

**MUNICIPAL AUTHORITY OF THE  
TOWN OF BLOOMSBURG**

**FINANCIAL REPORT**

**DECEMBER 31, 2018**

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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, 2018 and 2017, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected 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 opinion.

## **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, 2018 and 2017, 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.

## **Emphasis of Matter**

As disclosed in Note 1, to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Boards (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of January 1, 2018. The Authority expanded its note disclosures and required supplementary information related to its other post-employment benefits plans. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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 positioned centrally on the page.

Camp Hill, Pennsylvania  
March 26, 2019

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

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, 2018.

**Financial Highlights**

The following are key happenings and financial highlights for 2018:

The Authority administrative offices experienced an unplanned relocation in June of 2018. Although unbudgeted and unexpected, staff was able to secure accessible office space for administrative functions as well as monthly public meetings without closing down the operations during the move. Within 1 ½ months of being notified of eviction, staff had moved into the new office space and established operations.

The Authority was notified by the Town of Bloomsburg that its Public Works staff would be discontinuing work with sanitary sewer issues. The Authority assigned one of its Operators at the treatment plant to focus on sanitary sewer issues in the streets. Authority staff began marking its own PA One Calls and took over all responsibilities for sewer issues in the streets in May of 2018.

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. The new design engineering firm, GHD, Inc., worked closely with plant staff and retained engineering staff at Rettew, Inc. to completely overhaul the original design work resulting in substantial cost savings to the Municipal Authority. Many improvements were made to existing operations at the treatment plant by Authority staff eliminating the need for some of the planned work.

The Authority experienced the resignation of two key management staff members in 2018, its Superintendent and Special Projects Coordinator. Rather than replace these staff members, the Authority contracted with a consulting firm, Myers Environmental Services to provide supervision of plant operations. The Authority maintains management staff at the treatment plant and these employees are assisted by employees of Myers Environmental. Because the Special Projects Coordinator position was not replaced, and this position was qualified to supervise the accredited onsite laboratory, the Authority ended the accreditation for its lab during 2018.

Because of improvements made at the treatment plant during 2018, it was not necessary to haul any liquid sludge during the 2018 fiscal year, resulting in substantial cost savings to the Authority.

Although the last rate increase instituted on 6/1/17 by the Municipal Authority did not result in the revenue anticipated, after review of the 2019 fiscal year budget, Authority members did not believe any immediate rate increase would be necessary. Performance to budget will be reviewed mid-2019 for a possible increase to sewer rates. Industrial sewer revenue for 2018 reached budgeted figures however, residential sewer was significantly less than budgeted.

Authority administrative staff began using its newly purchased accounting software in 2018. Staff experienced serious issues with the software due to the inability of the system to produce adequate and accurate financial reports. After attempting to work with the vendor for most of 2018, administrative staff were forced to research alternate possibilities for accounting software with very little time for this research. In September of 2018 the Authority contracted with staff at Boyer and Ritter to assist with the set up of QuickBooks for use for its accounting and payroll. Administrative staff re-entered all 2018 financial data into QuickBooks by the end of 2018, eliminating the need for the IFM/IPS system. The Authority plans to undertake legal action against the software support company for the faulty software.

The Municipal Authority severed ties with its newly contracted collection agency in 2018. Rather than contract with another agency, the Authority Board promoted its Billing and Collections Coordinator to Billing and Collections Director with the added responsibility of collections. This employee began the new position in December 2018. All collection activities will now be coordinated at the Authority administrative office. The collection fee assessed will remain and will be used to offset the cost of collections activities.

Because of the improved accessibility of the Authority's administrative offices, the Authority began accepting payments by check and electronic format at its physical location during 2018. The Authority also reinstated its payment "drop box" for check payments. This box is secured in a locked vestibule at the office. Payments from the box are processed daily.

The Authority promoted a treatment plant staff member to the position of Maintenance/Collection System Supervisor in 2018. The creation of this position is part of the Authority's plan to improve concentration on its aging infrastructure. This position will oversee work with the sanitary sewer system as well as suggesting and implementing infrastructure improvement.

