



Brookville, Pennsylvania

Financial Statements

December 31, 2020

This page left intentionally blank.

Brookville Municipal Authority

Table of Contents
December 31, 2020

	<u>Page</u>
Independent Auditor's Report	4
Management's Discussion and Analysis	6
Basic Financial Statements:	
Statement of Net Position	12
Statement of Cash Flows	14
Combining Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Revenues, Expenses and Changes in Net Position - Water Revenue Fund	17
Statement of Revenues, Expenses and Changes in Net Position - Sewer Revenue Fund	19
Notes to Financial Statements	21
Supplemental Information:	37
Schedule of Changes in Net Pension Liability	38



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:

We have audited the accompanying financial statements of the business-type activities of Brookville Municipal Authority, Brookville, PA as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

2882 Oklahoma Salem Road
PO Box 1029
DuBois, PA 15801

Telephone: (814) 371-1760
Fax: (814) 375-1003
Email: info@troxellcpa.com

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 Brookville Municipal Authority, Brookville, PA as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Brookville Municipal Authority of the Borough of Brookville and do not purport to, and do not, present fairly the financial position of the Borough of Brookville, Pennsylvania, as of December 31, 2020, and the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements of the Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Troxell & Associates, LLC
Certified Public Accountants
September 2, 2021

Brookville Municipal Authority

Management's Discussion and Analysis

December 31, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's December 31, 2020 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 \$25,860,060 (net position).
- The Authority currently has \$7,115,793 of debt for the Water Revenue Fund and \$12,142,493 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, 2020

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 21-36 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 \$25,860,060 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.

	Brookville Municipal Authority Net Position					
	Water Revenue		Sewer Revenue		Totals	
	2020	2019	2020	2019	2020	2019
Assets:						
Current & Other Assets	\$ 1,668,152	\$ 1,611,111	\$ 2,375,437	\$ 2,413,474	\$ 4,043,589	\$ 4,024,585
Fixed Assets – Net of Deprec.	13,866,556	14,128,506	27,462,950	28,007,901	41,329,505	42,136,407
Total Assets	15,534,708	15,739,617	29,838,387	30,421,375	45,373,094	46,160,992
Deferred Outflows	-	-	-	-	-	-
Total Assets & Deferred						
Outflows	\$15,534,708	\$15,739,617	\$29,838,387	\$30,421,375	\$45,373,094	\$46,160,992
Liabilities:						
Current Liabilities	\$591,729	\$588,717	\$339,767	\$199,403	\$931,496	\$788,120
Long Term Liabilities	6,567,158	7,115,793	11,907,246	12,337,302	18,474,404	19,453,095
Customer Deposits	86,775	78,075	-	-	86,775	78,075
Total Liabilities	7,245,662	7,782,585	12,247,013	12,536,705	19,492,675	20,319,290
Deferred Inflows	4,374	4,549	15,985	1,952	20,359	6,501
Total Liabilities & Deferred						
Inflow	\$ 7,253,036	\$ 7,787,134	\$12,262,998	\$12,538,657	\$19,513,033	\$20,325,791

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2020

Brookville Municipal Authority Net Position

	Water Revenue		Sewer Revenue		Totals	
	2020	2019	2020	2019	2020	2019
<i>Net Position:</i>						
Invested in Capital Assets						
Net of Related Debt	\$ 6,750,763	\$ 6,477,861	\$15,320,457	\$15,637,098	\$22,071,220	\$22,114,959
Unrestricted	1,533,909	1,474,622	2,254,931	2,245,620	3,788,840	3,720,242
Total Net Position	8,284,672	7,952,483	17,575,388	17,882,718	25,860,060	25,835,201
Total Liabilities, Deferred						
Inflows & Net Position	\$15,534,708	\$15,739,617	\$29,838,386	\$30,421,375	\$45,373,093	\$46,160,992

