

**Municipal Authority of the  
Borough of Greenville**

**Financial Statements**

**Years ended December 31, 2015 and 2014**



**STILLWAGGON & MCGILL**

CERTIFIED PUBLIC ACCOUNTANTS  
Grove City • Pittsburgh • Weirton, WV

**Municipal Authority of the Borough of Greenville**  
**Years ended December 31, 2015 and 2014**

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**STILLWAGGON & MCGILL**  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2015 and 2014, 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, 2015 and 2014, 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.

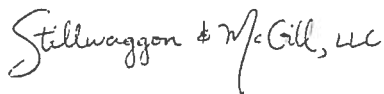
As discussed in Note A to the financial statements, during the 2015 year-end the Municipal Authority of the Borough of Greenville adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## 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 25 through 26 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.

Stillwaggon & McGill, LLC



Grove City, Pennsylvania  
April 13, 2016

**Municipal Authority of the Borough of Greenville  
Management's Discussion and Analysis (MD&A)  
December 31, 2015 and 2014**

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, 2015. These activities are broadly compared to the prior year ended December 31, 2014.

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, 2015:

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,624,849 in FY 2015. Total net position increased by 4.5% or \$242,070 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 \$3,562,793 which was approximately the same as in 2014.
- Total operating revenue increased by 2.4% or \$43,731. The water consumption and service fee increase of 6.5% effective January 1, 2015 was offset by lower water sales in 2015 compared to 2014.
- Operating income decreased by 16.2% or \$70,821 in FY 2015 compared to FY 2014.
- A distribution main line improvement project was completed along Brackin Alley in 2015. 600 feet of 12" main line was replaced at a cost of \$86,821.

## 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 sheet) includes 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 statement) includes 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 2015 and 2014**

ASSETS	Fiscal 2015	Fiscal 2014	Dollar Change	Total % Change
Current assets	\$ 1,722,143	\$ 1,442,206	\$ 279,937	19.4%
Net pension asset	69,264	58,083	11,181	19.3%
Capital assets, at cost less depreciation	9,661,286	9,863,986	(202,700)	-2.1%
Construction in progress	-	-	-	*
Restricted assets	<u>386,374</u>	<u>388,859</u>	<u>(2,485)</u>	-0.6%
<b>Total Assets</b>	<u>11,839,067</u>	<u>11,753,134</u>	<u>85,933</u>	0.7%
<b>Deferred Outflows of Resources</b>	<u>248,674</u>	<u>152,685</u>	<u>95,989</u>	62.9%
<b>LIABILITIES</b>				
Current portion of long term debt	422,101	423,488	(1,387)	(0.3%)
Other current liabilities	87,436	68,852	18,584	27.0%
Long-term debt, net of current portion	<u>5,813,809</u>	<u>6,030,700</u>	<u>(216,891)</u>	(3.6%)
<b>Total Liabilities</b>	<u>6,323,346</u>	<u>6,523,040</u>	<u>(199,694)</u>	(3.1%)
<b>Deferred Inflows of Resources</b>	<u>139,546</u>	<u>-</u>	<u>139,546</u>	*
<b>NET POSITION</b>				
Net investment in capital assets	3,562,793	3,562,483	310	0.0%
Restricted for debt service	386,374	388,859	(2,485)	-0.6%
Unrestricted	<u>1,675,682</u>	<u>1,431,437</u>	<u>244,245</u>	17.1%
<b>Total Net Position</b>	<u>\$ 5,624,849</u>	<u>\$ 5,382,779</u>	<u>\$ 242,070</u>	4.5%

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

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.

**Statements of Net Position (continued)**

As depicted in Table 1, the following significant changes occurred during FY 2015:

- Current assets increased by 19.4% or \$279,937.
- Capital assets decreased by 2.1% primarily a result of depreciation.
- Total assets showed only a slight increase of 0.7% or \$85,933 compared to 2014.
- Current portion of long term debt decreased by 0.3% or \$1,387.
- Net investment in capital assets remained fairly consistent with 2014.
- Unrestricted net position increased by 17.1% or \$244,245.



