

**MUNICIPAL AUTHORITY OF THE  
TOWN OF BLOOMSBURG**

**FINANCIAL REPORT**

**DECEMBER 31, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
Municipal Authority of the Town of Bloomsburg  
Bloomsburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activity, and the aggregate remaining fund information of the Municipal Authority of the Town of Bloomsburg, a component unit of the Town of Bloomsburg, 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 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 opinions 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 audits 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 depend on the auditor's judgment, including the assessment of the risks 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Basis for Qualified Opinion on Pension Fund**

The Authority has not adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." GASB Statement No. 68 requires the recognition and related disclosures of the liability of employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The effects of this omission on the primary government's 2015 financial statements are not reasonably determinable.

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Pension Fund" paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pension Fund of the Municipal Authority of the Town of Bloomsburg as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, and the aggregate remaining fund information other than the Pension Fund of the Municipal Authority of the Town of Bloomsburg as of December 31, 2015 and 2014, and the respective changes in financial position, and, where applicable, 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 Management's Discussion and Analysis and the Schedules of Historical Pension Information on pages 3 through 9 and 33 through 35 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 us with sufficient evidence to express an opinion or provide any assurance.



Camp Hill, Pennsylvania  
February 24, 2016

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

As management of the Municipal Authority of the Town of Bloomsburg (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2015.

**Financial Highlights**

The following are key happenings and financial highlights for 2015:

The plant upgrade project which had a projected completion date of January 2011, and achieved Substantial Completion on December 11, 2012, remains incomplete at December 31, 2015. The attorney secured by the Authority to handle a lawsuit filed against the Municipal Authority by a project contractor continues to work with that contractor's surety in an attempt to finalize the outstanding work that needs to be completed at the treatment plant. Discussions with the surety continued during 2015 but no agreement has been reached.

Through the dedicated work of its staff, the treatment plant was able to once again achieve acceptable nitrogen and phosphorous emission levels during 2015 which resulted in credits which were available for sale. The Plant Superintendent negotiated with several potential clients for the purchase of the available credits; the Authority recognized several hundred dollars in revenue through sale of the credits. In prior years, the Authority was required to purchase credits due to insufficient levels.

Because of various complications with equipment at the treatment plant, the Authority continued to utilize vendors to haul liquid sludge for processing during 2015. The Authority incurred over \$350,000 for liquid sludge removal disposal services during 2015.

Invoices were issued and payment received from Scott Township for their 14% share of the upgrade cost in the amount of \$17,000 during 2015. Invoices were issued and payment received from Bloomsburg University for their 11.91% share of the upgrade cost in the amount of \$14,500 during 2015.

The Authority instituted a 7% rate increase effective January 1, 2015, increasing the minimum charge for up to 2,000 gallons of consumption to \$22.66 per month. During 2015 the Municipal Authority board began a process to review and update the rate structure. The Authority made several changes to its sewer permitting fees during 2015, most notably authorizing an engineering study to support its collection and capacity fees charged to new developers. A revised rate schedule and structure are planned for 2016.

The Municipal Authority continues to utilize Remit Corporation for its delinquent account collection activities. Delinquent sewer rents receivable balances saw very little change from 2014. While the Authority continues to use water shut off as a mechanism for collecting past due balances, this process is especially regulated for tenant-occupied properties. The Authority has shifted some of its focus to using the lien process as a method of collecting past due sewer payments. During the fourth quarter of 2015, over \$50,000 in past due sewer balances were filed with the District Magistrate's office for potential liens.

The wastewater treatment plant experienced three major events during the last quarter of 2015. Failure of equipment at the Mary Avenue pump station resulted in over \$35,000 of unanticipated repairs. Also during that quarter, the treatment plant experienced a fiber optics issues with the Primary Control Panels which resulted in unanticipated expenses to repair exceeding \$8,000. The Wastewater Plant heating system also requires extensive repair work which has been undertaken and is expected to cost \$60,000.

During December 2015, the Authority engaged the basic engineering services of Rettew, Inc. The Authority will continue to retain Gannett Fleming, Inc., as the engineer for the plant construction project.

### ***Overview of Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector, however, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The financial statements are comprised of two funds: Proprietary and Fiduciary. The Proprietary or Enterprise Fund, referred to as the Sewer System Operating Fund, is used to account for activities that are usually self-sustaining, principally through user charges for services rendered. The Authority directly maintains the accounting for the Sewer System Operating Fund. Trust Funds (Fiduciary Fund) are used to account for assets held by the Authority in a trustee capacity. The pension trust is accounted for in essentially the same manner as the proprietary fund, using the same measurement focus and basis of accounting.

The financial statements include the statements of net position; statements of revenues, expenses and changes in net position; statements of cash flows; statements of fiduciary net position; statements of changes in fiduciary net position and notes to the financial statements. The statements of net position present the financial position of the Authority on a full accrual historical cost basis. While the statements of net position provide information about the nature and amount of resources and obligations at year-end, the statements of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and the amount by which the net position changed during the year. All changes in net position are reported concurrently with the occurrence of the underlying event giving rise to the change, regardless of the timing of the related cash flows.

The statements of cash flows reports changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, the timing of any arising obligations, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of the financial data provided in the statements. The notes present information about the Authority’s accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**Summary of Organization and Business**

The Authority is a body, politic and corporate, created pursuant to an ordinance of the Council of the Town of Bloomsburg, Bloomsburg, Pennsylvania under an Act of the General Assembly of the State, approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipal Authorities Act of 1945, as amended (the “Act”). This certificate of incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on October 7, 1950.

The governing body of the Authority is a Board consisting of five members appointed by the Council of the Town of Bloomsburg. The terms of the members of the Board have been staggered so that the term of one member expires annually. The Board is authorized to exercise any and all powers conferred by the aforementioned Act necessary for the acquisition, construction, improvement, extension, maintenance and operation of the system facilities.

