MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors
90 Years and Still Counting

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Municipal Authority of the Borough of Greenville
Greenville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Authority of the Borough of Greenville as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Erie • Meadville • Franklin • Grove City • Weirton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Authority of the Borough of Greenville as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan information on pages 3 through 10 and 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania
March 14, 2018

Municipal Authority of the Borough of Greenville
Management's Discussion and Analysis (MD&A)
December 31, 2017 and 2016

The management of the Municipal Authority of the Borough of Greenville, doing business as the Greenville Water Authority, (the "Authority") offers the various readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017. These activities are broadly compared to the prior year ended December 31, 2016.

Please read this overview and analysis in conjunction with the basic financial statements and in conjunction with the notes to the financial statements. The notes to the financial statements communicate information essential for fair presentation of the financial statements and as such, the notes are an integral part of the basic financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights for fiscal year ended December 31, 2017:

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6,494,105 in FY 2017. Total net position increased by 8.2% or $491,559 during the year. The magnitude of this increase continues to signify that the Authority's overall financial condition remains strong and improving.

- Net investment in capital assets was $4,608,846, which was a increase of 8.9% or $374,866 compared to 2016.

- Total operating revenues increased by 2.5% or $47,270. The water consumption and service fee increased by 3% effective January 1, 2017 while water sales remained flat.

- Operating income increased by only 1.9% or $9,077 in FY 2017 compared to FY 2016, as operating expenses increased roughly 2.8%.

- The Authority purchased a 2017 Ford F150 pickup truck for the distribution department.

- The Authority received a grant from the PA Commonwealth Financing Authority for $320,000. A portion of this grant, $101,016 was spent in 2017 for upgrades at the treatment plant and distribution system. The remainder of the grant will be spent in 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements and notes to the financial statements.

Required Financial Statements

The financial statements of the Authority report information using the accrual basis of accounting; accordingly, all of the current year's revenues and expenses are accounted for regardless of when the cash is received or paid. This accounting treatment is similar to the methods used by private sector companies and aids in answering the question of whether the Authority, as a whole, has improved or deteriorated as a result of this year's activities.

There are (3) required basic financial statements: Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows.

The Statements of Net Position (balance sheets) include all of the Authority's investments in resources (cash, receivables, unbilled revenue, inventory, prepaid insurance, capital assets, and deferred outflows of resources) and the obligation to creditors (long-term debt, loans, payables, accrued expenses, and other liabilities). The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is listed as net position. This statement provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority to meet current and long-term obligations. Over time, increases or decreases in the Authority's net position are one of the indicators of whether its financial health is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position (income statements) include all of the current year revenues and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its cost through water rates, user fees, and other charges.

The Statements of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, capital, and related financing activities. This statement demonstrates where the cash came from, how the cash was used, and how much the change in cash was during the fiscal year.

Condensed versions of the balance sheet and income statement coupled with an analysis of significant changes from the prior year are included in this discussion and analysis.

Statements of Net Position

TABLE 1 - Condensed Statements of Net Position
Fiscal years 2017 and 2016

	Fiscal 2017	Fiscal 2016	Dollar Change	Total % Change
ASSETS				
Current assets	$ 1,505,778	$ 1,409,077	$ 96,701	6.9%
Net pension asset	66,884	161,483	(94,599)	(58.6%)
Capital assets, at cost less depreciation	9,772,641	9,908,820	(136,179)	(1.4%)
Construction in progress	106,399	15,543	90,856	584.5%
Restricted assets	406,859	385,925	20,934	5.4%
Total Assets	11,858,561	11,880,848	(22,287)	*
Deferred Outflows of Resources	221,641	141,375	80,266	56.8%
LIABILITIES				
Current portion of long-term debt	451,283	434,181	17,102	3.9%
Other current liabilities	71,782	67,276	4,506	6.7%
Long-term debt, net of current portion	4,925,792	5,378,351	(452,559)	(8.4%)
Total Liabilities	5,448,857	5,879,808	(430,951)	(7.3%)
Deferred Inflows of Resources	137,240	139,869	(2,629)	(1.9%)
NET POSITION				
Net investment in capital assets	4,608,846	4,233,980	374,866	8.9%
Restricted for debt service	406,859	385,925	20,934	5.4%
Unrestricted	1,478,400	1,382,641	95,759	6.9%
Total Net Position	$ 6,494,105	$ 6,002,546	$ 491,559	8.2%

* % change essentially meaningless as calculated values are either very high or very low due to zero (0) values.

