

	B	C	D	E	F	G	H	I	J	K	L	
1	Page 1 of 5											
2	Greenville Water Authority Approved								Greenville Water Authority Approved			
3	REVENUES											
4	A. Operating Revenues	2009 Actual	2010 Budget	2010 Actual	2011 +10% Budget	2011 Projected	2012 0% Budget	2013+16% Budget	2014 +8% Budget	2015 +7% Budget	2016 0% Budget	
5	Metered Domestic	832,577	871,031	894,759	984,235	990,344	990,344	1,148,799	1,240,703	1,327,553	1,327,553	
6	Metered Commercial	309,061	322,020	323,219	355,541	384,159	384,159	445,625	481,275	514,964	514,964	
7	Metered Industrial	25,216	26,420	22,473	24,720	31,846	31,846	36,942	39,897	42,690	42,690	
8	Metered Public	25,851	22,355	26,426	29,069	27,239	27,239	31,597	34,125	36,513	36,513	
9	Private Fire Protection	20,882	20,106	24,272	26,699	25,312	25,312	29,362	31,711	33,931	33,931	
10	Public Fire Protection	21,549	23,163	23,163	23,163	23,163	23,163	24,321	24,321	24,321	24,321	
11	Tap In Fees	8,157	6,168	6,588	4,110	2,056	4,112	4,112	4,112	4,112	4,112	
13	Subtotal Operating	1,243,293	1,291,263	1,320,900	1,447,537	1,484,120	1,486,176	1,720,758	1,856,144	1,984,084	1,984,084	
15	B. Non-Operating Revenues	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
16	Bulk Water Sales	4,757	4,893	7,058	8,470	8,614	8,614	9,992	10,792	11,547	11,547	
17	Well Sample Test (\$20) 2010-(\$25)	2,980	4,700	4,015	4,700	5,400	6,000	6,300	6,300	6,300	6,300	
18	Turn on/off Service (\$20)	9,921	10,000	11,519	11,500	8,470	9,000	9,000	9,000	9,000	9,000	
19	Lien Letter Receipts (\$20) 2010-(\$25)	1,000	1,100	1,620	1,600	1,549	1,600	1,600	1,600	1,600	1,600	
20	Collection Cost Recovery (\$10)	23,306	23,500	24,088	23,500	26,572	26,750	26,750	26,750	26,750	26,750	
21	Misc Sales Other Than Water	1,138	1,200	1,377	1,200	1,539	1,300	1,300	1,300	1,300	1,300	
22	Theft Of Service Recovered	530	500	0	500	0	500	500	500	500	500	
23	Work For Others	7,141	5,000	314	3,500	432	2,500	2,500	2,500	2,500	2,500	
24	Sewer Collection Fees	25,273	27,743	27,743	24,743	24,743	27,743	27,743	27,743	27,743	27,743	
25	Interest Earnings	2,238	3,000	1,174	1,150	763	800	800	800	800	800	
26	Uncollectible Recovery	367	500	540	500	126	325	325	325	325	325	
27	Grants	0	36,500	29,098	0	7,277	0	0	0	0	0	
28	USB Trust - Debt Interest	555	1,500	260	300	135	140	140	140	140	140	
29	USB Trust - Debt Holdings Interest	2,525	2,934	662	650	315	325	325	325	325	325	
30	USB Capital Interest	1,634	1,860	402	500	156	160	160	160	160	160	
32	Subtotal Non-Operating	83,365	124,930	109,870	82,813	86,092	85,757	87,435	88,235	88,990	88,990	
33	TOTAL REVENUES	1,326,658	1,416,193	1,430,770	1,530,350	1,570,212	1,571,933	1,808,193	1,944,379	2,073,074	2,073,074	
34	Rate increases are based on the full \$4,501,000 PennVEST loan for main line replacement. 2013, 2014, 2015 and 2016 Budgets are for planning purposes only and have not been approved.											

	B	C	D	E	F	G	H	I	J	K	L
2	Greenville Water Authority		Page 2 of 5					Greenville Water Authority			
3	Approved		EXPENSES					Approved			
4	A. General & Administration	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget
5	Authority Board	6,000	6,000	6,000	6,000	5,700	6,000	6,000	6,000	6,000	6,000
6	Office Salaries	105,021	103,021	106,339	105,081	102,281	105,500	107,610	109,762	111,957	114,197
7	Supplies & Expense (incl. Postage)	40,675	40,600	33,661	40,000	28,200	29,159	30,150	31,175	32,235	33,331
8	Contracted Services	18,477	17,500	13,735	17,500	19,707	18,500	19,129	19,779	20,452	20,476
9	Utility Expense (Bldg)	15,785	15,526	13,637	15,000	15,878	16,000	16,544	17,106	17,688	18,290
10	Office Bldg Maint.	102	1,500	597	1,000	2,000	1,025	1,050	1,075	1,100	1,100
11	Pipe Line Permits (Rail Road)	7,104	6,000	3,200	3,500	3,500	3,500	3,500	3,500	3,500	3,500
12	Uncollectible Consumer (Writeoffs)	2,061	2,000	0	2,500	1,513	2,500	3,000	3,102	3,207	3,317
13	Engineer Expense (Not incl. Projects)	5,664	5,700	5,417	5,700	5,700	5,700	5,894	6,094	6,301	6,516
14	Legal & Professional	17,508	12,000	7,200	8,000	53,540	90,000	10,000	10,340	10,692	10,700
15	Insurance (Liability & Workers Comp.)	38,500	39,655	32,647	35,000	35,000	36,050	37,276	38,543	39,854	41,209
16	Social Security	30,886	32,480	31,341	33,130	32,500	33,000	34,122	35,282	36,482	37,722
17	Employee Health Benefits	98,139	106,555	113,241	124,565	125,000	101,500	110,000	120,000	130,000	136,000
18	Mileage Reimbursement	249	500	591	650	650	700	724	748	774	800
19	Education/Safety Expense	1,683	1,545	970	1,500	2,045	4,000	4,136	4,277	4,422	4,572
20	Unemployment Comp	2,376	3,600	3,753	4,250	3,256	3,300	3,412	3,528	3,648	3,772
21	Retirement Expense	17,359	17,570	17,570	17,650	17,650	10,300	10,300	10,300	10,300	10,300
22	Court Fees/Misc.	13,583	16,000	20,538	20,000	10,000	12,000	12,408	12,830	13,266	13,717
23	Provision for Renewal (Depreciation Paper Figure)	244,076	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000	245,000
24	Subtotals do not include "provision for renewals."										
26	SubTotal G & A Expenses	421,172	427,752	410,437	441,027	464,121	478,734	415,255	433,443	451,879	465,518
27	Expenses Based On 3.4% Increase Yearly										

