

**MUNICIPAL AUTHORITY OF THE
BOROUGH OF GREENVILLE**

**AUDITED FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2019 AND 2018



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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, 2019 and 2018, 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.

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, 2019 and 2018, and the respective changes in financial position and 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 pension plan information on pages 19 and 20 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania
March 11, 2020

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,056,178	\$ 669,534
Certificate of deposit	270,238	264,117
Accounts receivable	221,489	185,920
Unbilled revenue	162,740	156,854
Grant receivable	4,237	33,359
Inventory	70,638	68,677
Prepaid insurance	19,339	19,339
Net pension asset	46,655	153,490
Capital assets:		
Nondepreciable capital assets	63,091	2,613,503
Depreciable capital assets, net of accumulated depreciation	12,773,100	9,519,287
Restricted cash and cash equivalents - debt service funds	408,035	425,502
	<u>15,095,740</u>	<u>14,109,582</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	76,345	91,613
Relating to net pension asset, net of amortization	115,536	102,008
	<u>191,881</u>	<u>193,621</u>
LIABILITIES		
Current portion of long-term debt	559,095	514,045
Accounts payable	1,745	311,496
Deposits for services	4,970	4,970
Accrued interest payable	13,237	15,195
Other accrued expenses	20,122	17,205
Long-term debt, net of current portion	5,481,796	5,471,065
	<u>6,080,965</u>	<u>6,333,976</u>
DEFERRED INFLOWS OF RESOURCES		
Relating to net pension asset, net of amortization	120,488	202,027
NET POSITION		
Net investment in capital assets	6,871,645	6,239,293
Restricted for debt service	408,035	425,502
Unrestricted	1,806,488	1,102,405
TOTAL NET POSITION	<u><u>\$ 9,086,168</u></u>	<u><u>\$ 7,767,200</u></u>

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Private sales	\$ 1,880,519	\$ 1,788,742
Public sales	71,616	59,141
Tap-in fees	3,308	6,000
Sewer collection fees	27,743	27,743
Reimbursed collection costs	44,931	43,670
Miscellaneous income	48,660	37,627
Recovery of bad debts	1,402	788
	<u>2,078,179</u>	<u>1,963,711</u>
OPERATING EXPENSES		
Purification system	467,936	409,115
Pumping system	8,939	10,931
Distribution system	287,003	300,947
Administrative and general	468,340	459,702
Depreciation	268,530	257,376
	<u>1,500,748</u>	<u>1,438,071</u>
OPERATING INCOME	<u>577,431</u>	<u>525,640</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenues	693,127	809,928
Interest income	16,708	10,931
Sale of timber	136,800	-
Interest expense	(106,375)	(101,609)
Amortization	1,277	1,277
Loss on disposal of capital assets	-	(1,119)
	<u>741,537</u>	<u>719,408</u>
CHANGES IN NET POSITION	1,318,968	1,245,048
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>7,767,200</u>	<u>6,522,152</u>
NET POSITION, END OF YEAR	<u><u>\$ 9,086,168</u></u>	<u><u>\$ 7,767,200</u></u>

See notes to the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,913,988	\$ 1,850,283
Other operating cash receipts	122,736	109,828
Cash payments to suppliers of goods and services	(1,076,714)	(734,891)
Cash payments to employees for services	(452,531)	(457,385)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>507,479</u>	<u>767,835</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(971,931)	(2,202,893)
Sale of timber	136,800	-
Grant revenues	722,249	796,439
Principal paid on long-term debt	(511,274)	(451,283)
Proceeds from long-term debt	568,332	1,060,595
Interest paid on long-term debt	(93,065)	(88,142)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(148,889)</u>	<u>(885,284)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest income	<u>10,587</u>	<u>7,916</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	369,177	(109,533)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Including \$425,502 and \$406,859, respectively, reported in restricted cash and cash equivalents)	<u>1,095,036</u>	<u>1,204,569</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Including \$408,035 and \$425,502, respectively, reported in restricted cash and cash equivalents)	<u><u>\$ 1,464,213</u></u>	<u><u>\$ 1,095,036</u></u>

See notes to the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 577,431	\$ 525,640
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	268,530	257,376
Increase in accounts receivable	(35,569)	(19,846)
(Increase) decrease in unbilled revenue	(5,886)	16,246
Increase in inventory	(1,961)	(94)
(Increase) decrease in net pension asset	106,835	(86,606)
Decrease in accounts payable	(309,751)	(1,801)
Increase (decrease) in other accrued expenses	2,917	(619)
(Increase) decrease in deferred outflows/inflows of resources relating to net pension asset	<u>(95,067)</u>	<u>77,539</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 507,479</u>	<u>\$ 767,835</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Non-cash capital and related financing activities:		
AMORTIZATION OF BOND PREMIUM	<u>\$ (1,277)</u>	<u>\$ (1,277)</u>
AMORTIZATION OF DEFERRED AMOUNT ON BOND REFUNDING	<u>\$ 15,268</u>	<u>\$ 15,268</u>
CAPITAL ASSET PURCHASES IN ACCOUNTS PAYABLE AT YEAR END	<u>\$ -</u>	<u>\$ 309,352</u>

See notes to the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

NOTES TO THE BASIC 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 Statements of Net Position.

Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Preparation of the Authority's financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Unbilled revenue of the Authority represents estimated amounts due for services provided during 2019 and 2018, but not billed until after December 31, 2019 and 2018, 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, 2019 or 2018 relate to the net pension asset and the deferred charge on refunding of debt.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2019 or 2018 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.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Adopted Accounting Pronouncement

Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. As a result of prospectively implementing this Statement, beginning fiscal year 2019 the Authority no longer capitalizes interest incurred during the construction period.

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.

Subsequent Events

Management has evaluated subsequent events through March 11, 2020, 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, 2019 and 2018.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist 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.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2019 and 2018, the carrying amounts of the Authority's deposits were \$1,463,913 and \$1,094,736, respectively, with corresponding bank balances of \$1,542,951 and \$1,191,201, respectively. At December 31, 2019 and 2018, the Authority had \$270,238 and \$264,117, respectively, invested in a certificate of deposit.

Of the bank balances at December 31, 2019 and 2018, \$750,000 was covered by federal depository insurance and \$1,063,189 and \$705,318, 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, 2019 is as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Capital assets not being depreciated:				
Land	\$ 63,091	\$ -	\$ -	\$ 63,091
Construction in progress	2,550,412	865,216	(3,415,628)	-
Total capital assets not being depreciated	<u>2,613,503</u>	<u>865,216</u>	<u>(3,415,628)</u>	<u>63,091</u>
Capital assets being depreciated:				
Plant and equipment	16,352,941	106,715	3,415,628	19,875,284
Less accumulated depreciation for:				
Plant and equipment	(6,833,654)	(268,530)	-	(7,102,184)
Total capital assets being depreciated, net	<u>9,519,287</u>	<u>(161,815)</u>	<u>3,415,628</u>	<u>12,773,100</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 12,132,790</u>	<u>\$ 703,401</u>	<u>\$ -</u>	<u>\$ 12,836,191</u>

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C – CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended December 31, 2018 is as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Capital assets not being depreciated:				
Land	\$ 63,091	\$ -	\$ -	\$ 63,091
Construction in progress	106,399	2,444,013	-	2,550,412
Total capital assets not being depreciated	<u>169,490</u>	<u>2,444,013</u>	<u>-</u>	<u>2,613,503</u>
Capital assets being depreciated:				
Plant and equipment	16,341,576	68,232	(56,867)	16,352,941
Less accumulated depreciation for:				
Plant and equipment	(6,632,026)	(257,376)	55,748	(6,833,654)
Total capital assets being depreciated, net	<u>9,709,550</u>	<u>(189,144)</u>	<u>(1,119)</u>	<u>9,519,287</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 9,879,040</u>	<u>\$ 2,254,869</u>	<u>\$ (1,119)</u>	<u>\$ 12,132,790</u>

Construction in progress at December 31, 2018 consisted of costs relating to three projects: 2018 Waterline Replacement Project \$1,531,994, the West Tank Improvement Project \$855,233, and the Emergency Power Provision Project \$163,185. There was no construction in progress at December 31, 2019.

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, 2019 and 2018 was \$1,225,000 and \$1,460,000, 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 2019 and 2018. This amount has been charged to interest expense in the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT (CONTINUED)

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, 2019 and 2018 was \$3,243,445 and \$3,456,850, respectively.

In 2018, the Authority began to draw down on a \$1,971,087 note with Pennvest for the water system improvements project. During the drawdown period through April 2019, interest of 1.00% is due monthly. Principal payments began in May 2019 with a maturity date of April 2039. As of December 31, 2019, the Authority still has a balance to draw down upon. The note is secured by a lien on the Authority's water revenues. The balance outstanding at December 31, 2019 and 2018 was \$1,566,058 and \$1,060,595, respectively.

Interest expense on long-term debt was \$91,107 and \$86,341, respectively, for 2019 and 2018.

