



Brookville, Pennsylvania

Financial Statements

December 31, 2021

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

Opinion

We have audited the accompanying financial statements of the Brookville Municipal Authority of Brookville, Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Brookville Municipal Authority, of Brookville, Pennsylvania, as of December 31, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Brookville Municipal Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, 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.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Brookville Municipal Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Brookville Municipal Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt that the Brookville Municipal Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Troxell & Associates, LLC
Certified Public Accountants
September 14, 2022

Brookville Municipal Authority

Management's Discussion and Analysis

December 31, 2021

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, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's December 31, 2021 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 \$25,980,438 (net position).
- The Authority currently has \$6,567,158 of debt for the Water Revenue Fund and \$11,907,227 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, 2021

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 \$25,980,438 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	
	2021	2020	2021	2020	2021	2020
Assets:						
Current & Other Assets	\$ 1,696,178	\$ 1,668,152	\$ 2,501,139	\$ 2,375,437	\$ 4,197,317	\$ 4,043,589
Fixed Assets – Net of Deprec.	13,736,708	13,866,556	26,760,543	27,462,950	40,497,251	41,329,505
Total Assets	15,432,886	15,534,708	29,261,682	29,838,387	44,694,568	45,373,094
Deferred Outflows	-	-	-	-	-	-
Total Assets & Deferred Outflows	\$ 15,432,886	\$ 15,534,708	\$ 29,261,682	\$ 29,838,387	\$ 44,694,568	\$ 45,373,094
Liabilities:						
Current Liabilities	\$ 632,832	\$ 591,729	\$ 311,049	\$ 339,767	\$ 943,881	\$ 931,496
Long Term Liabilities	6,004,385	6,567,158	11,667,381	11,907,246	17,671,766	18,474,404
Customer Deposits	87,875	86,775	-	-	87,875	86,775
Total Liabilities	6,725,092	7,245,662	11,978,430	12,247,013	18,703,522	19,492,675
Deferred Inflows	6,814	4,374	3,795	15,985	10,609	20,359
Total Liabilities & Deferred Inflow	\$ 6,731,906	\$ 7,253,036	\$ 11,982,225	\$ 12,262,998	\$ 18,714,131	\$ 19,513,033

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2021

Brookville Municipal Authority Net Position

	Water Revenue		Sewer Revenue		Totals	
	2021	2020	2021	2020	2021	2020
<i>Net Position:</i>						
Invested in Capital Assets						
Net of Related Debt	\$ 7,169,550	\$ 6,750,763	\$ 14,853,317	\$ 15,320,457	\$ 22,022,867	\$ 22,071,220
Unrestricted	1,531,430	1,533,909	2,426,140	2,254,931	3,957,570	3,788,840
Total Net Position	8,700,980	8,284,672	17,279,457	17,575,388	25,980,437	25,860,060
Total Liabilities, Deferred						
Inflows & Net Position	\$ 15,432,886	\$ 15,534,708	\$29,261,682	\$ 29,838,386	\$ 44,694,568	\$ 45,373,093

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	
	2021	2020	2021	2020	2021	2020
<i>Operating Revenues:</i>						
System Usage Charges	\$ 1,997,169	\$ 1,889,808	\$ 1,673,820	\$ 1,634,910	\$ 3,670,989	\$ 3,524,718
Miscellaneous Revenue	31,137	37,027	24,228	36,151	55,365	73,177
Total Operating Revenues	2,028,306	1,926,835	1,698,048	1,671,061	3,726,354	3,597,896
Operating Expenses	1,533,249	1,429,379	1,751,536	1,754,304	3,284,785	3,183,682
Income (Loss) From						
Operations	495,057	497,457	(53,488)	(83,243)	441,569	414,214
Non-Operating Income						
& (Expenses)	\$ (176,009)	\$ (182,231)	\$ (242,443)	\$ (267,579)	\$ (418,452)	\$ (449,810)
Income (Loss) Before						
Capital Contributions	\$ 319,048	\$ 315,226	\$ (295,931)	\$ (350,822)	\$ (23,117)	\$ (35,596)
Capital Contributions	97,260	29,884	-	29,884	97,260	59,768
Change in Net Position	416,308	345,110	(295,931)	(320,938)	120,377	24,171
Net Position, January 1	8,284,672	7,939,562	17,575,388	17,896,326	25,860,060	25,835,888
Net Position,						
December 31	\$ 8,700,980	\$ 8,284,672	\$ 17,279,457	\$ 17,575,388	\$ 25,980,437	\$ 25,860,060

