

**MUNICIPAL AUTHORITY OF THE
TOWN OF BLOOMSBURG**

FINANCIAL REPORT

DECEMBER 31, 2017

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Authority'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.

Opinion

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 of the Municipal Authority of the Town of Bloomsburg as of December 31, 2017 and 2016, 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 on pages 3 through 9 and the required supplementary information as listed in the table of contents, 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.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
April 17, 2018

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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, 2017.

Financial Highlights

The following are key happenings and financial highlights for 2017:

The Authority continued work on the design process to update the manner in which the treatment plant processes wastewater and to complete the work that remained from the initial upgrade project. A Committee of members of the Authority board, wastewater treatment plant staff, administrative staff and representatives from Bloomsburg University and Scott Township continue to meet to work through the design process for the planned construction. Along with its retained engineering firm, Rettew, Inc. the Authority also contracted with another engineering firm to provide value engineering services during the design process. GHD, Inc. was selected to provide these services and representatives from GHD, Inc. attend the "Design Committee" meetings along with Rettew staff and those mentioned previously. Progress on this design was slowed in 2017 by the resignation of a key employee from the Authority's engineering firm, Rettew, Inc. As the project enters final design phase, the Authority has requested an additional proposal from the value engineering firm for the design completion. The project is now estimated to begin construction in the spring of 2019.

The Authority continued to utilize vendors to haul liquid sludge for processing during 2017. The planned construction project should significantly reduce the need for liquid sludge hauling in the future. The Authority incurred expenses of approximately \$150,000 for liquid sludge removal disposal services during 2017.

The Authority board met with key members of Bloomsburg University's Facilities staff, and staff and board members from the Scott Township Authority in an effort to determine the correct percentage of contribution for the planned construction project based on each entity's respective agreements with the Authority. Initial calculations have been provided to each entity but no definitive agreement regarding cost allocations had been finalized prior to year-end.

The Authority instituted a rate increase effective June 1, 2017. This increase had been planned to begin earlier in the year and was incorporated into budget figures as such. While residential sewer totals were significantly less than anticipated, industrial sewer figures came in at the budgeted figures despite reduced consumption figures from a major industrial user for 2017.

The Authority settled a lawsuit in 2017 which was served against the Authority by a contractor who worked on the 2009 plant upgrade. The settlement amount of \$25,000 was paid from proceeds of the construction account.

The Authority purchased new accounting software in 2017 and staff spent extensive time training on the financial and payroll modules of this new software during the third and fourth quarters of 2017. The financial software is Integrated Financial Management (IFM) and the payroll software is Innovations Payroll Systems (IPS). Staff will begin to use these systems live on 1/1/18.

The Municipal Authority was forced to change its contracted collection agency in 2017 due to the dissolution of its previous vendor, Remit Corporation. Remit ceased business with little advance notice to the Authority. For this reason, the Authority was without a contracted collection agency for a 4 month period during the year. Effective December 1, 2017, the Authority contracted with Modern Recovery Solutions, LLC (MRS) to provide delinquent account collection services. MRS will provide the same services for the collection of delinquent accounts and discontinuation of water service for non-payment as was provided by Remit Corporation.

The Authority hired an additional administrative staff person in May 2017. This position provides specialized attention for the billing and collection process and serves as an alternate individual for preparation of payroll and other accounting tasks. This change from a single employee office provides the Authority with protection and continuity in its day to day accounting and administrative operating processes.

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 average customer base as of December 31, 2017, was 3,754. Of this total, 350 accounts were Commercial customers and 17 Industrial customers. The Authority’s customer base has not changed significantly over the past five years.

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

	2017	2016	Change	
			Amount	%
Average number of customers	3,754	3,434	320	9%
Wastewater treated (millions of gallons)	658	608	50	8%
Revenues per thousand gallons treated	6.59	6.24	0.36	6%

General Trends and Significant Events

Population in the Town of Bloomsburg did not change significantly. Twelve new sewer connections were approved in 2017. Of these new connections, six were for new single family home construction; two were permits for projects adding additional EDU's to existing or reconstructed structures; one was for a new multi-unit dormitory on the campus of Bloomsburg University; one for a multi-site camping area on the Bloomsburg Fair grounds; one was for a new multi-unit elderly housing complex and one was for replacement of a failing sewer connection for an existing property. Bloomsburg Municipal Authority processed over 148 million gallons of wastewater for Scott Township which represents 22% of the total wastewater treated in 2017.

