Long-Term Debt (continued)**

**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 \$9,742,000.00 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 2019.

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.

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.

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 2019 the interest rate varied from 2.4569% to 2.8431%.

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, 2019 from the proceeds of the permanent financing obtained through the United States Department of Agriculture, Rural Utilities Service.

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 7 – Long-Term Debt (continued)**

**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, 2019, 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 payments will consist of equal semi-annual payments of \$184,417.00 which includes interest at 2.125%. The principal payments made in 2019 were \$12,910.71 and interest paid was \$204,728.82. The outstanding loan balance as of December 31, 2019 is \$9,729,089.23. See scheduled debt service requirements on the loan as of December 31, 2019 below.

The subsequent loan of \$2,000,000.00 is to be repaid over a period of 40 years. The payments will consist of equal semi-annual payments of \$37,060.00 which includes interest at 2.000%. The principal payments made in 2019 were \$15,298.54 and interest paid was \$39,671.24. The outstanding loan balance as of December 31, 2019 is \$1,997,612.23. See scheduled debt requirements on the loan as of December 31, 2019 below.

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, 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
Dec. 31, 2024	176,499.71	192,334.29	368,834.00
2025 to 2029	942,977.70	901,192.30	1,844,170.00
2030 to 2034	1,048,135.82	796,034.18	1,844,170.00
2035 and beyond	<u>6,890,165.40</u>	<u>1,958,345.40</u>	<u>8,848,510.80</u>
	<u>\$ 9,729,089.23</u>	<u>\$ 4,651,931.57</u>	<u>\$14,381,020.80</u>

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 7 – Long-Term Debt (continued)**

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

Subsequent Loan - \$2,000,000.00

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2024	37,029.88	37,090.12	74,120.00
2025 to 2029	197,056.82	173,543.18	370,600.00
2030 to 2034	217,680.94	152,919.06	370,600.00
2035 and beyond	<u>1,404,595.96</u>	<u>374,027.66</u>	<u>1,778,623.62</u>
	<u>\$ 1,997,612.23</u>	<u>\$ 892,811.39</u>	<u>\$ 2,890,423.62</u>

The loans from USDA – RUS are secured by a guaranty agreement dated November 21, 2019 by and among the Borough of Brookville (88.05%); Pine Creek Township (6.04%); Rose Township (5.36%) and Knox 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.

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**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.

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, 2018, the actuarial value of plan assets was \$3,043,303, the actuarial accrued liability was \$3,156,532, and the plan had an unfunded liability of \$113,229.

**Employees Covered by Benefit Terms  
as of January 1, 2018**

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>15</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 \$33,392 and the Sewer Revenue Fund was charged \$33,317. The Authority has contributed 100 percent of the Minimum Municipal Obligation for the past ten years.

**Brookville Municipal Authority**

Notes to Financial Statements (continued)

December 31, 2019

**Note 9 – Pension (continued)**

**GASB 68 Disclosures:**

For Government Accounting Standards Board Statement 68 (GASB68) the measurement date is as of December 31, 2018, 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, 2018 were as follows:

Total Pension Liability	\$ 3,156,532
Plan Fiduciary Net Position	\$ 3,039,414
Net Pension Liability	\$ 117,118
Plan Fiduciary Net Position as a percentage of Total Pension Liability	96.29%

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	\$ 449,359	\$ 117,118	\$ (170,433)

**Note 10 – Contracts, Commitments and Contingencies**

The Authority participates in both state and federal assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

The Authority maintains and operates both a water and sanitary sewage facility and is potentially liable for any expenditure associated with compliance with mandated regulations and any assessments by regulatory authorities related to these facilities.

**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.

## Supplemental Information

Brookville Municipal Authority

Required Supplementary Information - Schedule of Changes in Net Pension Liability

Last 10 Years\*

December 31, 2019

Schedule of Changes in Net Pension Liability\*

	Measurement Year Ending				
	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
<b>Total Pension Liability</b>					
Service cost (beginning of year)	\$ 54,427	\$ 58,341	\$ 52,735	\$ 64,255	\$ 66,739
Interest (includes interest on service cost)	147,290	150,416	157,575	166,996	174,386
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(91,093)	-	112,594	-	(294,329)
Changes of assumptions	-	6,070	77,166	-	-
Transfers	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(52,517)	(62,945)	(95,691)	(95,691)	(89,680)
<b>Net Change in Total Pension Liability</b>	<b>\$ 58,107</b>	<b>\$ 151,882</b>	<b>\$ 304,379</b>	<b>\$ 135,560</b>	<b>\$ (142,884)</b>
<b>Total Pension Liability - Beginning</b>	<b>2,649,488</b>	<b>2,707,595</b>	<b>2,859,477</b>	<b>3,163,856</b>	<b>3,299,416</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 2,707,595</b>	<b>\$ 2,859,477</b>	<b>\$ 3,163,856</b>	<b>\$ 3,299,416</b>	<b>\$ 3,156,532</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 17,124	\$ 41,738	\$ 43,156	\$ 45,261	\$ 48,629
Contributions - PMRS assessment		320	360	360	380
Contributions - employee	23,814	26,017	25,751	28,064	29,440
PMRS investment income	134,937	150,014	149,861	150,312	158,065
Market value investment income	7,020	(152,762)	76,723	333,390	(301,379)
Transfers	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(52,517)	(62,945)	(95,691)	(95,691)	(89,680)
PMRS administrative expense	(320)	(320)	(320)	(360)	(380)
Additional administrative expense	(5,175)	(6,254)	(7,342)	(6,913)	(7,054)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 124,883</b>	<b>\$ (4,192)</b>	<b>\$ 192,498</b>	<b>\$ 454,423</b>	<b>\$ (161,979)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>2,433,781</b>	<b>2,558,664</b>	<b>2,554,472</b>	<b>2,746,970</b>	<b>3,201,393</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 2,558,664</b>	<b>\$ 2,554,472</b>	<b>\$ 2,746,970</b>	<b>\$ 3,201,393</b>	<b>\$ 3,039,414</b>
<b>Net Pension Liability - Ending</b>	<b>\$ 148,931</b>	<b>\$ 305,005</b>	<b>\$ 416,886</b>	<b>\$ 98,023</b>	<b>\$ 117,118</b>