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2021

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, 2021 was \$13,866,556 for the Water Revenue Fund and \$27,462,950 for the Sewer Revenue Fund. Over the course of 2021, the Water Revenue Fund decreased by \$129,848 and the Sewer Revenue Fund decreased by \$702,406. The Capital Assets activity for 2021 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, 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
Dec. 31, 2026	623,063.26	100,435.58	723,498.84
2027 to 2031	3,364,592.85	252,901.35	3,617,494.20
2032	<u>239,891.97</u>	<u>1,274.28</u>	<u>241,166.25</u>
	<u>\$ 6,567,157.93</u>	<u>\$ 908,996.72</u>	<u>\$ 7,476,154.65</u>

Rose Township Wastewater System Loan PennVest Loan

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2026	35,571.96	4,217.04	39,789.00
2027 to 2031	183,292.43	15,652.57	198,945.00
2032 to 2036	192,686.04	6,258.96	198,945.00
2037	<u>26,427.96</u>	<u>99.20</u>	<u>26,527.16</u>
	<u>\$ 576,763.23</u>	<u>\$ 46,598.93</u>	<u>\$ 623,362.16</u>

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2021

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, 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
Dec. 31, 2026	184,666.50	184,167.50	368,834.00
2027 to 2031	983,697.48	860,472.52	1,844,170.00
2032 to 2036	1,093,003.52	751,166.48	1,844,170.00
2037 and beyond	<u>6,440,179.36</u>	<u>1,658,824.61</u>	<u>8,099,003.97</u>
	<u>\$ 9,401,886.42</u>	<u>\$ 4,229,627.55</u>	<u>\$13,631,513.97</u>

Subsequent Loan - \$2,000,000.00

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2026	38,638.38	35,481.62	74,120.00
2027 to 2031	205,058.12	165,541.88	370,600.00
2032 to 2036	226,444.35	144,155.65	370,600.00
2037 and beyond	<u>1,311,444.28</u>	<u>316,680.04</u>	<u>1,628,124.32</u>
	<u>\$ 1,928,577.01</u>	<u>\$ 811,347.31</u>	<u>\$ 2,739,924.32</u>

Additional information on Brookville Municipal Authority's long-term debt can be found in Note 7 on pages 31-34 of this report.

Economic Factors

- The unemployment rate as of December 31, 2021 for Jefferson County is 4.8 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.

Brookville Municipal Authority

Management's Discussion and Analysis (continued)

December 31, 2021

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, 2021

	Water Revenue Fund	Sewer Revenue Fund	Totals
<i>ASSETS</i>			
Current Assets:			
Cash and cash equivalents	\$ 1,004,054.10	\$ 1,618,960.99	\$ 2,623,015.09
Bank certificates of deposit	451,351.02	701,905.50	1,153,256.52
Accounts receivable - customers	156,660.42	129,516.39	286,176.81
Accounts receivable - other	4,172.28	9,076.63	13,248.91
Due from sewer fund/water fund	2,949.18	96.89	3,046.07
Due from Borough of Brookville	4,980.79	4,309.00	9,289.79
Prepaid expenses	17,780.53	20,585.52	38,366.05
Accrued interest	19.79	74.02	93.81
Inventory	54,209.79	16,613.65	70,823.44
Total Current Assets	1,696,177.90	2,501,138.59	4,197,316.49
Fixed Assets:			
Land	17,230.75	15,351.00	32,581.75
Land and site improvements - net of depreciation	4,172.16	33,889.14	38,061.30
Buildings - net of depreciation	9,790,859.23	21,624,228.42	31,415,087.65
Water distribution system - net of depreciation	3,655,657.65	-	3,655,657.65
Sewer collection system - net of depreciation	-	4,931,348.93	4,931,348.93
Machinery and equipment - net of depreciation	119,438.03	40,904.09	160,342.12
Vehicles - net of depreciation	-	50,788.73	50,788.73
Construction in progress	149,349.81	64,033.10	213,382.91
Total Fixed Assets - Net of Depreciation	13,736,707.63	26,760,543.41	40,497,251.04
Total Assets	15,432,885.53	29,261,682.00	44,694,567.53
Deferred outflows	-	-	-
Total Assets and Deferred Outflows	\$15,432,885.53	\$29,261,682.00	\$44,694,567.53