The revenue per thousand gallons of wastewater treated increased from 2016 figures due to an increase in both the total wastewater treated and rates charged to consumers.

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 increased slightly, primarily due to depreciation on capital assets.

CONDENSED STATEMENTS OF NET POSITION - PROPRIETARY FUND

	December 31		Variance	
	2017	2016	Amount	%
Assets				
Current Assets	\$ 7,137,761	\$ 6,772,117	\$ 365,644	5.40
Capital Assets				
Land and construction in process	350,790	239,959	110,831	-
Assets being depreciated	39,640,978	39,415,935	225,043	0.57
Less accumulated depreciation	(17,462,381)	(15,376,214)	(2,086,167)	13.57
Total assets	\$ 29,667,148	\$ 31,051,797	\$ (1,384,649)	(4.46)
Deferred Outflows of Resources				
Deferred amounts on pension liability	\$ 74,658	\$ 30,654	\$ 44,004	-
Liabilities				
Current Liabilities	\$ 844,232	\$ 1,007,460	\$ (163,228)	(16.20)
Long-term liabilities	10,050,890	10,708,337	(657,447)	(6.14)
Total liabilities	\$ 10,895,122	\$ 11,715,797	\$ (820,675)	(7.00)
Deferred Inflows of Resources				
Deferred amounts on pension liability	\$ 90,274	\$ 83,321	\$ 6,953	-
Net Position				
Net investment in capital assets	\$ 12,184,387	\$ 13,244,680	\$ (1,060,293)	(8.01)
Unrestricted	6,572,023	6,038,653	533,370	8.83
Total net position	\$ 18,756,410	\$ 19,283,333	\$ (526,923)	(2.73)

CONDENSED STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUND

	December 31		Variance	
	2017	2016	Amount	%
Total Assets	\$ 718,193	\$ 631,482	\$ 86,711	13.73
Total Liabilities	\$ 2,862	\$ 3,996	\$ (1,134)	(28.38)
Net Position				
Restricted - held in trust for pension benefits	\$ 715,331	\$ 627,486	\$ 87,845	14.00

CONDENSED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND

	December 31		Variance	
	2017	2016	Amount	%
Additions				
Contributions	\$ 42,900	\$ 46,080	\$ (3,180)	(6.90)
Investment income	66,089	55,504	10,585	19.07
Total additions	108,989	101,584	7,405	7.29
Deductions				
Member distribution	9,515	207,194	(197,679)	100.00
Administrative	11,629	17,037	(5,408)	(31.74)
Total deductions	21,144	224,231	(203,087)	68
Changes in net position	87,845	(122,647)	210,492	(171.62)
Net Position - Beginning	627,486	750,133	(122,647)	(16.35)
Net Position - Ending	\$ 715,331	\$ 627,486	\$ 87,845	14.00

Results of Operations

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

	December 31		Variance	
	2017	2016	Amount	%
Revenues				
Total operating revenues	\$ 4,339,140	\$ 3,791,280	\$ 547,860	14.45
Expenses				
Operating expenses				
Sewage treatment	3,998,444	3,889,647	(108,797)	(2.80)
Operations and maintenance	135,295	133,754	(1,541)	(1.15)
General administration	362,059	316,488	(45,571)	(14.40)
Total operating expenses	4,495,798	4,339,889	(155,909)	(3.59)
Operating loss	(156,658)	(548,609)	391,951	(71.44)
Other Expenses - Net	(370,265)	(238,763)	(131,502)	55.08
Changes in net position	(526,923)	(787,372)	260,449	(33.08)
Net Position - January 1 (as previously reported)	19,283,333	20,267,359	(984,026)	(4.86)
Prior period adjustment (See Note 5)	-	(196,654)	196,654	(100.00)
Net Position - January 1 (restated)	19,283,333	20,070,705	(787,372)	(3.92)
Net Position - December 31	\$ 18,756,410	\$ 19,283,333	\$ (723,577)	(3.75)

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 15% rate increase effective June 1, 2017, which established the monthly minimum charge for up to 2,000 gallons of consumption at \$26.06. No rate increase has been mandated since that time but the planned construction project will necessitate an increase to rates over the next ten years. The first of these scheduled increases should occur effective January 1, 2019.

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

Total operating expenses of the Authority increased slightly from 2016. This slight increase could be attributed to the need to replace and rebuild multiple several larger scale pumps and motors at the treatment plant during 2017.