## Statements of Revenues, Expenses, and Changes in Net Position

**TABLE 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position  
Fiscal years 2015 and 2014**

	Fiscal 2015	Fiscal 2014	Dollar Change	Total % Change
Total Operating Revenues	\$ <u>1,829,397</u>	\$ <u>1,785,666</u>	\$ <u>43,731</u>	2.4%
Operating Expenses				
Purification, pumping & distribution systems	723,182	649,366	73,816	11.4%
Administrative & general	449,850	399,501	50,349	12.6%
Depreciation	<u>289,521</u>	<u>299,134</u>	<u>(9,613)</u>	(3.2%)
Total Operating Expenses	<u>1,462,553</u>	<u>1,348,001</u>	<u>114,552</u>	8.5%
Operating Income	366,844	437,665	(70,821)	-16.2%
Non-Operating Revenues (Expenses)				
Capital contribution	-	135,526	(135,526)	*
Interest income	3,536	3,182	354	11.1%
Interest expense & amortization	(128,310)	(134,704)	6,394	(4.7%)
Loss on disposal of fixed assets	<u>-</u>	<u>(2,975)</u>	<u>2,975</u>	(100.0%)
Total Non-Operating Revenues (Expenses)	<u>(124,774)</u>	<u>1,029</u>	<u>(125,803)</u>	*
<b>Changes in Net Position</b>	242,070	438,694	(196,624)	(44.8%)
<b>Net Position, Beginning of Year</b>	<u>5,382,779</u>	<u>4,944,085</u>	<u>438,694</u>	8.9%
<b>Net Position, End of Year</b>	\$ <u><u>5,624,849</u></u>	\$ <u><u>5,382,779</u></u>	\$ <u><u>242,070</u></u>	4.5%

\* % 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.

As depicted in Table 2, the following significant changes occurred during FY 2015:

- Total operating revenue increased by 2.4% or \$43,731. The water consumption and service fee increase of 6.5% effective January 1, 2015 was partially offset by lower water sales in 2015 compared to 2014.
- Total operating expenses increased by 8.5% or \$114,552 compared to 2014. The distribution department had a 12% increase in operating expenses primarily due to a harsh winter and the related main repairs.

### **Statements of Revenues, Expenses, and Changes in Net Position (continued)**

- Operating income decreased by 16.2% or \$70,821 as the increase in operating revenues was eclipsed by the increase in operating expenses.
- Interest expense and amortization decreased 4.7% or \$6,394 as the principal is paid down.
- No fixed assets were disposed of in 2015.
- Change in net position decreased by 44.8% or \$196,624 as compared to the prior year.

## Capital Assets and Long-Term Debt

**TABLE 3 - Capital Assets  
Fiscal years 2015 and 2014**

Capital Asset Classification (at cost)	Fiscal 2015	Fiscal 2014	Dollar Change	Total % Change
Land and Easements	\$ 63,091	\$ 63,091	\$ -	-
Building and Structures	1,444,069	1,444,069	-	-
Treating Plant and Pumping Systems	3,551,336	3,551,336	-	-
Distribution Piping Systems	9,128,026	9,041,205	86,821	1.0%
Water Storage Tank Facilities	1,284,426	1,284,426	-	-
Vehicle and other Road Equipment	92,434	92,434	-	-
Office and Maintenance Equipment	241,727	241,727	-	-
Construction in Progress	-	-	-	-
Less Accumulated Depreciation	(6,143,823)	(5,854,302)	(289,521)	4.9%
<b>Total Capital Assets</b>	<b>\$ 9,661,286</b>	<b>\$ 9,863,986</b>	<b>\$ (202,700)</b>	<b>-2.1%</b>

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

- Approximately 600 feet of 12” pipe along Brackin Alley was replaced in 2015.