\*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, 2019

Schedule of Changes in Net Pension Liability\*

	Measurement Year Ending				
	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
<i>Plan Fiduciary Net Position (continued)</i>					
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.50%	89.33%	86.82%	97.03%	96.29%
Covered Employee Payroll	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593	\$ 723,112
Net Pension Liability as a Percentage of Covered Employee Payroll	24.22%	46.89%	64.76%	13.97%	16.20%
<b>Schedule of Employer Contributions*</b>					
Actuarially determined contribution	\$ 16,617	\$ 42,038	\$ 43,476	\$ 45,621	\$ 49,009
Contributions in relation to the actuarially determined contribution	17,124	42,058	43,516	45,621	49,009
Contribution Deficiency/(Excess)	\$ (507)	\$ (20)	\$ (40)	\$ -	\$ -
Participant Payroll	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593	\$ 723,112
Contributions as a Percentage of Participant Payroll	2.78%	6.47%	6.76%	6.50%	6.78%

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\*For those years that are available.



Brookville Municipal Authority

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

Federal Grantor/ Program Title	Funding Source Code	CFDA Number	Loan or Grant Award	Loan or Grant Balance Jan. 1, 2019	Funds Received During the Year	Expenditures	Grant Receivable Dec. 31, 2019
<b>United States Department of Agriculture:</b>							
Water and Waste Disposal Systems for Rural Communities - Grant	1	10.760	\$8,078,900.00	\$ -	\$ 2,913,980.92	\$ 3,124,717.59	\$ 210,736.67
<b>Total Federal Financial Assistance</b>				<u>\$ -</u>	<u>\$ 2,913,980.92</u>	<u>\$ 3,124,717.59</u>	<u>\$ 210,736.67</u>

Finding Source Code:

1 - Direct funding from USDA

The accompanying notes are an integral part of the financial statements

## **Brookville Municipal Authority**

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Notes to Schedule of Expenditures of Federal Awards

December 31, 2019

### **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, 2019.

### **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, 2019, 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. For 2019 only grant funds were received. Total grant funds expensed in 2019 were \$3,124,717.59.



# Troxell & Associates, LLC

Certified Public Accountants

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

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, 2019 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 14, 2020.

### 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.

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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.



Troxell & Associates, LLC  
Certified Public Accountants  
September 14, 2020



# Troxell & Associates, LLC

Certified Public Accountants

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

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, 2019. 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

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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, 2019.

### **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.

A handwritten signature in black ink that reads "Troxell & Associates, LLC". The signature is written in a cursive, flowing style.

Troxell & Associates, LLC  
Certified Public Accountants  
September 14, 2020

Brookville Municipal Authority

Schedule of Findings and Questioned Costs

December 31, 2019

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Section I – Summary of Auditor’s Results

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Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- Significant deficiency or material weaknesses in internal control disclosed by audit?      \_\_\_Yes      X None reported

Noncompliance material to financial statements noted?      \_\_\_Yes      X No

Federal Awards

Internal control over major programs:

- Significant deficiency or material weaknesses in internal control over major programs disclosed by audit?      \_\_\_Yes      X None reported

Type of auditor’s report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?      \_\_\_Yes      X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount Expended</u>
10.760	Water and Waste Disposal Systems for Rural Communities	<u>\$ 3,124,717.59</u>



**Brookville Municipal Authority**

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Schedule of Findings and Questioned Costs (continued)

December 31, 2019

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Section I – Summary of Auditor’s Results (continued)

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Dollar threshold used to distinguish

Between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes     No

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Section II – Findings Related to the Financial Statements which are Required to be Reported in  
Accordance with Government Auditing Standards (GAGAS)

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None reported

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Section III – Findings and Questioned Costs for Federal Awards

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None reported

**Brookville Municipal Authority**

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Report on Prior Year's Audit Findings  
For the Year Ended December 31, 2019

No prior audit findings reported.