	2017	2016	Variance	%
Sewage treatment plant and pumping stations	\$ 3,998,444	\$ 3,889,647	\$ 108,797	2.80
Collection and intercepting sewer maintenance and improvements	135,295	133,754	1,541	1.15
Administrative expenses	362,059	316,488	45,571	14.40
Total operating expenses	\$ 4,495,798	\$ 4,339,889	\$ 155,909	3.59

Cash Flow Activity

The following table indicates 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.

	2017	2016	Variance
Total operating revenues	\$ 4,339,140	\$ 3,791,280	\$ 547,860
Net cash provided by operations	\$ 1,729,667	\$ 1,686,231	\$ 43,436

Net cash provided by operations increased from 2016 primarily due to an increase in operating revenues and decrease in operating expenses. Total operating revenues increased from 2016 due partially to increases in permitting fees received from projects within the Town of Bloomsburg as well as capacity fees received for new construction projects in Scott Township.

Capital Assets

The investment in plant and equipment decreased slightly from 2016. 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 Long-Term Capital 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, 2017 and 2016**

	2017	2016
Assets		
Cash and cash equivalents	\$ 3,084,869	\$ 2,644,489
Cash and cash equivalents - restricted for construction projects	1,913,595	1,943,180
Investments - certificate of deposit	1,378,307	1,372,345
Due from other governments	-	88,649
Sewer receivable	703,115	665,579
Prepaid expenses	57,875	57,875
Capital assets		
Land, improvements and construction-in-progress	350,790	239,959
Other capital assets, net of depreciation	22,178,597	24,039,721
Total capital assets	22,529,387	24,279,680
Total assets	\$ 29,667,148	\$ 31,051,797
Deferred Outflows of Resources		
Deferred amounts on pension liability	\$ 74,658	\$ 30,654
Liabilities		
Accounts payable	\$ 85,310	\$ 285,974
Accrued expenses	33,922	31,486
Long-term liabilities		
Due within one year	725,000	690,000
Due in more than one year	10,050,890	10,708,337
Total long-term liabilities	10,775,890	11,398,337
Total liabilities	\$ 10,895,122	\$ 11,715,797
Deferred Inflows of Resources		
Deferred amounts on pension liability	\$ 90,274	\$ 83,321
Net Position		
Net investment in capital assets	\$ 12,184,387	\$ 13,244,680
Unrestricted	6,572,023	6,038,653
Total net position	\$ 18,756,410	\$ 19,283,333

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, 2017 and 2016**

	2017	2016
Operating Revenues		
Sewer charges and penalties	\$ 4,339,140	\$ 3,791,280
Operating Expenses		
Sewage Treatment Plant and Pumping Station	3,998,444	3,889,647
Collection and intercepting sewer maintenance and improvements	135,295	133,754
Administrative expenses	362,059	316,488
Total operating expenses	4,495,798	4,339,889
Operating loss	(156,658)	(548,609)
Nonoperating Revenues (Expenses)		
Intergovernmental revenues	3,246	7,940
Other post-employment benefits - net	(8,306)	69,636
Rental income	315	315
Interest income	33,164	12,244
Interest expense	(358,460)	(379,869)
Gain on disposition of capital assets	435	-
Refund of prior years' (receipts) expenses - net	(15,659)	(389,208)
Net proceeds (expenses) from legal settlement	(25,000)	440,179
Total nonoperating expenses - net	(370,265)	(238,763)
Changes in net position	(526,923)	(787,372)
Net Position - January 1 (as previously reported)	19,283,333	20,267,359
Prior period adjustment (See Note 5)	-	(196,654)
Net Position - January 1 (restated)	19,283,333	20,070,705
Net Position - December 31	\$ 18,756,410	\$ 19,283,333

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, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received from customers	\$ 4,301,604	\$ 3,780,089
Cash payments for goods and services	(1,488,767)	(1,162,936)
Cash payments to employees for services	(1,083,170)	(930,922)
Net cash provided by operating activities	1,729,667	1,686,231
Cash Flows From Capital and Related Financing Activities		
Repayment of long-term debt	(690,000)	(655,000)
Purchases and construction of property, plant and equipment	(349,600)	(242,781)
Cash and cash equivalents - restricted for construction projects	29,585	(387,404)
Proceeds from sale of capital assets	435	-
Net cash used in capital and related financing activities	(1,009,580)	(1,285,185)
Cash Flows From Noncapital Financing Activities		
Intergovernmental revenue	91,895	316,301
Net proceeds (expenses) from legal settlement	(25,000)	440,179
Net cash provided by noncapital financing activities	66,895	756,480
Cash Flows From Investing Activities		
Rental income	315	315
Interest income	33,164	12,244
Interest expense	(358,460)	(379,869)
Refund of prior years' expenses (receipts)	(15,659)	(389,208)
Change in investments - net	(5,962)	(4,114)
Net cash used in investing activities	(346,602)	(760,632)
Net increase in cash and cash equivalents	440,380	396,894
Cash and Cash Equivalents:		
Beginning	2,644,489	2,247,595
Ending	\$ 3,084,869	\$ 2,644,489