## Capital Assets and Long-Term Debt (cont.)

**TABLE 4 - Long-Term Debt  
Fiscal years 2015 and 2014**

	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Dollar Change</u>	<u>Total % Change</u>
<i>Long-Term Debt</i>				
<i>Water Revenue Bond Series of 2011</i>	\$ 2,140,000	\$ 2,355,000	\$ (215,000)	(9.1%)
<i>Pennvest Loan</i>	<u>4,084,414</u>	<u>4,086,415</u>	<u>(2,001)</u>	(0.0%)
<i>Total Long-Term Debt</i>	6,224,414	6,441,415	(217,001)	(3.4%)
<i>Revenue Bond unamortized bond premium</i>	<u>11,496</u>	<u>12,773</u>	<u>(1,277)</u>	(10.0%)
<i>Total Long-Term Debt, net</i>	6,235,910	6,454,188	(218,278)	(3.4%)
<i>Less: Current portion</i>	<u>(422,101)</u>	<u>(423,488)</u>	<u>1,387</u>	(0.3%)
<i>Total Long-Term Debt, less current portion</i>	\$ <u><u>5,813,809</u></u>	\$ <u><u>6,030,700</u></u>	\$ <u><u>(216,891)</u></u>	(3.6%)

\* % 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 9.1% or \$215,000 in the Water Revenue Bonds is due to the scheduled periodic principal payments for eventual bond retirement.
- The current portion of long term debt remains consistent from 2014.
- Total long-term debt (net of current portion) decreased by 3.6% or \$216,891 primarily due to the principal payment during 2015.
- More information about the Authority's long-term debt is presented in Note E 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, 2015 and 2014**

	<i>2015</i>	<i>2014</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,078,239	\$ 779,937
Investments	255,173	252,260
Accounts receivable	173,270	166,794
Unbilled revenue	149,532	174,391
Inventory	46,590	52,207
Prepaid insurance	19,339	16,617
Net pension asset	69,264	58,083
Capital assets:		
Nondepreciable capital assets	63,091	63,091
Depreciable capital assets (net of accumulated depreciation)	9,598,195	9,800,895
Restricted cash and cash equivalents - debt service funds	386,374	388,859
<b>Total Assets</b>	<b>11,839,067</b>	<b>11,753,134</b>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	137,417	152,685
Relating to net pension asset, net of amortization	111,257	-
<b>Total Deferred Outflows of Resources</b>	<b>248,674</b>	<b>152,685</b>
<b>Liabilities</b>		
Current portion of long-term debt	422,101	423,488
Accounts payable	19,855	1,845
Deposits for services	33,017	33,017
Accrued interest payable	22,863	25,013
Other accrued expenses	11,701	8,977
Long-term debt, net of current portion	5,813,809	6,030,700
<b>Total Liabilities</b>	<b>6,323,346</b>	<b>6,523,040</b>
<b>Deferred Inflows of Resources</b>		
Relating to net pension asset, net of amortization	139,546	-
<b>Net Position</b>		
Net investment in capital assets	3,562,793	3,562,483
Restricted for debt service	386,374	388,859
Unrestricted	1,675,682	1,431,437
<b>Total Net Position</b>	<b>\$ 5,624,849</b>	<b>\$ 5,382,779</b>

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, 2015 and 2014**

	<i>2015</i>	<i>2014</i>
<b>Operating Revenues</b>		
Private sales	\$ 1,653,067	\$ 1,631,453
Public sales	62,326	62,039
Tap-in fees	9,782	4,302
Sewer collection fees	27,743	27,743
Reimbursed collection costs	41,620	34,636
Miscellaneous income	32,354	24,978
Recovery of bad debts	2,505	515
	1,829,397	1,785,666
<b>Operating Expenses</b>		
Purification system	373,028	353,570
Pumping system	8,645	9,649
Distribution system	341,509	286,147
Administrative and general	449,850	399,501
Depreciation	289,521	299,134
	1,462,553	1,348,001
<b>Operating Income</b>	366,844	437,665
<b>Nonoperating Revenues (Expenses)</b>		
Capital contribution	-	135,526
Interest income	3,536	3,182
Interest expense	(129,587)	(135,981)
Amortization	1,277	1,277
Loss on disposal of fixed assets	-	(2,975)
	(124,774)	1,029
<b>Changes in Net Position</b>	242,070	438,694
<b>Net Position, Beginning of Year</b>	5,382,779	4,944,085
<b>Net Position, End of Year</b>	\$ 5,624,849	\$ 5,382,779

See notes to the financial statements.

