

REVENUES

GREENVILLE WATER AUTHORITY APPROVED 2015 BUDGET

12/10/14

RATE INCREASE	10.0%	0.0%	0.0%	← 10.0% →	6.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Operating Revenues	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Metered Residential	1,014,005	1,022,419	1,061,952	1,170,874	1,197,345	1,275,172	1,313,427	1,352,830	1,393,415	1,435,217
Metered Commercial	397,490	402,185	336,894	375,671	369,505	393,523	405,328	417,488	430,013	442,913
Metered Industrial	32,362	33,039	29,955	32,995	22,652	24,125	24,848	25,594	26,362	27,152
Metered Public	27,602	32,371	28,572	32,087	32,736	34,863	35,909	36,986	38,096	39,239
Private Fire Protection	27,917	29,651	31,179	34,267	32,243	34,339	35,369	36,431	37,523	38,649
Public Fire Protection	23,820	23,820	23,820	26,290	29,509	26,892	27,699	28,530	29,386	30,268
Tap In Fees	4,112	9,005	5,290	18,504	10,674	2,000	2,000	2,000	2,000	2,000
Subtotal Operating	1,527,308	1,552,490	1,517,660	1,690,688	1,694,664	1,790,914	1,844,582	1,899,859	1,956,795	2,015,439
Non-Operating Revenues	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Bulk Water Sales	8,614	11,712	18,425	13,500	15,673	8,400	8,652	8,912	9,179	9,454
Well Sample Test	5,275	5,235	6,041	5,275	6,606	6,000	6,000	6,000	6,000	6,000
Turn on/off Service	8,630	10,368	9,241	9,000	7,357	7,560	7,560	7,560	7,560	7,560
Lien Letter Receipts	1,545	1,467	1,600	1,400	2,421	1,800	1,800	1,800	1,800	1,800
Collection Cost Recovery	25,899	25,086	26,271	26,000	34,398	26,000	26,000	26,000	26,000	26,000
Misc/Scrap	2,889	4,129	2,978	2,500	3,313	3,000	3,000	3,000	3,000	3,000
Theft Of Service Recovered	0	0	0	250	0	240	240	240	240	240
Work For Others	498	2,587	25,008	2,500	3,882	2,400	2,400	2,400	2,400	2,400
Sewer Collection Fees	24,743	27,743	27,743	27,743	30,055	27,744	27,744	27,744	27,744	27,744
Interest Earnings	1,010	1,916	1,795	1,400	859	600	600	600	600	600
Written Off Acc Recovery	126	1,257	371	250	515	240	240	240	240	240
Grant & Property Sale/Lease	7,277	28,144	0	0	0	0	0	0	0	0
USB Trust - Debt Interest	135	15	54	75	40	48	48	48	48	48
USB Trust - Debt Holdings Interest	316	74	35	40	17	18	18	18	18	18
USB Capital Interest	156	4	6	10	3	4	4	4	4	4
Subtotal Non-Operating	86,913	119,737	119,570	89,943	105,140	84,054	84,306	84,565	84,833	85,108
TOTAL REVENUES	1,614,222	1,672,227	1,637,230	1,780,631	1,799,804	1,874,968	1,928,887	1,984,424	2,041,627	2,100,547