The Authority does not have taxing power; ongoing operations are funded from customer revenues. The acquisition and construction of capital assets are funded by capital (cash and systems), contributions from customers, including other utilities and developers, Federal and State grants and loans, and customer revenues. The Authority’s customer base as of December 31, 2015, was 3,754. Of this total, 352 accounts were Commercial customers and 17 Industrial customers. The Authority’s customer base has not changed significantly from 2014.

Wastewater services are provided and include sanitary sewer services and industrial pretreatment programs.

	2015	2014	Change	
			Amount	%
Average number of customers	3,754	3,768	(14)	0%
Wastewater treated (millions of gallons)	687	691	(4)	-1%
Revenues per thousand gallons treated	5.23	5.31	(0.08)	-2%

## General Trends and Significant Events

Population in the Town of Bloomsburg did not change significantly. Nine new sewer connections were approved in 2015. Of these new connections, six were for new single family home construction; one was for student housing new construction consisting of fifteen units, one was for a new construction project being undertaken by United Water PA with 21 projected EDU (equivalent dwelling units) and one was for a retail development project along SR11 in Bloomsburg with five units. Bloomsburg Municipal Authority processed over 130 million gallons of wastewater for Scott Township which represents 19% of the total wastewater treated in 2015.

The revenue per thousand gallons of wastewater treated decreased slightly from 2014 figures due to decreases in the total wastewater treated as a result of decreased rainfall.

## Financial Condition

The Authority's financial condition remained strong at year-end with adequate liquid assets, reliable plant and systems to meet current demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans undertaken to meet anticipated customer needs are well balanced and under control.

Total assets decreased by over \$2 million dollars, primarily due to depreciation realized.

## CONDENSED STATEMENTS OF NET POSITION - PROPRIETARY FUND

	December 31		Variance	
	2015	2014	Amount	%
Current Assets	\$ 6,284,696	\$ 6,023,184	\$ 261,512	4.34
Capital Assets				
Land	27,334	27,334	-	-
Assets being depreciated	39,385,779	39,390,281	(4,502)	(0.01)
Less accumulated depreciation	(13,286,715)	(11,217,892)	(2,068,823)	18.44
<b>Total assets</b>	<b>\$ 32,411,094</b>	<b>\$ 34,222,907</b>	<b>\$ (1,811,813)</b>	<b>(5.29)</b>
Current Liabilities	\$ 825,357	\$ 731,729	\$ 93,628	12.80
Long-term liabilities	11,318,378	11,921,914	(603,536)	(5.06)
<b>Total liabilities</b>	<b>12,143,735</b>	<b>12,653,643</b>	<b>(509,908)</b>	<b>(4.03)</b>
Net Position				
Net investment in capital assets	14,436,398	15,889,723	(1,453,325)	(9.15)
Unrestricted	5,830,961	5,679,541	151,420	2.67
<b>Total net position</b>	<b>20,267,359</b>	<b>21,569,264</b>	<b>(1,301,905)</b>	<b>(6.04)</b>
<b>Total liabilities and net position</b>	<b>\$ 32,411,094</b>	<b>\$ 34,222,907</b>	<b>\$ (1,811,813)</b>	<b>(5.29)</b>

**CONDENSED STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUND**

	December 31		Variance	
	2015	2014	Amount	%
<b>Total Assets</b>	\$ 751,406	\$ 712,404	\$ 39,002	5.47
<b>Total Liabilities</b>	\$ 1,273	\$ 1,212	\$ 61	5.03
Net Position				
Restricted - held in trust for pension benefits	750,133	711,192	38,941	5.48
<b>Total liabilities and net position</b>	\$ 751,406	\$ 712,404	\$ 39,002	5.47

**CONDENSED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND**

	December 31		Variance	
	2015	2014	Amount	%
Additions:				
Contributions	\$ 46,348	\$ 41,187	\$ 5,161	12.53
Investment income	10,387	63,963	(53,576)	(83.76)
Total additions	56,735	105,150	(48,415)	(46.04)
Deductions:				
Member distribution	7,390	114,241	(106,851)	100.00
Administrative	10,404	9,079	1,325	14.59
Total deductions	17,794	123,320	(105,526)	115
<b>Changes in net position</b>	38,941	(18,170)	57,111	(314.31)
Net Position - Beginning	711,192	729,362	(18,170)	(2.49)
Net Position - Ending	\$ 750,133	\$ 711,192	\$ 38,941	5.48

## Results of Operations

### CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

	December 31		Variance	
	2015	2014	Amount	%
<b>Revenues</b>				
Total operating revenues	\$ 3,590,112	\$ 3,672,580	\$ (82,468)	(2.25)
<b>Expenses</b>				
Operating expenses				
Sewage treatment	3,997,012	3,962,568	(34,444)	(0.87)
Operations and maintenance	150,166	96,663	(53,503)	(55.35)
General administration	289,399	295,493	6,094	2.06
Total operating expenses	4,436,577	4,354,724	(81,853)	(1.88)
<b>Operating loss</b>	(846,465)	(682,144)	(164,321)	24.09
Other Expenses - Net	(455,440)	(867,576)	412,136	(47.50)
<b>Changes in net position</b>	(1,301,905)	(1,549,720)	247,815	(15.99)
Net Position - Beginning	21,569,264	23,118,984	(1,549,720)	(6.70)
Net Position - Ending	\$ 20,267,359	\$ 21,569,264	\$ (1,301,905)	(6.04)

**Operating Revenues:** Revenues from operations fall into two categories: wastewater service and ancillary charges. Ancillary charges include tapping fees, account set-up and penalty fees, and charges for miscellaneous billed services. The Authority has two classes of wastewater customers: domestic (residential/commercial) and industrial.

The Authority instituted a 7% rate increase effective January 1, 2015, which established the monthly minimum charge for up to 2,000 gallons of consumption at \$22.66.

**Expenses:** The Authority operates and maintains a wastewater collection and treatment system.

Total operating expenses of the Authority increased slightly from 2014. This increase is attributable to the unanticipated expenses for the Mary Avenue pump station repair, repair of the treatment plant heating system and repair of the fiber optics for the Primary Control Panels. These expenses alone totaled over \$100,000.