(Continued)

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE -
 SEWER SYSTEM OPERATING FUND (Continued)
 Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities		
Operating loss	\$ (156,658)	\$ (548,609)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	2,099,893	2,089,499
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(37,536)	(11,191)
Prepaid expenses	-	3,819
Deferred outflows of resources	(44,004)	(30,654)
(Decrease) increase in:		
Accounts payable	(200,664)	146,912
Accrued expenses	2,436	193
Net pension liability	59,247	(47,059)
Deferred inflows of resources	6,953	83,321
Net cash provided by operating activities	\$ 1,729,667	\$ 1,686,231

See Notes to Financial Statements.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

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

December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 17,208	\$ 8,951
Investments	697,041	620,340
Contribution receivable	1,843	343
Accrued interest receivable	2,101	1,848
Total assets	\$ 718,193	\$ 631,482
Liabilities		
Accounts payable	\$ 2,862	\$ 3,996
Total liabilities	\$ 2,862	\$ 3,996
Net Position		
Restricted - held in trust for pension benefits	\$ 715,331	\$ 627,486
Total net position	\$ 715,331	\$ 627,486

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, 2017 and 2016**

	2017	2016
Additions		
Contributions		
Employees	\$ 22,075	\$ 18,523
Employer	20,825	27,425
Other	-	132
Total contributions	42,900	46,080
Investment Income		
Interest and dividends	18,954	18,271
Net appreciation in fair value of investments	34,490	8,575
Gain on sale of investments	12,645	28,658
Total investment income	66,089	55,504
Total additions	108,989	101,584
Deductions		
Member distributions	9,515	207,194
Administrative expenses	11,629	17,037
Total deductions	21,144	224,231
Changes in net position	87,845	(122,647)
Net Position - January 1, 2017	627,486	750,133
Net Position - December 31, 2017	\$ 715,331	\$ 627,486

See Notes to Financial Statements.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

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 criterion 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

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 non-operating 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

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 or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

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: The Authority employees are able to earn up to 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 April 17, 2018, the date the financial statements were available to be issued.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments - Enterprise Fund

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

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.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the Authority's deposits and/or investments may not be returned to it. A summary of the Authority's deposits at December 31, 2017, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	First Columbia Bank & Trust
Uninsured, collateralized in accordance with Act 72	6,126,507	6,184,611	First Columbia Bank & Trust
	<u>\$ 6,376,507</u>	<u>\$ 6,434,611</u>	

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.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments - Enterprise Fund (Continued)

Investments

The Authority categorizes its fair value measures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2017, the Authority does not hold any investments in the Enterprise Fund, which are subject to the fair value measurements and valuation input classifications.

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.

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, 2017 and 2016, was as follows:

	January 1, 2017	Increases	Decreases	December 31, 2017
Capital assets, not being depreciated				
Land	\$ 27,334	\$ -	\$ -	\$ 27,334
Construction-in-progress	212,625	138,206	27,375	323,456
Total capital assets, not being depreciated	239,959	138,206	27,375	350,790
Capital assets being depreciated				
Land improvements	47,029	-	-	47,029
Buildings and improvements	35,539,500	150,481	-	35,689,981
Machinery and equipment	982,180	54,311	-	1,036,491
Vehicles	256,963	33,977	13,726	277,214
Improvements to sewage system	2,590,263	-	-	2,590,263
Total capital assets being depreciated	39,415,935	238,769	13,726	39,640,978
Less accumulated depreciation for:				
Land improvements	(43,977)	(699)	-	(44,676)
Buildings and improvements	(13,696,662)	(1,991,601)	-	(15,688,263)
Machinery and equipment	(682,416)	(44,707)	-	(727,123)
Vehicles	(252,906)	(8,576)	(13,726)	(247,756)
Improvements to sewage system	(700,253)	(54,310)	-	(754,563)
Total accumulated depreciation	(15,376,214)	(2,099,893)	(13,726)	(17,462,381)
Total capital assets being depreciated, net	24,039,721	(1,861,124)	-	22,178,597
Capital Assets - Net	\$ 24,279,680	\$ (1,722,918)	\$ 27,375	\$ 22,529,387