2015 Approved & 2016, 2017, 2018, 2019 Budgets are for planning purposes only.

EXPENSES

GREENVILLE WATER AUTHORITY APPROVED 2015 BUDGET

12/10/14

General & Administration	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Authority Board	5,700	6,000	5,700	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Office Salaries	105,978	104,658	99,584	99,234	97,676	108,540	111,796	115,150	118,605	122,163
Billing Supplies	28,628	25,353	23,993	32,000	33,412	39,000	40,326	41,697	43,115	44,581
Contracted Services	21,140	26,065	28,240	32,000	32,190	33,000	34,122	35,282	36,482	37,722
Utilities	16,035	13,485	13,533	14,425	17,424	18,000	18,612	19,245	19,899	20,576
Office Bldg Maint.	2,345	1,061	827	1,075	8,214	1,200	1,200	1,200	1,200	1,200
Permits	3,209	1,605	6,230	6,334	5,065	6,000	6,204	6,415	6,633	6,859
Gen/Adj Bank Fees	(3,815)	2,755	4,768	4,930	4,550	4,800	4,963	5,132	5,306	5,487
Uncollectible Write Off	1,513	0	0	1,551	0	1,200	1,241	1,283	1,327	1,372
Engineer Retainer	5,000	4,583	5,000	5,000	5,056	5,000	5,170	5,346	5,528	5,715
Legal & Professional	55,740	7,950	15,363	20,000	14,777	12,000	12,408	12,830	13,266	13,717
Insurance Premiums	44,887	38,556	36,229	39,000	42,392	40,500	41,877	43,301	44,773	46,295
Social Security	32,477	32,848	31,388	33,000	32,439	33,300	34,432	35,603	36,813	38,065
Health Benefits	120,073	73,663	75,747	105,500	80,518	87,600	117,384	129,122	142,035	156,238
Mileage Reimbursement	524	1,254	303	1,000	396	600	620	641	663	686
Educ/Safety/Med	2,698	3,527	2,693	4,353	2,228	4,800	4,963	5,132	5,085	5,258
Unemploy-Comp	3,256	3,398	3,431	3,300	2,670	3,300	3,412	3,528	3,648	3,772
Retirement	10,212	10,416	2,646	2,750	2,311	6,200	6,600	3,600	3,600	3,600
Court Fees	12,195	(1,446)	538	1,000	1,243	1,200	1,241	1,283	1,327	1,372
Provision for Renewal (Depreciation)	287,221	293,026	270,488	325,000	325,006	328,000	328,000	328,000	328,000	328,000
Subtotals do not include "provision for renewals." In General, Expenses Based On 3.4% Increase Yearly										
SubTotal G & A Expenses	467,793	355,731	356,212	412,452	388,581	412,240	452,572	471,790	495,304	520,677

EXPENSES (Cont.)

Treatment Plant	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Operating Labor	149,328	141,549	139,575	145,000	150,053	150,000	154,500	159,135	163,909	168,826
Overtime Labor	10,934	8,027	6,422	6,630	4,904	5,400	5,562	5,729	5,901	6,078
Operating Expense	10,972	24,248	13,498	17,000	20,187	21,300	22,024	22,773	23,547	24,348
Treat-Chemicals	59,745	66,114	59,470	64,000	68,774	72,000	74,448	76,979	79,597	82,303
Contracted Service	24,769	28,088	31,921	26,000	33,825	30,000	31,020	32,075	33,165	34,293
Utilities	60,733	53,613	53,740	58,433	58,758	60,000	62,040	64,149	66,330	68,586
Lab Chemicals	8,031	9,809	13,201	13,000	13,040	12,000	12,408	12,830	13,266	13,717
WTP Evaluation	Capital	Capital	Capital	Capital	3,296	3,600	3,722	3,849	3,980	4,115
SubTotal Treatment	324,510	331,448	317,826	330,063	352,837	354,300	362,002	373,670	385,715	396,150
Hadley Rd. Booster Pump	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Electric / Building	602	459	879	547	777	720	744	770	796	823
Electric / Pumps	6,373	5,427	5,813	6,149	7,007	7,200	7,445	7,698	7,960	8,230
Heating	2,115	1,733	1,453	1,669	2,108	2,400	2,482	2,566	2,653	2,743
Pump Maint.	145	1,664	0	1,604	0	1,800	1,861	1,924	1,990	2,058
Contracted Service	0	0	6,000	0	0	0	0	0	0	0
SubTotal Pumping	9,234	9,283	14,146	9,969	9,892	12,120	12,532	12,958	13,399	13,854
Distribution	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Operating Labor	144,405	152,992	148,626	149,827	163,662	163,080	167,972	173,012	178,202	183,548
Labor Overtime	9,210	5,887	6,617	8,000	5,655	8,000	8,240	8,487	8,742	9,004
Services Material	13,934	4,415	4,432	4,960	2,786	3,600	3,722	3,849	3,980	4,115
Mains Material	2,617	5,269	11,565	5,000	9,644	9,000	9,306	9,622	9,950	10,288
Meters Material	661	109	761	118	24,041	28,000	28,952	29,936	30,954	32,007
Operating Expense	10,476	11,245	11,020	11,492	15,781	12,000	12,408	12,830	13,266	13,717
Contracted Service	41,539	57,396	39,760	46,478	37,170	40,000	41,360	42,766	44,220	45,724
Vehicle Expense	10,338	942	3,487	2,500	529	2,400	2,482	2,566	2,653	2,743
Gasoline Expense	6,239	6,451	8,441	7,000	6,422	7,200	7,445	7,698	7,960	8,230
SubTotal Distribution	239,419	244,707	234,709	235,375	265,691	273,280	281,887	290,767	299,927	309,376
Total Expenses	1,040,956	941,170	922,893	987,859	1,017,001	1,051,940	1,108,993	1,149,185	1,194,345	1,242,058