	B	C	D	E	F	G	H	I	J	K	L	
29	Greenville Water Authority Approved		Page 3 of 5					Greenville Water Authority Approved				
30	EXPENSES											
31	Treatment Plant	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
32	Operating Labor	141,252	135,500	142,667	145,520	143,627	135,000	137,700	140,454	143,263	146,128	
33	Labor Overtime	9,909	8,900	8,334	8,501	9,476	8,671	8,966	9,271	9,586	9,912	
34	Operating Expense	26,287	27,260	20,009	27,000	23,353	27,540	28,476	29,445	30,446	31,481	
35	Treatment Chemicals	59,552	61,200	63,815	64,000	59,523	65,280	67,500	69,795	72,168	74,621	
36	Contracted Services	23,669	35,000	37,589	25,000	25,036	25,500	26,367	27,263	28,190	29,149	
37	Utilities	71,682	74,832	60,876	70,000	56,276	65,000	67,210	69,495	71,858	74,301	
38	Lab Chemicals	10,677	8,500	6,865	8,000	8,348	8,500	8,789	9,088	9,397	9,716	
39												
41	SubTotal Purification	343,027	351,192	340,155	348,021	325,639	335,491	345,008	354,810	364,907	375,309	
43	C. Hadley Booster Pump	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
44	Electric / Building	625	638	0	675	577	597	617	638	660	682	
45	Electric / Pumps	6,587	6,850	6,603	6,987	6,112	6,320	6,535	6,757	6,987	7,225	
46	National Fuel	2,311	2,495	1,610	2,500	1,861	1,924	1,990	2,057	2,127	2,200	
47	Pump Maint.	1,617	1,530	1,100	1,561	129	1,592	1,646	1,702	1,760	1,820	
49	SubTotal Pumping	11,140	11,513	9,313	11,723	8,680	10,433	10,788	11,155	11,534	11,926	
51	D. Distribution	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
52	General Labor	58,022	54,500	56,765	57,900	62,612	72,000	65,280	66,586	67,917	69,276	
53	Labor Overtime	6,060	6,600	7,934	8,093	9,344	9,900	10,098	10,300	10,506	10,716	
54	Meter Reading Labor	11,453	11,500	16,775	17,111	14,676	14,970	15,269	15,574	15,886	16,203	
55	Distrib. Labor @ Plant	4,281	5,000	1,174	4,000	1,906	3,000	3,060	3,121	3,184	3,247	
56	Gratuitous Labor (1-Call, WO, Tags)	27,053	26,650	37,310	38,056	36,227	36,951	37,690	38,444	39,213	39,997	
57	Mains Labor	1,970	2,150	10,897	9,000	4,432	9,180	9,364	9,551	9,742	9,937	
58	Hydrants Labor	15,683	7,000	5,048	6,750	4,516	5,000	5,100	5,202	5,306	5,412	
59	Services Labor	12,107	13,000	15,219	13,260	9,000	12,000	12,240	12,485	12,734	12,989	
60	Meter Repair Labor	6,226	5,900	1,941	3,000	3,000	2,500	2,550	2,601	2,653	2,706	
61	Tank Maint. Labor	2,167	2,210	125	2,000	850	1,000	1,034	1,069	1,106	1,143	
62	Services Materials	12,130	11,600	5,827	10,500	13,604	11,000	11,374	11,761	12,161	12,574	
63	Mains Materials	1,664	1,650	4,169	1,683	2,700	2,000	2,068	2,138	2,211	2,286	
64	Meters Materials	853	870	0	887	600	905	936	968	1,000	1,035	
65	Operating Expense	5,824	5,450	5,066	5,559	10,200	7,000	7,238	7,484	7,739	8,002	
66	Contracted Services	34,691	30,500	37,932	35,000	43,000	44,000	45,496	47,043	48,642	50,296	
67	Vehicle Expense	1,767	1,700	1,176	1,500	10,300	3,000	3,102	3,207	3,317	3,429	
68	Gasoline Expense	4,874	4,500	5,118	5,000	6,400	6,618	6,843	7,075	7,316	7,565	
70	SubTotal Distribution	206,823	190,780	212,476	219,299	233,366	241,024	238,741	244,609	250,632	256,814	
72	Total Expenses	982,162	981,237	972,381	1,020,069	1,031,806	1,065,682	1,009,792	1,044,017	1,078,952	1,109,566	