	2015	2014	Variance	%
Sewage treatment plant and pumping stations	\$ 3,997,012	\$ 3,962,568	\$ 34,444	0.87
Collection and intercepting sewer maintenance and improvements	150,166	96,663	53,503	55.35
Administrative expenses	289,399	295,493	(6,094)	(2.06)
Total operating expenses	\$ 4,436,577	\$ 4,354,724	\$ 81,853	1.88

## Cash Flow Activity

The following table shows the Authority's ability to generate net operating cash. The net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	2015	2014	Variance
Total operating revenues	\$ 3,590,112	\$ 3,672,580	\$ (82,468)
Net cash provided by operations	\$ 1,313,666	\$ 1,377,086	\$ (63,420)

Net cash provided by operations decreased approximately \$60,000 from 2014, which may be attributed to the loss of a substantial industrial customer whose building space has not been fully occupied during 2015. Total operating revenues decreased slightly from 2014 due to decreases in contributions from the University and Scott Township for the construction project. These decreases were the result of decreased construction activity and a reduction in construction related expenses from 2014.

## Capital Assets

The investment in plant and equipment decreased approximately \$2.1 million dollars from 2014 to 2015. The decrease is mainly attributed to the current year's depreciation. Depreciation is calculated and recorded over the estimated useful life of the plant and equipment using straight-line depreciation.

## Final Comments

The Authority has adopted a Strategic Plan that guides its Board and staff actions toward its mission of providing affordable, efficient, and reliable wastewater services. Part of this plan is continued capital investment in plant and equipment. The Authority continues to examine its work practices to find more efficient and productive methods of service delivery.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**STATEMENTS OF NET POSITION - PROPRIETARY FUND TYPE - SEWER  
SYSTEM OPERATING FUND**

**December 31, 2015 and 2014**

	<b>2015</b>	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 2,247,595	\$ 1,853,598
Cash and cash equivalents - restricted for construction projects	1,555,776	1,638,105
Investments - certificate of deposit	1,368,231	1,364,817
Due from other governments	397,010	438,417
Receivables		
Billed - sewer	654,388	657,959
Unbilled - sewer	-	23,165
Prepaid expenses	61,696	47,123
Capital assets		
Land, improvements and construction-in-progress	27,334	27,334
Other capital assets, net of depreciation	26,099,064	28,172,389
Total capital assets	26,126,398	28,199,723
<b>Total assets</b>	<b>\$ 32,411,094</b>	<b>\$ 34,222,907</b>
<b>Liabilities</b>		
Accounts payable	\$ 139,062	\$ 83,547
Accrued expenses	31,295	28,182
Long-term liabilities		
Due within one year	655,000	620,000
Due in more than 1 year	11,318,378	11,921,914
Total long-term liabilities	11,973,378	12,541,914
<b>Total liabilities</b>	<b>\$ 12,143,735</b>	<b>\$ 12,653,643</b>
<b>Net Position</b>		
Net investment in capital assets	\$ 14,436,398	\$ 15,889,723
Unrestricted	5,830,961	5,679,541
<b>Total net position</b>	<b>\$ 20,267,359</b>	<b>\$ 21,569,264</b>

See Notes to Financial Statements.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
 PROPRIETARY FUND TYPE - SEWER SYSTEM OPERATING FUND  
 Years Ended December 31, 2015 and 2014**

	<b>2015</b>	2014
Operating Revenues		
Sewer charges and penalties	\$ <b>3,590,112</b>	\$ 3,672,580
Operating Expenses		
Sewage Treatment Plant and Pumping Station	<b>3,997,012</b>	3,962,568
Collection and intercepting sewer maintenance and improvements	<b>150,166</b>	96,663
Administrative expenses	<b>289,399</b>	295,493
<b>Total operating expenses</b>	<b>4,436,577</b>	4,354,724
<b>Operating loss</b>	<b>(846,465)</b>	(682,144)
Nonoperating Revenues (Expenses)		
Intergovernmental revenues	<b>31,410</b>	24,160
Other post-employment benefit expense	<b>(51,464)</b>	16,337
Rental income	<b>315</b>	315
Interest income	<b>4,457</b>	5,295
Interest expense	<b>(400,076)</b>	(447,940)
Gain on disposition of capital assets	<b>3,710</b>	-
Refund of prior years' (receipts) expenses	<b>(43,792)</b>	(465,743)
<b>Total nonoperating expenses - net</b>	<b>(455,440)</b>	(867,576)
<b>Changes in net position</b>	<b>(1,301,905)</b>	(1,549,720)
Net Position - Beginning	<b>21,569,264</b>	23,118,984
Net Position - Ending	<b>\$ 20,267,359</b>	\$ 21,569,264

See Notes to Financial Statements.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE -  
SEWER SYSTEM OPERATING FUND  
Years Ended December 31, 2015 and 2014

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 3,616,848	\$ 3,716,158
Cash payments for goods and services	(1,416,940)	(1,449,119)
Cash payments to employees for services	(886,242)	(889,953)
<b>Net cash provided by operating activities</b>	<b>1,313,666</b>	<b>1,377,086</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Repayment of long-term debt	(620,000)	(590,000)
Purchases and construction of property, plant and equipment	(16,015)	(30,017)
Cash and cash equivalents - restricted for construction projects	82,329	36,925
<b>Net cash used in capital and related financing activities</b>	<b>(553,686)</b>	<b>(583,092)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
<b>Intergovernmental revenue</b>	<b>72,817</b>	<b>750,692</b>
<b>Cash Flows From Investing Activities</b>		
Rental income	315	315
Interest income	4,457	5,295
Interest expense	(400,076)	(447,940)
Refund of prior years' expenses (receipts)	(43,792)	(465,743)
Change in investments - net	(3,414)	(4,770)
Proceeds from sale of capital assets	3,710	-
<b>Net cash used in investing activities</b>	<b>(438,800)</b>	<b>(912,843)</b>
<b>Net increase in cash and cash equivalents</b>	<b>393,997</b>	<b>631,843</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	1,853,598	1,221,755
Ending	<b>\$ 2,247,595</b>	<b>\$ 1,853,598</b>