CAPITAL

GREENVILLE WATER AUTHORITY APPROVED 2015 BUDGET

12/10/14

Treatment Plant	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Evaluation/Optimization	3,503	1,548	6,168	5,500	Expense	-----	-----	-----	-----	-----
Lab and Plant Equip Improvement: Capital or Expense	5,803	18,338	11,258	26,000	10,369	18,000	22,000	25,000	12,000	12,000
Raw/Finish Pumps Improvement: Capital or Expense	0	0	12,464	15,000	0	12,000	15,000	0	0	0
Sludge Press & Equip Improvement: Capital or Expense	0	0	0	1,750	0	2,000	2,000	2,000	12,000	2,500
Sub Total - Plant	9,306	19,886	29,890	48,250	10,369	32,000	39,000	27,000	24,000	14,500

Distribution	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Building & Lot Repairs Capital or Expense	0	0	0	15,000	0	5,000			80,000	
System Map & Model Capital or Expense	0	2,115	0	2,450	0	3,000	1,500	1,500	1,500	1,500
Meter Replacement	15,079	34,178	36,884	23,091	3,750	-----	-----	-----	-----	-----
New Vehicles - Capital	18,465	0	23,997	0	0	0	0	40,000	30,000	0
Hydrant/Valve Replace Capital or Expense	0	0	4,747	5,500	0	4,800	4,800	4,800	4,800	4,800
Power Equipment Capital or Expense	0	0	3,134	7,000	0	3,600	3,600	3,600	3,600	3,600
Main/Service Line Improvements - Capital	34,774	0	4,482	9,142	0	230,000	237,000	103,000	167,000	308,000
Storage Tanks	2,830	0	4,209	153,000	197,026	0	0	120,000	0	0
Sub Total - Distribution	71,148	36,293	77,453	215,183	200,776	246,400	246,900	272,900	286,900	317,900

Office	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Office Equipment Expense	0	4,150	2,279	7,500	0	6,000	2,400	2,400	2,400	2,400
Sub - Total Office	0	4,150	2,279	7,500	0	6,000	2,400	2,400	2,400	2,400

Total	80,454	60,329	109,622	270,933	211,145	284,400	288,300	302,300	313,300	334,800
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FUNDED FROM AVAILABLE CASH IN REVENUE ACCOUNT

Fredonia Road					142,000					
Thiel						200,000				
River Crossing (Partial)						14,000	20,000			
West Tank						250,000				
Booster (Partial)							96,000	20,000		

SUMMARY

GREENVILLE WATER AUTHORITY APPROVED 2015 BUDGET

December 10, 2014

DEBT SERVICE	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Pennvest Princ/Int Hadley Rd. Tank Paid Off July 2013	36,233	34,588	19,712	0	0	0	0	0	0	0
Pennvest Princ/Int Dist Improvement	0	138	27,606	230,500	230,010	248,400	248,400	248,400	248,400	248,400
USB Bonds Princ/Int Pay Off September 2024	289,708	61,268	278,678	291,338	291,338	290,038	283,588	284,988	290,988	280,588
Hospital Princ/Int Pay Off January 2012	22,399	1,875	1,875	0	0	0	0	0	0	0
Total Debt. Service	348,340	97,870	327,870	521,838	521,348	538,438	531,988	533,388	539,388	528,988