A	B	C	D	E	F	G	H	I	J	K	L	M
2	Greenville Water Authority Approved		Page 4 of 5					Greenville Water Authority Approved				
3	CAPITAL IMPROVEMENT FUND											
4	A. Treatment Plant	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
5	1. Plant Evaluation/Optimization	7,597	15,000	19,000	7,000	3,503	5,000	5,000	5,000	5,000	5,000	
6	2. Discharge To River	Completed 2008										
7	3. SCADA	Completed 2008										
8	4. Lab / Plant Equipment Security Improvements	14,714	20,000	16,000	30,000	5,803	30,000	35,000	42,000	50,000	50,000	
9	5. Raw Pumps	0	11,000	0	10,000	0	0	0	11,000	0	0	
10	6. Finish Pumps	0	0	0	5,000	0	0	0	6,000	0	0	
11	7. Sludge Press/Pump Improvements	7,730	7,550	7,000	1,000	0	1,250	1,500	1,750	2,000	2,000	
12	8. Plant Rubber Roof	86,733	Completed 2009									
14	Plant Total	116,774	53,550	42,000	53,000	9,306	36,250	41,500	65,750	57,000	57,000	
16	B. Distribution	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
17	1. Building & Parking Lot Repairs	0	2,000	500	1,500	0	31,500	12,000	2,000	2,000	2,000	
18	2. System Map & Model	9,483	5,000	5,000	6,000	0	1,500	1,500	1,500	1,500	1,500	
19	3. Meter Replacement Program	29,816	12,000	5,418	25,000	15,079	16,000	16,000	16,000	16,000	16,000	
20	4. Distribution Vehicles	0	0	0	60,000	18,465	0	25,000	0	30,000	0	
21	5. Hydrant/Valve Program	5,399	6,000	250	6,500	0	6,500	6,500	6,500	6,500	6,500	
22	6. Tools & Equipment	761	1,750	2,000	2,500	0	3,500	3,500	3,500	3,500	3,500	
23	7. Main Line & Service Line Improvements	34,135	25,500	3,000	0	34,774	100,000	100,000	210,000	280,000	165,000	
24	8. Storage Tanks Maintenance/Painting	20,812	0	0	2,000	2,830	110,000	2,000	2,000	2,000	120,000	
25	9. Land Right of Way Acquisition River Crossing	0	0	0	12,000	0	0	12,000	0	0	0	
27	Total Distribution	100,406	52,250	16,168	115,500	71,148	269,000	178,500	241,500	341,500	314,500	
29	C. Office	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
30	1. Computer/Equipment Hardware	7,534	375	0	400	0	425	450	475	500	500	
31	2. Computer Software	230	375	300	400	0	500	550	600	650	650	
32	3. Office Improvements Equipment	0	2,500	2,000	2,500	0	7,500	2,500	2,500	2,500	2,500	
33	4. SWP Grant	25,548	4,500	3,285	0	0	0	0	0	0	0	
35	Total Office	33,312	7,750	5,585	3,300	0	8,425	3,500	3,575	3,650	3,650	
37	Total	250,492	113,550	63,753	171,800	80,454	313,675	223,500	310,825	402,150	375,150	

	B	D	E	F	G	H	I	J	K	L	M	
2	Greenville Water Authority Approved		Page 5 of 5					Greenville Water Authority Approved				
3			Debt Service									
4		2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
5	1. Pennvest Principal Hadley Rd. Tank	0	0	0	33,118	27,456	33,324	33,952	34,374	33,849	33,849	
6	2. Pennvest Interest	0	0	3,066	8,926	8,777	8,719	8,093	7,669	9,409	9,409	
7	3. Pennvest Principal Distribution Improvement					0	0	248,400	248,400	248,400	248,400	
8	4. Pennvest Interest				30,000	0	12,000					
9	3. USB Principal Pay Off September 2024	55,000	160,000	160,000	170,000	170,000	5,000	195,000	210,000	215,000	215,000	
10	4. USB Interest	126,695	124,908	124,908	119,708	119,708	56,268	83,678	81,338	75,038	68,588	
11	5. Hospital Principal Pay Off January 2012	19,491	20,528	20,528	21,723	21,723	1,866	0	0	0	0	
12	6. Hospital Interest	3,011	1,876	1,876	676	676	9	0	0	0	0	
13	Total Debt. Service	204,197	307,312	310,378	384,150	348,340	117,187	569,123	581,781	581,696	575,246	
14												
15	BUDGET SUMMARY											
16												
17		2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Projected	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	
18	I. Total Revenues	1,326,658	1,416,193	1,430,770	1,530,350	1,570,212	1,571,933	1,808,193	1,944,379	2,073,074	2,073,074	
19	II. Expenses	982,162	981,237	972,381	1,020,069	1,031,806	1,065,682	1,009,792	1,044,017	1,078,952	1,109,566	
20	Net Revenue	344,496	434,956	458,389	510,280	538,406	506,251	798,402	900,361	994,122	963,507	
21	III. Capital Improvements	250,492	113,550	63,753	171,800	80,454	313,675	223,500	310,825	402,150	375,150	
22	Debt. Service	294,077	321,326	324,392	384,150	348,340	117,187	569,123	581,781	581,696	575,246	
23	Indenture Coverage	1.17	1.35	1.41	1.33	1.55	4.32	1.40	1.55	1.71	1.67	
24	Balanced Budget +/-	-200,073	80	70,243	-45,670	109,612	75,389	5,779	7,756	10,276	13,112	
25												
26	When Calculating Debt Service, Divide Net Revenue Into Debt Service For Indenture Coverage Of No Less Than 1.1%											

The Greenville Water Authority
Mercer County, Pennsylvania

**2012 Water System
Annual Report and
2013 Operating Budget**

March 2013



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1. INTRODUCTION

1.1 Introduction

This Water System Annual Report has been prepared in accordance with the authorization given to Gannett Fleming, Inc. by the Greenville Water Authority (Authority) in accordance with Article VI, Section 6.07 of the Third Supplemental Trust Indenture dated December 29, 2011 which states:

"The Consulting Engineer shall be required to report annually on (i) the condition and operation of the Water System, and (ii) on the sufficiency of the Capital Improvements and Redemption Fund. The Capital Improvements and Redemption Fund shall be funded by any additional amounts recommended by the Consulting Engineer. Furthermore, amounts on deposit in the Capital Improvements and Redemption Fund shall be used to replenish any deficiency in the Debt Service Reserve Fund."