(Continued)

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE -  
SEWER SYSTEM OPERATING FUND (Continued)  
Years Ended December 31, 2015 and 2014

	2015	2014
Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities		
Operating loss	\$ (846,465)	\$ (682,144)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	2,089,340	2,089,155
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	26,736	43,578
Prepaid expenses	(14,573)	(46,463)
(Decrease) increase in:		
Accounts payable	55,515	(21,371)
Accrued expenses	3,113	(5,669)
<b>Net cash provided by operating activities</b>	<b>\$ 1,313,666</b>	<b>\$ 1,377,086</b>

See Notes to Financial Statements.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUND TYPE -  
PENSION FUND**

**December 31, 2015 and 2014**

	<b>2015</b>	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 16,403	\$ 3,728
Contribution receivable	1,912	1,708
Accrued interest receivable	2,818	1,676
Investments	730,273	705,292
<b>Total assets</b>	<b>\$ 751,406</b>	<b>\$ 712,404</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,273	\$ 1,212
<b>Total liabilities</b>	<b>\$ 1,273</b>	<b>\$ 1,212</b>
<b>Net Position</b>		
Restricted - held in trust for pension benefits (1)	\$ 750,133	\$ 711,192
<b>Total net position</b>	<b>\$ 750,133</b>	<b>\$ 711,192</b>

(1) A schedule of funding progress for the Plan is presented on page 34.

See Notes to Financial Statements.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY  
FUND TYPE - PENSION FUND**

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

	<b>2015</b>	2014
<b>Additions</b>		
Contributions		
Employees	\$ 19,277	\$ 19,877
Employer	27,071	21,310
<b>Total contributions</b>	<b>46,348</b>	41,187
Investment Income		
Interest and dividends	24,880	24,794
Net appreciation (depreciation) in fair value of investments	(21,339)	29,354
Gain on sale of investments	6,846	9,815
<b>Total investment income</b>	<b>10,387</b>	63,963
<b>Total additions</b>	<b>56,735</b>	105,150
<b>Deductions</b>		
Member distributions	7,390	114,241
Administrative expenses	10,404	9,079
<b>Total deductions</b>	<b>17,794</b>	123,320
<b>Changes in net position</b>	<b>38,941</b>	(18,170)
Net Position - Beginning	711,192	729,362
Net Position - Ending	<b>\$ 750,133</b>	<b>\$ 711,192</b>

See Notes to Financial Statements.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies**

#### Nature of Activities:

The Municipal Authority of the Town of Bloomsburg (Authority) was incorporated on October 7, 1950, under the Municipality Authorities Act of 1945, P.L. 382, as amended, pursuant to an ordinance of the Town Council of the Town of Bloomsburg, Columbia County, Pennsylvania.

The Authority is an operating authority responsible for acquiring, holding, constructing, improving, owning and leasing sewer, sewer systems or parts thereof.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 has been considered and there are no agencies or entities which should be presented with the Authority.

Basis of Accounting: The Authority has adopted the accrual basis of accounting for operations that are financed and operated in a manner similar to private business enterprises. Revenue is recognized when earned, and expenses are recognized when incurred.

Government-Wide Financial Statements: The government-wide financial statements report information on the non-fiduciary activities of the primary government. The business-type activity, which relies to a significant extent on fees and charges for support, is reported on the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related to cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

Fund Accounting: The Authority uses funds to report its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain government functions or activities. A fund is a separate self-balancing set of accounts. Funds are classified into two categories: proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The following is a general description of the "fund types" used by the Authority.

The government reports the following major proprietary fund:

#### Enterprise Fund

The Enterprise Fund, herein referred to as the Sewer System Operating Fund, is used to account for activities that are usually self-sustaining, principally through user charges for services rendered.

The Authority directly maintains the accounting for the Sewer System Operating Fund.

Additionally, the government reports the following fiduciary fund:

#### Fiduciary Fund

Trust and Agency Funds are used to account for assets held by the Authority in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The pension trust fund is accounted for in essentially the same manner as the proprietary fund, using the same measurement focus and basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the 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.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

Cash Equivalents: For purposes of the Statements of Cash Flows, the Authority considers time deposits, certificates of deposit, and all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investments: Investments are recorded at fair value. Unrealized appreciation or depreciation due to changes in the fair value of such investments is recognized annually. The Authority complies with Statement No. 31 of the Governmental Accounting Standards Board, requiring local governments to report all investments at fair value.

Sewer System: The Sewer System is stated at cost, except for sewer line extensions contributed to the Authority, which are valued at fair market value on the date contributed. Depreciation has been provided over the estimated useful life using the straight-line method.

Compensated Absences: Authority employees earn 10 hours of sick leave each month. Employees receive no benefit or pay for unused sick leave upon termination. For non-union employees who are employed under the new agreement, vacation time is received at the beginning of each year and is based on the number of years of service. At the end of each year, any unused vacation up to 40 hours is paid to the employee. Under the union agreement, vacation time is received at each individual's anniversary date of employment. On each employee's anniversary date of hire, any unused vacation up to 40 hours is paid to the employee. Accumulated vacation is paid upon termination. Since substantially all accrued vacation will be paid within one year, the Authority has reflected the accrual as a current liability.

Use of Estimates: The preparation of 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.

Subsequent Events: In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through February 24, 2016, the date the financial statements were available to be issued.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments

Statutes authorize the Authority to invest in the following:

- U. S. Treasury Bills
- Short-term obligations of the U. S. Government and Federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the Federal Government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of investment companies whose investments are restricted to the above categories
- Pension Trust Funds may invest in any investment authorized by the Pennsylvania Common Law and other Pennsylvania statutes

The deposit and investment policies of the Authority adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or Authority policies.