SUMMARY	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Revenues	1,614,222	1,672,227	1,637,230	1,780,631	1,799,804	1,874,968	1,928,887	1,984,424	2,041,627	2,100,547
Expenses	1,040,956	941,170	922,893	987,859	1,017,001	1,051,940	1,108,993	1,149,185	1,194,345	1,242,058
Net Revenue	573,265	731,057	714,337	792,772	782,803	823,028	819,894	835,239	847,283	858,488
Capital / Improvements	80,454	60,329	109,622	270,933	211,145	284,400	288,300	302,300	313,300	334,800
Debt. Service	348,340	97,870	327,870	521,838	521,348	538,438	531,988	533,388	539,388	528,988
Indenture Coverage	1.65	7.47	2.18	1.52	1.50	1.53	1.54	1.57	1.57	1.62
Balanced Budget +/-	144,472	572,858	276,845	2	50,310	190	(394)	(448)	(5,405)	(5,299)

When Calculating Indenture Coverage, Divide Net Revenue by Debt Service - Must Be No Less Than 1.10 $\frac{\text{NET REVENUE}}{\text{DEBT SERVICE}} \geq 1.10$

Available for Capital 224,925 633,187 386,467 270,935 261,455 284,590 287,906 301,852 307,895 329,501

NOTE: The Actual & Budget Presentations **EXCLUDE** the \$428,402 Revenue received from the gas lease and \$602,793 Debt Expense for PennVEST tank payoff in 2013. As unusual one-time events, including these, although more accurate, tends to distort year to year comparisons for budget development purposes..

The Greenville Water Authority
Mercer County, Pennsylvania

**2015 Water System
Annual Report and
2016 Operating Budget**

February 2016



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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 seventy-third 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 2016, and the capital expenditures proposed for the fiscal year 2016. Information used in this report has been obtained from Authority Management.

1.2 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 2015 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 5,217 hours during the past year for an average of approximately 14 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 2015 included installing a new mixer for the sludge press and heat pump for the lab and performing routine maintenance.

2.3 Distribution System

The distribution system has been properly maintained during the past year, and extensions were made as required to serve customers. In 2015, waterline extensions consisting of approximately 2,100 feet of 12" and 8" pipe were installed (Thiel College – 1,500 feet and Brackin Alley – 600 feet). Hydrants were regularly inspected, and repairs were made as required to the distribution system to provide for minimum interruption of service to customers.

Under the Meter Account, 139 remote meters were installed and 13 meters were tested or repaired in 2015.

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.

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. The Hadley Road 250,000 gallon tank was repainted in 2014 and a tank mixing system was also provided.

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	2014
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. A video surveillance system was installed in 2015.

Under General Shop Equipment, general tools and equipment were purchased during 2015. 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, 2015, compared with those listed at the end of 2014, is as follows:

Number of Consumers

	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Residential	2,472	2,454
Commercial	230	225
Industrial	3	3
Public	<u>21</u>	<u>24</u>
	2,726	2,706
Private Fire Protection	53	53
Public Fire Protection	2	2

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	100,357	101,687	104,940	102,932	99,693
Commercial	58,940	58,923	52,607	50,881	49,980
Industrial	5,909	6,078	5,232	2,891	2,434
Public	12,721	15,120	11,187	11,737	10,159
Bulk Sales	<u>1,126</u>	<u>1,943</u>	<u>3,115</u>	<u>1,646</u>	<u>522</u>
TOTAL	179,053	183,751	177,081	170,087	162,788

Sales to metered consumers totaled 162,788,000 gallons or a daily average of approximately 445,995 gallons in 2015 and represents a decrease in total sales of 7,299,000 gallons from 2014. A breakdown of sales per customer class indicates that residential sales decreased by 3,239,000 gallons, commercial decreased by 901,000 gallons, industrial decreased by 457,000 gallons, public decreased by 1,578,000 gallons and bulk sales decreased by 1,124,000 gallons in 2015.