**Municipal Authority of the Borough of Greenville**  
**Statements of Cash Flows**  
**Years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers	\$ 1,743,558	\$ 1,725,106
Other operating cash receipts	104,222	87,872
Cash payments to other suppliers of goods and services	(708,576)	(627,187)
Cash payments to employees for services	(423,719)	(424,339)
<b>Net Cash Provided by Operating Activities</b>	<u>715,485</u>	<u>761,452</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of capital assets	(86,821)	(563,859)
Net funds paid for escrow liability	-	(4,699)
Proceeds from long-term debt	204,032	302,074
Principal paid on long-term debt	(421,033)	(399,535)
Interest paid on long-term debt	(116,469)	(122,813)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(420,291)</u>	<u>(788,832)</u>
<b>Cash Flows Provided by Investing Activities</b>		
Purchase of investments	-	(250,000)
Interest income	623	922
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>623</u>	<u>(249,078)</u>
<b>Net Change in Cash and Cash Equivalents</b>	295,817	(276,458)
<b>Cash and Cash Equivalents, Beginning of Year</b> (Including \$388,859 and \$388,608, respectively, reported in Restricted Cash and Cash Equivalents)	<u>1,168,796</u>	<u>1,445,254</u>
<b>Cash and Cash Equivalents, End of Year</b> (Including \$386,374 and \$388,859, respectively, reported in Restricted Cash and Cash Equivalents)	<u>\$ 1,464,613</u>	<u>\$ 1,168,796</u>

See notes to the financial statements.

**Municipal Authority of the Borough of Greenville**  
**Statements of Cash Flows (Continued)**  
**Years ended December 31, 2015 and 2014**

	<i>2015</i>	<i>2014</i>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 366,844	\$ 437,665
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	289,521	299,134
(Increase) decrease in accounts receivable	(6,476)	22,708
Decrease in unbilled revenue	24,859	4,604
(Increase) decrease in inventory	5,617	(2,251)
(Increase) decrease in prepaid insurance	(2,722)	4,342
Increase in net pension asset	(11,181)	-
Increase in accounts payable	18,010	204
Increase (decrease) in other accrued expenses	2,724	(4,954)
Increase in deferred outflows/inflows of resources relating to net pension asset	28,289	-
	<u>\$ 715,485</u>	<u>\$ 761,452</u>
<b>Net Cash Provided by Operating Activities</b>		
	<u>\$ 715,485</u>	<u>\$ 761,452</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
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
	<u>\$ 15,268</u>	<u>\$ 15,268</u>

See notes to the financial statements.



**Municipal Authority of the Borough of Greenville**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

**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.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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.

### **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 2015 and 2014, but not billed until after December 31, 2015 and 2014, respectively.

### **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.

### **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.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### Impact of Recently Issued Accounting Principles

#### *Recently Issued and Adopted Accounting Pronouncements*

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, is effective for periods beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information.

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*. The primary objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68.

## NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits at various financial institutions and cash on hand of \$300 at December 31, 2015 and 2014.

### 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, 2015 and 2014, the carrying amounts of the Authority's deposits were \$1,464,313 and \$1,168,496, respectively, with corresponding bank balances of \$1,557,646 and \$1,259,867. Of the bank balances at December 31, 2015 and 2014, \$500,000 was covered by federal depository insurance and \$1,057,646 and \$759,867, 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 – INVESTMENTS

At December 31, 2015 and 2014, investments consisted of a certificate of deposit amounting to \$255,173 and \$252,260, respectively. This investment was held in trust by a financial institution on behalf of the Authority. To the extent that the certificate of deposit becomes uninsured by FDIC or DSLIC, it is collateralized with securities held by the pledging financial institution. The balance was fully insured at December 31, 2015 and 2014.