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 3. Property, Plant and Equipment (Continued)

	January 1, 2016	Increases	Decreases	December 31, 2016
Capital assets, not being depreciated				
Land	\$ 27,334	\$ -	\$ -	\$ 27,334
Construction-in-progress	-	212,625	-	212,625
Total capital assets, not being depreciated	27,334	212,625	-	239,959
Capital assets being depreciated				
Land improvements	47,029	-	-	47,029
Buildings and improvements	35,539,500	-	-	35,539,500
Machinery and equipment	952,024	30,156	-	982,180
Vehicles	256,963	-	-	256,963
Improvements to sewage system	2,590,263	-	-	2,590,263
Total capital assets being depreciated	39,385,779	30,156	-	39,415,935
Less accumulated depreciation for:				
Land improvements	(43,257)	(720)	-	(43,977)
Buildings and improvements	(11,704,583)	(1,992,079)	-	(13,696,662)
Machinery and equipment	(643,506)	(38,910)	-	(682,416)
Vehicles	(249,426)	(3,480)	-	(252,906)
Improvements to sewage system	(645,943)	(54,310)	-	(700,253)
Total accumulated depreciation	(13,286,715)	(2,089,499)	-	(15,376,214)
Total capital assets being depreciated, net	26,099,064	(2,059,343)	-	24,039,721
Capital Assets - Net	\$ 26,126,398	\$ (1,846,718)	\$ -	\$ 24,279,680

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:

	2017	2016
Sewage Treatment Plant and Pumping Station	\$ 2,035,429	\$ 2,034,280
Collection and intercepting sewer maintenance and improvements	60,942	54,702
Administrative expenses	3,522	517
	<u>\$ 2,099,893</u>	<u>\$ 2,089,499</u>

Note 4. Long-Term Debt

During the year ended December 31, 2017, long-term obligations changed as follows:

	Balances January 1, 2017	Increases	Decreases	Balances December 31, 2017	Due within One Year
Long-Term Debt					
General Obligations Bonds					
Series of 2008	\$ 7,355,000	\$ -	\$ (460,000)	\$ 6,895,000	\$ 480,000
Guaranteed Sewer Revenue					
Note - Series of 2009	3,680,000	-	(230,000)	3,450,000	245,000
Total Long-Term Debt	<u>11,035,000</u>	<u>-</u>	<u>(690,000)</u>	<u>10,345,000</u>	<u>725,000</u>
Other Long-Term Obligations					
Net pension liability (Note 5)	149,595	59,247	-	208,842	-
Other post-employment					
benefits (Note 6)	213,742	8,306	-	222,048	-
Total Other Long-Term	<u>363,337</u>	<u>67,553</u>	<u>-</u>	<u>430,890</u>	<u>-</u>
Obligations					
Total Long-Term Obligations	<u>\$ 11,398,337</u>	<u>\$ 67,553</u>	<u>\$ (690,000)</u>	<u>\$ 10,775,890</u>	<u>\$ 725,000</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.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

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.

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, 2017:

<u>Year</u>	<u>Amount</u>
2018	\$ 1,061,213
2019	1,072,650
2020	1,047,950
2021	1,023,250
2022	998,550
2023-2027	3,804,725
2028	3,712,575
	<u>\$ 12,720,913</u>

Total aggregate interest expense on future minimum payments is \$2,375,913.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan

Plan Description

Plan Administration

The Retirement Board administers the Town of Bloomsburg Municipal Authority Pension Plan - a single-employer defined benefit pension plan that covers all employees holding an office, position or full-time employment whether hired, elected or approved, in any capacity other than as a Member of the Authority Board.

Plan Membership

For the 2017 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	11
	<hr/>
	12
	<hr/> <hr/>

Benefits Provided

The Town of Bloomsburg Municipal Authority Pension Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as 1.25 percent of the member's highest 3-year average salary times the member's years of service. Plan members with 15 years of service are eligible to retire at age 60. All plan members are eligible for disability benefits after 5 years of service, and not required if disability is service connected. Disability retirement benefits are equal to the accrued benefit payable immediately. Death benefits are available for a member who dies with at least 5 years of service. A plan member who leaves with less than 5 years of service will receive a refund of his or her contributions, plus any accumulated interest.