The Annual Report, presented herein is classified under the following headings:

2. Operational and Maintenance Status of Authority Water Facilities
3. Revenues and Expenditures
4. Capital Improvements and Redemption Fund
5. Rates, Rents and Charges for Water
6. Insurance
7. Conclusions and Recommendations

This report is the seventieth annual report upon the operation of the water system under Authority management. Reports have been submitted annually covering operations since April 1, 1942. Additions and improvements during the past year are reviewed, and the report includes recommendations for additions and improvements, the operating budget for fiscal year 2013, and the capital expenditures proposed for the fiscal year 2013. Information used in this report has been obtained from Authority Management.

1.2 The Greenville Water Authority Water System Description

The Greenville Water Authority Water System is comprised of one treatment plant, five storage tanks, distribution mains, and associated appurtenances. This system serves Greenville Borough and a portion of Hempfield Township and West Salem Township. Pertinent information about the Authority and its water system is provided in Section 2.

2. OPERATIONAL AND MAINTENANCE STATUS OF AUTHORITY FACILITIES

2.1 System Operational and Maintenance Status

The general performance of all Greenville Water Authority distribution and treatment facilities during Fiscal Year 2012 has been satisfactory. Management reports that all Authority facilities have functioned well throughout the year with no extraordinary operational or maintenance problems encountered.

2.2 Water Treatment Plant

The filtration plant contains four filters that have a total of 360 square feet of surface area. Considering these filters to be rapid rate filters with multimedia beds per the Department of Environmental Protection Regulations, the filters can produce 2,000,000 gallons of water per day.

The filtration plant was operated 5,791 hours during the past year for an average of approximately 16 hours daily and processed sufficient quantities of water to meet all consumer requirements. A review of operating results indicates that the water produced by the plant met or exceeded primary drinking water regulations of the Safe Drinking Water Act.

Filtration Plant equipment addressed in 2012 included replacing the ammonia feed motors, replacing the aquamag and sternpac heads, replacing the hot water heater, replacing the backflow preventers on the polymer and aqua mag systems, replacing the SCADA computer and installing a new sludge pump for the belt filter press.

2.3 Distribution System

The distribution system has been properly maintained during the past year, and extensions were made as required to serve customers. A major improvement project was started in August 2012 in the east end of the distribution system. Approximately 9,300 feet of 12" to 1" pipe and appurtenances were installed. Hydrants were regularly inspected, and repairs were made as

required to the distribution system to provide for minimum interruption of service to customers. The booster station #2 electric check valve was rebuilt and the sump pump was repaired.

Under the Meter Account, 286 remote meters were installed and 62 meters were tested or repaired in 2012.

A review of the operating records, as noted above, indicates that the Authority has continued to expand and improve distribution and service facilities during the past year and has operated and maintained them in accordance with accepted waterworks practice.

The Authority also continued an ongoing inspection of fire hydrants and turned valves in an effort to keep the system's components operated. The Authority flushed the system in April and October.

The Authority began a phased approach to modeling and mapping of the entire distribution system in 2001. Phase I covered the high service district and was utilized to size the 12" fire supply line extension to the Hospital. The Authority completed Phase 2 of the modeling in 2010. Phase 2 consists primarily of remapping and updating of the distribution system. There are presently two maps covering the distribution system.

2.4 Distribution Storage Facilities

The exterior surfaces and grounds surrounding the two 750,000-gallon, 255,000-gallon, the high level 250,000-gallon and 1,000,000-gallon storage tanks are maintained in a satisfactory manner. Construction for the new 1 million gallon storage tank adjacent to the existing Hadley Road storage tank was completed in December 2010.

It is recommended that the Authority continue the yearly inspection and maintenance program for all distribution storage tanks. This program will identify potential problems before they become major and costly.

The water storage tanks were last painted as follows:

<u>Tank</u>	<u>Year</u>
750,000-Gallon, South Tank	1997
750,000-Gallon, North Tank	1995
250,000-Gallon, Hadley Road Tank	1988
255,000-Gallon, West Main Street	2005
1,000,000-Gallon, Hadley Road Tank	2010

2.5 General Office Structures and Equipment

The general office structure has been well maintained and is adequate in size for Authority operations.

Under General Shop Equipment, general tools and equipment were purchased during 2012. Adequate small tools and repair equipment are available and maintained in good condition for repairs and service to customers.

2.6 Consumers

The total number of customers according to consumer classifications listed on the books of the Authority as of December 31, 2012, compared with those listed at the end of 2011, is as follows:

	<u>Number of Consumers</u>	
	<u>December 31, 2011</u>	<u>December 31, 2012</u>
Residential	2,448	2,700
Commercial	376	264
Industrial	3	3
Public	<u>22</u>	<u>21</u>
	2,849	2,988
Private Fire Protection	50	52
Public Fire Protection	2	2

The customer total as of December 31, 2012, included 351 residential multiple minimum accounts and 40 commercial multiple minimum accounts. The customer classification was

adjusted for residential and commercial accounts in 2012. Classification does not reflect rates charged to customer and is for reporting purposes only.