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	
	2020	2019	2020	2019	2020	2019
<i>Operating Revenues:</i>						
System Usage Charges	\$ 1,889,808	\$ 1,786,236	\$ 1,634,910	\$ 1,637,181	\$ 3,524,718	\$ 3,423,417
Miscellaneous Revenue	37,027	43,023	36,151	42,992	73,177	86,015
Total Operating Revenues	1,926,835	1,829,259	1,671,061	1,680,173	3,597,896	3,509,432
Operating Expenses	1,429,379	1,471,993	1,754,304	1,407,601	3,183,682	2,879,594
Income (Loss) From						
Operations	497,457	357,266	(83,243)	272,572	414,214	629,838
Non-Operating Income						
& (Expenses)	\$ (182,231)	\$ (203,002)	\$ (267,579)	\$ (783,749)	\$ (449,810)	\$ (986,751)
Income (Loss) Before						
Capital Contributions	\$ 315,226	\$ 154,264	\$ (350,822)	\$ (511,177)	\$ (35,596)	\$ (356,913)
Capital Contributions	29,884	247,311	29,884	3,411,653	59,768	3,658,964
Change in Net Position	345,110	401,575	(320,938)	2,900,476	24,171	3,302,051
Net Position, January 1	7,939,562	7,550,908	17,896,326	14,982,242	25,835,888	22,533,150
Net Position,						
December 31	\$ 8,284,672	\$ 7,952,483	\$17,575,388	\$17,882,718	\$25,860,060	\$25,835,201

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2020

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, 2020 was \$14,128,506 for the Water Revenue Fund and \$28,007,901 for the Sewer Revenue Fund. Over the course of 2020, the Water Revenue Fund decreased by \$261,951 and the Sewer Revenue Fund decreased by \$544,951. The Capital Assets activity for 2020 may be found in Note 2 on pages 27-30 of this report.

Long-term Debt

Water Plant Loan PennVest Loan

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2025	607,410.63	116,088.21	723,498.84
2026 to 2030	3,280,067.33	337,426.87	3,617,494.20
2031 to 2032	<u>947,480.75</u>	<u>17,184.34</u>	<u>964,665.09</u>
	<u>\$ 7,115,792.73</u>	<u>\$ 1,083,860.76</u>	<u>\$ 8,199,653.49</u>

Rose Township Wastewater System Loan PennVest Loan

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2025	35,218.15	4,570.85	39,789.00
2026 to 2030	181,469.40	17,475.60	198,945.00
2031 to 2035	190,769.57	8,175.43	198,945.00
2036 to 2037	<u>65,739.42</u>	<u>576.74</u>	<u>66,316.16</u>
	<u>\$ 610,601.02</u>	<u>\$ 52,550.14</u>	<u>\$ 663,151.16</u>

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2020

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

Initial Loan - \$9,742,000.00

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2021	\$ 166,387.10	\$ 202,446.90	\$ 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
Dec. 31, 2025	180,804.00	188,030.00	368,834.00
2026 to 2030	963,122.42	881,047.58	1,844,170.00
2031 to 2035	1,048,135.82	796,034.18	1,844,170.00
2036 and beyond	<u>6,690,304.81</u>	<u>1,789,371.99</u>	<u>8,479,676.80</u>
	<u>\$ 9,568,289.71</u>	<u>\$ 4,443,897.09</u>	<u>\$14,012,186.80</u>

Subsequent Loan - \$2,000,000.00

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Dec. 31, 2021	\$ 35,022.20	\$ 39,097.80	\$ 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
Dec. 31, 2025	37,877.06	36,242.94	74,120.00
2026 to 2030	201,017.66	169,582.34	370,600.00
2031 to 2035	221,867.66	148,732.34	370,600.00
2036 and beyond	<u>1,358,702.85</u>	<u>345,800.77</u>	<u>1,704,503.62</u>
	<u>\$ 1,963,602.25</u>	<u>\$ 852,701.37</u>	<u>\$ 2,816,303.62</u>

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2020

Additional information on Brookville Municipal Authority's long-term debt can be found in Note 7 on pages 30-33 of this report.

Economic Factors

- The unemployment rate as of December 31, 2020 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 34 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, 2020