The Authority obtained new GIS software in 2018 in an effort to better track issues within its sewer system. The GIS system will be maintained by treatment plant staff with the assistance of the engineering firm that provided the training.

## **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, 2018, was 3,757, 8 of which are 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.

	2018	2017	Change	
			Amount	%
Average number of customers	3,757	3,754	3	0%
Wastewater treated (millions of gallons)	923	658	265	40%
Revenues per thousand gallons treated	4.30	6.59	(2.29)	-35%

## General Trends and Significant Events

Population in the Town of Bloomsburg did not change significantly. Thirteen new sewer connections were approved in 2018. Of these new connections, eleven were for new single family home construction; one was for a new duplex property and one was for replacement of a failing sewer connection for an existing property. Bloomsburg Municipal Authority processed over 196 million gallons of wastewater for Scott Township which represents 21% of the total wastewater treated in 2018.

The revenue per thousand gallons of wastewater treated decreased markedly from 2018 figures due to a significant increase in the amount of wastewater treated. This can at least partially be attributed to significant rainfall events in 2018 and infiltration/inflow in the Town's aging sewage system.

## 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 slightly, primarily due to depreciation on capital assets.

	December 31		Variance	
	2018	2017	Amount	%
<b>Assets</b>				
Current Assets	\$ 7,240,660	\$ 7,137,761	\$ 102,899	1.44
Capital Assets				
Land and construction in process	727,523	350,790	376,733	-
Assets being depreciated	39,724,582	39,640,978	83,604	0.21
Less accumulated depreciation	(19,569,041)	(17,462,381)	(2,106,660)	12.06
<b>Total assets</b>	<b>\$ 28,123,724</b>	<b>\$ 29,667,148</b>	<b>\$ (1,543,424)</b>	<b>(5.20)</b>
<b>Deferred Outflows of Resources</b>				
Deferred amounts on pension liability	\$ 124,999	\$ 74,658	\$ 50,341	-
<b>Liabilities</b>				
Current Liabilities	\$ 2,632,021	\$ 1,275,122	\$ 1,356,899	106.41
Long-term liabilities	8,860,000	9,620,000	(760,000)	(7.90)
<b>Total liabilities</b>	<b>\$ 11,492,021</b>	<b>\$ 10,895,122</b>	<b>\$ 596,899</b>	<b>5.48</b>
<b>Deferred Inflows of Resources</b>				
Deferred amounts on pension and OPEB liability	\$ 176,371	\$ 90,274	\$ 86,097	-
<b>Net Position</b>				
Net investment in capital assets	\$ 11,263,064	\$ 12,184,387	\$ (921,323)	(7.56)
Unrestricted	5,317,267	6,572,023	(1,254,756)	(19.09)
<b>Total net position</b>	<b>\$ 16,580,331</b>	<b>\$ 18,756,410</b>	<b>\$ (2,176,079)</b>	<b>(11.60)</b>



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

	December 31		Variance	
	2018	2017	Amount	%
<b>Total Assets</b>	\$ 723,467	\$ 718,193	\$ 5,274	0.73
<b>Total Liabilities</b>	\$ 4,277	\$ 2,862	\$ 1,415	49.44
<b>Net Position</b>				
Restricted - held in trust for pension benefits	\$ 719,190	\$ 715,331	\$ 3,859	0.54

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

	December 31		Variance	
	2018	2017	Amount	%
<b>Additions</b>				
Contributions	\$ 60,554	\$ 42,900	\$ 17,654	41.15
Investment income (loss)	(25,204)	66,089	(91,293)	(138.14)
Total additions	35,350	108,989	(73,639)	(67.57)
<b>Deductions</b>				
Member distributions	13,943	9,515	4,428	100.00
Administrative expense	17,548	11,629	5,919	50.90
Total deductions	31,491	21,144	10,347	151
<b>Changes in net position</b>	3,859	87,845	(83,986)	(95.61)
Net Position - Beginning	715,331	627,486	87,845	14.00
Net Position - Ending	\$ 719,190	\$ 715,331	\$ 3,859	0.54