2.7 Use of Water

The comparison of the amount of water sold by consumer classification for the past five years is tabulated in the following summary:

Classification	Total Gallons Sold (in 1,000 Gallons)				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	106,998	103,909	102,718	100,357	105,075
Commercial	55,193	51,732	53,187	58,940	55,535
Industrial	5,625	5,547	5,389	5,909	6,078
Public	17,444	14,897	12,489	12,721	15,120
Bulk Sales	<u>1,034</u>	<u>742</u>	<u>1,247</u>	<u>1,125</u>	<u>1,943</u>
TOTAL	186,294	176,827	175,030	179,052	183,751

Sales to metered consumers totaled 183,751,490 gallons or a daily average of approximately 502,053 gallons in 2012 and represents an increase in total sales of 4,391,240 gallons from 2011. A breakdown of sales per customer class indicates that residential sales increased by 4,718,000 gallons, commercial decreased by 3,405,000 gallons, industrial increased by 169,000 gallons, public increased by 2,399,000 gallons and bulk sales increased by 818,000 gallons in 2012. The Residential and Commercial sales were adjusted by 3,388,000 gallons due to internal reclassification of the type of user.

2.8 Water Treatment Plant Operation

The following tabulation lists plant output, quantity of water sold, water used in plant operation, daily average output and the percentage of water unaccounted for during the past ten years.

<u>Year</u>	<u>Plant Output⁽¹⁾</u>	<u>Sold⁽¹⁾</u>	<u>Other^(1,2)</u>	<u>Daily Average Output⁽¹⁾</u>	<u>Percentage Unaccounted For</u>
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2012	268,303	183,751	7,500	733	28.7
2011	240,000	179,052	1,000	658	25.4
2010	245,171	175,030	3,000	672	27.4
2009	256,327	176,827	2,024	702	30.2
2008	265,236	186,294	5,500	725	26.5
2007	314,148	199,421	11,497	861	33.2
2006	336,783	211,846	2,965 ⁽⁴⁾	923	36.2
2005	315,901 ⁽³⁾	192,038	0 ⁽⁴⁾	865	39.2
2004	328,425 ⁽³⁾	191,741	0 ⁽⁴⁾	897	41.6
2003	234,345	190,009	0 ⁽⁴⁾	642	18.9

- Notes: ⁽¹⁾ Water unit in 1,000 gallons.
⁽²⁾ Water use (Other) estimated for hydrant flushing.
⁽³⁾ Water use estimated due to meter inaccuracies.
⁽⁴⁾ Water used in plant operation is supplied before output meter.

The Unaccounted For percentage is based on the Plant Output and Water Sold values. This accounts for unmetered water usage from hydrant flushing, leaks, tank drawdowns, etc.

The following tabulation compares the chemical usage and cost for the last two years:

<u>Chemical</u>	<u>2011</u>		<u>2012</u>	
	<u>Amount Used, lbs.</u>	<u>Total Cost</u>	<u>Amount Used, lbs.</u>	<u>Total Cost</u>
Activated Carbon	0	\$0	0	\$0
AquaMag	296	3,743	426	5,387
Caustic Soda	16,643	4,092	9,813	3,074
Chlorine	10,402	4,467	12,182	5,604
Fluoride	10,349	6,109	13,147	7,566
PolyEZ N1986	104	270	182	519
Stern PAC	162,670	28,778	176,140	32,675
EX 692/300-53 Polymer (Sludge Press)	1,308	3,100	1,097	2,125

Potassium Permanganate	2,007	6,873	1,624	5,792
Ammonia	7,564	<u>2,307</u>	10,892	<u>3,385</u>
TOTAL		\$59,739		\$66,126

3. REVENUES AND EXPENDITURES

3.1 Revenues and Expenditures

Based on information provided by the Authority, Table 1 has been prepared to show the actual 2011 revenues and expenses compared with the projected actual (unaudited) and budgeted revenues and expenses for 2012.

TABLE 1
REVENUES AND EXPENSES FOR THE YEARS 2011 AND 2012
AND 2012 BUDGET

OPERATING REVENUE	<u>Actual 2011</u>	<u>2012 Year End (unaudited)</u>	<u>Budget 2012</u>
Metered Residential	\$1,014,005	\$1,022,932	\$990,344
Metered Commercial	397,490	397,911	384,159
Metered Industrial	32,362	32,655	31,846
Metered Public	27,602	31,568	27,239
Private Fire Protection	27,917	29,371	25,312
Public Fire Protection	23,820	23,163	23,163
Tap Fees	<u>4,112</u>	<u>6,949</u>	<u>4,112</u>
Subtotals Operating Revenue	\$1,527,308	\$1,544,549	\$1,486,175
NON-OPERATING REVENUE			
Bulk Water Sales	\$8,614	11,712	8,614
Well Sample Test	5,275	4,300	6,000
Turn on/off Service Fee (\$20)	8,630	10,000	9,000
Lien Letter Receipts (\$20)	1,545	1,400	1,600
Collection Costs Recovered @ \$10.00	25,899	25,289	26,750
Miscellaneous	2,689	3,186	1,300
Theft of Service Recovered	0	500	500
Job Work Revenue	498	2,586	2,500
Sewer Collection Fees	24,743	27,743	27,743
Interest Earnings	1,010	1,800	800
Uncollectible Recovery	126	1,257	325
Grants, Land & Timber Sales	7,277	0	0
FNB Trust - Debt Interest	135	11	140
FNB Trust - Debt Holdings	315	66	325
FNB Capital Interest	<u>156</u>	<u>4</u>	<u>160</u>
Subtotals Non-Operating Revenue	\$86,912	\$89,854	\$85,757
TOTAL REVENUES	\$1,614,220	\$1,634,403	\$1,571,932

TABLE 1 (Cont'd)