Long-term debt as of December 31, 2019 and 2018 consists of the following obligations:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Water revenue bonds	\$ 1,460,000	\$ -	\$ (235,000)	\$ 1,225,000	\$ 250,000
Pennvest loan	3,456,850	-	(213,405)	3,243,445	215,549
Pennvest note	1,060,595	568,332	(62,869)	1,566,058	93,546
Bond premium	7,665	-	(1,277)	6,388	-
TOTAL	\$ 5,985,110	\$ 568,332	\$ (512,551)	\$ 6,040,891	\$ 559,095

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT (CONTINUED)

The annual requirements for long-term debt outstanding as of December 31, 2019 are as follows:

<i>Year ending December 31,</i>	<i>Principal</i>			
	<i>2011 Bonds</i>	<i>Pennvest Loan</i>	<i>Pennvest Note</i>	<i>Total Principal</i>
2020	\$ 250,000	\$ 215,549	\$ 93,546	\$ 559,095
2021	255,000	217,714	94,486	567,200
2022	260,000	219,901	95,435	575,336
2023	265,000	222,111	96,394	583,505
2024	195,000	224,342	97,363	516,705
2025-2029	-	1,155,972	501,682	1,657,654
2030-2034	-	987,856	527,393	1,515,249
2035	-	-	59,759	59,759
TOTAL	\$ 1,225,000	\$ 3,243,445	\$ 1,566,058	\$ 6,034,503

<i>Year ending December 31,</i>	<i>Interest</i>			
	<i>2011 Bonds</i>	<i>Pennvest Loan</i>	<i>Pennvest Note</i>	<i>Total Interest</i>
2020	\$ 39,713	\$ 31,448	\$ 15,233	\$ 86,394
2021	32,838	29,283	14,293	76,414
2022	24,550	27,096	13,344	64,990
2023	16,100	24,887	12,385	53,372
2024	6,825	22,655	11,417	40,897
2025-2029	-	79,014	42,213	121,227
2030-2034	-	20,718	16,502	37,220
2035	-	-	190	190
TOTAL	\$ 120,026	\$ 235,101	\$ 125,577	\$ 480,704

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.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

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.

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, 2019:

Active participants	10
Retired and beneficiaries	
currently receiving benefits	6
Terminated employees entitled to	
benefits but not yet receiving them	<u>0</u>
TOTAL	<u><u>16</u></u>

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, 2017 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 2019 was \$261. The contribution to the plan for 2018 was \$3,505 computed through an actuarial valuation performed January 1, 2015 and represented 0.78% of covered payroll.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

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, is as follows:

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 775,922	\$ 716,551
Pension plan net position	822,577	870,041
NET PENSION LIABILITY (ASSET)	<u>\$ (46,655)</u>	<u>\$ (153,490)</u>

The pension plan's net position as a percentage of total pension liability (asset) is 106.01%.

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.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

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)
MEASUREMENT YEAR			
ENDING 12/31/2017	\$ 716,551	\$ 870,041	\$ (153,490)
Changes for the year:			
Service cost	28,064	-	28,064
Interest	38,022	-	38,022
Changes in benefits	3,590	-	3,590
Differences between expected and actual experience	29,565	-	29,565
Changes of assumptions	-	-	-
Contributions - employer	-	3,505	(3,505)
Contributions - PMRS assessment	-	20	(20)
Contributions - member	-	17,119	(17,119)
PMRS investment income	-	42,080	(42,080)
Market value investment income	-	(68,120)	68,120
Transfers	-	-	-
Benefit payments	(39,870)	(39,870)	-
PMRS administrative expense	-	(320)	320
Additional administrative expense	-	(1,878)	1,878
Net changes	<u>59,371</u>	<u>(47,464)</u>	<u>106,835</u>
MEASUREMENT YEAR			
ENDING 12/31/2018	\$ 775,922	\$ 822,577	\$ (46,655)

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:

	<i>1.0% Decrease</i> <i>4.25%</i>	<i>Current Rate</i> <i>5.25%</i>	<i>1.0% Increase</i> <i>6.25%</i>
Net pension liability (asset)	\$ 56,829	\$ (46,655)	\$ (133,892)

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2019, the Authority recognized pension expense of \$15,293. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u><i>Deferred Inflows of Resources</i></u>	<u><i>Deferred Outflows of Resources</i></u>
Differences between expected and actual experience	\$ 83,726	\$ 99,426
Changes of assumptions	9,994	16,110
Net difference between projected and actual earnings on pension plan investments	26,768	-
TOTAL	<u><u>\$ 120,488</u></u>	<u><u>\$ 115,536</u></u>