## Results of Operations

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

	December 31		Variance	
	2018	2017	Amount	%
<b>Revenues</b>				
Total operating revenues	\$ 3,973,271	\$ 4,339,140	\$ (365,869)	(8.43)
<b>Expenses</b>				
Operating expenses				
Sewage treatment	4,042,473	3,998,444	(44,029)	(1.10)
Operations and maintenance	203,627	135,295	(68,332)	(50.51)
General administration	462,630	370,365	(92,265)	(24.91)
Total operating expenses	4,708,730	4,504,104	(204,626)	(4.54)
<b>Operating loss</b>	(735,459)	(164,964)	(570,495)	345.83
Other Expenses - Net	(263,389)	(361,959)	98,570	(27.23)
<b>Changes in net position</b>	(998,848)	(526,923)	(471,925)	89.56
Net Position - January 1 (as previously reported)	18,756,410	19,283,333	(526,923)	(2.73)
Prior period adjustment (See Note 6)	(1,177,231)	-	(1,177,231)	(100.00)
Net Position - January 1 (restated)	17,579,179	19,283,333	(1,704,154)	(8.84)
Net Position - December 31	\$ 16,580,331	\$ 18,756,410	\$ (998,848)	(5.33)

**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.

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

Total operating expenses of the Authority increased slightly from 2018. This slight increase could be attributed to the relocation of the Authority administrative offices and the expenses attributed to that including monthly rent as well as additional expenses caused by the necessity to purchase equipment to be used in maintaining the sanitary sewer system.

	2018	2017	Variance	%
Sewage treatment plant and pumping stations	\$ 4,042,473	\$ 3,998,444	\$ 44,029	1.10
Collection and intercepting sewer maintenance and improvements	203,627	135,295	68,332	50.51
Administrative expenses	462,630	370,365	92,265	24.91
Total operating expenses	\$ 4,708,730	\$ 4,504,104	\$ 204,626	4.54

## 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.

	2018	2017	Variance
Total operating revenues	\$ 3,973,271	\$ 4,339,140	\$ (365,869)
Net cash provided by operations	\$ 1,541,348	\$ 1,729,667	\$ (188,319)

Net cash provided by operations decreased from 2018 primarily due to a marked decrease in water consumption by one of the major industries in the Town of Bloomsburg and lower than average water consumption by several other commercial and industrial ventures. Total operating revenues decreased from 2018 due partially to less major development in the Town of Bloomsburg and neighboring Scott Township which led to lower permit fee revenue.

## Capital Assets

The investment in plant and equipment decreased slightly from 2018. 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, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 3,401,687	\$ 3,084,869
Cash and cash equivalents - restricted for construction projects	1,673,199	1,913,595
Investments - certificate of deposit	1,394,507	1,378,307
Sewer receivable	713,483	703,115
Prepaid expenses	57,784	57,875
Capital assets		
Land, improvements and construction-in-progress	727,523	350,790
Other capital assets, net of depreciation	20,155,541	22,178,597
Total capital assets	<u>20,883,064</u>	<u>22,529,387</u>
<b>Total assets</b>	<u><u>\$ 28,123,724</u></u>	<u><u>\$ 29,667,148</u></u>
<b>Deferred Outflows of Resources</b>		
Deferred amounts on pension liability	\$ 124,999	\$ 74,658
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 124,999</u></u>	<u><u>\$ 74,658</u></u>
<b>Liabilities</b>		
Accounts payable	\$ 166,145	\$ 85,310
Accrued expenses	42,246	33,922
Long-term liabilities		
Notes payable due within one year	760,000	725,000
Notes payable due in more than one year	8,860,000	9,620,000
Net pension liability	298,355	208,842
OPEB liability	1,365,275	222,048
Total long-term liabilities	<u>11,283,630</u>	<u>10,775,890</u>
<b>Total liabilities</b>	<u><u>\$ 11,492,021</u></u>	<u><u>\$ 10,895,122</u></u>
<b>Deferred Inflows of Resources</b>		
Deferred amounts on pension liability	\$ 77,932	\$ 90,274
Deferred amounts on OPEB liability	98,439	-
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 176,371</u></u>	<u><u>\$ 90,274</u></u>
<b>Net Position</b>		
Net investment in capital assets	\$ 11,263,064	\$ 12,184,387
Unrestricted	5,317,267	6,572,023
<b>Total net position</b>	<u><u>\$ 16,580,331</u></u>	<u><u>\$ 18,756,410</u></u>