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Net Position (continued)

December 31, 2021

	Water Revenue Fund	Sewer Revenue Fund	Totals
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 53,574.05	\$ 26,064.98	\$ 79,639.03
Accrued payroll	16,313.52	15,942.52	32,256.04
Accrued interest payable	-	26,121.86	26,121.86
Due to sewer fund/water fund	96.89	2,949.18	3,046.07
Due to Borough of Brookville	73.91	124.82	198.73
Current portion of long-term debt	562,772.83	239,845.90	802,618.73
Total Current Liabilities	632,831.20	311,049.26	943,880.46
Long-term Debt:			
USDA - rural development loans	-	11,124,795.27	11,124,795.27
PennVest - water plant	6,004,385.10	-	6,004,385.10
PennVest - Rose Township collection system	-	542,585.49	542,585.49
Total Long-term Debt	6,004,385.10	11,667,380.76	17,671,765.86
Other Liabilities:			
Customer deposits	87,875.00	-	87,875.00
Total Liabilities	6,725,091.30	11,978,430.02	18,703,521.32
Deferred Inflows	6,813.96	3,794.59	10,608.55
NET POSITION			
Net investment in capital assets	7,169,549.70	14,853,316.75	22,022,866.45
Unrestricted	1,531,430.57	2,426,140.64	3,957,571.21
Total Net Position	8,700,980.27	17,279,457.39	25,980,437.66
Total Liabilities, Deferred Inflows and Net Position	\$15,432,885.53	\$29,261,682.00	\$44,694,567.53

The accompanying notes are an integral part of the financial statements

Brookville Municipal Authority

Statement of Cash Flows

For the Year Ended December 31, 2021

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from users	\$2,005,017.41	\$1,671,992.92	\$3,677,010.33
Cash received from other operating revenue	13,922.98	37,387.20	51,310.18
Cash payments to employees for services	(634,635.85)	(573,783.34)	(1,208,419.19)
Cash payments to suppliers for goods and services	(437,360.39)	(458,378.00)	(895,738.39)
Interest income	2,902.40	4,603.78	7,506.18
	<u>949,846.55</u>	<u>681,822.56</u>	<u>1,631,669.11</u>
Net Cash Provided (Used) by Operating Activities			
	<u>949,846.55</u>	<u>681,822.56</u>	<u>1,631,669.11</u>
Cash Flows from Non-Capital			
Financing activities - contributions to local agencies	(4,000.00)	-	(4,000.00)
	<u>(4,000.00)</u>	<u>-</u>	<u>(4,000.00)</u>
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	(548,634.80)	(235,266.32)	(783,901.12)
Acquisition of capital assets	(312,062.88)	(58,838.10)	(370,900.98)
Interest paid on loans	(174,864.04)	(247,476.68)	(422,340.72)
Contributed capital	97,260.00	-	97,260.00
	<u>(938,301.72)</u>	<u>(541,581.10)</u>	<u>(1,479,882.82)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(938,301.72)	(541,581.10)	(1,479,882.82)
Cash Flows from Investing Activities:			
Redemption/(purchase) of certificates of deposit (net)	(1,351.02)	(101,905.50)	(103,256.52)
	<u>(1,351.02)</u>	<u>(101,905.50)</u>	<u>(103,256.52)</u>
Net Cash Provided (Used) by Investing Activities	(1,351.02)	(101,905.50)	(103,256.52)