	Water Revenue Fund	Sewer Revenue Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 997,860.29	\$ 1,580,625.03	\$ 2,578,485.32
Bank certificates of deposit	450,000.00	600,000.00	1,050,000.00
Accounts receivable - customers	162,068.81	139,879.53	301,948.34
Accounts receivable - other	1,411.02	6,683.10	8,094.12
Due from sewer fund/water fund	983.86	13,684.26	14,668.12
Due from Borough of Brookville	45.88	45.67	91.55
Prepaid expenses	13,225.40	13,623.93	26,849.33
Accrued interest	66.58	108.49	175.07
Inventory	42,490.11	20,786.55	63,276.66
Total Current Assets	1,668,151.95	2,375,436.56	4,043,588.51
Fixed Assets:			
Land	17,230.75	15,351.00	32,581.75
Land and site improvements - net of depreciation	4,930.68	35,634.06	40,564.74
Buildings - net of depreciation	10,113,048.67	22,217,348.82	32,330,397.49
Water distribution system - net of depreciation	3,569,914.35	-	3,569,914.35
Sewer collection system - net of depreciation	-	5,034,535.85	5,034,535.85
Machinery and equipment - net of depreciation	78,901.15	46,684.85	125,586.00
Vehicles - net of depreciation	1,684.54	66,096.22	67,780.76
Construction in progress	80,845.65	47,298.74	128,144.39
Total Fixed Assets - Net of Depreciation	13,866,555.79	27,462,949.54	41,329,505.33
Total Assets	15,534,707.74	29,838,386.10	45,373,093.84
Deferred outflows	-	-	-
Total Assets and Deferred Outflows	\$15,534,707.74	\$29,838,386.10	\$45,373,093.84

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Net Position (continued)

December 31, 2020

	Water Revenue Fund	Sewer Revenue Fund	Totals
<i>LIABILITIES</i>			
Current Liabilities:			
Accounts payable	\$ 13,718.17	\$ 62,367.04	\$ 76,085.21
Accrued payroll	15,692.14	14,582.85	30,274.99
Accrued interest payable	-	26,586.15	26,586.15
Due to sewer fund/water fund	13,684.26	983.86	14,668.12
Due to Borough of Brookville	0.04	0.04	0.08
Current portion of long-term debt	548,634.80	235,247.09	783,881.89
Total Current Liabilities	591,729.41	339,767.03	931,496.44
Long-term Debt:			
USDA - rural development loans	-	11,330,482.66	11,330,482.66
PennVest - water plant	6,567,157.93	-	6,567,157.93
PennVest - Rose Township collection system	-	576,763.23	576,763.23
Total Long-term Debt	6,567,157.93	11,907,245.89	18,474,403.82
Other Liabilities:			
Customer deposits	86,775.00	-	86,775.00
Total Liabilities	7,245,662.34	12,247,012.92	19,492,675.26
Deferred Inflows	4,373.67	15,985.02	20,358.69
<i>NET POSITION</i>			
Net investment in capital assets Unrestricted	6,750,763.06 1,533,908.67	15,320,456.56 2,254,931.60	22,071,219.62 3,788,840.27
Total Net Position	8,284,671.73	17,575,388.16	25,860,059.89
Total Liabilities, Deferred Inflows and Net Position	\$15,534,707.74	\$29,838,386.10	\$45,373,093.84

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Cash Flows

For the Year Ended December 31, 2020

	Water Revenue Fund	Sewer Revenue Fund	Totals
Cash Flows from Operating Activities:			
Cash received from users	\$ 1,868,316.46	\$ 1,638,085.37	\$ 3,506,401.83
Cash received from other operating revenue	82,182.71	(1,142.57)	81,040.14
Cash payments to employees for services	(572,335.25)	(542,529.63)	(1,114,864.88)
Cash payments to suppliers for goods and services	(448,459.88)	(435,689.37)	(884,149.25)
Net Cash Provided (Used) by Operating Activities	<u>929,704.04</u>	<u>658,723.80</u>	<u>1,588,427.84</u>
Cash Flows from Non-Capital			
Financing activities - contributions to local agencies	(4,000.00)	-	(4,000.00)
Net Cash Provided (Used) by Non-Capital	(4,000.00)	-	(4,000.00)
Cash Flows from Capital and Related Financing Activities:			
Principal paid on loans	(534,851.97)	(228,310.74)	(763,162.71)
Acquisition of capital assets	(173,100.77)	(287,940.47)	(461,041.24)
Interest paid on loans	(188,646.87)	(254,432.26)	(443,079.13)
Contributed capital	4,924.35	239,923.57	244,847.92
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(891,675.26)</u>	<u>(530,759.90)</u>	<u>(1,422,435.16)</u>
Cash Flows from Investing Activities:			
Redemption/(purchase) of certificates of deposit (net)	108,503.32	(495,828.51)	(387,325.19)
Interest income	11,005.33	13,581.84	24,587.17
Net Cash Provided (Used) by Investing Activities	<u>119,508.65</u>	<u>(482,246.67)</u>	<u>(362,738.02)</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, 2020