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, 2018 and 2017**

	<b>2018</b>	2017
Operating Revenues		
Sewer charges and penalties	\$ 3,973,271	\$ 4,339,140
Operating Expenses		
Sewage Treatment Plant and Pumping Station	4,042,473	3,998,444
Collection and intercepting sewer maintenance and improvements	203,627	135,295
Administrative expenses	462,630	370,365
<b>Total operating expenses</b>	<b>4,708,730</b>	4,504,104
<b>Operating loss</b>	<b>(735,459)</b>	(164,964)
Nonoperating Revenues (Expenses)		
Intergovernmental revenues	-	3,246
Rental income	315	315
Interest income	79,242	33,164
Interest expense	(335,963)	(358,460)
Gain on disposition of capital assets	-	435
Refund of prior years' (receipts) expenses - net	(6,983)	(15,659)
Net expenses from legal settlement	-	(25,000)
<b>Total nonoperating expenses - net</b>	<b>(263,389)</b>	(361,959)
<b>Changes in net position</b>	<b>(998,848)</b>	(526,923)
Net Position - January 1 (as previously reported)	18,756,410	19,283,333
Prior period adjustment (See Note 6)	(1,177,231)	-
Net Position - January 1 (restated)	17,579,179	19,283,333
Net Position - December 31	<b>\$ 16,580,331</b>	<b>\$ 18,756,410</b>

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, 2018 and 2017

	2018	2017
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 3,962,902	\$ 4,301,604
Cash payments for goods and services	(1,254,515)	(1,488,767)
Cash payments to employees for services	(1,167,039)	(1,083,170)
<b>Net cash provided by operating activities</b>	<b>1,541,348</b>	<b>1,729,667</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Repayment of long-term debt	(725,000)	(690,000)
Purchases and construction of property, plant and equipment	(460,337)	(349,600)
Cash and cash equivalents - restricted for construction projects	240,396	29,585
Proceeds from sale of capital assets	-	435
<b>Net cash used in capital and related financing activities</b>	<b>(944,941)</b>	<b>(1,009,580)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Intergovernmental revenue	-	91,895
Net expenses from legal settlement	-	(25,000)
<b>Net cash provided by noncapital financing activities</b>	<b>-</b>	<b>66,895</b>
<b>Cash Flows From Investing Activities</b>		
Rental income	315	315
Interest income	79,242	33,164
Interest expense	(335,963)	(358,460)
Refund of prior years' expenses (receipts)	(6,983)	(15,659)
Change in investments - net	(16,200)	(5,962)
<b>Net cash used in investing activities</b>	<b>(279,589)</b>	<b>(346,602)</b>
<b>Net increase in cash and cash equivalents</b>	<b>316,818</b>	<b>440,380</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	3,084,869	2,644,489
Ending	<b>\$ 3,401,687</b>	<b>\$ 3,084,869</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, 2018 and 2017**

	<b>2018</b>	2017
Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities		
Operating loss	\$ (735,459)	\$ (156,658)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	2,106,660	2,099,893
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(10,368)	(37,536)
Prepaid expenses	91	-
Deferred outflows of resources	(2,632)	(44,004)
(Decrease) increase in:		
Accounts payable	80,835	(200,664)
Accrued expenses	8,324	2,436
Net pension liability	89,513	59,247
OPEB liability	(81,713)	-
Deferred inflows of resources	86,097	6,953
<b>Net cash provided by operating activities</b>	<b>\$ 1,541,348</b>	<b>\$ 1,729,667</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, 2018 and 2017**