## NOTE D – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015 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
Capital assets being depreciated:				
Plant and equipment	15,655,197	86,821	-	15,742,018
Less accumulated depreciation for:				
Plant and equipment	(5,854,302)	(289,521)	-	(6,143,823)
Total capital assets being depreciated, net	9,800,895	(202,700)	-	9,598,195
Total capital assets, net	<u>\$ 9,863,986</u>	<u>\$ (202,700)</u>	<u>\$ -</u>	<u>\$ 9,661,286</u>

**NOTE E – 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, 2015 and 2014 was \$2,140,000 and \$2,355,000, 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 2015 and 2014. 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 2032. The loan is secured by a lien on the Authority’s water revenues. The balance outstanding at December 31, 2015 and 2014 was \$4,084,414 and \$4,086,415, respectively.

Interest expense on long-term debt amounted to \$114,319 and \$120,713, respectively, for 2015 and 2014.

Long-term debt as of December 31, 2015 and 2014 consists of the following obligations:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Amount Due Within One Year</i>
Water revenue bonds	\$ 2,355,000	\$ -	\$ (215,000)	\$ 2,140,000	\$ 215,000
Pennvest loan	4,086,415	204,032	(206,033)	4,084,414	207,101
Bond Premium	12,773	-	(1,277)	11,496	-
	<u>\$ 6,454,188</u>	<u>\$ 204,032</u>	<u>\$ (422,310)</u>	<u>\$ 6,235,910</u>	<u>\$ 422,101</u>

**NOTE E – LONG-TERM DEBT (CONTINUED)**

The annual requirements to retire long-term debt outstanding as of December 31, 2015 are as follows:

<i>Year ending December 31,</i>	<i>Principal</i>			<i>Interest</i>		
	<i>2011 Bonds</i>	<i>Pennvest Loan</i>	<i>Total Principal</i>	<i>2011 Bonds</i>	<i>Pennvest Loan</i>	<i>Total Interest</i>
2016	\$ 215,000	\$ 207,101	\$ 422,101	\$ 68,588	\$ 39,897	\$ 108,485
2017	225,000	209,181	434,181	59,988	37,816	97,804
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
2021-2025	975,000	1,110,664	2,085,664	80,313	124,322	204,635
2026-2030	-	1,167,584	1,167,584	-	67,402	67,402
2031-2034	-	749,647	749,647	-	11,929	11,929
	<u>\$ 2,140,000</u>	<u>\$ 4,084,414</u>	<u>\$ 6,224,414</u>	<u>\$ 345,178</u>	<u>\$ 382,121</u>	<u>\$ 727,299</u>

**NOTE F – 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 Superintendent, 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 F – PENSION PLAN (CONTINUED)**

Membership of the Plan consisted of the following at December 31, 2015:

Active participants	11
Retired and beneficiaries	
currently receiving benefits	5
Terminated employees entitled to	
benefits but not yet receiving them	<u>0</u>
	<u>16</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, 2015 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 2015 was \$5,320 computed through an actuarial valuation performed January 1, 2011 and represented 1.16% of covered payroll.

**NOTE F – 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, 2015 is as follows:

Total pension liability	\$ 681,618
Pension plan net position	<u>750,882</u>
Net pension liability (asset)	<u>\$ (69,264)</u>

The pension plan’s net position as a percentage of total pension liability (asset) is 110.16%.

*Discount Rate* The discount rate used to measure the total pension liability for the Plan was 5.5%. 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.