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 unbilled 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 Unbilled</u>
2015	255,681	162,788	15,570	700	30.2
2014	255,805	170,087	0	701	33.5
2013	255,760	177,081	15,000	700	30.8
2012	268,303	183,751	7,500	733	31.5
2011	240,000	179,052	1,000	658	25.4

<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 Unbilled</u>
2010	245,171	175,030	3,000	672	28.6
2009	256,327	176,827	2,024	702	31.0
2008	265,236	186,294	5,500	725	29.8
2007	314,148	199,421	11,497	861	36.5
2006	336,783	211,846	2,965 ⁽³⁾	923	37.1

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

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

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

<u>Chemical</u>	<u>2014</u>		<u>2015</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	330	4,484	304	4,274
Caustic Soda	25,733	7,731	21,099	6,883
Chlorine	10,711	4,959	10,700	5,822
Fluoride	12,106	7,096	11,751	6,829
PolyEZ N1986	93	265	107	305
Stern PAC	184,890	33,280	163,600	29,448
300-53 Polymer (Sludge Press)	1,306	2,233	1,406	2,404
Potassium Permanganate	1,232	4,797	1,416	6,357
Ammonia	8,436	<u>2,802</u>	6,425	<u>2,418</u>
TOTAL		\$67,647		\$64,741

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 2014 revenues and expenses compared with the projected actual (unaudited) and budgeted revenues and expenses for 2015.

TABLE 1
REVENUES AND EXPENSES FOR THE YEARS 2014 AND 2015
AND 2015 BUDGET

Operating Revenue	2014 Actual	2015 Year End (unaudited)	2015 Budget
Metered Residential	\$1,189,144	\$1,227,331	\$1,275,172
Metered Commercial	369,336	388,444	393,523
Metered Industrial	21,472	21,827	24,125
Metered Public	30,898	34,805	34,863
Private Fire Protection	35,693	36,731	34,339
Public Fire Protection	31,141	26,828	26,892
Tap In Fees	4,302	9,782	2,000
Subtotal Operating Revenue	\$1,681,986	\$1,745,748	\$1,790,914
Non-Operating Revenue			
Bulk Water Sales	\$15,808	\$4,286	\$8,400
Well Sample Test	6,481	6,808	6,000
Turn on/off Service Fee	7,757	9,706	7,560
Lien Letter Receipts	2,396	2,475	1,800
Collection Cost Recovery	34,636	41,620	26,000
Miscellaneous/Scrap	3,313	1,510	3,000
Theft Of Service Recovered	0	0	240
Work for Others	5,031	11,855	2,400
Sewer Collection Fees	27,743	25,431	27,744
Interest Earnings	3,121	3,456	600
Written Off Account Recovery	515	2,505	240
Grant & Property Sale/Lease	0	0	0
USB Trust - Debt Interest	40	27	48
USB Trust - Debt Holdings Interest	18	18	18
USB Capital Interest	3	33	4
Subtotal Non-Operating Revenue	\$106,862	\$109,730	\$84,054
TOTAL REVENUES	\$1,788,848	\$1,855,479	\$1,874,968

TABLE 1 (Cont'd)**REVENUES AND EXPENSES FOR THE YEARS 2014 AND 2015
AND 2015 BUDGET**

GENERAL & ADMINISTRATION	2014 Actual	2015 Year End (unaudited)	2015 Budget
Authority Board	\$6,000	\$5,900	\$6,000
Office Salaries	97,023	107,571	108,540
Billing Supplies	31,652	46,791	39,000
Contracted Services	35,314	36,676	33,000
Utilities	17,057	11,720	18,000
Office Building Maintenance	11,874	89	1,200
Permits / Rights-of-ways	5,315	8,471	6,000
General/Adj Bank Fees	4,550	4,560	4,800
Uncollectible Consumer (Writeoffs)	0	0	1,200
Engineer Retainer	5,056	3,750	5,000
Legal & Professional	14,455	9,463	12,000
Insurance Premiums	44,863	31,192	40,500
Social Security	32,404	33,836	33,300
Health Benefits	82,068	84,854	87,600
Mileage Reimbursement	580	244	600
Education/Safety/Medical	2,478	3,352	4,800
Unemployment Compensation	2,670	2,909	3,300
Retirement	2,311	6,163	6,200
Court Fees	1,279	1,714	1,200
Subtotal General & Administration Expenses	\$396,948	\$399,255	\$412,240
PURIFICATION SYSTEM			
Operating Labor	150,044	152,283	150,000
Overtime Labor	4,930	6,507	5,400
Operating Expense	20,411	18,560	21,300
Treat-Chemicals	67,647	64,742	72,000
Contracted Service	34,208	38,480	30,000
Utilities	59,917	60,682	60,000
Lab Chemicals	13,364	13,875	12,000
WTP Evaluation	3,046	3,172	3,600
Subtotal Purification	\$353,567	\$358,300	\$354,300