	<b>2018</b>	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 57,333	\$ 17,208
Investments	661,984	697,041
Contribution receivable	1,764	1,843
Accrued interest receivable	2,386	2,101
<b>Total assets</b>	<b>\$ 723,467</b>	<b>\$ 718,193</b>
<b>Liabilities</b>		
Accounts payable	\$ 4,277	\$ 2,862
<b>Total liabilities</b>	<b>\$ 4,277</b>	<b>\$ 2,862</b>
<b>Net Position</b>		
Restricted - held in trust for pension benefits	\$ 719,190	\$ 715,331
<b>Total net position</b>	<b>\$ 719,190</b>	<b>\$ 715,331</b>

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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Additions</b>		
Contributions		
Employees	\$ 23,580	\$ 22,075
Employer	36,974	20,825
<b>Total contributions</b>	<b>60,554</b>	<b>42,900</b>
Investment Income		
Interest and dividends	21,357	18,954
Net appreciation (depreciation) in fair value of investments	(65,692)	34,490
Gain on sale of investments	19,131	12,645
<b>Total investment income (loss)</b>	<b>(25,204)</b>	<b>66,089</b>
<b>Total additions</b>	<b>35,350</b>	<b>108,989</b>
<b>Deductions</b>		
Member distributions	13,943	9,515
Administrative expenses	17,548	11,629
<b>Total deductions</b>	<b>31,491</b>	<b>21,144</b>
<b>Changes in net position</b>	<b>3,859</b>	<b>87,845</b>
Net Position - Beginning	715,331	627,486
Net Position - Ending	<b>\$ 719,190</b>	<b>\$ 715,331</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 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

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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 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

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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 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's 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.

Implementation of New Accounting Principle: In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which amends GASB Statement No. 45. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other post-employment benefits or OPEB). Implementation of GASB No. 75 requires the Authority to recognize the total OPEB liability and deferred inflows and outflows of resources of the Authority's Single Employer Plan as of January 1, 2018. Additional disclosures related to other post-employment benefits for the Authority's plan are in Note 6.

Reclassifications: Prior year amounts have been reclassified where appropriate to conform with the current year presentation.

Subsequent Events: In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through March 26, 2019, 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 - 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, 2018, 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	6,219,129	6,542,985	First Columbia Bank & Trust
	<u>\$ 6,469,129</u>	<u>\$ 6,792,985</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

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### **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, 2018, 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, 2018 and 2017, was as follows:

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital assets, not being depreciated				
Land	\$ 27,334	\$ -	\$ -	\$ 27,334
Construction-in-progress	323,456	376,733	-	700,189
Total capital assets, not being depreciated	350,790	376,733	-	727,523
Capital assets being depreciated				
Land improvements	47,029	-	-	47,029
Buildings and improvements	35,689,981	12,435	-	35,702,416
Machinery and equipment	1,036,491	71,169	-	1,107,660
Vehicles	277,214	-	-	277,214
Improvements to sewage system	2,590,263	-	-	2,590,263
Total capital assets being depreciated	39,640,978	83,604	-	39,724,582
Less accumulated depreciation for:				
Land improvements	(44,676)	(460)	-	(45,136)
Buildings and improvements	(15,688,263)	(1,999,540)	-	(17,687,803)
Machinery and equipment	(727,123)	(44,975)	-	(772,098)
Vehicles	(247,756)	(7,375)	-	(255,131)
Improvements to sewage system	(754,563)	(54,310)	-	(808,873)
Total accumulated depreciation	(17,462,381)	(2,106,660)	-	(19,569,041)
Total capital assets being depreciated, net	22,178,597	(2,023,056)	-	20,155,541
Capital Assets - Net	\$ 22,529,387	\$ (1,646,323)	\$ -	\$ 20,883,064

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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

	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)**

Depreciation expense was charged to operating expenses as follows:

	2018	2017
Sewage Treatment Plant and Pumping Station	\$ 2,032,686	\$ 2,035,429
Collection and intercepting sewer maintenance and improvements	67,586	60,942
Administrative expenses	6,388	3,522
	<u>\$ 2,106,660</u>	<u>\$ 2,099,893</u>

**Note 4. Long-Term Debt**

During the year ended December 31, 2018, long-term obligations changed as follows:

	Balances January 1, 2018	Increases	Decreases	Balances December 31, 2018	Due within One Year
Long-Term Debt					
General Obligations Bonds					
Series of 2008	\$ 6,895,000	\$ -	\$ (480,000)	\$ 6,415,000	\$ 505,000
Guaranteed Sewer Revenue					
Note - Series of 2009	3,450,000	-	(245,000)	3,205,000	255,000
Total Long-Term Debt	<u>\$ 10,345,000</u>	<u>\$ -</u>	<u>\$ (725,000)</u>	<u>\$ 9,620,000</u>	<u>\$ 760,000</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 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 ended October 14, 2018.