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, 2021

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	6,193.81	38,335.96	44,529.77
Cash and Cash Equivalents - Jan. 1, 2021	<u>997,860.29</u>	<u>1,580,625.03</u>	<u>2,578,485.32</u>
Cash and Cash Equivalents - Dec. 31, 2021	<u>\$ 1,004,054.10</u>	<u>\$ 1,618,960.99</u>	<u>\$ 2,623,015.09</u>
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 497,912.58	\$ (48,918.38)	\$ 448,994.20
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	441,911.04	761,244.23	1,203,155.27
(Increase) decrease in accounts receivable	(4,253.10)	17,293.65	13,040.55
(Increase) decrease in inventory	(11,719.68)	4,172.90	(7,546.78)
(Increase) decrease in prepaid insurance	(4,555.13)	(6,961.59)	(11,516.72)
(Increase) decrease in accrued interest	46.79	34.47	81.26
Increase (decrease) in accounts payable	26,342.38	(34,211.96)	(7,869.58)
Increase (decrease) in accrued payroll	621.38	1,359.67	1,981.05
Increase (decrease) in customer deposits	1,100.00	-	1,100.00
Increase (decrease) in deferred inflows	<u>2,440.29</u>	<u>(12,190.43)</u>	<u>(9,750.14)</u>
Net Cash Provided (Used) by Operations	<u>\$ 949,846.55</u>	<u>\$ 681,822.56</u>	<u>\$ 1,631,669.11</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, 2021

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Totals</u>
Operating Revenue:			
System usage charges	\$ 1,997,168.73	\$ 1,673,820.21	\$ 3,670,988.94
Miscellaneous revenue	33,992.54	28,797.35	62,789.89
Total Operating Revenue	<u>2,031,161.27</u>	<u>1,702,617.56</u>	<u>3,733,778.83</u>
Total Operating Expenses	<u>1,533,248.69</u>	<u>1,751,535.94</u>	<u>3,284,784.63</u>
Income (loss) from operations	497,912.58	(48,918.38)	448,994.20
Non-operating income (expense)	<u>(178,864.04)</u>	<u>(247,012.39)</u>	<u>(425,876.43)</u>
Income (loss) before capital contributions	319,048.54	(295,930.77)	23,117.77
Capital contributions	<u>97,260.00</u>	<u>-</u>	<u>97,260.00</u>
Change in Net Position	416,308.54	(295,930.77)	120,377.77
Net Position, January 1, 2021	<u>8,284,671.73</u>	<u>17,575,388.16</u>	<u>25,860,059.89</u>
Net Position, December 31, 2021	<u><u>\$ 8,700,980.27</u></u>	<u><u>\$17,279,457.39</u></u>	<u><u>\$25,980,437.66</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, 2021

Operating Revenue:

Water sales	\$ 1,997,168.73
Hydrant fees	3,360.00
Tap fees	3,400.00
Sales of parts & supplies	12,540.05
Rent of machinery & equipment	2,212.75
Miscellaneous revenue	9,624.13
Interest Income	2,855.61

Total Operating Revenue

2,031,161.27

Operating Expenses:

Salaries and wages	445,437.28
Payroll taxes	36,456.47
Employee benefits	121,109.04
Pension expense	27,385.00
Chemicals	68,788.91
Lab fees and testing supplies	9,775.56
Sludge disposal	1,384.80
Utilities	137,209.74
Telephone and internet	7,626.89
Automated dialing system	1,600.00
Repairs and maintenance	118,653.19
Engineering services	14,871.90
Legal and professional services	17,854.00
Insurance	23,017.94
Office expense	4,464.39
Postage and shipping	6,533.26
Vehicle expenses	8,015.10
Office rent	8,675.00
Computer maintenance/software	14,854.20
Training, dues and subscriptions	5,022.73
Permits and licenses	10,125.00
Miscellaneous	2,477.25
Depreciation	441,911.04