TABLE 1 (Cont'd)

**REVENUES AND EXPENSES FOR THE YEARS 2013 AND 2015
AND 2015 BUDGET**

HADLEY ROAD BOOSTER PUMP	2014 Actual	2015 Year End (unaudited)	2015 Budget
Electric / Building	\$806	\$768	\$720
Electric / Pumps	6,824	6,054	7,200
Heating	2,019	1,823	2,400
Pump Maintenance	0	0	1,800
Contracted Service	0	0	0
Subtotal Pumping	\$9,649	\$8,645	\$12,120
DISTRIBUTION SYSTEM			
Operating Labor	\$98,917	\$163,541	\$163,080
Labor Overtime	5,593	12,541	8,000
Services Material	3,132	5,534	3,600
Mains Material	9,625	15,248	9,000
Meters Material	24,719	29,514	28,000
Operating Expense	17,094	15,776	12,000
Contracted Service	38,553	57,675	40,000
Vehicle Expense	479	1,894	2,400
Gasoline Expense	6,175	4,559	7,200
Subtotal Distribution	204,287	306,282	273,280
TOTAL EXPENSES	\$964,451	\$1,070,175	\$1,051,940

As shown in Table 1, for Fiscal Year 2015 the total unaudited operating revenue were less than the budgeted revenues by \$19,489. For the same year, the total operating expenses were more than the budget by \$18,235 and the net operating income available for depreciation, debt service and capital additions is \$785,304.

Table 2 has been prepared to show the actual (unaudited) revenues and expenses of the Authority compared to the 2016 budget of revenues and expenses adopted by the Authority.

TABLE 2

OPERATING BUDGET FOR 2016

Operating Revenue	2015 Year End (unaudited)	2016 Budget
Metered Residential	\$1,227,331	\$1,231,837
Metered Commercial	388,444	401,275
Metered Industrial	21,827	23,600
Metered Public	34,805	32,318
Private Fire Protection	36,731	35,369
Public Fire Protection	26,828	26,892
Tap In Fees	9,782	2,000
Subtotal Operating Revenue	\$1,745,748	\$1,753,291
Non-Operating Revenue		
Bulk Water Sales	\$4,286	\$5,000
Well Sample Test	6,808	6,200
Turn on/off Service	9,706	8,300
Lien Letter Receipts	2,475	2,000
Collection Cost Recovery	41,620	34,100
Miscellaneous/Scrap	1,510	3,000
Theft Of Service Recovered	0	100
Work For Others	11,855	3,000
Sewer Collection Fees	25,431	27,744
Interest Earnings	3,456	650
Written Off Acc Recovery	2,505	240
Grant & Property Sale/Lease	0	0
USB Trust - Debt Interest	27	48
USB Trust - Debt Holdings Interest	18	18
USB Capital Interest	33	4
Subtotal Non-Operating Revenue	\$109,730	\$90,404
TOTAL REVENUES	\$1,855,479	\$1,843,695

TABLE 2 (Cont'd)

OPERATING BUDGET FOR 2016

General & Administration	2015 Year End (unaudited)	2016 Budget
Authority Board	\$5,900	\$6,000
Office Salaries	107,571	110,515
Billing Supplies	46,791	59,425
Contracted Services	36,676	37,000
Utilities	11,720	18,612
Office Building Maintenance	89	1,300
Permits / Rights-of-ways	8,471	11,000
General/Adj Bank Fees	4,560	5,000
Uncollectible Consumer (Write Offs)	0	1,200
Engineer Retainer	3,750	5,000
Legal & Professional	9,463	12,500
Insurance Premiums	31,192	44,572
Social Security	33,836	35,200
Health Benefits	84,854	111,500
Mileage Reimbursement	244	515
Education/Safety/Medical	3,352	2,500
Unemployment Compensation	2,909	3,400
Retirement	6,163	7,334
Court Fees	1,714	1,400
Subtotal General & Administration Expenses	\$399,255	\$473,973
PURIFICATION		
Operating Labor	\$152,283	\$160,200
Overtime Labor	6,507	7,300
Operating Expense	18,560	22,024
Treat-Chemicals	64,742	71,958
Contracted Service	38,480	35,000
Utilities	60,682	66,000
Lab Chemicals	13,875	12,408
WTP Evaluation	3,172	3,500
Subtotal Treatment	\$358,300	\$378,390