The following is a schedule by years and in the aggregate of future minimum principal and interest payments at December 31, 2018:

<u>Year</u>	<u>Amount</u>
2019	\$ 1,072,650
2020	1,047,950
2021	1,023,250
2022	998,550
2023	973,850
2024-2028	6,543,450
	<u>\$ 11,659,700</u>

Total aggregate interest expense on future minimum payments is \$2,039,700.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### 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 2018 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	-
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 2018 measurement period, the active member contribution rate was 4.0 percent of annual pay, and the Authority average contribution rate was 6.29 percent of annual payroll.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2018 and 2017, the Authority's Pension Plan had deposits with financial institutions with a carrying amount of \$57,333 and \$17,208, respectively. Of the December 31, 2018 balance, \$57,333 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, 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.

##### *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 2018 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	55 - 65%
International equity	5 - 10%
Fixed income	25 - 30%
Real estate	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 2018 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	4.5 - 5.5%
Cash	0.0 - 1.0%

As of December 31, 2018, 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	9.90%	\$ 65,518	\$ 6,993	\$ -	\$ 58,525
Municipal Bonds	3.84%	25,450	-	-	25,450
Corporate Bonds and Notes	28.14%	186,268	-	121,787	64,481
		\$ 277,236	\$ 6,993	\$ 121,787	\$ 148,456
<u>Other Investments</u>					
Income Mutual Funds	2.56%	\$ 16,962			
Equity Mutual Funds	8.44%	55,876			
Equity Securities	47.12%	311,910			
Total Investments		\$ 661,984			

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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

*Investments (Continued)*

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

<b>Investment Type</b>	<b>Percent of Total</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>		
			<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>
<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
		<u>\$ 260,362</u>	<u>\$ -</u>	<u>\$ 49,921</u>	<u>\$ 210,441</u>
<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		<u>\$ 697,041</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.

Negotiable Certificates of Deposit - The Authority 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 are two (2) brokered certificates of deposit. 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. There are no certificates that are in excess of \$250,000.

Municipal Bonds - The Authority is invested in one (1) Pennsylvania municipal bond issue: Trinity Area School District Taxable. The yield on this bond is 4.16%, it matures 11/1/24 and the bond represents 3.54% of the total portfolio.

Corporate Bonds: The Authority is invested in corporate bond issues as follows: see attached Bond Maturity Projections Issues printed 3/15/19 which includes the corporate bond issues. I certify that all of the corporate bond issues listed thereon were held in the account as of 12/31/2018. Investment policy updated per the 5/10/16 minutes which 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.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Pension Plan (Continued)

#### *Investments (Continued)*

Income Mutual Funds - There is one (1) Income Mutual Fund: Vanguard Short-Term Investment Grade Fund Adm (Ticker: VFSUX). As of 12/31/18, 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. Per Trust Department Policy, funds dropping below these rating will be reviewed by the Trust Committee for continued retention.

Equity Mutual Funds - The Authority has investments in four (4) Equity Mutual Funds: The Vanguard Small Cap Index (Ticker: NAESX) (4 star), Vanguard Mid Cap Index Fund (Ticker: VIMAX) (4 star) which represent the Small and Mid Cap sectors, the Federated Strategic Value Dividend Fund (Ticker: SVAIX) (2 star) and Dodge & Cox International Fund (Ticker: DODFX) (4 star). Ratings were obtained through Morningstar as of 12/31/18. 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. Per Trust Department Policy, funds dropping below these rating will be reviewed by the Trust Committee for continued retention.