Statements of Net Position (Continued)

Net position is broken down into:

Net investment in capital assets – primarily the value (at cost) of the Authority's water treatment facilities, the distribution system, construction in progress, buildings, real estate, and vehicles less depreciation and any outstanding debt associated with these assets.

Restricted for debt service – funds identified and limited to the specific future use for debt service. The restriction is required by the indenture to the bond trustees.

Unrestricted – funds available for any and all of the Authority's ongoing activities.

As depicted in Table 1, the following significant changes occurred during FY 2017:

- Current assets increased by 6.9% or $96,701 primarily as a result of increased inventory on hand and having $19,870 in grant receivable money from the PA Commonwealth Financing Authority.

- Capital assets decreased by 1.4% as a result of accumulated depreciation.

- Construction in progress increased by $90,856 as the engineering work associated with the 2018 west side tank improvement and main line improvements project was completed.

- Total assets remained stable at $11,858,561 showing a negligible decrease of 0.2%, or $22,287, compared to FY 2016.

- Total liabilities decreased by $430,951 or 7.3% as the long term debt is paid down.

- Net investment in capital assets increased by 8.9% or $374,866 primarily due to capital improvement project progress being completed with available cash and the reduction in debt which occurred when scheduled 2017 principal bond payments were made.

- Total net position increased by $491,559 or 8.2% from FY 2016.

Statements of Revenues, Expenses, and Changes in Net Position

TABLE 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position
Fiscal years 2017 and 2016

	Fiscal 2017	Fiscal 2016	Dollar Change	Total % Change
Total Operating Revenues	$ 1,915,548	$ 1,868,278	$ 47,270	2.5%
Operating Expenses				
Purification, pumping & distribution systems	697,151	721,728	(24,577)	(3.4%)
Administrative & general	470,999	418,940	52,059	12.4%
Depreciation	256,443	245,732	10,711	4.4%
Total Operating Expenses	1,424,593	1,386,400	38,193	2.8%
Operating Income	490,955	481,878	9,077	1.9%
Non-Operating Revenues (Expenses)				
Grant Revenues	101,016	-	101,016	*
Interest income	5,882	4,057	1,825	45.0%
Sale of Timber	-	11,370	(11,370)	*
Interest expense & amortization	(108,794)	(119,608)	10,814	(9.0%)
Gain on disposal of capital asset	2,500	-	2,500	*
Total Non-Operating Revenues (Expenses)	604	(104,181)	104,785	*
Changes in Net Postion	491,559	377,697	113,862	30.1%
Net Position, Beginning of Year	6,002,546	5,624,849	377,697	6.7%
Net Position, End of Year	$ 6,494,105	$ 6,002,546	$ 491,559	8.2%

* % change essentially meaningless as calculated values are either very high or very low due to zero (0) values.

The Authority does not seek to earn a profit; after covering all of the expenses and debt, the Authority must be in a financial position to replace and/or upgrade capital facilities as these facilities age, deteriorate, and cease to function as originally intended.

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

As depicted in Table 2, the following significant changes occurred during FY 2017:

- Total operating revenues increased by 2.5% or $47,270. The water consumption and service fee increased by 3% effective January 1, 2017 while water sales remained flat.

- Total operating expenses increased by 2.8% or $38,193 compared to FY 2016. Increases in health insurance costs had a significant impact on administrative costs. Increases in purification expenses were offset by decreases in distribution expenses.

- Operating income increased only slightly by 1.9% or $9,077 compared to FY 2016 with the increases in private and public sales being offset by higher operating costs.

- Interest expense and amortization decreased 9.0% or $10,814 as principal is paid down.

- The Authority received $101,016 in grant revenue from the PA Commonwealth Financing Authority.

- The End of Year net position increased 8.2% or $491,559 compared to FY 2016.