On an ad hoc basis, cost-of-living adjustments to each member's retirement benefit may be given. The adjustment, should the Authority elect to give one, is a percentage of the change in the Consumer Price Index.

Contributions

An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2017 measurement period, the active member contribution rate was 4.0 percent of annual pay, and the Authority average contribution rate was 3.70 percent of annual payroll.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

Deposits and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Authority's Pension Plan deposits and/or investments may not be returned to it. At December 31, 2017 and 2016, the Authority's Pension Plan had deposits with financial institutions with a carrying amount of \$17,208 and \$8,951, respectively. Of the December 31, 2017 balance, \$17,208 was covered by federal depository insurance and \$-0- was covered by collateralized assets maintained in conformity with Act 72 of 1971. Of the December 31, 2016 balance, \$8,951 was covered by federal depository insurance and -\$0- was covered by collateralized assets maintained in conformity with Act 72 of 1971.

Investments

Method used to value investments: Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets. The Authority's Pension Plan categorizes its fair value measures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's asset allocation policy for the 2017 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	55 - 65%
International equity	5 - 10%
Fixed income	25 - 30%
Real estate/alternative	0%
Cash	5 - 10%
	<u>100%</u>

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

Investments (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2017 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.4 - 6.4%
International equity	5.5 - 6.5%
Fixed income	1.3 - 3.3%
Real estate/alternative	4.5 - 5.5%
Cash	0.0 - 1.0%

As of December 31, 2017, the Authority's Pension Plan had the following investments:

Investment Type	Percent of Total	Fair Value	Investment Maturities (in years)		
			Less Than 1	1-5	6-10
<u>Debt Securities</u>					
Negotiable Certificates of Deposit	8.84%	\$ 61,586	\$ -	\$ -	\$ 61,586
Municipal Bonds	3.70%	25,796	-	-	25,796
Corporate Bonds and Notes	24.82%	172,980	-	49,921	123,059
		\$ 260,362	\$ -	\$ 49,921	\$ 210,441
<u>Other Investments</u>					
Income Mutual Funds	2.48%	\$ 17,271			
Equity Mutual Funds	8.01%	55,852			
Equity Securities	52.16%	363,556			
Total Investments		\$ 697,041			

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

Investments (Continued)

As of December 31, 2016, the Authority’s Pension Plan had the following investments:

Investment Type	Percent of Total	Fair Value	Investment Maturities (in years)		
			Less Than 1	1-5	6-10
<u>Debt Securities</u>					
Negotiable Certificates of Deposit	10.07%	\$ 62,487	\$ -	\$ -	\$ 62,487
Municipal Bonds	4.03%	24,982	-	-	24,982
Corporate Bonds and Notes	21.90%	135,827	-	-	135,827
		<u>\$ 223,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,296</u>
<u>Other Investments</u>					
Income Mutual Funds	5.22%	\$ 32,404			
Equity Mutual Funds	7.76%	48,125			
Equity Securities	51.02%	316,515			
Total Investments		<u>\$ 620,340</u>			

The investment objective of the Authority’s Pension Plan is to maintain a balanced portfolio comprised of various securities. The Authority’s Pension Plan places no limit on the amounts invested in any one issuer.

U.S. Government Agencies - The Authority’s Pension Plan 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 five 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. These government bonds are rated AAA. The Authority’s Pension Plan does not currently hold any U.S. Government Agencies.

Municipal Bonds - The Authority’s Pension Plan is invested in one (1) Pennsylvania municipal bond issue: Trinity Area School District Taxable. The yield on this bond is 4.16% and it matures November 1, 2024.

Negotiable Certificates of Deposit - The Authority’s Pension Plan invests in certificates of deposit through First Columbia Bank, which holds the certificates in a nominee account with a counterparty custodian for trading convenience. There is currently one certificate of deposit held in the account as of December 31, 2017. The certificates are insured by the FDIC up to \$250,000. The values of the certificates in excess of the \$250,000 FDIC limit are secured by non-government municipal securities. These certificates are subject to custodial credit risk.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

Investments (Continued)

Income Mutual Funds - There is one Income Mutual Fund: Vanguard Short-Term Investment Grade Fund (Ticker: VFSUX). As of December 31, 2017, the Vanguard Short-Term Investment Grade Fund is rated 4 stars by Morningstar and is a short-term corporate-focused fund. 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 a fund manager of record for a minimum of 3 years.