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. 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.

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. These government bonds are rated AAA. The Authority does not hold any U.S. Government Agencies.

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.

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, 2018 and 2017, are included on the tables on pages 27 and 28 respectively.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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

*Investments (Continued)*

Rate of Return: For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.49)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

The net pension liability reported at December 31, 2018, was measured as of December 31, 2018, 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 \$298,355 as of December 31, 2018.

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, 2017	\$ 924,173	\$ 715,331	\$ 208,842
Service cost	35,828	-	35,828
Interest	71,487	-	71,487
Contributions - employer	-	36,974	(36,974)
Contributions - members	-	23,580	(23,580)
Net investment income	-	(25,203)	25,203
Benefit payments, including refunds	(13,943)	(13,943)	-
Administrative expenses	-	(17,549)	17,549
Net changes	93,372	3,859	89,513
Balances at December 31, 2018	\$ 1,017,545	\$ 719,190	\$ 298,355



**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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

For the year ended December 31, 2018, the Authority recognized pension expense of \$63,804. At December 31, 2018, 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	\$ 20,832	\$ 66,489
Changes of assumptions	30,704	-
Net difference between projected and actual investment earnings	73,463	11,443
	<u>\$ 124,999</u>	<u>\$ 77,932</u>

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	Amount
2019	\$ 17,239
2020	7,712
2021	8,051
2022	11,638
2023	(4,345)
Thereafter	6,772
	<u>\$ 47,067</u>

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation for the 2018 measurement period at January 1, 2017 and rolled-forward to December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
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 2018 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.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Pension Plan (Continued)

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).

#### 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	\$ 444,234	\$ 298,355	\$ 172,354

### Note 6. Other Post-Employment Benefits

Effective January 1, 2018, the Authority adheres to Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits and life insurance benefits provided by the Authority. The Authority's healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Authority does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

#### 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 Korn Ferry. 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 10 members.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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

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.

#### Employees Covered by Benefit Terms:

For the year ended December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	6
	<hr/>
	10
	<hr/> <hr/>

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB:

At December 31, 2018, The Authority reported a liability of \$1,365,275 for the total OPEB liability. The total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2017. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	<u>\$ 1,446,988</u>
Changes for the year	
Service cost	33,991
Interest	50,132
Changes in assumptions	(118,127)
Estimated benefit payments	<u>(47,709)</u>
Net Changes	<u>(81,713)</u>
Total OPEB Liability, ending	<u><u>\$ 1,365,275</u></u>

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$64,435. At December 31, 2018, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	<u>\$ -</u>	<u>\$ 98,439</u>
	<u>\$ -</u>	<u>\$ 98,439</u>

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB (Continued):

Of the total amount reported as deferred outflows of resources related to OPEB, \$-0-, resulting from Authority benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in the Authority’s OPEB expense as follows:

Year ending December 30:	Total
2019	\$ (19,688)
2020	(19,688)
2021	(19,688)
2022	(19,688)
2023	(19,687)
	<u>\$ (98,439)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation – 3.00%
- Salary Increases – 4.50%
- Discount Rate – 4.11%
- Health Care Cost Trend – 5.90% for 2018 decreasing to an ultimate rate of 3.94% by 2075

Mortality rates were based on the RP-2000 Combined Mortality Table.

Sensitivity of the Authority’s Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority calculated using the discount rate of 4.11% as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.11%) or one percentage point higher (5.11%) than the current discount rate:

	1% Decrease 3.11%	Current Discount Rate 4.11%	1% Increase 5.11%
Total OPEB liability	\$ 1,531,190	\$ 1,365,275	\$ 1,222,675

The discount rate used to measure the total OPEB liability increased from 3.44% to 4.11% as of January 1, 2018.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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

#### Sensitivity of the Authority's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the total OPEB liability of the Authority calculated using the health care cost trend rates of 5.90% decreasing to 3.94%, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 1,173,448	\$ 1,365,275	\$ 1,596,295

#### Prior Period Adjustment - GASB No. 75 Implementation

Implementation of GASB No. 75 required the Authority to recognize total OPEB liability, deferred outflows of resources and deferred inflows of resources for its OPEB plan. This resulted in a total decrease in the Authority's net position of \$1,177,231 as of January 1, 2018.