**REVENUES AND EXPENSES FOR THE YEARS 2011 AND 2012
AND 2012 BUDGET**

GENERAL AND ADMINISTRATIVE	<u>Actual 2011</u>	<u>2012 Year End (unaudited)</u>	<u>Budget 2012</u>
Authority Board	\$5,700	\$6,000	\$6,000
Office Salaries	105,978	105,000	105,500
Supplies & Expense (including Postage)	28,628	27,096	29,159
Contracted Services	21,140	21,488	18,500
Utility Expenses (Building)	16,035	12,976	16,000
Office Building Maintenance	2,345	1,573	1,025
Pipe Line Permits (Railroad and Borough)	3,209	4,417	3,500
Uncollectible Consumer (Writeoffs)	1,513	1,573	2,500
Engineer Expense (Not including Projects)	5,000	5,700	5,700
Legal and Professional	55,740 ⁽¹⁾	9,000	90,000
Insurance Expense (Liability & Workers Comp)	44,887	37,849	36,050
Social Security	32,477	33,124	33,000
Employee Health Benefits	120,073	73,164	101,500
Mileage Reimbursement	524	1,500	700
Education Expense	2,698	4,052	4,000
Unemployment Comp.	3,256	3,400	3,300
Retirement Expense	10,212	10,416	10,300
Miscellaneous	<u>12,195</u>	<u>(1,500)</u>	<u>12,000</u>
Subtotal General & Administrative	\$471,610	\$356,828	\$478,734
PURIFICATION SYSTEM			
Operating Labor	\$149,328	\$138,059	\$135,000
Labor Overtime	10,934	7,500	8,671
Operating Expenses	10,972	18,894	27,540
Chemicals	59,745	66,166	65,280
Contracted Services	24,769	26,525	25,500
Utilities	60,733	51,844	65,000
Lab Chemicals	<u>8,031</u>	<u>9,000</u>	<u>8,500</u>
Subtotals Purification System	\$324,512	\$317,988	\$335,491

⁽¹⁾Legal and professions expenses exceeded budgeted figures due to engineering and surveying for the East End Waterline Replacement project that will be funded through a PennVEST loan.

TABLE 1 (Cont'd)

REVENUES AND EXPENSES FOR THE YEARS 2011 AND 2012
AND 2012 BUDGET

	<u>Actual 2011</u>	<u>2012 Year End (unaudited)</u>	<u>Budget 2012</u>
HADLEY BOOSTER PUMP			
Electric/Building	\$602	\$511	\$597
Electric/Pumps	6,373	5,246	6,320
National Fuel	2,115	1,561	1,924
Pump Maintenance	<u>145</u>	<u>1,500</u>	<u>1,592</u>
Subtotals Pumping	\$9,235	\$8,818	\$10,433
DISTRIBUTION SYSTEM			
General Labor	\$68,135	\$67,520	\$72,000
Labor Overtime	9,210	5,951	9,900
Meter Reading	14,797	13,049	14,970
Distribution Labor @ Plant	1,747	1,700	3,000
Gratuitous Labor (No charge, 1-Call, On/Off)	37,487	36,956	36,951
Mains, Labor	4,063	6,300	9,180
Maintenance - Hydrants	4,799	1,200	5,000
Services, Labor	9,227	10,000	12,000
Meters, Labor	3,322	2,423	2,500
Maintenance - Tanks	827	1,000	1,000
Services, Materials	13,934	4,639	11,000
Mains, Materials	2,617	3,200	2,000
Meters, Materials	661	110	905
Operating Expense	10,476	10,750	7,000
Contracted Service	41,539	25,278	44,000
Vehicle Expense	10,338	500	3,000
Gasoline Expense	<u>6,239</u>	<u>6,250</u>	<u>6,618</u>
Subtotal Distribution System	\$239,418	\$196,826	\$241,024
TOTAL EXPENSES	\$1,044,775	\$880,460	\$1,065,682

As shown in Table 1, for Fiscal Year 2012 the total unaudited operating revenue exceeded the budgeted revenues by \$62,471. For the same year, the total operating expenses were less than the budget by \$185,222 and the net operating income available for depreciation, debt service and capital additions is \$753,943.

Table 2 has been prepared to show the actual (unaudited) revenues and expenses of the Authority compared to the 2013 budget of revenues and expenses adopted by the Authority.

TABLE 2

OPERATING BUDGET FOR 2013

	2012	
	<u>Year End (unaudited)</u>	<u>2013 Budget</u>
OPERATING REVENUE		
Metered Residential	\$1,022,932	\$1,022,932
Metered Commercial	397,911	397,911
Metered Industrial	32,655	32,655
Metered Public	31,568	31,568
Private Fire Protection	29,371	29,371
Public Fire Protection	23,163	23,163
Tap Fees	<u>6,949</u>	<u>4,112</u>
Subtotals Operating Revenue	\$1,544,549	\$1,541,712
NON-OPERATING REVENUE		
Bulk Water Sales	\$11,712	\$11,712
Well Sample Test	4,300	4,500
Turn on/off Service Fee (\$20)	10,000	9,000
Lien Letter Receipts (\$20)	1,400	1,500
Collection Cost Recovery (\$10)	25,289	26,000
Miscellaneous	3,186	1,500
Theft of Service Recovered	500	500
Job Work Revenue	2,586	2,500
Sewer Collection Fees	27,743	27,743
Interest Earnings	1,800	800
Uncollectible Recovery	1,257	325
Loans and Grants	0	0
FNB Trust - Debt Interest	11	15
FNB Trust Debt Holding	66	75
FNB - Capital Interest	<u>4</u>	<u>10</u>
Subtotals Non-Operating Revenue	\$89,854	\$86,180
TOTAL REVENUES	\$1,634,403	\$1,627,892

TABLE 2 (Cont'd)