Equity Mutual Funds - The Authority's Pension Plan has investments in two Equity Mutual Funds: Vanguard Small Cap Index (Ticker: NAESX) (4 star) and Vanguard Mid Cap Index Fund (Ticker: VIMAX) (3 star) which represent the Small and Mid Cap sectors. Ratings were obtained through Morningstar as of December 31, 2017. 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 a fund manager of record for a minimum of 3 years.

Common Stocks - These investments represent banking, business services, chemicals and allied products, communication, electronics, electric, gas, food, machinery, oil and gas extraction, transportation, and wholesale trade. The ratings of these common and foreign equity investments ranged from A+ to BB-. Guidelines require that no one stock exceed 5% of the total portfolio. It is the goal of the Trustee to invest in high-grade blue chip stocks that mirror the S&P 500.

Corporate Bonds: The Authority's Pension Plan is invested in corporate bond issues. The investment policy statement, updated effective June 24, 2016, requires all fixed-income securities held in the portfolio shall have a Moody's and/or Standard & Poor's credit rating of no less than BBB. Guidelines require the exposure of the portfolio to any one issuer, other than securities of the U.S. Government or agencies, shall not exceed five (5%) percent of the market value of the portfolio of each account.

Interest-Rate Risk: The Authority's Pension Plan 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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority's Pension Plan will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

Credit Risk: The Authority's Pension Plan has an investment policy which limits investment choices to those with specific credit ratings.

Concentration Risk: The percentages of the concentrations of the Authority's Pension Plan investments at December 31, 2017 and 2016, are included on the tables on pages 27 and 28 respectively.

Rate of Return: For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability reported at December 31, 2017, was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the calendar year end. The Authority reported a liability of \$208,842 as of December 31, 2017.

Changes in the total pension liability, plan fiduciary net position, and net pension liability during the current year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 780,732	\$ 631,137	\$ 149,595
Service cost	35,828	-	35,828
Interest	60,869	-	60,869
Changes of benefit terms	-	-	-
Differences between experience	24,012	-	24,012
Changes of assumptions	32,247	-	32,247
Contributions - employer	-	20,825	(20,825)
Contributions - members	-	22,075	(22,075)
Contributions - state aid	-	-	-
Net investment income	-	66,089	(66,089)
Benefit payments, including refunds	(9,515)	(9,515)	-
Administrative expenses	-	(11,629)	11,629
Other changes	-	(3,651)	3,651
Net changes	143,441	84,194	59,247
Balances at December 31, 2017	\$ 924,173	\$ 715,331	\$ 208,842

For the year ended December 31, 2017 the Authority recognized pension expense of \$43,021. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,422	\$ 74,905
Changes in assumptions	33,185	-
Net difference between projected and actual investment earnings	19,051	15,369
	\$ 74,658	\$ 90,274

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

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

Year	Total
2018	\$ 1,255
2019	1,254
2020	(8,273)
2021	(7,934)
2022	(4,345)
Thereafter	2,427
	<u>\$ (15,616)</u>

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation for the 2017 measurement period at January 1 and rolled-forward to December 31 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	4.5% (average including inflation)
Investment rate of return	7.5% (including inflation)

Mortality rates were based on the RP2000 Mortality Table with blue-collar adjustment.

The actuarial assumptions used in the valuation for the 2017 measurement period were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan. No ad hoc postemployment benefit changes were included in future liability.

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent. 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 Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension 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 (i.e. no depletion date is projected to occur).

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the new pension liability of the Authority, calculated using the discount rate of 7.5%, as well as what the Authority's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 303,433	\$ 208,842	\$ 65,380

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

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 service 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 12 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, 2017, the Authority has estimated the cost (annual expense) of providing retiree health care benefits through an actuarial valuation as of January 1, 2015. 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:

For the year ended December 31, 2017	Amount
Annual required contribution	\$ 50,065
Interest on the Net OPEB obligation	10,272
Less adjustment to the annual required contribution	<u>(13,367)</u>
Annual OPEB cost	46,970
Amounts Contributed	
Payments of current premiums and claims	(38,664)
Advanced funding	<u>-</u>
Decrease in net OPEB obligation	8,306
OPEB obligation - beginning of year	<u>213,742</u>
OPEB obligation - end of year	<u><u>\$ 222,048</u></u>

The required schedule of funding progress immediately following the notes to the financial statements presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Annual OPEB Cost

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, 2015	\$ 47,104	81.1%	\$ 205,436
December 31, 2016	\$ 46,970	82.3%	\$ 213,742
December 31, 2017	\$ 46,970	82.3%	\$ 222,048

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 6. Other Post-Employment Benefits (Continued)

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.