### Note 7. Related Party Transactions

During the years ended December 31, 2018 and 2017, the Authority was charged approximately \$12,912 and \$18,490, respectively, by the Town of Bloomsburg (the "Town") for sewer line maintenance. The amounts charged were at the Town's cost.

In 2018, the Authority began billing the Town for sewer usage. During 2018, the Authority recognized \$692 of revenue from the Town for sewer usage.

### 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

SCHEDULES OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS

Year Ended December 31,

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 35,828	\$ 35,828	\$ 25,355	\$ 25,355
Interest	71,487	60,869	65,653	66,717
Differences between expected and actual experience	-	24,012	-	(100,153)
Changes of assumptions	-	32,247	-	4,109
Benefit payments, including refunds of member contributions	(13,943)	(9,515)	(207,194)	(7,390)
<b>Net Change in Total Pension Liability</b>	<u>93,372</u>	<u>143,441</u>	<u>(116,186)</u>	<u>(11,362)</u>
<b>Total pension liability, beginning</b>	924,173	780,732	896,917	908,279
<b>Total pension liability, ending (a)</b>	<u>\$ 1,017,545</u>	<u>\$ 924,173</u>	<u>\$ 780,732</u>	<u>\$ 896,917</u>
<b>Plan Fiduciary Net Position</b>				
Contributions, employer	\$ 36,974	\$ 20,825	\$ 27,425	\$ 27,071
Contributions, member	23,580	22,075	20,091	19,277
Net investment income	(25,203)	66,089	54,862	10,387
Benefit payments, including refunds of members contributions	(13,943)	(9,515)	(207,194)	(7,390)
Administrative expense	(17,549)	(11,629)	(14,313)	(10,404)
Other	-	(3,651)	133	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>3,859</u>	<u>84,194</u>	<u>(118,996)</u>	<u>38,941</u>
<b>Plan fiduciary net position, beginning</b>	715,331	631,137	750,133	711,192
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 719,190</u>	<u>\$ 715,331</u>	<u>\$ 631,137</u>	<u>\$ 750,133</u>
<b>Net pension liability, ending (a)-(b)</b>	<u>\$ 298,355</u>	<u>\$ 208,842</u>	<u>\$ 149,595</u>	<u>\$ 146,784</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>70.68%</u>	<u>77.40%</u>	<u>80.84%</u>	<u>83.63%</u>
<b>Covered Payroll</b>	<u>\$ 587,611</u>	<u>\$ 562,307</u>	<u>\$ 502,675</u>	<u>\$ 478,738</u>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<u>50.77%</u>	<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,**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially Determined Contribution	\$ 36,974	\$ 20,825	\$ 27,425	\$ 27,071
Contributions in Relation to the Actuarially Determined Contribution	<u>36,974</u>	<u>20,825</u>	<u>27,557</u>	<u>27,071</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (132)</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 587,611</u>	<u>\$ 562,307</u>	<u>\$ 502,675</u>	<u>\$ 478,738</u>
Contribution as a Percentage of Covered Payroll	<u>6.29%</u>	<u>3.70%</u>	<u>5.48%</u>	<u>5.65%</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**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN**

**Year Ended December 31, 2018**

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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	18 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,**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>(3.49)%</u>	<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.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**REQUIRED SUPPLEMENTARY INFORMATION -**

**SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
Year Ended December 31, 2018**

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<b>Total OPEB liability</b>	
Service cost	\$ 33,991
Interest	50,132
Changes of assumptions	(118,127)
Benefit payments	<u>(47,709)</u>
<b>Net change in total OPEB liability</b>	(81,713)
<b>Total OPEB Liability - beginning</b>	<u>1,446,988</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 1,365,275</u>
<b>Covered-employee payroll</b>	<u>\$ 329,492</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	414.36%

**Notes to Schedule:**

Changes of Assumptions: The discount rate changed from 3.44% to 4.11%. The trend and mortality assumptions were also updated.

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