All the deposits of the Authority are either insured or collateralized. All deposits that exceed the federal depository insurance coverage level are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities maintained in conformity with Act 72 of 1971. Act 72 of 1971 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledgors of the assets. The Authority has no policy regarding custodial credit risk for deposits.

At December 31, 2015 and 2014, the Authority had deposits with financial institutions with a carrying amount of \$3,819,444 and \$3,495,101, respectively. The December 31, 2015 and 2014, bank balances with the financial institutions were \$3,905,329 and \$3,556,293. Of these balances, \$352,532 was covered by federal depository insurance and \$3,552,797 was covered by collateralized assets maintained in conformity with Act 72 of 1971 as of December 31, 2015. Of these balances, \$343,162 was covered by federal depository insurance and \$3,213,131 was covered by collateralized assets maintained in conformity with Act 72 of 1971 as of December 31, 2014.

The carrying amounts of cash and cash equivalents as presented on the Statements of Net Position include petty cash of \$330, as of December 31, 2015 and 2014, respectively.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Deposits and Investments (Continued)**

Investments

At December 31, 2015 and 2014, the Authority's investment balances were as follows:

<b>2015</b>					
Investments - Proprietary Fund	Rating	Fair Values	Average Maturity		
			1 Year or Less	2 - 6 Years	7 - 12 Years
First Columbia Bank & Trust					
Negotiable Certificates of Deposit	NR	\$ 1,368,231	\$ 1,368,231	\$ -	\$ -
		<u>\$ 1,368,231</u>	<u>\$ 1,368,231</u>	<u>\$ -</u>	<u>\$ -</u>

Investments - Fiduciary Fund	Rating	Fair Values	Average Maturity		
			1 Year or Less	2 - 6 Years	7 - 12 Years
First Columbia Bank & Trust					
U.S. Government Agencies	AAA	\$ 119,868	\$ -	\$ -	\$ 119,868
Negotiable Certificates of Deposit	NR	86,129	-	25,000	61,129
Equity & Income Mutual Funds	NR	184,395	-	-	184,395
Common stock	NR	286,545	-	-	286,545
Corporate Bonds	NR	53,336	-	-	53,336
		<u>\$ 730,273</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 705,273</u>

<b>2014</b>					
Investments - Proprietary Fund	Rating	Fair Values	Average Maturity		
			1 Year or Less	2 - 6 Years	7 - 12 Years
First Columbia Bank & Trust					
Negotiable Certificates of Deposit	NR	\$ 1,364,817	\$ 1,364,817	\$ -	\$ -
		<u>\$ 1,364,817</u>	<u>\$ 1,364,817</u>	<u>\$ -</u>	<u>\$ -</u>

Investments - Fiduciary Fund	Rating	Fair Values	Average Maturity		
			1 Year or Less	2 - 6 Years	7 - 12 Years
First Columbia Bank & Trust					
U.S. Government Agencies	AAA	\$ 205,199	\$ -	\$ -	\$ 205,199
Negotiable Certificates of Deposit	NR	89,434	-	30,000	59,434
Equity & Income Mutual Funds	NR	170,773	-	-	170,773
Common stock	NR	228,715	-	-	228,715
Foreign Equities	NR	11,171	-	-	11,171
		<u>\$ 705,292</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 675,292</u>

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Portfolio Assets

Negotiable Certificates of Deposit - The Authority invests in certificates of deposit through First Columbia Bank, which holds the certificates in nominee accounts with a counterparty broker for trading convenience. The certificates are insured by the FDIC up to \$250,000. The values of the certificates, in excess of FDIC, are secured by non-government municipal securities. These certificates are subject to custodial credit risk.

U.S. Government Agencies - The Authority invests in Federal Home Loan Bank and Federal Farm Credit Bank bonds. The Federal Home Loan Bank bonds invest in securities to provide funds to financial institutions for home mortgage and community credit. The Federal Farm Credit Bank system is the funding arm for a network of 5 Farm Credit Banks and Associations. Credit is provided to farmers, ranchers, and producers of agriculture products as well as financial support to farm related businesses including power generation. The average maturity on the three (3) FFCB and FHLB issues is approximately 8.4 years. These government bonds are rated AAA. Maturities for 100% of the bonds were in the 8-9 year maturity range.

Income Mutual Funds - There is one (1) investment in an Income Mutual Fund, the Federated Govt. Income Trust (Ticker: FICMX). This fund is rated 3 star by Morningstar. The fund represents the Intermediate Government Bond Fund category. Minimum guidelines require that a fund has to be in existence for at least 5 years, have a Morningstar rating of at least 3 stars and have a fund manager of record for a minimum of 3 years.

Equity Mutual Funds - These funds are represented by seven investments in Equity Mutual Funds. Three of the funds, Dodge & Cox Fund (Ticker: DODGX) (3 star), Federated Strategic Value Dividend Fund (Ticker: SVAIX) (5 star), and the Vanguard Windsor II Fund (Ticker: VWNFX) (4 star) represent the Large Cap Value Category, and Growth Fund of America (Ticker: GFAFX) (3 star) represents the Large Cap Growth Category. The Vanguard Small Cap Index (Ticker: NAESX) (4 star), Vanguard Mid Cap Index Fund (Ticker: VIMAX) (4 star) and the Dodge & Cox International Fund (Ticker: DODFX) (3 star) represent the Small, Mid and International Sectors. Ratings are obtained through Morningstar as of January 31, 2016. Minimum guidelines require that a fund has to be in existence for at least 5 years, have a Morningstar rating of at least 3 stars and have a fund manager of record for a minimum of 3 years.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Deposits and Investments (Continued)

Common Stocks - These investments represent banking, business services, chemicals, communication, electronic, electric, food, gas, machinery, oil, pharmaceutical, and petroleum. The ratings of these investments ranged from A+ to B-. Guidelines require that no one stock exceed 5% of the total portfolio. It is the goal of the Trustee of this fund to invest in high-grade blue chip stocks that mirror the S&P 500. There are four (4) foreign equity holdings. Guidelines require that no one stock exceed 5% of the total portfolio.

#### Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

#### Interest-Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

#### Concentrations of Credit Risk

The Authority places no limit on the amounts invested in any one issuer. The percentages of the concentrations of the Authority's investments at December 31, 2015 and 2014, are:

	2015		2014	
	Percent of Portfolio	Fair Values	Percent of Portfolio	Fair Values
<u>Investments - Proprietary Fund</u>				
Negotiable Certificates of Deposit	100.00%	\$1,368,231	100.00%	\$ 1,364,817
	100.00%	\$1,368,231	100.00%	\$ 1,364,817
<u>Investments - Fiduciary Fund</u>				
	2015		2014	
U.S. Government Agencies	16.41%	\$ 119,868	29.09%	\$ 205,199
Negotiable Certificates of Deposit	11.79%	86,129	12.69%	89,434
Equity & Income Mutual Funds	25.25%	184,395	24.21%	170,773
Common stock	39.24%	286,545	32.43%	228,715
Foreign Equities	7.30%	53,336	1.58%	11,171
	99.99%	\$ 730,273	100.00%	\$ 705,292

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Property, Plant and Equipment**

Capital asset activity for the Proprietary Fund for the years ended December 31, 2015 and 2014, was as follows:

	January 1, 2015		December 31, 2015	
	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated				
Land	\$ 27,334	\$ -	\$ -	\$ 27,334
Total capital assets, not being depreciated	27,334	-	-	27,334
Capital assets being depreciated				
Land improvements	47,029	-	-	47,029
Buildings and improvements	35,840,695	12,215	-	35,852,910
Machinery and equipment	948,224	3,800	-	952,024
Vehicles	277,480	-	20,517	256,963
Improvements to sewage system	2,276,853	-	-	2,276,853
Total capital assets being depreciated	39,390,281	16,015	20,517	39,385,779
Less accumulated depreciation for:				
Land improvements	(42,537)	(720)	-	(43,257)
Buildings and improvements	(9,712,681)	(1,991,902)	-	(11,704,583)
Machinery and equipment	(606,761)	(36,745)	-	(643,506)
Vehicles	(264,280)	(5,663)	(20,517)	(249,426)
Improvements to sewage system	(591,633)	(54,310)	-	(645,943)
Total accumulated depreciation	(11,217,892)	(2,089,340)	(20,517)	(13,286,715)
Total capital assets being depreciated, net	28,172,389	(2,073,325)	-	26,099,064
Capital Assets - Net	\$ 28,199,723	\$ (2,073,325)	\$ -	\$ 26,126,398

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Property, Plant and Equipment (Continued)**

	January 1, 2014		December 31, 2014	
	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated				
Land	\$ 27,334	\$ -	\$ -	\$ 27,334
Total capital assets, not being depreciated	27,334	-	-	27,334
Capital assets being depreciated				
Land improvements	47,029	-	-	47,029
Buildings and improvements	35,816,995	23,700	-	35,840,695
Machinery and equipment	941,907	6,317	-	948,224
Vehicles	277,480	-	-	277,480
Improvements to sewage system	2,276,853	-	-	2,276,853
Total capital assets being depreciated	39,360,264	30,017	-	39,390,281
Less accumulated depreciation for:				
Land improvements	(41,743)	(794)	-	(42,537)
Buildings and improvements	(7,721,773)	(1,990,908)	-	(9,712,681)
Machinery and equipment	(569,479)	(37,282)	-	(606,761)
Vehicles	(258,419)	(5,861)	-	(264,280)
Improvements to sewage system	(537,323)	(54,310)	-	(591,633)
Total accumulated depreciation	(9,128,737)	(2,089,155)	-	(11,217,892)
Total capital assets being depreciated, net	30,231,527	(2,059,138)	-	28,172,389
Capital Assets - Net	\$ 30,258,861	\$ (2,059,138)	\$ -	\$ 28,199,723

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Property, Plant and Equipment (Continued)**

Depreciation expense was charged to operating expenses as follows:

	2015	2014
Operating Expenses		
Sewage Treatment Plant and Pumping Station	\$ 2,033,186	\$ 2,032,797
Collection and intercepting sewer maintenance and improvements	55,637	55,841
Administrative expenses	517	517
	<u>\$ 2,089,340</u>	<u>\$ 2,089,155</u>

**Note 4. Long-Term Debt**

During the year ended December 31, 2015, long-term obligations changed as follows:

	Balances			Balances	
	January 1,			December 31,	Due within
	2015	Increases	Decreases	2015	One Year
Long-Term Debt					
General Obligations Bonds					
Series of 2008	\$ 8,205,000	\$ -	\$ (415,000)	\$ 7,790,000	\$ 435,000
Guaranteed Sewer Revenue					
Note - Series of 2009	4,105,000	-	(205,000)	3,900,000	220,000
Total Long-Term Debt	<u>12,310,000</u>	<u>-</u>	<u>(620,000)</u>	<u>11,690,000</u>	<u>655,000</u>
Other post-employment benefits	231,914	51,464	-	283,378	-
Total Long-Term Obligations	<u>\$ 12,541,914</u>	<u>\$ 51,464</u>	<u>\$ (620,000)</u>	<u>\$ 11,973,378</u>	<u>\$ 655,000</u>

**Guaranteed Sewer Revenue Note - Series of 2008**

On October 14, 2008, the Authority issued Guaranteed Sewer Revenue Note - Series of 2008 in the principal amount of \$10,000,000. Proceeds from the Note are received when the Authority draws on them from the bank that purchased the Note. Annual principal payments will commence October 14, 2009, and range from \$5,000 to \$795,000. The Note will mature on October 15, 2028, bearing interest for a 10 year period ending October 14, 2018, at the rate of 3.25% per annum and for the period beginning October 15, 2018, to maturity a rate per annum equal to the yield on United States Treasury securities adjusted to a constant maturity often (10) years in effect as of September 1, 2018, as published by the Board of Governors of the Federal Reserve System in the Federal Reserve Statistical Release H.15(519) or if said Release is no longer published, by such other quoting service, index or commonly available source utilized by the Bank, plus 3.15%, adjusted to a tax-exempt rate, but in no event more than 8.00% nor less than 4.25% per annum. The Note was refinanced in November of 2013, which lowered the interest rate from 4.5% to 3.25% per annum through the period ending October 14, 2018.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Long -Term Debt (Continued)