	Water Revenue Fund	Sewer Revenue Fund	Totals
Net Increase/(Decrease) in Cash and Cash Equivalents	153,537.43	(354,282.77)	(200,745.34)
Cash and Cash Equivalents - Jan. 1, 2020	<u>844,322.86</u>	<u>1,934,907.80</u>	<u>2,779,230.66</u>
Cash and Cash Equivalents - Dec. 31, 2020	<u>\$ 997,860.29</u>	<u>\$ 1,580,625.03</u>	<u>\$ 2,578,485.32</u>
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 497,456.66	\$ (83,243.08)	\$ 414,213.58
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	435,051.28	755,489.86	1,190,541.14
(Increase) decrease in accounts receivable	4,588.06	(21,744.88)	(17,156.82)
(Increase) decrease in inventory	(8,784.16)	(3,270.87)	(12,055.03)
(Increase) decrease in prepaid insurance	(8,400.75)	(6,280.19)	(14,680.94)
Increase (decrease) in accounts payable	(2,570.86)	445.41	(2,125.45)
Increase (decrease) in accrued payroll	3,838.83	3,294.11	7,132.94
Increase (decrease) in customer deposits	8,700.00	-	8,700.00
Increase (decrease) in deferred inflows	<u>(175.02)</u>	<u>14,033.44</u>	<u>13,858.42</u>
Net Cash Provided (Used) by Operations	<u>\$ 929,704.04</u>	<u>\$ 658,723.80</u>	<u>\$ 1,588,427.84</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, 2020

	Water Revenue Fund	Sewer Revenue Fund	Totals
Operating Revenue:			
System usage charges	\$ 1,889,808.46	\$ 1,634,909.95	\$ 3,524,718.41
Miscellaneous revenue	37,026.81	36,150.51	73,177.32
Total Operating Revenue	<u>1,926,835.27</u>	<u>1,671,060.46</u>	<u>3,597,895.73</u>
Total Operating Expenses	<u>1,429,378.61</u>	<u>1,754,303.54</u>	<u>3,183,682.15</u>
Income (loss) from operations	497,456.66	(83,243.08)	414,213.58
Non-operating income (expense)	<u>(182,231.03)</u>	<u>(267,578.98)</u>	<u>(449,810.01)</u>
Income (loss) before capital contributions	315,225.63	(350,822.06)	(35,596.43)
Capital contributions	<u>29,883.95</u>	<u>29,883.90</u>	<u>59,767.85</u>
Change in Net Position	345,109.58	(320,938.16)	24,171.42
Net Position, January 1, 2020, as restated	<u>7,939,562.15</u>	<u>17,896,326.32</u>	<u>25,835,888.47</u>
Net Position, December 31, 2020	<u><u>\$ 8,284,671.73</u></u>	<u><u>\$ 17,575,388.16</u></u>	<u><u>\$25,860,059.89</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, 2020

Operating Revenue:

Water sales	\$ 1,889,808.46
Hydrant fees	3,120.00
Tap fees	10,200.00
Sales of parts & supplies	13,356.09
Rent of machinery & equipment	1,714.57
Miscellaneous revenue	8,636.15

Total Operating Revenue

1,926,835.27

Operating Expenses:

Salaries and wages	406,592.89
Payroll taxes	33,180.32
Employee benefits	107,021.05
Pension expense	31,151.00
Chemicals	59,334.41
Lab fees and testing supplies	15,737.83
Sludge disposal	1,358.30
Utilities	131,106.85
Telephone and internet	5,722.90
Automated dialing system	2,822.50
Repairs and maintenance	100,264.09
Engineering services	19,162.47
Legal and professional services	10,144.55
Insurance	22,031.63
Office expense	3,630.98
Postage and shipping	6,149.55
Vehicle expenses	9,183.79
Office rent	8,675.00
Computer maintenance/software	5,176.03
Training, dues and subscriptions	14,104.00
Miscellaneous	1,777.19
Depreciation	435,051.28

Total Operating Expenses

1,429,378.61

Income (loss) from operations

497,456.66

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, 2020

Non-Operating Income and (Expense):

Contributions	(4,000.00)	
Interest expense - PennVest Loan	(188,646.87)	
Interest income	<u>10,415.84</u>	
Total Non-Operating Income (Expense)		<u>(182,231.03)</u>
Income (loss) before capital contributions		315,225.63
Capital Contributions:		
PennDOT - state route 28 - 322 project	<u>29,883.95</u>	
Total Capital Contributions		<u>29,883.95</u>
Change in net position		345,109.58
Net Position, January 1, 2020, as restated		<u>7,939,562.15</u>
Net Position, December 31, 2020		<u><u>\$ 8,284,671.73</u></u>