Total Operating Expenses

1,533,248.69

Income (loss) from operations

497,912.58

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, 2021

Non-Operating Income and (Expense):

Contributions	(4,000.00)	
Interest expense - PennVest Loan	<u>(174,864.04)</u>	
Total Non-Operating Income (Expense)		<u>(178,864.04)</u>
Income (loss) before capital contributions		319,048.54
Capital Contributions:		
Jefferson County CDBG - Bowley Road Grant	<u>97,260.00</u>	
Total Capital Contributions		<u>97,260.00</u>
Change in net position		416,308.54
Net Position, January 1, 2021		<u>8,284,671.73</u>
Net Position, December 31, 2021		<u><u>\$ 8,700,980.27</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, 2021

Operating Revenue:

Sewer usage charges	\$ 1,673,820.21
Solid waste collection fees	1,080.00
Tap fees	5,100.00
Sales of parts & supplies	1,765.40
Rent of machinery & equipment	1,827.18
Miscellaneous revenue	14,455.46
Interest income	4,569.31

Total Operating Revenue

1,702,617.56

Operating Expenses:

Salaries and wages	404,655.25
Payroll taxes	33,086.32
Employee benefits	101,082.52
Pension expense	32,172.00
Chemicals	5,651.78
Lab fees and testing supplies	24,699.42
Sludge disposal	61,904.60
Utilities	97,404.90
Telephone and internet	14,960.49
Automated dialing system	1,600.00
Repairs and maintenance	61,823.55
Engineering services	14,846.77
Legal and professional services	17,581.43
Permits and licenses	4,490.00
Insurance	55,982.47
Office expense	11,012.97
Postage and shipping	6,335.62
Vehicle expenses	10,426.02
Office rent	8,675.00
Computer maintenance/software	14,348.30
Training, dues and subscriptions	3,873.51
Miscellaneous	3,678.79
Depreciation	761,244.23

Total Operating Expenses

1,751,535.94

Income (loss) from operations

(48,918.38)

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, 2021

Non-Operating Income and (Expense):

Interest expense - PennVest Loan 1	(202,043.20)	
Interest expense - PennVest Loan 2	(39,017.98)	
Interest expense - PennVest Loan - Rose Township	<u>(5,951.21)</u>	
Total Non-Operating Income (Expense)		<u>(247,012.39)</u>
Change in net position		(295,930.77)
Net Position, January 1, 2021		<u>17,575,388.16</u>
Net Position, December 31, 2021		<u><u>\$17,279,457.39</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 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, 2021

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, \$3,519,561.61 of the Authority's bank balance of \$3,769,561.61 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	\$ 3,519,561.61
Plus: insured amount	250,000.00
Deposits in transit	6,775.10
Less: outstanding checks	<u>(65.10)</u>
Carrying amount – bank balance	3,776,271.61
Less: certificates of deposit – investments	<u>(1,153,256.52)</u>
Total cash per Statement of Net Position	<u>\$ 2,623,015.09</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

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, 2021, the Authority had \$1,072,037.38 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, 2021:

Water Revenue Fund

S&T Bank – Purchased December 15, 2021 for a term of 12 months. \$ 451,351.02

Total Water Revenue Fund \$ 451,135.02

Sewer Revenue Fund

S&T Bank – Purchased December 10, 2021 for a term of 12 months. \$ 601,801.35

S&T Bank – Purchased November 20, 2021 for a term of 6 months. 100,104.15

Total Sewer Revenue Fund \$ 701,905.50

Total Bank Certificates of Deposit \$1,153,256.52

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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

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

Concentration of Credit Risk – Investments

The Authority places no limit on the amount the Authority may invest in any one issuer. \$1,153,256.52 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.

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

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

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, 2021.

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.