Capital Assets and Long-Term Debt

TABLE 3 - Capital Assets
Fiscal years 2017 and 2016

	Fiscal 2017	Fiscal 2016	Dollar Change	Total % Change
Capital Asset Classification (at cost)				
Land and Easements	$ 63,091	$ 63,091	$ -	0.0%
Building and Structures	1,521,157	1,521,157	-	0.0%
Treating Plant and Pumping Systems	3,628,939	3,551,336	77,603	2.2%
Distribution Piping Systems	9,544,204	9,544,204	-	0.0%
Water Storage Tank Facilities	1,284,426	1,284,426	-	0.0%
Vehicle and other Road Equipment	106,580	92,434	14,146	15.3%
Office and Maintanence Equipment	256,270	241,727	14,543	6.0%
Construction in Progress	106,399	15,543	90,856	584.5%
Less Accumulated Depreciation	(6,632,026)	(6,389,555)	(242,471)	3.8%
Total Capital Assets	$ 9,879,040	$ 9,924,363	$ (45,323)	(0.5%)

Capital Assets and Long-Term Debt (Continued)

As depicted in Table 3, the following significant changes occurred:

- Work in progress continues for improvements to the west tanks, main line rehabilitations/replacements and electrical upgrades at the treatment plant and booster station. This work is scheduled to be completed in 2018.

- The Authority purchased a new Ford F150 pickup truck and associated accessories for the distribution department at a cost of $28,118.

- Investments at the treatment plant included a boom and buoy protection system around the intake structure at a cost of $12,322 as well as security cameras.

- A grant made available through the PA Commonwealth Financing Authority allowed for the purchase of new turbidimeters and chlorine analyzers at treatment plant and three automatic flushing devices in the distribution system.

TABLE 4 - Long-Term Debt
Fiscal years 2017 and 2016

	Fiscal 2017	Fiscal 2016	Dollar Change	Total % Change
Long-Term Debt				
Water Revenue Bond Series of 2011	$ 1,700,000	$ 1,925,000	$ (225,000)	(11.7%)
Pennvest Loan	3,668,133	3,877,313	(209,180)	(5.4%)
Total Long-Term Debt	5,368,133	5,802,313	(434,180)	(7.5%)
Revenue Bond unamortized bond premium	8,942	10,219	(1,277)	(12.5%)
Total Long-Term Debt, net	5,377,075	5,812,532	(435,457)	(7.5%)
Less: Current portion	(451,283)	(434,181)	(17,102)	3.9%
Total Long-Term Debt, less current portion	$ 4,925,792	$ 5,378,351	$ (452,559)	(8.4%)

* % change essentially meaningless as calculated values are either very high or very low due to zero (0) values.

As depicted in Table 4:

- The decrease of 11.7% or $225,000 in the Water Revenue Bonds is due to the scheduled periodic principal payments for eventual bond retirement.

- Total long-term debt (net of current portion) decreased by 8.4% or $452,559 primarily due to the principal payments during 2017.

- More information about the Authority's long-term debt is presented in Note D in the notes to financial statements.

CONTACTING THE AUTHORITY

This financial report is designed to provide a general overview of the Authority's finances for all those individuals or organizations having interest in the Authority's operations and financial condition. If you have any questions about this report or need additional information, please contact the Greenville Water Authority, 44 Clinton Street, Greenville, PA 16125.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

STATEMENTS OF NET POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 797,710	$ 761,317
Certificate of deposit	261,102	258,120
Accounts receivable	166,074	166,170
Unbilled revenue	173,100	154,328
Grant receivable	19,870	-
Inventory	68,583	49,803
Prepaid insurance	19,339	19,339
Net pension asset	66,884	161,483
Capital assets:		
Nondepreciable capital assets	169,490	78,634
Depreciable capital assets (net of accumulated depreciation)	9,709,550	9,845,729
Restricted cash and cash equivalents - debt service funds	406,859	385,925
	11,858,561	11,880,848
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	106,881	122,149
Relating to net pension asset, net of amortization	114,760	19,226
	221,641	141,375
LIABILITIES		
Current portion of long-term debt	451,283	434,181
Accounts payable	3,945	1,745
Deposits for services	33,017	33,017
Accrued interest payable	16,996	19,996
Other accrued expenses	17,824	12,518
Long-term debt, net of current portion	4,925,792	5,378,351
	5,448,857	5,879,808
DEFERRED INFLOWS OF RESOURCES		
Relating to net pension asset, net of amortization	137,240	139,869
NET POSITION		
Net investment in capital assets	4,608,846	4,233,980
Restricted for debt service	406,859	385,925
Unrestricted	1,478,400	1,382,641
TOTAL NET POSITION	**$ 6,494,105**	**$ 6,002,546**