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Sewer Revenue Fund

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2020

Operating Revenue:

Sewer usage charges	\$ 1,634,909.95
Solid waste collection fees	888.00
Tap fees	6,800.00
Sales of parts & supplies	11,795.62
Rent of machinery & equipment	2,286.00
Miscellaneous revenue	14,380.89

Total Operating Revenue

1,671,060.46

Operating Expenses:

Salaries and wages	390,625.54
Payroll taxes	31,715.11
Employee benefits	88,979.56
Pension expense	36,035.00
Chemicals	6,545.96
Lab fees and testing supplies	20,076.85
Sludge disposal	102,758.05
Utilities	107,316.54
Telephone and internet	16,258.97
Automated dialing system	2,822.50
Repairs and maintenance	63,857.79
Engineering services	25,777.40
Legal and professional services	15,744.51
Permits and licenses	1,831.20
Insurance	52,725.19
Office expense	3,546.33
Postage and shipping	6,149.54
Vehicle expenses	7,373.04
Office rent	8,675.00
Computer maintenance/software	5,288.50
Training, dues and subscriptions	3,012.75
Miscellaneous	1,698.35
Depreciation	755,489.86

Total Operating Expenses

1,754,303.54

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, 2020

Income (loss) from operations		(83,243.08)
Non-Operating Income and (Expense):		
Interest expense - PennVest Loan 1	(230,316.82)	
Interest expense - PennVest Loan 2	(44,413.83)	
Interest expense - PennVest Loan - Rose Township	(6,287.76)	
Interest income	<u>13,439.43</u>	
Total Non-Operating Income (Expense)		<u>(267,578.98)</u>
Income (loss) before capital contributions		(350,822.06)
Capital Contributions:		
PennDOT - state route 28 - 322 project	<u>29,883.90</u>	
Total Capital Contributions		<u>29,883.90</u>
Change in net position		(320,938.16)
Net Position, January 1, 2020, as restated		<u>17,896,326.32</u>
Net Position, December 31, 2020		<u><u>\$ 17,575,388.16</u></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.

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 sanity 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, 2020

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.

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, \$3,366,096.69 of the Authority's bank balance of \$3,616,096.69 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	\$ 3,366,096.69
Plus: insured amount	250,000.00
Deposits in transit	13,096.20
Less: outstanding checks	<u>(707.57)</u>
Carrying amount – bank balance	3,628,485.32
Less: certificates of deposit – investments	<u>(1,050,000.00)</u>
Total cash per Statement of Net Position	<u>\$2,578,485.32</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

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, 2020, the Authority had \$1,071,542.51 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, 2020:

Water Revenue Fund

S&T Bank – Purchased December 15, 2020 for a term of 12 months.

Interest at .30 percent added quarterly. \$450,000.00

Total Water Revenue Fund \$450,000.00

Sewer Revenue Fund

S&T Bank – Purchased December 10, 2020 for a term of 12 months.

Interest at .30 percent added quarterly. \$600,000.00

Total Sewer Revenue Fund \$600,000.00

Total Bank Certificates of Deposit \$1,050,000.00

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

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. \$1,050,000.00 or 100 percent of the Authority's investments are in S&T Bank certificates of deposit.

Inventory

Inventory of materials and supplies are valued at cost on a first in-first out basis.

Fixed Assets

Fixed assets, which includes property, plant, collection and distribution systems, and equipment are valued at cost or estimated fair market value at the date of acquisition. Fixed assets are defined by the Municipal Authority as assets with an initial acquisition cost of more than \$5,000 and an estimated useful life in excess of one year.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

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>
Building	30 - 40 years
Site improvements	15 - 40 years
Infrastructure - collection and distribution systems	50 years
Machinery and equipment	8 - 20 year
Vehicle	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, 2020.

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)

Receivables

Accounts receivable are reported at amounts management expects to collect on balances outstanding at year-end. The allowance for doubtful accounts is determined based on several factors, such as historical collections, current conditions, and facts and circumstances related to individual customer balances. Customer balances are charged to the allowance when all efforts to collect have been exhausted. All accounts receivable balances on December 31, 2020, are deemed collectible by the Authority; therefore, no allowance for doubtful accounts has been recorded.