OPERATING BUDGET FOR 2013

	<u>2012</u> <u>Year End (unaudited)</u>	<u>2013 Budget</u>
GENERAL AND ADMINISTRATIVE		
Authority Board	\$6,000	\$6,000
Office Salaries	105,000	95,000
Office Supplies and Expenses (Incl. Postage)	27,096	28,017
Contracted Services	21,488	22,219
Utility Expense (Building)	12,976	13,417
Office Building Maintenance	1,573	1,082
Pipe Line Permits (Railroad and Borough)	4,417	3,500
Uncollectible Consumer (Writeoffs)	1,573	1,500
Engineer Expense (Not including Projects)	5,700	5,894
Legal & Professional	9,000	10,000
Insurance Expense (Liability & Workers Comp)	37,849	39,136
Social Security	33,124	34,250
Employee Health Benefits	73,164	85,000
Mileage Reimbursement	1,500	1,551
Education Expense	4,052	4,190
Unemployment Comp,	3,400	3,516
Retirement Expense	10,416	10,300
Miscellaneous	<u>(1,500)</u>	<u>2,000</u>
Subtotals General and Administrative	\$356,828	\$366,572
PURIFICATION SYSTEM		
Operating Labor	\$138,059	\$140,820
Labor Overtime	7,500	7,755
Operating Expense	18,894	19,536
Chemicals	66,166	68,415
Contracted Services	26,525	27,427
Utilities	51,844	53,606
Lab Chemicals	<u>9,000</u>	<u>9,306</u>
Subtotals Purification System	\$317,988	\$326,865

TABLE 2 (Cont'd)

OPERATING BUDGET FOR 2013

	2012	2013 Budget
	<u>Year End (unaudited)</u>	<u>2013 Budget</u>
HADLEY BOOST PUMP		
Electric/Building	\$511	\$529
Electric/Pumps	5,246	5,425
National Fuel	1,561	1,614
Pump Maintenance	<u>1,500</u>	<u>1,551</u>
Subtotals Pumping System	\$8,818	\$9,119
DISTRIBUTION SYSTEM		
General Labor	\$67,520	\$68,871
Labor Overtime	5,951	6,070
Meter Reading	13,049	13,310
Distribution Labor @ Plant	1,700	1,734
Gratuitous Labor (No charge, 1-call, On/Off)	36,956	37,696
Mains Labor	6,300	6,426
Maintenance - Hydrants	1,200	1,224
Services Labor	10,000	10,200
Meters Labor	2,423	2,471
Maintenance - Tanks	1,000	1,034
Services Materials	4,639	4,797
Mains Materials	3,200	3,309
Meters Materials	110	114
Operating Expense	10,750	11,116
Contracted Services	25,278	26,137
Vehicle Expense	500	517
Gasoline Expense	<u>6,250</u>	<u>6,463</u>
Subtotals Distribution	\$196,826	\$201,489
TOTAL EXPENSES	\$880,460	\$904,045

The Operating Budgeted Expenses for 2013, included herein, total \$904,045. This represents an increase of approximately 3 percent over the unaudited operating expenses in 2012. Expenses are based on present and anticipated 2013 costs of chemicals, power, contract dewatering of treatment plant sludge, and other operating requirements.

The anticipated revenues from metered sales, fire protection, and tap-in fees revenue are estimated to provide approximately \$1,541,712 in 2013. Non-operating revenues are estimated to amount to \$86,180, which includes the fee charged to the Borough of Greenville for billing and collecting sewer charges, and interest income from investments. On the above basis, total revenues for 2013 have been anticipated to amount to \$1,627,892.

3.2 Comparative Statement of Revenues, Expenses, and Debt Service

A comparative statement of operating revenues, expenses, and debt service for Fiscal Years 2012 and 2013 is shown in Table. The Budget FY2013 figures reflect the Fourth Issue Water Revenue Bonds, Series of 2011 dated December 29, 2011 values.

TABLE 3

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND DEBT SERVICE

	Unaudited <u>FY 2012</u>	Budget <u>FY 2013</u>
<u>Net Revenue</u>		
Total Revenue	\$1,634,403	\$1,627,892
Total Operating Expenses	<u>880,460</u>	<u>904,045</u>
Total Revenue Available for Debt Service	\$753,943	\$723,847
<u>Debt Service</u>		
2011 Bond Issue	\$61,268	\$278,678
PENNVEST Tank	34,588	38,170
Hospital Loan	1,875	0
PENNVEST Waterline	<u>1,000</u>	<u>26,000</u>
Total Debt Service	\$98,731	\$342,848
<u>Capital Additions</u>		
Revenue Available for Debt Service	\$753,943	\$723,847
Total Debt Service	<u>(\$98,731)</u>	<u>(\$342,848)</u>
Available for Capital Additions	\$655,212	\$380,999
Coverage provided	7.64	2.11

The above summary indicates that revenues produced by the rate schedule effective January 1, 2011 together with other non-operating revenue will provide revenues for the year 2013 that will be sufficient to cover the requirements for operating expenses and for debt service as required by the Trust Indenture.

4. CAPITAL IMPROVEMENTS AND REDEMPTION FUND

4.1 Capital Improvements 2012

Cost of capital additions to plant and equipment of the Waterworks System in 2012 totaled \$60,329. These improvements were sufficient for proper operation of the Authority's system.

A tabulation of budgeted and actual expenses is shown in Table 4.

TABLE 4

CAPITAL IMPROVEMENTS PROGRAM 2012

<u>ITEM</u>	<u>Budget 2012</u>	<u>Actual 2012</u>
Plant Evaluation	\$5,000	\$1,548
Lab / Plant Equipment	30,000	18,338
Raw Pumps	0	0
Finish Pumps	0	0
Sludge/Press Pump Improvements	1,250	0
Building & Parking Lot Repairs	31,500	0
System Map and Model	1,500	2,115
Meter Reading & Meter Replacement Program	16,000	34,178
Distribution Vehicles	0	0
Hydrant/Valve Program	6,500	0
Tools & Equipment	3,500	0
Main Line Improvements	100,000	0
Storage Tank Maintenance/Painting	110,000	0
Land Right of Way Acquisition River Crossing	0	0
Computer Hardware	425	0
Computer Software	500	0
Office Improvements	7,500	4,150
Total	\$313,675	\$60,329

4.2 Capital Improvements Program 2013-2015

Proposed capital improvements for the years 2013, 2014 and 2015 are shown in Table 5. These improvements will be prioritized by the Authority and implemented based on need and available funds.