See notes to the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Private sales	$ 1,744,201	$ 1,672,746
Public sales	68,309	65,159
Tap-in fees	-	28,568
Sewer collection fees	27,743	30,055
Reimbursed collection costs	40,945	42,218
Miscellaneous income	33,552	28,773
Recovery of bad debts	798	759
	1,915,548	1,868,278
OPERATING EXPENSES		
Purification system	423,176	408,403
Pumping system	8,477	10,921
Distribution system	265,498	302,404
Administrative and general	470,999	418,940
Depreciation	256,443	245,732
	1,424,593	1,386,400
OPERATING INCOME	490,955	481,878
NONOPERATING REVENUES (EXPENSES)		
Grant revenues	101,016	-
Interest income	5,882	4,057
Sale of timber	-	11,370
Interest expense	(110,071)	(120,885)
Amortization	1,277	1,277
Gain on disposal of capital asset	2,500	-
	604	(104,181)
CHANGES IN NET POSITION	491,559	377,697
NET POSITION, BEGINNING OF YEAR	6,002,546	5,624,849
NET POSITION, END OF YEAR	$ 6,494,105	$ 6,002,546

See notes to the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 1,793,834	$ 1,768,777
Other operating cash receipts	103,038	101,805
Cash payments to suppliers of goods and services	(741,677)	(705,512)
Cash payments to employees for services	(441,311)	(455,527)
NET CASH PROVIDED BY OPERATING ACTIVITIES	713,884	709,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(211,120)	(508,809)
Gain on disposal of capital asset	2,500	-
Grant revenues	81,146	-
Sale of timber	-	11,370
Principal paid on long-term debt	(434,180)	(422,101)
Interest paid on long-term debt	(97,803)	(108,484)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(659,457)	(1,028,024)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest income	2,900	1,110
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,327	(317,371)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Including $385,925 and $386,374, respectively, reported in Restricted Cash and Cash Equivalents)	1,147,242	1,464,613
CASH AND CASH EQUIVALENTS, END OF YEAR (Including $406,859 and $385,925, respectively, reported in Restricted Cash and Cash Equivalents)	**$ 1,204,569**	**$ 1,147,242**

See notes to the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 490,955	$ 481,878
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	256,443	245,732
Decrease in accounts receivable	96	7,100
Increase in unbilled revenue	(18,772)	(4,796)
Increase in inventory	(18,780)	(3,213)
(Increase) decrease in net pension asset	94,599	(92,219)
Increase (decrease) in accounts payable	2,200	(19,855)
Increase in other accrued expenses	5,306	2,562
(Increase) decrease in deferred outflows/inflows of resources relating to net pension asset	(98,163)	92,354
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 713,884	$ 709,543
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Non-cash capital and related financing activities:		
AMORTIZATION OF BOND PREMIUM	**$ (1,277)**	**$ (1,277)**
AMORTIZATION OF DEFERRED AMOUNT ON BOND REFUNDING	**$ 15,268**	**$ 15,268**

See notes to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipal Authority of the Borough of Greenville (the Authority) was created under the laws of the Commonwealth of Pennsylvania to operate a water system to service individuals and organizations in the Greenville area. The Authority operates under a five person Board of Directors.

Basis of Presentation and Accounting

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The Authority's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically, an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

Revenues and Expenses

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unbilled revenue of the Authority represents estimated amounts due for services provided during 2017 and 2016, but not billed until after December 31, 2017 and 2016, respectively.

Investments

In February 2015, GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and for enhancing disclosures around fair value measurements.

Inventory

Inventory consists of supplies held for repairs and maintenance on the water system. Inventory is valued at cost, using the first-in, first-out method.

Capital Assets

Capital assets are stated at cost.

Repairs and maintenance costs are charged against earnings while renewals and betterments are capitalized by additions to the related asset accounts.

Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. The estimated useful lives range from 4 to 70 years, depending on the type of asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources that affect the financial statements at December 31, 2017 or 2016 relate to net pension asset and debt.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources that affect the financial statements at December 31, 2017 or 2016 relate to net pension asset.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plans and additions to/deductions from the Authority's fiduciary net position have been determined on the same basis as they are reported by the Authority. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy the Authority's obligations. Net position is classified as follows:

> *Net Investment in Capital Assets:* This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction, and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
>
> *Restricted Net Position*: This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
>
> *Unrestricted*: This consists of all other net position that does not meet the definition of net investment in capital assets or restricted net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases,* is effective for periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through March 14, 2018, the date on which the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits at various financial institutions, investments with an original maturity of three months or less, and cash on hand of $300 at December 31, 2017 and 2016.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consists of a debt service account and debt service reserve account that are required to be maintained in accordance with the bond indenture. Amounts in these accounts are restricted for payment of principal and interest on the bonds.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. The Authority does not have a policy for custodial credit risk on deposits. At December 31, 2017 and 2016, the carrying amounts of the Authority's deposits were $1,204,269 and $1,146,942, respectively, with corresponding bank balances of $1,309,887 and $1,219,644, respectively. At December 31, 2017 and 2016, the Authority had $261,102 and $258,120, respectively, invested in a certificate of deposit.

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

Of the bank balances at December 31, 2017 and 2016, $750,000 was covered by federal depository insurance and $820,989 and $727,764, respectively, were exposed to custodial credit risk because they were uninsured and the collateral held by the depository's agent was not in the Authority's name.

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
Capital assets not being depreciated:				
Land	$ 63,091	$ -	$ -	$ 63,091
Construction in progress	15,543	90,856	-	106,399
Total capital assets not being depreciated	78,634	90,856	-	169,490
Capital assets being depreciated:				
Plant and equipment	16,235,284	120,264	(13,972)	16,341,576
Less accumulated depreciation for:				
Plant and equipment	(6,389,555)	(256,443)	13,972	(6,632,026)
Total capital assets being depreciated, net	9,845,729	(136,179)	-	9,709,550
TOTAL CAPITAL ASSETS, NET	**$ 9,924,363**	**$ (45,323)**	**$ -**	**$ 9,879,040**

Capital assets activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
Capital assets not being depreciated:				
Land	$ 63,091	$ -	$ -	$ 63,091
Construction in progress	-	15,543	-	15,543
Total capital assets not being depreciated	63,091	15,543	-	78,634
Capital assets being depreciated:				
Plant and equipment	15,742,018	493,266	-	16,235,284
Less accumulated depreciation for:				
Plant and equipment	(6,143,823)	(245,732)	-	(6,389,555)
Total capital assets being depreciated, net	9,598,195	247,534	-	9,845,729
TOTAL CAPITAL ASSETS, NET	**$ 9,661,286**	**$ 263,077**	**$ -**	**$ 9,924,363**

NOTE D – LONG-TERM DEBT

In December 2011, the Authority issued $2,765,000 of Water Revenue Bonds for a refunding of $2,765,000 of Series of 2003 Water Revenue Bonds. The refunding was undertaken due to more favorable interest rates. The bond bears rates ranging from 0.55% to 4.00% and matures September 2024. The transaction resulted in a reduction of $233,760 in future debt service payments and the economic gain to the Authority from this refunding was $231,428. The loan is secured by revenue of the Authority. The balance outstanding at December 31, 2017 and 2016 was $1,700,000 and $1,925,000, respectively.

In conjunction with this refunding, the Authority has recognized a deferred amount on refunding in the financial statements, as a deferred outflow of resources. This amount represents the difference between the reacquisition price and the net carrying amount of the 2003 Bonds and will be amortized over the remaining life of the bonds. Amortization of the deferred amount on refunding amounted to $15,268 for 2017 and 2016. This amount has been charged to interest expense in the financial statements.

During 2012, the Authority entered into a demand loan with Pennvest which allowed the Authority to borrow up to $4,501,000 for capital improvements to the existing water system. At December 31, 2013, the balance outstanding on this demand loan was $3,973,876. During 2014, the demand loan converted into a loan to be paid at a rate of principal plus interest of 1.0% and matures December 2034. The loan is secured by a lien on the Authority's water revenues. The balance outstanding at December 31, 2017 and 2016 was $3,668,133 and $3,877,313, respectively.

Interest expense on long-term debt was $94,803 and $105,617, respectively, for 2017 and 2016.