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 Authority'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 2, 2021, the date the financial statements were available.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 2 – Changes in Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

Water Revenue Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated:				
Land	\$ 13,600.00	\$ 3,630.75	\$ -	\$ 17,230.75
Construction in progress	296,510.92	46,122.36	261,787.63	80,845.65
Total capital assets not being depreciated	310,110.92	49,753.11	261,787.63	98,076.40
Capital Assets being Depreciated:				
Land and site improvements	99,041.02	-	-	99,041.02
Buildings	13,412,674.53	-	-	13,412,674.53
Water distribution system	5,107,214.09	351,972.19	-	5,459,186.28
Machinery and equipment	280,711.28	33,163.10	-	313,874.38
Vehicles	31,951.28	-	-	31,951.28
Total capital assets being depreciated	18,931,592.20	385,135.29	-	19,316,727.49
Less Accumulated Depreciation:				
Land and site improvements	92,469.10	1,641.24	-	94,110.34
Buildings	2,977,436.42	322,189.44	-	3,299,625.86
Water distribution system	1,788,809.93	100,462.00	-	1,889,271.93
Machinery and equipment	227,583.51	7,389.72	-	234,973.23
Vehicles	26,897.86	3,368.88	-	30,266.74
Total accumulated depreciation	5,113,196.82	435,051.28	-	5,548,248.10
Total capital assets being depreciated, net	13,818,395.38	(49,915.99)	-	13,768,479.39
Total water revenue fund capital assets, net	\$14,128,506.30	\$ (162.88)	\$261,787.63	\$13,866,555.79

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 2 – Changes in Capital Assets (continued)

Sewer Revenue Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated:				
Land	\$ 15,351.00	\$ -	\$ -	\$ 15,351.00
Construction in progress	352,789.84	12,575.53	318,066.63	47,298.74
Total capital assets not being depreciated	368,140.84	12,575.53	318,066.63	62,649.74
Capital Assets being Depreciated:				
Land and site improvements	17,221.00	19,716.08	-	36,937.08
Buildings	23,754,419.60	14,058.82	-	23,768,478.42
Sewer collection system	6,791,556.56	451,919.61	-	7,243,476.17
Machinery and equipment	827,405.80	3,199.16	260,700.00	569,904.96
Vehicles	472,383.62	27,135.50	-	499,519.12
Total capital assets being depreciated	31,862,986.58	516,029.17	260,700.00	32,118,315.75
Less Accumulated Depreciation:				
Land and site improvements	215.28	1,087.74	-	1,303.02
Buildings	958,184.94	592,944.66	-	1,551,129.60
Sewer collection system	2,068,589.88	140,350.44	-	2,208,940.32
Machinery and equipment	778,299.31	5,620.80	260,700.00	523,220.11
Vehicles	417,936.68	15,486.22	-	433,422.90
Total accumulated depreciation	4,223,226.09	755,489.86	260,700.00	4,718,015.95
Total capital assets being depreciated, net	27,639,760.49	(239,460.69)	-	27,400,299.80
Total sewer revenue fund capital assets, net	\$28,007,901.33	\$ (226,885.16)	\$318,066.63	\$27,462,949.54

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

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

PennDOT truck wash	\$ 95,238.50	
Franklin Avenue/East Main Street	216,402.57	
Roseville Road crossing	18,158.52	
Land (adjacent to Water Plant)	3,630.75	
4 reznor VEAS	15,712.00	
GIS handheld reader	3,199.16	
Brush Street pump upgrade	14,251.94	
Krohne flow meter	8,768.21	
Purchase/installation of remote read meters	<u>13,404.39</u>	
Total cost/value of capital additions		<u>\$ 388,766.04</u>

2. Sewer Revenue Fund

Wastewater treatment plant upgrade	\$ 14,058.82	
PennDOT truck wash	131,307.50	
Franklin Avenue/East Main Street	257,466.54	
New sewer plant road	19,716.08	
GIS handheld reader	3,199.16	
Purchase/installation of remote read meters	12,026.92	
Sewer line renovations - Madison Avenue	51,118.65	
2020 Chevy Silverado	<u>27,135.50</u>	
Total cost/value of capital additions		<u>\$ 516,029.17</u>

Construction in progress reflected above consists of the following:

1. Water Revenue Fund

SR 322-28 improvements		
Engineering fees		47,308.82
Improvements		<u>33,536.83</u>
Total water revenue fund construction in progress		<u>\$ 80,845.65</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 2 – Changes in Capital Assets (continued)

2. <u>Sewer Revenue Fund</u>	
SR 322-28 Improvements	
Engineering fees	<u>47,298.74</u>
 Total sewer revenue fund	
construction in progress	<u>\$ 47,298.74</u>

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

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$983.86 consists of the Sewer Revenue Fund's share of various bank fees, service charges, accounts receivable adjustment, and split checks that need reimbursed.