TABLE 5

CAPITAL IMPROVEMENTS PROGRAM 2013, 2014 AND 2015

<u>ITEM</u>	<u>Budget 2013</u>	<u>Budget 2014</u>	<u>Budget 2015</u>
Plant Evaluation	\$5,000	\$5,000	\$7,000
Lab / Plant Equipment	20,000	25,000	35,000
Raw Pumps	0	11,000	0
Finish Pumps	0	6,000	0
Sludge/Press Pump Improvements	1,500	1,750	2,000
Building & Parking Lot Repairs	7,500	15,000	2,000
System Map and Model	1,500	2,450	2,500
Meter Reading & Meter Replacement Program	26,000	20,000	16,000
Distribution Vehicles	25,000	0	35,000
Hydrant/Valve Program	7,000	10,000	10,000
Tools & Equipment	8,000	5,000	5,000
Main Line Improvements	150,000	210,000	280,000
Storage Tank Maintenance/Painting	110,000	0	0
Land Right of Way Acquisition River Crossing	12,000	0	0
Office Improvements	<u>7,500</u>	<u>7,500</u>	<u>8,000</u>
Total	\$381,000	\$318,700	\$402,500

5. RATES, RENTS AND CHARGES FOR WATER

The Authority's current rate schedule, which became effective January 1, 2011, is summarized as follows:

Bi monthly minimum charge for which 1,000 gallons of water is allowed

<u>Size of meter</u>	<u>Rate</u>
5/8"	\$29.21
3/4"	\$43.21
1"	\$64.25
1 1/4"	\$77.02
1 1/2"	\$87.31
2"	\$132.96
3"	\$267.91
4"	\$438.99
6"	\$831.56

Bi monthly consumption charges, per thousand gallons for water used by one consumer

for the next	7,000 gallons	\$6.38
for the next	59,000 gallons	\$6.60
for the next	133,000 gallons	\$6.37
for the next	467,000 gallons	\$4.73
over	667,000 gallons	\$3.34

STAND BY SERVICE FOR PRIVATE FIRE PROTECTION

(Annual Cost – billed bimonthly)

2" Hydrant - each	\$82.98
4" Hydrant - each	\$350.46
6" Hydrant - each	\$461.10

Sprinkler Systems

2" Connection - each	\$82.98
4" Connection - each	\$350.46
6" Connection - each	\$461.10
8" Connection - each	\$793.14

Public Fire Protection includes main line (4" size or larger) and Fire Hydrants include supply line from the treatment plant.

Borough of Greenville	\$16,600.96 per year
Hempfield Township	\$7,218.88 per year

Bulk water rates, per thousand gallons for water used per event per month

for the first	1,000 gallons	\$11.90
over	1,000 gallons	\$5.95

6. INSURANCE

Insurance in force as of December 31, 2012, is tabulated on the following page and includes general Liability, Property Coverage, Earthquake/Flood, Employees, Vehicles, Public Officials Liability, Boiler and Machinery and Employee Dishonesty as noted. The insurance coverage is based on an appraisal by an independent professional appraiser. The appraisal is updated annually. It is recommended that this practice be continued and that the Authority's appraisal be updated annually.

SCHEDULE OF INSURANCE
AS OF DECEMBER 31, 2012

<u>Policy No.</u>	<u>Property Covered</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Great American Insurance Co.	General Liability	Liability	\$1,000,000	5/1/13
	Property Coverage	Building Coverage	\$7,821,234	5/1/13
		Content		
		Extra Expense		
		Flood & Earthquake		
Umbrella Coverage		1,000,000	5/1/13	
	Public Officials and Employment Practices Liability		1,000,000	5/1/13
Arch Insurance Co.	2006 Ford Ranger	Property damage	1,000,000	5/1/13
	1999 Ford Dump Truck	Comprehensive		
	2012 Ford Ranger	Collision		
Erie Insurance Co. of New York Q86-7800198	Employee Workers Compensation		PA Standard	2/28/14

7. CONCLUSIONS AND RECOMMENDATIONS

In accordance with the covenants of the Trust Indenture dated as of December 29, 2011, as set forth in Section 6.07, the following conclusions and recommendations are submitted:

1. Operating Expenses in the amount of \$904,045 as outlined in the Budget, represent the estimate of the amount required for operating and administrative costs and maintenance of the water system for the 2013 fiscal year.
2. The operating budget, as provided herein, has been approved and adopted. In our opinion, it represents the required expenditures necessary to maintain the properties of the Authority in good repair and sound operating condition.
3. The insurance schedule, as set forth herein, is based on an independent professional appraisal. It is recommended that this appraisal be updated annually and insurance coverage be revised as necessary for the coming fiscal year.
4. The capital improvements budget has been developed to provide a listing of desirable improvements over the next three (3) years. These improvements will be completed based on the Authority's prioritization and available funding.
5. We recommend that the Authority continue to inspect, maintain, clean, and disinfect all distribution storage tanks.

In its seventieth year of existence, the Authority has continued to provide good, sound direction to the operation of the utility in accordance with recognized water works practices

ACKNOWLEDGMENTS

Gannett Fleming, Inc. would like to take this opportunity to express its sincere thanks to the Authority Board and Mr. William M. Brady and his staff for their work and valuable contributions to this report.

Respectfully submitted,

GANNETT FLEMING, INC.



THOMAS L. THOMPSON, P.E.

Senior Project Manager