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, 2021, 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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

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

Subsequent Events

Subsequent events were evaluated through September 14, 2022, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

Note 2 – Changes in Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

Water Revenue Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,230.75	\$ -	\$ -	\$ 17,230.75
Construction in progress	80,845.65	102,050.99	33,546.83	149,349.81
Total capital assets not being depreciated	98,076.40	102,050.99	33,546.83	166,580.56
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	5,459,186.28	191,639.84	-	5,650,826.12
Machinery and equipment	313,874.38	51,918.88	-	365,793.26
Vehicles	31,951.28	-	-	31,951.28
Total capital assets being depreciated	19,316,727.49	243,558.72	-	19,560,286.21
Less Accumulated Depreciation:				
Land and site improvements	94,110.34	758.52	-	94,868.86
Buildings	3,299,625.86	322,189.44	-	3,621,815.30
Water distribution system	1,889,271.93	105,896.54	-	1,995,168.47
Machinery and equipment	234,973.23	11,382.00	-	246,355.23
Vehicles	30,266.74	1,684.54	-	31,951.28
Total Accumulated Depreciation	5,548,248.10	441,911.04	-	5,990,159.14
Total capital assets being depreciated, Net	13,768,479.39	(198,352.32)	-	13,570,127.07
Total water revenue fund capital assets, Net	\$ 13,866,555.79	\$ (96,301.33)	\$ 33,546.83	\$ 13,736,707.63

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

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	47,298.74	16,734.36	-	64,033.10
Total capital assets not being depreciated	\$62,649.74	16,734.36	-	\$79,384.10
Capital assets being depreciated:				
Land and site improvements	36,937.08	-	-	36,937.08
Buildings	23,768,478.42	-	-	23,768,478.42
Sewer collection system	7,243,476.17	42,103.74	-	7,285,579.91
Machinery and equipment	569,904.96	-	-	569,904.96
Vehicles	499,519.12	-	-	499,519.12
Total capital assets being depreciated	32,118,315.75	42,103.74	-	32,160,419.49
Less Accumulated Depreciation:				
Land and site improvements	1,303.02	1,744.92	-	3,047.94
Buildings	1,551,129.60	593,120.40	-	2,144,250.00
Sewer collection system	2,208,940.32	145,290.66	-	2,354,230.98
Machinery and equipment	523,220.11	5,780.76	-	529,000.87
Vehicles	433,422.90	15,307.49	-	448,730.39
Total Accumulated Depreciation	4,718,015.95	761,244.23	-	5,479,260.18
Total capital assets being depreciated, Net	27,400,299.80	(719,140.49)	-	26,681,159.31
Total sewer revenue fund capital assets, Net	\$27,462,949.54	\$ (702,406.13)	\$ -	\$26,760,543.41

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

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

Evans St to Haney Rd	\$	94,379.84
Bowley Road waterline		97,260.00
Mitsubishi VRF compressor		6,270.77
Kaeser 15HP screw compressor		29,390.11
Goulds VT pump		<u>16,258.00</u>
Total cost/value of capital additions	\$	<u>243,558.72</u>

2. Sewer Revenue Fund

Race Street paving	\$	5,773.00
Jenks Street sewer line		30,691.74
Octave meter		<u>5,639.00</u>
Total cost/value of capital additions	\$	<u>42,103.74</u>

Construction in progress reflected above consists of the following:

1. Water Revenue Fund

SR 322-28 improvements		
Engineering fees	\$	14,729.16
I-80 Northfork Bridge Replacement		
Engineering fees		2,005.20
Testing		1,300.00
Main Street Line Replacement		
Engineering fees		79,742.12
Permits		3,580.00
Advertising		<u>694.51</u>
Total water revenue fund construction in progress	\$	<u>102,050.99</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

Note 2 – Changes in Capital Assets (continued)

2. Sewer Revenue Fund

SR 322-28 Improvements Engineering fees	\$ 14,729.14
I-80 Northfork Bridge Replacement Engineering fees	<u>2,005.22</u>
Total sewer revenue fund construction in progress	<u>\$ 16,734.36</u>

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

The amount due from the Sewer Revenue Fund to the Water Revenue Fund of \$2,949.18 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 \$96.89 consists of the Water Revenue Fund's share of various bank fees, and split checks that need reimbursed.

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 2021.