*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)
<b>Balances at 12/31/2013</b>	<u>\$ 796,262</u>	<u>\$ 854,345</u>	<u>\$ (58,083)</u>
Changes for the year:			
Service cost	26,982	-	26,982
Interest	44,396	-	44,396
Differences between expected and actual experience	(153,501)	-	(153,501)
Contributions - employer	-	5,320	(5,320)
Contributions - member	-	14,618	(14,618)
PMRS investment income	-	47,578	(47,578)
Market value investment income	-	(139,071)	139,071
Transfers	-	2,778	(2,778)
Benefit payments	(32,521)	(32,521)	-
PMRS administrative expense	-	(340)	340
Additional administrative expense	-	(1,825)	1,825
Net changes	<u>(114,644)</u>	<u>(103,463)</u>	<u>(11,181)</u>
<b>Balances at 12/31/2014</b>	<u>\$ 681,618</u>	<u>\$ 750,882</u>	<u>\$ (69,264)</u>



**NOTE F – PENSION PLAN (CONTINUED)**

*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 5.5% 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 (4.5%) or 1-percentage point higher (6.5%) than the current rate:

	<i>1.0% Decrease</i> <u>4.50%</u>	<i>Current Rate</i> <u>5.50%</u>	<i>1.0% Increase</i> <u>6.50%</u>
Net pension liability (asset)	\$ 20,708	\$ (69,264)	\$ (145,688)

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

For the year ended December 31, 2015, the Authority recognized pension expense of \$25,206. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Differences between expected and actual experience	\$ -	\$ 139,546
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	111,257	-
	<u>\$ 111,257</u>	<u>\$ 139,546</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>	
2016	\$ 13,859
2017	13,859
2018	13,859
2019	13,860
2020	(13,955)
Thereafter	<u>(69,771)</u>
	<u>\$ (28,289)</u>

## **NOTE G – 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, 2015 and the two previous fiscal years, no settlements exceeded insurance coverage.

## **NOTE H – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2015, the Authority implemented GASB Statement No. 68, as amended by GASB Statement No. 71. Due to the change in accounting principle, the beginning net position for the 2014 year-end has been increased by \$58,083, from \$4,886,002 to \$4,944,085. The difference represents a restatement for the net pension liability reported under the new standards.

**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**

*Measurement Year*  
*Ending 12/31/2014*

<b>Total Pension Liability:</b>	
Service cost (beginning of year)	\$ 26,982
Interest (includes interest on service cost)	44,396
Changes of benefit terms	-
Differences between expected and actual experience	(153,501)
Changes of assumptions	-
Transfers	-
Benefit payments, including refunds of member contributions	(32,521)
<b>Net Change in Total Pension Liability</b>	<u>(114,644)</u>
<b>Total Pension Liability, Beginning</b>	<u>796,262</u>
<b>Total Pension Liability, Ending (a)</b>	<u><u>\$ 681,618</u></u>
<b>Plan Fiduciary Net Position:</b>	
Contributions - employer	\$ 5,320
Contributions - member	14,618
PMRS investment income	47,578
Market value investment income	(139,071)
Transfers	2,778
Benefit payments, including refunds of member contributions	(32,521)
PMRS administrative expense	(340)
Additional administrative expense	(1,825)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(103,463)</u>
<b>Plan Fiduciary Net Position, Beginning</b>	<u>854,345</u>
<b>Plan Fiduciary Net Position, Ending (b)</b>	<u><u>\$ 750,882</u></u>
<b>Authority's Net Pension Liability (Asset), Ending (a) - (b)</b>	<u><u>\$ (69,264)</u></u>
Plan fiduciary net position as a percentage of total pension liability	110.16%
Covered employee payroll	\$ 457,278

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</i>
	<i>Year Ending</i>
	<u>12/31/2014</u>
Actuarially determined contribution	\$ 2,291
Contributions in relation to the actuarially determined contribution	<u>5,320</u>
Contribution deficiency (excess)	<u>\$ (3,029)</u>
Covered employee payroll	\$ 457,278
Contributions as a percentage of covered employee payroll	1.16%

**Notes to Schedule:**  
Valuation date: Actuarially determined contribution rates are calculated as of January 1, 2011.

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	5.5%
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.