#### Guaranteed Sewer Revenue Note - Series of 2009

On January 29, 2009, the Authority issued Guaranteed Sewer Revenue Note - Series of 2009 in the principal amount of \$5,000,000. Proceeds from the Note are received when the Authority draws on them from the bank that purchased the Note. Annual principal payments will commence October 15, 2010, and range from \$160,000 to \$395,000. The Note will mature on October 15, 2028, bearing interest for a 10 year period ending October 14, 2018, at the rate of 3.25% per annum and for the period beginning October 15, 2018, to maturity a rate per annum equal to the yield on United States Treasury securities adjusted to a constant maturity often (10) years in effect as of September 1, 2018, as published by the Board of Governors of the Federal Reserve System in the Federal Reserve Statistical Release H.15(519) or if said Release is no longer published, by such other quoting service, index or commonly available source utilized by the Bank, plus 3.15%, adjusted to a tax-exempt rate, but in no event more than 8.00% nor less than 4.25% per annum. The Note was refinanced in November 2013, which lowered the interest rate from 4.5% to 3.25% per annum through the period ending October 14, 2018.

The following is a schedule by years and in the aggregate of future minimum principal and interest payments at December 31, 2015:

Year	Amount
2016	\$ 1,034,925
2017	1,048,637
2018	1,061,213
2019	1,072,650
2020	1,047,950
2021-2025	4,869,250
2026-2028	4,669,850
	<u>\$ 14,804,475</u>

Total aggregate interest expense on future minimum payments is \$3,114,475.

### Note 5. Pension Plan

#### Plan Description, Contribution Information and Funding Policies

The Authority sponsors a defined-benefit pension plan for full-time employees known as the Town of Bloomsburg Municipal Authority Pension Plan.

The Plan is subject to the funding and reporting requirements of the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984). Act 205 requires that an actuarial valuation of the Plan be performed every other year. Unless otherwise indicated, the Plan's information in this note is provided as of the latest actuarial valuation, January 1, 2015.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Pension Plan (Continued)

#### Plan Description, Contribution Information and Funding Policies (Continued)

The following is a summary of the funding policies, contribution methods, and benefit provisions:

Year established and governing authority	October 1, 1965; as amended. Latest amendment was effective in 2000 (Early Retirement Window), State Law (Act 205)
Determination of contribution Requirements	
Employer	Actuarially-determined
Plan members	4% of compensation
Funding of administrative costs	Contributions (included in funding requirements)
Period required to fully vest	5 years
Post-retirement benefit increases	None
Benefit formula	A monthly benefit payable at normal retirement date equal to 1.25% of average salary multiplied by years of service; average monthly salary based upon 36 consecutive months of employment which produces the highest such average, exclusive of overtime.
<hr/>	
Eligibility for distribution	Later of age 65 or the completion of 5 years of service
Provisions for:	
Death benefits	Yes
Disability benefits	Yes
Survivor benefits	Yes
Early retirement benefits	Yes

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Pension Plan (Continued)**

Plan Description, Contribution Information and Funding Policies (Continued)

Membership in the Plan as of December 31, 2015, is as follows:

Nonvested active members	3
Fully-vested active members	7
Fully-vested non-active members	1
	<u>11</u>

*Annual Required Contributions*

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are located in the Required Supplementary Information Section of this report.

Annual Pension Costs, Net Pension Obligation and Reserves

*Current Year Annual Pension Costs and Net Pension Obligation*

Current year annual pension costs for the Pension Plan are shown in the trend information provided. There were no net pension obligations for the Plan.

*Reserves*

There are no assets legally reserved for purposes other than the payment of plan member benefits. The Plan held no individual investments (other than U. S. Government and U. S. Government guaranteed obligations), the market values of which exceed five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 21,961	100%	\$ -
2014	\$ 18,169	100%	\$ -
2015	\$ -	100%	\$ -

Historical Trend Information

Historical trend information presenting the Authority's pension plan progress in accumulating sufficient assets to pay benefits when due is presented in the Required Supplementary Information Section.

## MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 6. Other Post-Employment Benefits**

The Authority follows the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*.

#### Plan Description:

The Municipal Authority provides access to retiree health benefits, including prescription drug coverage, to eligible retired employees and qualified spouses, when applicable. The Plan also provides for retirement benefits as outlined in the Authority Pension Plan Document and employment contracts (for unionized employees). This is a single employer defined benefit plan administered by Hay Group, Inc., Philadelphia. Benefits are provided to all full-time staff who meet the following requirements: employees are eligible for early retirement upon attainment of age 60 with 15 years of serviced with the Municipal Authority and meet normal plan eligibility requirements for retirement upon attainment of age 65 with 5 years of service with the Municipal Authority. Currently, the Plan has 11 members.

Eligibility for post-retirement health insurance benefits is as follows: employees who retire under the provisions of the retirement plan at age 62 or later will have health insurance premiums paid for the employee and family until the retiree reaches age 65, at which time the Municipal Authority will pay 100% of the premium (employee only) for life for all employees hired prior to January 1, 2005, 50% of the premium (employee only) for life for all employees hired between January 1, 2005 and December 31, 2007. Employees hired after January 1, 2008, are not entitled to any post-retirement health benefits. Employees that retire prior to age 60 are not eligible to have health insurance premiums paid by the Municipal Authority but are permitted to continue their membership in the Municipal Authority's group health insurance plan and are responsible for payment of all premiums.