Note 5 – Deferred Inflows

Deferred inflows of \$10,608.55 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.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

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 2021 were \$548,634.80 and interest paid was \$174,864.04. The outstanding loan balance as of December 31, 2021, is \$6,567,157.93. Scheduled debt service requirements on the loan as of December 31, 2021 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2026	623,063.26	100,435.58	723,498.84
2027 to 2031	3,364,592.85	252,901.35	3,617,494.20
2032	<u>239,891.97</u>	<u>1,274.28</u>	<u>241,166.25</u>
	<u>\$ 6,567,157.93</u>	<u>\$ 908,996.72</u>	<u>\$ 7,476,154.65</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, 2021

Note 7 – Long-Term Debt (continued)**Pennsylvania Infrastructure Investment Authority – Rose Township Wastewater System Loan (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 2021 were \$33,837.79 and interest paid was \$5,951.21. The outstanding loan balance as of December 31, 2021 is \$576,763.23. Scheduled debt service requirements on the loan as of December 31, 2021 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2026	35,571.96	4,217.04	39,789.00
2027 to 2031	183,292.43	15,652.57	198,945.00
2032 to 2036	192,686.04	6,258.96	198,945.00
2037	26,427.96	99.20	26,527.16
	<u>\$ 576,763.23</u>	<u>\$ 46,598.93</u>	<u>\$ 623,362.16</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 2021 were \$166,403.29 and interest paid was \$202,430.71. The outstanding loan balance as of December 31, 2021 is \$9,401,886.42. See scheduled debt service requirements on the loan as of December 31, 2021 below.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

Note 7 – Long-Term Debt (continued)**United States Department of Agriculture – Rural Utilities Service (RUS) (continued)**

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 2021 were \$35,025.24 and interest paid was \$39,094.76. The outstanding loan balance as of December 31, 2021 is \$1,928,577.01. See scheduled debt requirements on the loan as of December 31, 2021 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, 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
Dec. 31, 2026	184,666.50	184,167.50	368,834.00
2027 to 2031	983,697.48	860,472.52	1,844,170.00
2032 to 2036	1,093,003.52	751,166.48	1,844,170.00
2037 and beyond	<u>6,440,179.36</u>	<u>1,658,824.61</u>	<u>8,479,676.80</u>
	<u>\$ 9,401,886.42</u>	<u>\$ 4,229,627.55</u>	<u>\$13,631,513.97</u>

Subsequent Loan - \$2,000,000.00

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Dec. 31, 2026	38,638.38	35,481.62	74,120.00
2027 to 2031	205,058.12	165,541.88	370,600.00
2032 to 2036	226,444.35	144,155.65	370,600.00
2037 and beyond	<u>1,311,444.28</u>	<u>316,680.04</u>	<u>1,628,124.32</u>
	<u>\$ 1,928,577.01</u>	<u>\$ 811,347.31</u>	<u>\$ 2,739,924.32</u>

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

Note 7 – Long-Term Debt (continued)

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

The loans from USDA – RUS are secured by a guarantee 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 the 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 \$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 year 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 – 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, 2020, the actuarial value of plan assets was \$3,483,545, the actuarial accrued liability was \$3,485,294 and the plan had an unfunded liability of \$1,749.

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

Note 9 – Pension (continued)**Employees Covered by Benefit Terms
as of January 1, 2021**

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>14</u>
Total participant count	<u><u>17</u></u>

The total pension contribution paid by the Authority during the year was \$59,557, which was the Minimum Municipal Obligation computed under Act 205. The Water Revenue Fund was charged \$27,385 and the Sewer Revenue Fund was charged \$32,172. 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, 2020, 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, 2020, were as follows:

Total Pension Liability	\$ 3,485,294
Plan Fiduciary Net Position	\$ 3,958,435
Net Pension Liability	\$ (473,141)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	113.58%

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	\$ (95,908)	\$ (473,141)	\$ (797,646)

Brookville Municipal Authority

Notes to Financial Statements (continued)