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, 2015, actuarial valuation, based on the Society of Actuaries' Getzen Model, reflects the view that future increases will be constrained by the proportion of the nation's Gross Domestic Product (GDP) which is represented by the health care industry. Therefore, the annual rate of increase will have to decrease. the Projected Unit Credit cost method was used. The actuarial assumptions include using actual 2016 rate increases and a medical trend rate that starts at 5.9 percent in 2017, and declines to 3.9 percent in 2075. The projected health care costs were discounted using an interest rate of 5 percent.

A separate, audited, GAAP basis, post-employment benefit plan report is not issued.

Note 7. Related Party Transactions

During the years ended December 31, 2017 and 2016, the Authority was charged approximately \$18,490 and \$21,617, respectively, by the Town of Bloomsburg (the "Town") for sewer line maintenance. The amounts charged were at the Town's cost.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS PLAN
Year Ended December 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2011	\$ -	\$ 509,869	\$ 509,869	0.00%	\$ -	0.00%
1/1/2013	\$ -	\$ 572,964	\$ 572,964	0.00%	\$ -	0.00%
1/1/2015	\$ -	\$ 485,364	\$ 485,364	0.00%	\$ -	0.00%

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

SCHEDULES OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS

Year Ended December 31,

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 35,828	\$ 25,355	\$ 25,355
Interest	60,869	65,653	66,717
Changes of benefit terms	-	-	-
Differences between expected and actual experience	24,012	-	(100,153)
Changes of assumptions	32,247	-	4,109
Benefit payments, including refunds of member contributions	(9,515)	(207,194)	(7,390)
Net Change in Total Pension Liability	<u>143,441</u>	<u>(116,186)</u>	<u>(11,362)</u>
Total pension liability, beginning	780,732	896,917	908,279
Total pension liability, ending (a)	<u>\$ 924,173</u>	<u>\$ 780,732</u>	<u>\$ 896,917</u>
Plan Fiduciary Net Position			
Contributions, employer	\$ 20,825	\$ 27,425	\$ 27,071
Contributions, member	22,075	20,091	19,277
Contributions, state aid	-	-	-
Net investment income	66,089	54,862	10,387
Benefit payments, including refunds of members contributions	(9,515)	(207,194)	(7,390)
Administrative expense	(11,629)	(14,313)	(10,404)
Other	(3,651)	133	-
Net Change in Plan Fiduciary Net Position	<u>84,194</u>	<u>(118,996)</u>	<u>38,941</u>
Plan fiduciary net position, beginning	631,137	750,133	711,192
Plan fiduciary net position, ending (b)	<u>\$ 715,331</u>	<u>\$ 631,137</u>	<u>\$ 750,133</u>
Net pension liability, ending (a)-(b)	<u>\$ 208,842</u>	<u>\$ 149,595</u>	<u>\$ 146,784</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>77.40%</u>	<u>80.84%</u>	<u>83.63%</u>
Covered-Employee Payroll	<u>\$ 562,307</u>	<u>\$ 502,675</u>	<u>\$ 478,738</u>
Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>37.14%</u>	<u>29.76%</u>	<u>30.66%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

SCHEDULES OF PENSION PLAN CONTRIBUTIONS
Year Ended December 31,

	2017	2016	2015
Actuarially Determined Contribution	\$ 20,825	\$ 27,425	\$ 27,071
Contributions in Relation to the Actuarially Determined Contribution	<u>20,825</u>	<u>27,557</u>	<u>27,071</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (132)</u>	<u>\$ -</u>
Covered-Employee Payroll	<u>\$ 562,307</u>	<u>\$ 502,675</u>	<u>\$ 478,738</u>
Contribution as a Percentage of Covered-Employee Payroll	<u>3.70%</u>	<u>5.48%</u>	<u>5.65%</u>

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MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN
Year Ended December 31, 2017

Valuation Date January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization method	19 years
Asset valuation method	Market value
Inflation	3.0%
Salary increases	4.5% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 65 or 60 with 15 years' service
Mortality	RP2000 Mortality Table with blue-collar adjustment

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

SCHEDULES OF PENSION PLAN INVESTMENT RETURNS
Years Ended December 31,

	2017	2016	2015
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>10.45%</u>	<u>NA</u>	<u>NA</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.