The amount due from the Water Revenue Fund to the Sewer Revenue Fund of \$13,684.26 consists of the Sewer portion of the PennDOT truck wash for \$1,300.00, the Sewer portion of the completed Franklin Street project of \$12,308.00, and a small receivable adjustment.

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 2020.

Note 5 – Deferred Inflows

Deferred inflows of \$20,358.69 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

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 7 – Long-Term Debt (continued)

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 2020 were \$534,851.97 and interest paid was \$188,646.87. The outstanding loan balance as of December 31, 2020, is \$7,115,792.73. Scheduled debt service requirements on the loan as of December 31, 2020 is as follows:

Pennsylvania Infrastructure Investment Authority – Water Plant Loan (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2025	607,410.63	116,088.21	723,498.84
2026 to 2030	3,280,067.33	337,426.87	3,617,494.20
2031 to 2032	<u>947,480.75</u>	<u>17,184.34</u>	<u>964,665.09</u>
	<u>\$ 7,115,792.73</u>	<u>\$ 1,083,860.76</u>	<u>\$ 8,199,653.49</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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 7 – Long-Term Debt (continued)

Upon assumption of the loan by the Brookville Municipal Authority, Pennvest provided a grant of \$144,824.34 which was applied to the outstanding loan balance and reduced the monthly required loan payments to \$3,315.75, which includes interest at 1 percent per annum. Total principal payments made in 2020 were \$33,501.24 and interest paid was \$6,287.76. The outstanding loan balance as of December 31, 2020 is \$610,601.02. Scheduled debt service requirements on the loan as of December 31, 2020 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2025	35,218.15	4,570.85	39,789.00
2026 to 2030	181,469.40	17,475.60	198,945.00
2031 to 2035	190,769.57	8,175.43	198,945.00
2036 to 2037	<u>65,739.42</u>	<u>576.74</u>	<u>66,316.16</u>
	<u>\$ 610,601.02</u>	<u>\$ 52,550.14</u>	<u>\$ 663,151.16</u>

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 2020 were \$160,799.52 and interest paid was \$208,034.48. The outstanding loan balance as of December 31, 2019 is \$9,568,289.71. See scheduled debt service requirements on the loan as of December 31, 2020 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 2020 were \$34,009.98 and interest paid was \$40,110.02. The outstanding loan balance as of December 31, 2020 is \$1,963,602.25. See scheduled debt requirements on the loan as of December 31, 2020 below.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 7 – Long-Term Debt (continued)

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, 2021	\$ 166,387.10	\$ 202,446.90	\$ 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
Dec. 31, 2025	180,804.00	188,030.00	368,834.00
2026 to 2030	963,122.42	881,047.58	1,844,170.00
2031 to 2035	1,048,135.82	796,034.18	1,844,170.00
2036 and beyond	<u>6,690,304.81</u>	<u>1,789,371.99</u>	<u>8,479,676.80</u>
	<u>\$ 9,568,289.71</u>	<u>\$ 4,443,897.09</u>	<u>\$14,012,186.80</u>

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, 2021	\$ 35,022.20	\$ 39,097.80	\$ 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
Dec. 31, 2025	37,877.06	36,242.94	74,120.00
2026 to 2030	201,017.66	169,582.34	370,600.00
2031 to 2035	221,867.66	148,732.34	370,600.00
2036 and beyond	<u>1,358,702.85</u>	<u>345,800.77</u>	<u>1,704,503.62</u>
	<u>\$ 1,963,602.25</u>	<u>\$ 852,701.37</u>	<u>\$ 2,816,303.62</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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 8 – Designation of Unrestricted Net Assets – Water Revenue Fund

Pursuant to Board approval, the Water Revenue Fund has designated \$317,000.00 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 each of the five years from 2015 to 2019, and \$47,000 in the current year of 2020. 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 – Restatement of Net Position

Net position has been restated effective January 1, 2020 to correct grant funds relating to underlying projects (Franklin Avenue/Truck Wash Building) that were overstated to the Water Fund in 2019 by the amount of \$13,608.00, creating a corresponding understatement on the Sewer Fund in the same amount. Additionally, the Water Fund had an adjustment to the cost of the Roseville Road for \$687.40.