#### Funding Policy:

The Municipal Authority's medical plan is insured and premiums are updated annually based on several factors determined by the plan underwriters. The Municipal Authority funds payment of the full premium for all eligible employees.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Other Post-Employment Benefits (Continued)**

Funding Progress:

For the year ended December 31, 2015, the Authority has estimated the cost (annual expense) of providing retiree health care benefits through an actuarial valuation as of January 1, 2013. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. This valuation's computed contribution and actual funding are summarized as follows:

<u>For the year ended December 31, 2015</u>	<u>Amount</u>
Annual required contribution	\$ 51,464
Less adjustment to the annual required contribution	<u>-</u>
Annual OPEB cost	51,464
Amounts Contributed	
Payments of current premiums and claims	-
Advanced funding	<u>-</u>
Increase in net OPEB obligation	51,464
OPEB obligation - beginning of year	<u>231,914</u>
OPEB obligation - end of year	<u><u>\$ 283,378</u></u>

The annual OPEB cost, the percentage contributed to the Plan, and the net OPEB obligation for the current year and two preceding years are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 51,690	70.8%	\$ 180,450
December 31, 2014	\$ 51,464	0.0%	\$ 231,914
December 31, 2015	\$ 51,464	0.0%	\$ 283,378

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts are determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### **Note 6. Other Post-Employment Benefits (Continued)**

#### Actuarial Methods and Assumptions (Continued):

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2013, actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions include an annual health care cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5%. The UAAL is being amortized over 30 years as a level percentage of projected payroll on an as closed basis, with 29 years remaining.

### **Note 7. Related Party Transactions**

During the years ended December 31, 2015 and 2014, the Authority was charged approximately \$22,440 and \$21,524, respectively, by the Town of Bloomsburg (the "Town") for sewer line maintenance. The amounts charged were at the Town's cost.

### **Note 8. Significant Group Concentrations of Credit Risk**

The Authority's operations are located in Bloomsburg, Pennsylvania. Its service area is located within the geographical bounds of the Town of Bloomsburg and Scott Township. The Authority assesses residents within its service area, based upon usage, connection and assessment charges. The ability of the Authority's customers to honor their obligations to the Authority is dependent upon economic and other factors affecting the customers.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### **Note 9. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### **Note 10. Litigation**

The Authority is a defendant in a lawsuit from one of its contractors. As of December 31, 2015, the Authority has not recorded a provision for this matter as management intends to vigorously defend these allegations and believes the likelihood of a material adverse outcome is remote. The Authority believes, however, that any liability it may incur would not have a material adverse effect on its financial condition or its results of operations.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
Year Ended December 31, 2015**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
1/1/2009	\$ -	\$ 314,413	\$ 314,413	0.00%	\$ 500,528	62.82%
1/1/2011	\$ -	\$ 509,869	\$ 509,869	0.00%	\$ 521,355	97.80%
1/1/2013	\$ -	\$ 572,964	\$ 572,964	0.00%	\$ 528,659	108.38%

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**STATISTICAL TREND DATA  
SINGLE EMPLOYER PENSION PLAN  
LAST TEN CONSECUTIVE YEARS  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation</b>		<b>Actuarial Value of Assets</b>		<b>Actuarial Liability (AAL) - Age</b>		<b>Unfunded AAL (UAAL)</b>		<b>Funded Ratio</b>		<b>Covered Payroll</b>		<b>UAAL as a % of Covered Payroll</b>
12/31/05	\$	887,602		*		*		*		*		*
12/31/06	\$	1,029,074	\$	782,072	\$	(247,002)		131.46%	\$	471,750		(52.36%)
12/31/07	\$	859,769		*		*		*		*		*
12/31/08	\$	954,795	\$	968,706	\$	13,911		98.56%	\$	492,446		2.82%
12/31/09	\$	827,984		*		*		*		*		*
12/31/10	\$	1,093,909	\$	1,100,084	\$	6,175		99.44%	\$	561,533		1.10%
12/31/11	\$	946,279		*		*		*		*		*
12/31/12	\$	719,972	\$	812,216	\$	92,244		88.64%	\$	533,371		17.29%
12/31/13	\$	729,362		*		*		*		*		*
12/31/14	\$	763,177	\$	812,235	\$	49,058		93.96%	\$	478,738		10.25%

\*Information is not available since, in accordance with Pennsylvania Law (Act 205 of 1984, as amended), valuations are only performed every other year.

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES**

<b>Year Ended</b>		<b>Annual Required Contributions</b>		<b>Authority's Annual Required Contribution</b>		<b>Percentage Contributed</b>
12/31/05	\$	1,924	\$	1,924		100%
12/31/06	\$	-	\$	-		-
12/31/07	\$	-	\$	-		-
12/31/08	\$	-	\$	-		-
12/31/09	\$	-	\$	-		-
12/31/10	\$	21,753	\$	21,753		100%
12/31/11	\$	23,221	\$	23,221		100%
12/31/12	\$	17,810	\$	17,810		100%
12/31/13	\$	21,961	\$	21,961		100%
12/31/14	\$	18,169	\$	18,169		100%

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**SINGLE EMPLOYER PENSION PLAN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2015**

	Pension
Valuation Date:	1/1/15
Actuarial Cost Method:	Entry Age Actuarial Cost Method
Amortization Method:	In accordance with provisions of Act 205 (1984), as amended
Amortization Period:	In accordance with provisions of Act 205 (1984), as amended
Actuarial Asset Value Method:	<p>The Actuarial Value of Assets as of the last valuation date plus non-investment increases less non-investment decreases since the last valuation date plus interest credited at the last valuation's assumed interest rate less one percent assuming non-investment increases and decreases occur at the mid-point between the last and current valuation date.</p> <p>The Actuarial Value of the assets as determined will be limited to a maximum of 120% and a minimum of 80% of the fair market value of the assets as of the current valuation date.</p>
Actuarial Assumptions:	
Interest	8.00% per annum compounded annually
Salary Scale	5.00% per annum compounded annually
Post-Retirement Adjustments	Not Applicable
Social Security Benefits	Not Applicable
Workmen's Compensation	Not Applicable
Pre and Post Retirement Mortality:	RP2000 Mortality Table
Rate of Disability	No disability retirements assumed