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

<i>Year ended December 31:</i>	
2019	\$ (25,198)
2020	(9,143)
2021	(4,089)
2022	14,278
2023	654
Thereafter	18,546

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, 2019 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE G – PRIOR PERIOD ADJUSTMENT

The 2018 financial statements have been restated to reflect a prior period adjustment for the previous overstatement of deposits for services. The adjustment caused an overall overstatement of deposits for services and understatement of unrestricted net position in the amount of \$28,047 at December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

SCHEDULE OF CHANGES IN EMPLOYEES' PENSION FUND

NET PENSION LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

	<i>Measurement Year Ending 12/31/2018</i>	<i>Measurement Year Ending 12/31/2017</i>	<i>Measurement Year Ending 12/31/2016</i>	<i>Measurement Year Ending 12/31/2015</i>	<i>Measurement Year Ending 12/31/2014</i>
TOTAL PENSION LIABILITY:					
Service cost (beginning of year)	\$ 28,064	\$ 25,811	\$ 24,818	\$ 27,016	\$ 26,982
Interest (includes interest on service cost)	38,022	37,222	31,933	35,042	44,396
Changes of benefit terms	3,590	-	-	-	-
Differences between expected and actual experience	29,565	-	104,496	-	(153,501)
Changes of assumptions	-	-	23,016	(15,706)	-
Transfers	-	-	-	-	-
Benefit payments, including refunds of member contributions	(39,870)	(58,574)	(55,175)	(144,966)	(32,521)
NET CHANGE IN TOTAL PENSION LIABILITY	59,371	4,459	129,088	(98,614)	(114,644)
TOTAL PENSION LIABILITY, BEGINNING	716,551	712,092	583,004	681,618	796,262
TOTAL PENSION LIABILITY, ENDING (a)	\$ 775,922	\$ 716,551	\$ 712,092	\$ 583,004	\$ 681,618
PLAN FIDUCIARY NET POSITION:					
Contributions - employer	\$ 3,505	\$ 3,329	\$ 7,343	\$ 6,163	\$ 5,320
Contributions - PMRS assessment	20	-	40	-	-
Contributions - member	17,119	15,221	15,947	15,481	14,618
PMRS investment income	42,080	41,486	43,511	38,585	47,578
Market value investment income	(68,120)	91,831	25,275	80,271	(139,071)
Transfers	-	-	-	-	2,778
Benefit payments, including refunds of member contributions	(39,870)	(58,574)	(55,175)	(144,966)	(32,521)
PMRS administrative expense	(320)	(320)	(320)	(320)	(340)
Additional administrative expense	(1,878)	(1,908)	(2,132)	(1,609)	(1,825)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(47,464)	91,065	34,489	(6,395)	(103,463)
PLAN FIDUCIARY NET POSITION, BEGINNING	870,041	778,976	744,487	750,882	854,345
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 822,577	\$ 870,041	\$ 778,976	\$ 744,487	\$ 750,882
AUTHORITY'S NET PENSION LIABILITY (ASSET), ENDING (a) - (b)	\$ (46,655)	\$ (153,490)	\$ (66,884)	\$ (161,483)	\$ (69,264)
Plan fiduciary net position as a percentage of total pension liability	106.01%	121.42%	109.39%	127.70%	110.16%
Covered employee payroll	\$ 449,459	\$ 434,878	\$ 455,634	\$ 442,300	\$ 457,278
Net pension liability as a percentage of covered employee payroll	-10.38%	-35.29%	-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.

See notes to the financial statements.

MUNICIPAL AUTHORITY OF THE BOROUGH OF GREENVILLE

SCHEDULE OF EMPLOYEES' PENSION FUND EMPLOYER CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<i>Measurement Year Ending 12/31/2018</i>	<i>Measurement Year Ending 12/31/2017</i>	<i>Measurement Year Ending 12/31/2016</i>	<i>Measurement Year Ending 12/31/2015</i>	<i>Measurement Year Ending 12/31/2014</i>
Actuarially determined contribution	\$ 3,505	\$ 3,338	\$ 7,334	\$ 6,163	\$ 2,291
Contributions in relation to the actuarially determined contribution	3,525	3,329	7,383	6,163	5,320
CONTRIBUTION DEFICIENCY (EXCESS)	\$ (20)	\$ 9	\$ (49)	\$ -	\$ (3,029)
Covered employee payroll	\$ 449,459	\$ 434,878	\$ 455,634	\$ 442,300	\$ 457,278
Contributions as a percentage of covered employee payroll	0.78%	0.77%	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	5.50%
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.

See notes to the financial statements.