TABLE 2 (Cont'd)

OPERATING BUDGET FOR 2016

HADLEY ROAD BOOSTER PUMP	2015 Year End (unaudited)	2016 Budget
Electric / Building	\$768	\$790
Electric / Pumps	6,054	7,445
Heating	1,823	2,482
Pump Maintenance	0	1,800
Contracted Service	0	0
Subtotal Pumping	\$8,645	\$12,516
DISTRIBUTION SYSTEM		
Operating Labor	\$163,541	\$169,940
Labor Overtime	12,541	11,960
Services Material	5,534	5,920
Mains Material	15,248	16,000
Meters Material	29,514	30,000
Operating Expense	15,776	16,650
Contracted Service	57,675	58,800
Vehicle Expense	1,894	2,400
Gasoline Expense	4,559	6,200
Subtotal Distribution System	\$306,282	\$317,870
TOTAL EXPENSES	\$1,070,175	\$1,182,750

The Operating Budgeted Expenses for 2016, included herein, total \$1,182,750. This represents an increase of approximately 12 percent over the unaudited operating expenses in 2015. Expenses are based on present and anticipated 2016 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 \$1,753,291 in 2016. Non-operating revenues are estimated to amount to \$90,404, which includes the fee charged to the Borough of Greenville and Hempfield Township for billing and collecting sewer charges, and interest income from investments. On the above basis, total revenues for 2016 have been anticipated to amount to \$1,843,695.

3.2 Comparative Statement of Revenues, Expenses, and Debt Service

A comparative statement of operating revenues, expenses, and debt service for Fiscal Years 2015 and 2016 is shown in Table. The Budget FY2016 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 2015</u>	Budget <u>FY 2016</u>
<u>Net Revenue</u>		
Total Revenue	\$1,855,479	\$1,843,695
Total Expenses	<u>1,070,175</u>	<u>1,182,750</u>
Total Revenue Available for Debt Service	\$785,304	\$660,945
<u>Debt Service</u>		
2011 Bond Issue	\$290,038	\$283,588
PENNVEST Waterline	<u>248,400</u>	<u>248,400</u>
Total Debt Service	\$538,438	\$531,988
<u>Capital Additions</u>		
Revenue Available for Debt Service	\$785,304	\$660,945
Total Debt Service	<u>(\$538,438)</u>	<u>(\$531,988)</u>
Available for Capital Additions	\$246,866	\$128,957
Coverage provided	1.46	1.24

The above summary indicates that revenues produced by the rate schedule effective January 1, 2016 together with other non-operating revenue will provide revenues for the year 2016 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 2015

Cost of capital additions to plant and equipment of the Waterworks System in 2015 totaled \$110,963. 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 2015

<u>ITEM</u>	<u>Budget 2015</u>	<u>Actual 2015</u>
Lab / Plant Equipment	\$ 18,000	\$ 5,637
Raw Pumps/Finish Pumps	15,000	0
Sludge/Press Pump Improvements	2,000	0
Building & Parking Lot Repairs	5,000	
System Map and Model	3,000	7,949
Meter Reading & Meter Replacement Program	0	
Hydrant/Valve Program	4,800	0
Tools & Equipment	3,600	0
Main Line Improvements	230,000	0
Storage Tank Maintenance/Painting	0	
Office Equipment	6,000	2,947
Thiel Waterline Reimbursement	200,000	9,300
River Crossing (Partial)	14,000	10,113
West Tank Improvements	250,000	1,003
Brackin Alley Waterline Replacement	<u>0</u>	<u>74,014</u>
Total	\$464,000	\$110,963

4.2 Capital Improvements Program 2016-2018

Proposed capital improvements for the years 2016, 2017 and 2018 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 2016, 2017 AND 2018