Note 10 – 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, 2019, the actuarial value of plan assets was \$3,226,955, the actuarial accrued liability was \$3,319,284 and the plan had an unfunded liability of \$92,329.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 10 – Pension (continued)**Employees Covered by Benefit Terms
as of January 1, 2019**

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><u>18</u></u>

The total pension contribution paid by the Authority during the year was \$66,709, which was the Minimum Municipal Obligation computed under Act 205. The Water Revenue Fund was charged \$31,151 and the Sewer Revenue Fund was charged \$36,035. 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, 2019, 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, 2019, were as follows:

Total Pension Liability	\$ 3,319,284
Plan Fiduciary Net Position	\$ 3,433,410
Net Pension Liability	\$ (114,126)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	103.44%

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	\$ 235,245	\$ (114,126)	\$ (416,503)

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2020

Note 11 – 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 12 – Risk Management

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

Supplemental Information

Brookville Municipal Authority

Required Supplementary Information - Schedule of Changes in Net Pension Liability

Last 10 Years*

December 31, 2020

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	12/31/2019
Total Pension Liability						
Service cost (beginning of year)	\$ 54,427	\$ 58,341	\$ 52,735	\$ 64,255	\$ 66,739	\$ 67,029
Interest (includes interest on service cost)	147,290	150,416	157,575	166,996	174,386	167,371
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)	(71,648)
Net Change in Total Pension Liability	\$ 58,107	\$ 151,882	\$ 304,379	\$ 135,560	\$ (142,884)	\$ 162,752
Total Pension Liability - Beginning	2,649,488	2,707,595	2,859,477	3,163,856	3,299,416	3,156,532
Total Pension Liability - Ending	\$ 2,707,595	\$ 2,859,477	\$ 3,163,856	\$ 3,299,416	\$ 3,156,532	\$ 3,319,284
Plan Fiduciary Net Position						
Contributions - employer	\$ 17,124	\$ 41,738	\$ 43,156	\$ 45,261	\$ 48,629	\$ 66,329
Contributions - PMRS assessment		320	360	360	380	380
Contributions - employee	23,814	26,017	25,751	28,064	29,440	29,597
PMRS investment income	134,937	150,014	149,861	150,312	158,065	171,288
Market value investment income	7,020	(152,762)	76,723	333,390	(301,379)	204,351
Transfers	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(52,517)	(62,945)	(95,691)	(95,691)	(89,680)	(71,648)
PMRS administrative expense	(320)	(320)	(320)	(360)	(380)	(380)
Additional administrative expense	(5,175)	(6,254)	(7,342)	(6,913)	(7,054)	(5,921)
Net Change in Plan Fiduciary Net Position	\$ 124,883	\$ (4,192)	\$ 192,498	\$ 454,423	\$ (161,979)	\$ 393,996
Plan Fiduciary Net Position - Beginning	2,433,781	2,558,664	2,554,472	2,746,970	3,201,393	3,039,414
Plan Fiduciary Net Position - Ending	\$ 2,558,664	\$ 2,554,472	\$ 2,746,970	\$ 3,201,393	\$ 3,039,414	\$ 3,433,410
Net Pension Liability - Ending	\$ 148,931	\$ 305,005	\$ 416,886	\$ 98,023	\$ 117,118	\$ (114,126)

*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, 2020

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	12/31/2019
Plan Fiduciary Net Position (continued)						
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.50%	89.33%	86.82%	97.03%	96.29%	103.44%
Covered Employee Payroll	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593	\$ 723,112	\$ 731,443
Net Pension Liability as a Percentage of Covered Employee Payroll	24.22%	46.89%	64.76%	13.97%	16.20%	15.60%
Schedule of Employer Contributions*						
Actuarially determined contribution	\$ 16,617	\$ 42,038	\$ 43,476	\$ 45,621	\$ 49,009	\$ 66,709
Contributions in relation to the actuarially determined contribution	17,124	42,058	43,516	45,621	49,009	66,709
Contribution Deficiency/(Excess)	\$ (507)	\$ (20)	\$ (40)	\$ -	\$ -	\$ -
Participant Payroll	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593	\$ 723,112	\$ 731,443
Contributions as a Percentage of Participant Payroll	2.78%	6.47%	6.76%	6.50%	6.78%	9.12%

*For those years that are available.

This page left intentionally blank.