Long-term debt as of December 31, 2017 and 2016 consists of the following obligations:

	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*	*Due Within One Year*
Water revenue bonds	$ 1,925,000	$ -	$ (225,000)	$ 1,700,000	$ 240,000
Pennvest loan	3,877,313	-	(209,180)	3,668,133	211,283
Bond Premium	10,219	-	(1,277)	8,942	-
TOTAL	**$ 5,812,532**	**$ -**	**$ (435,457)**	**$ 5,377,075**	**$ 451,283**

NOTE D – LONG-TERM DEBT (CONTINUED)

The annual requirements for long-term debt outstanding as of December 31, 2017 are as follows:

	Principal			*Interest*		
Year ending December 31,	*2011 Bonds*	*Pennvest Loan*	*Total Principal*	*2011 Bonds*	*Pennvest Loan*	*Total Interest*
2018	$ 240,000	$ 211,283	$ 451,283	$ 50,988	$ 35,715	$ 86,703
2019	235,000	213,405	448,405	45,588	33,592	79,180
2020	250,000	215,549	465,549	39,713	31,448	71,161
2021	255,000	217,714	472,714	32,838	29,283	62,121
2022	260,000	219,901	479,901	24,550	27,096	51,646
2023-2027	460,000	1,133,091	1,593,091	22,923	101,895	124,818
2028-2032	-	1,191,161	1,191,161	-	43,825	43,825
2033-2034	-	266,029	266,029	-	1,554	1,554
TOTAL	$ 1,700,000	$ 3,668,133	$ 5,368,133	$ 216,600	$ 304,408	$ 521,008

NOTE E – PENSION PLAN

Plan Description The Authority's pension plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution No. 01-01 adopted pursuant to Act 15 of 1974. 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. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website. A copy can be obtained by contacting the PMRS accounting office.

The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Authority's Manager, with Board approval, has the ability to establish and amend benefits. As a participant in PMRS, the Authority receives a separate actuarial valuation to determine its periodic contribution rate.

Significant Accounting Policies The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE E – PENSION PLAN (CONTINUED)

The following table contains the number of active participants, deferred vested participants, and participants currently receiving a benefit from the Plan based upon the most recent actuarial valuation date of January 1, 2017:

Active participants	11
Retired and beneficiaries currenty receiving benefits	5
Terminated employees entitled to benefits but not yet receiving them	1
TOTAL	17

Investments Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

Actuarial Assumptions Total pension liability was determined by an actuarial valuation as of January 1, 2013 utilizing the Entry Age actuarial funding method and the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Age related scale with merit and inflation component

Pre-retirement mortality rates were based on the RP-2000 Mortality Table with a one-year set back for males and a five-year set back for females. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality Table.

Funding Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. In accordance with the plan's governing Resolution, members are required to contribute 3.5% of compensation to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirement established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings. The contribution to the plan for 2017 was $3,337. The contribution to the plan for 2016 was $7,354 computed through an actuarial valuation performed January 1, 2015 and represented 1.62% of covered payroll.

NOTE E – PENSION PLAN (CONTINUED)

Net pension liability of the pension plan The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of December 31, 2017 is as follows:

Total pension liability	$	712,092
Pension plan net position		778,976
NET PENSION LIABILITY (ASSET)	$	(66,884)

The pension plan's net position as a percentage of total pension liability (asset) is 109.39%.

Discount Rate The discount rate used to measure the total pension liability for the Plan was 5.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Authority's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE E – PENSION PLAN (CONTINUED)

Schedule of Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
MEASSUREMENT YEAR ENDING 12/31/2015	$ 583,004	$ 744,487	$ (161,483)
Changes for the year:			
Service cost	24,818	-	24,818
Interest	31,933	-	31,933
Changes in benefits	-	-	-
Differences between expected and actual experience	104,496	-	104,496
Changes of assumptions	23,016	-	23,016
Contributions - employer	-	7,343	(7,343)
Contributions - PMRS assessment	-	40	(40)
Contributions - member	-	15,947	(15,947)
PMRS investment income	-	43,511	(43,511)
Market value investment income	-	25,275	(25,275)
Transfers	-	-	-
Benefit payments	(55,175)	(55,175)	-
PMRS administrative expense	-	(320)	320
Additional administrative expense	-	(2,132)	2,132
Net changes	129,088	34,489	94,599
MEASUREMENT YEAR ENDING 12/31/2016	**$ 712,092**	**$ 778,976**	**$ (66,884)**

Sensitivity of the net pension liability to change in the discount rate The following presents the net pension liability of the plan, calculated using the discount rate of 5.25% as well as what the plan's net position 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:

	1.0% Decrease 4.25%	*Current Rate 5.25%*	*1.0% Increase 6.25%*
Net pension liability (asset)	$ 20,514	$ (66,884)	$ (140,606)

NOTE E – PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Authority recognized pension expense of $3,819. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Differences between expected and actual experience	$ 94,046	$ 111,636
Changes of assumptions	20,714	12,850
Net difference between projected and actual earnings on pension plan investments	-	12,754
TOTAL	**$ 114,760**	**$ 137,240**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	$ 4,074
2018	4,075
2019	(23,741)
2020	(7,686)
2021	(2,631)
Thereafter	3,429

NOTE F – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2017 and the two previous fiscal years, no settlements exceeded insurance coverage.

Required Supplementary Information

MUNCIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

SCHEDULE OF CHANGES IN EMPLOYEES' PENSION FUND
NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Measurement Year Ending 12/31/2016	*Measurement Year Ending 12/31/2015*	*Measurement Year Ending 12/31/2014*
TOTAL PENSION LIABILITY:			
Service cost (beginning of year)	$ 24,818	$ 27,016	$ 26,982
Interest (includes interest on service cost)	31,933	35,042	44,396
Changes of benefit terms	-	-	-
Differences between expected and actual experience	104,496	-	(153,501)
Changes of assumptions	23,016	(15,706)	-
Transfers	-	-	-
Benefit paymets, including refunds of member contributions	(55,175)	(144,966)	(32,521)
NET CHANGE IN TOTAL PENSION LIABILITY	129,088	(98,614)	(114,644)
TOTAL PENSION LIABILITY, BEGINNING	583,004	681,618	796,262
TOTAL PENSION LIABILITY, ENDING (a)	**$ 712,092**	**$ 583,004**	**$ 681,618**
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	$ 7,343	$ 6,163	$ 5,320
Contributions - PMRS assessment	40	-	-
Contributions - member	15,947	15,481	14,618
PMRS investment income	43,511	38,585	47,578
Market value investment income	25,275	80,271	(139,071)
Transfers	-	-	2,778
Benefit payments, including refunds of member contributions	(55,175)	(144,966)	(32,521)
PMRS administrative expense	(320)	(320)	(340)
Additional administrative expense	(2,132)	(1,609)	(1,825)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	34,489	(6,395)	(103,463)
PLAN FIDUCIARY NET POSITION, BEGINNING	744,487	750,882	854,345
PLAN FIDUCIARY NET POSITION, ENDING (b)	**$ 778,976**	**$ 744,487**	**$ 750,882**
AUTHORITY'S NET PENSION LIABILITY (ASSET), ENDING (a) - (b)	**$ (66,884)**	**$ (161,483)**	**$ (69,264)**
Plan fiduciary net position as a percentage of total pension liability	109.39%	127.70%	110.16%
Covered employee payroll	$ 455,634	$ 442,300	$ 457,278
Net pension liability as a percentage of covered employee payroll	-14.68%	-36.50%	-15.15%

The Authority is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

The data provided in this schedule is based on the measurement date at the beginning of the Authority's fiscal year.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

SCHEDULE OF EMPLOYEES' PENSION FUND EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS

	Measurement Year Ending 12/31/2016	*Measurement Year Ending 12/31/2015*	*Measurement Year Ending 12/31/2014*
Actuarially determined contribution	$ 7,334	$ 6,163	$ 2,291
Contributions in relation to the actuarially determined contribution	7,383	6,163	5,320
CONTRIBUTION DEFICIENCY (EXCESS)	**$ (49)**	**$ -**	**$ (3,029)**
Covered employee payroll	$ 455,634	$ 442,300	$ 457,278
Contributions as a percentage of covered employee payroll	1.62%	1.39%	1.16%

Notes to Schedule:

Valuation date:	Actuarially determined contribution rates are calculated as of January 1, 2015.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level dollar based upon the amortization periods in Act 205
Asset valuation method	Based upon the municipal reserves
Discount rate	5.25%
Inflation	3.0%
Salary increases	Age related scale with merit and inflation component
COLA increases	3.0% for those eligible for COLA
Pre-retirement mortality	Males - RP 2000 with one-year set back, Females - RP 2000 with five-year set back
Post-retirement mortality	Sex distinct RP-2000 Combined Healthy Mortality

The Authority is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.