<u>ITEM</u>	<u>Budget 2016</u>	<u>Budget 2017</u>	<u>Budget 2018</u>
Lab / Plant Equipment	\$28,300	\$35,000	\$16,000
Raw/Finish Pumps	15,000	16,000	12,000
Sludge/Press Pump Improvements	3,000	5,000	12,000
Building & Parking Lot Repairs	60,000	5,000	35,000
System Map and Model	0	0	0
New Vehicles	0	40,000	30,000
Hydrant/Valve Program	4,800	4,800	4,800
Tools & Equipment	3,600	4,000	4,000
Main/Service Line Improvements	14,000	20,000	12,000
Office Equipment	0	2,000	2,000
Thiel Waterline Reimbursement	209,000	0	0
River Crossing	125,000	85,000	0
West Tank Piping Improvement	140,000	80,000	0
Booster Station Study and Replacement	0	0	230,000
Total	\$602,700	\$296,800	\$357,800

5. RATES, RENTS AND CHARGES FOR WATER

The Authority's current rate schedule, which became effective January 1, 2016, is summarized as follows:

Monthly minimum charge for which 500 gallons of water is allowed

<u>Size of meter</u>	<u>Rate</u>
5/8"	\$17.62
3/4"	\$26.08
1"	\$38.77
1 1/4"	\$46.46
1 1/2"	\$52.68
2"	\$80.22
3"	\$161.65
4"	\$264.85
6"	\$501.70

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

for the next	3,500 gallons	\$7.70
for the next	29,500 gallons	\$7.96
for the next	66,500 gallons	\$7.69
for the next	233,500 gallons	\$5.71
over	333,500 gallons	\$4.04

STAND BY SERVICE FOR PRIVATE FIRE PROTECTION

(Annual Cost – billed monthly)

2" Hydrant - each	\$97.20
4" Hydrant - each	\$410.52
6" Hydrant - each	\$540.12

Sprinkler Systems

2" Connection - each	\$97.20
4" Connection - each	\$410.52
6" Connection - each	\$540.12
8" Connection - each	\$929.16

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

Borough of Greenville	\$18,256.92 per year
Hempfield Township	\$8,604.12 per year

Bulk water rates

Metered bulk water use throughout system, \$25.00 minimum and bulk water obtained at the plant, \$5.00 service fee per load.

Bulk rate: \$7.70 per thousand billed monthly.

6. INSURANCE

Insurance in force as of December 31, 2015, is tabulated on the following page and includes General Liability, Property Coverage, Employees, Vehicles, Public Officials Liability, Employee Workers Compensation, 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, 2015

<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	5/1/16
	Property Coverage	Building Coverage	\$8,038,598	5/1/16
		Hydrants	\$25,000	5/1/16
		Mobile Equipment	\$38,000	5/1/16
		Flood & Earthquake		
	Umbrella Coverage		\$1,000,000	5/1/16
	Public Officials and Employment Practices Liability		\$3,000,000	5/1/16
	Commercial Crime		\$100,000	5/1/16
Computer Fraud		\$500,000	5/1/16	
Arch Insurance Co.	4 Vehicles, 2 Trailers	Property damage	\$1,000,000	5/1/16
		Comprehensive	\$1,000,000	5/1/16
		Collision	\$1,000,000	5/1/16
		Physical Damage	\$1,000,000	5/1/16
		Uninsured Motorists	\$1,000,000	5/1/16
Erie Insurance Co. of New York	Employee Workers Compensation		PA Standard	2/28/16

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. Total Expenses in the amount of \$1,182,750 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 2016 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 seventy-second 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

Gannett Fleming is registered to provide engineering services as Gannett Fleming, Inc. In the performance of its services on behalf of the Authority, which is a municipal entity, Gannett Fleming is not recommending any financing action, is not acting as a municipal advisor to the Client and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to the Authority with respect to the information and material contained in this Report; the Authority should discuss any information and material contained in this Report with any and all internal and/or external financial advisors and experts deemed appropriate before acting on the information contained in this Report.

ACKNOWLEDGMENT

Gannett Fleming, Inc. would like to take this opportunity to express its sincere thanks to the Authority Board and Ms. Carol J. Paul and her staff for their work and valuable contributions to this report.

Respectfully submitted,

GANNETT FLEMING, INC.



THOMAS L. THOMPSON, P.E.

Senior Project Manager