December 31, 2021

Note 10 - Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-2, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 842, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance is effective for the fiscal years beginning after December 15, 2021. The Authority is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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, 2021

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	12/31/2020
Total Pension Liability							
Service cost (beginning of year)	\$ 54,427	\$ 58,341	\$ 52,735	\$ 64,255	\$ 66,739	\$ 67,029	\$ 67,594
Interest (includes interest on service cost)	147,290	150,416	157,575	166,996	174,386	167,371	175,954
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(91,093)	-	112,594	-	(294,329)	-	(121,331)
Changes of assumptions	-	6,070	77,166	-	-	-	115,441
Transfers	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(52,517)	(62,945)	(95,691)	(95,691)	(89,680)	(71,648)	(71,648)
Net Change in Total Pension Liability	\$ 58,107	\$ 151,882	\$ 304,379	\$ 135,560	\$ (142,884)	\$ 162,752	\$ 166,010
Total Pension Liability - Beginning	2,649,488	2,707,595	2,859,477	3,163,856	3,299,416	3,156,532	3,319,284
Total Pension Liability - Ending	\$ 2,707,595	\$ 2,859,477	\$ 3,163,856	\$ 3,299,416	\$ 3,156,532	\$ 3,319,284	\$ 3,485,294
Plan Fiduciary Net Position							
Contributions - employer	\$ 17,124	\$ 41,738	\$ 43,156	\$ 45,261	\$ 48,629	\$ 66,329	\$ 66,826
Contributions - PMRS assessment	-	320	360	360	380	380	360
Contributions - employee	23,814	26,017	25,751	28,064	29,440	29,597	29,656
PMRS investment income	134,937	150,014	149,861	150,312	158,065	171,288	169,253
Market value investment income	7,020	(152,762)	76,723	333,390	(301,379)	204,351	338,312
Transfers	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(52,517)	(62,945)	(95,691)	(95,691)	(89,680)	(71,648)	(71,648)
PMRS administrative expense	(320)	(320)	(320)	(360)	(380)	(380)	(360)
Additional administrative expense	(5,175)	(6,254)	(7,342)	(6,913)	(7,054)	(5,921)	(7,374)
Net Change in Plan Fiduciary Net Position	\$ 124,883	\$ (4,192)	\$ 192,498	\$ 454,423	\$ (161,979)	\$ 393,996	\$ 525,025
Plan Fiduciary Net Position - Beginning	2,433,781	2,558,664	2,554,472	2,746,970	3,201,393	3,039,414	3,433,410
Plan Fiduciary Net Position - Ending	\$ 2,558,664	\$ 2,554,472	\$ 2,746,970	\$ 3,201,393	\$ 3,039,414	\$ 3,433,410	\$ 3,958,435
Net Pension Liability - Ending	\$ 148,931	\$ 305,005	\$ 416,886	\$ 98,023	\$ 117,118	\$ (114,126)	\$ (473,141)

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*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, 2021

Schedule of Changes in Net Pension Liability*

	Measurement Year Ending						
	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
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%	113.58%
Covered Employee Payroll	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593	\$ 723,112	\$ 731,443	\$ 741,362
Net Pension Liability as a Percentage of Covered Employee Payroll	24.22%	46.89%	64.76%	13.97%	16.20%	15.60%	63.82%
Schedule of Employer Contributions*							
Actuarially determined contribution	\$ 16,617	\$ 42,038	\$ 43,476	\$ 45,621	\$ 49,009	\$ 66,709	\$ 67,186
Contributions in relation to the actuarially determined contribution	17,124	42,058	43,516	45,621	49,009	66,709	67,186
Contribution Deficiency/(Excess)	<u>\$ (507)</u>	<u>\$ (20)</u>	<u>\$ (40)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Participant Payroll	\$ 614,948	\$ 650,413	\$ 643,765	\$ 701,593	\$ 723,112	\$ 731,443	\$ 741,362
Contributions as a Percentage of Participant Payroll	2.78%	6.47%	6.76%	6.50%	6.78%	9.12%	9.06%

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*For those years that are available.

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