

**MUNICIPAL AUTHORITY OF THE  
TOWN OF BLOOMSBURG**

**FINANCIAL REPORT**

**DECEMBER 31, 2019**

## CONTENTS

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|  |         |
|--|---------|
| INDEPENDENT AUDITOR'S REPORT   | 1 - 2   |
| Management's Discussion and Analysis   | 3 - 9   |
| Basic Financial Statements:  |         |
| Statements of Net Position - Proprietary Fund Type -<br>Sewer System Operating Fund                                      | 10      |
| Statements of Revenues, Expenses and<br>Changes in Net Position - Proprietary Fund<br>Type - Sewer System Operating Fund | 11      |
| Statements of Cash Flows - Proprietary Fund Type -<br>Sewer System Operating Fund  | 12 - 13 |
| Statements of Fiduciary Net Position - Fiduciary<br>Fund Type - Pension Fund   | 14      |
| Statements of Changes in Fiduciary Net Position -<br>Fiduciary Fund Type - Pension Fund                                  | 15      |
| Notes to Financial Statements  | 16 - 38 |
| <hr/>  |         |
| REQUIRED SUPPLEMENTARY INFORMATION   |         |
| Schedules of Changes in the Net Pension Liability<br>and Related Ratios  | 39      |
| Schedules of Pension Plan Contributions  | 40      |
| Notes to Required Supplementary Information -<br>Pension Plan  | 41      |
| Schedules of Pension Plan Investment Returns   | 42      |
| Schedule of Changes in the Authority's Total OPEB<br>Liability and Related Ratios  | 43      |

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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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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, 2019 and 2018, 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  
June 10, 2020

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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, 2019.

**Financial Highlights**

The following are key happenings and financial highlights for 2019:

The Authority continues to operate administratively from its new office location. The move has allowed the office to expand services offered to customers to include processing payments for sewer bills (ACH, checks, credit and debit cards but no cash payments). A payment drop box is offered for after-hours service as well.

The Authority began handling its own collection activities during 2019, which resulted in \$173,500 in past due account fees collected. The Authority continues to charge a collection fee which is a revenue item for the Authority. This fee generated \$35,000 in revenue during 2019. Collection activities have been more successful with Authority staff than the previous system of using the services of a collection agency.

The Authority's Billing and Collections Director began importing bank and online payments during 2019. This payment information was previously imported by the Authority's billing company. By handling this task internally, the Authority has enhanced control over payment posting accuracy and the timeliness of payment information in the billing system has improved.

The Authority did not institute a rate increase during 2019. The last rate increase occurred in June 2017. With the new debt necessary to undertake the construction project at the treatment plant, the board plans to review financial information for a planned rate increase during 2020. The Authority did not meet budget expectations for its residential or industrial sewer revenue in 2019. Industrial revenue was decreased due to discrepancies with consumption data provided by Suez Water PA used for billing Bloomsburg University. These discrepancies resulted in a 50% decrease in sewer revenue for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2019. The Authority continues to investigate this issue with consumption data for the University.

The Authority's administrative staff completed its first full year utilizing QuickBooks software for accounting and payroll functions during 2019. Several issues were encountered but were able to be alleviated by additional general journal entries. The move to QuickBooks has been successful and staff continues to refine the system in order to provide accurate financial information and reports to the board and staff members.

The Authority contracted the services of an Information Technology provider to maintain and back up all of the Authority data, both administrative and at the wastewater treatment plant. Contracting these services provides consistency should any issues arise with the Authority's computers or servers.

The Authority continues to perform its own work on sewer line infrastructure within the Town of Bloomsburg and has expanded its GIS capabilities during 2019, with the purchase of enhanced software. A sanitary sewer line study in the Irondale watershed area of the Town uncovered large areas of sewer lines which will need to be repaired and/or replaced. It is thought that there are many other areas within the Town that may have serious infrastructure issues. The Authority plans to purchase its own sewer line televising system in 2020, so that a comprehensive study of all sewer lines in the town can be completed and priority for repair can be established.

The Authority purchased an additional vehicle in 2019, because of increased street work being performed. The Town of Bloomsburg previously provided these services but issued notice of their discontinuance of these services in 2018. Since then, the Authority has restructured staff and created a management position to oversee infrastructure work.

The Authority continues to utilize the services of a management consulting firm to provide supervision and direction at its wastewater treatment plant. Staff from the firm perform job functions previously handled by the Plant Superintendent. The consulting firm also provides staff to assist with maintaining the GIS software system.

The Authority finalized the design for the renovations project at the treatment plant and will place the project out for bid early in 2020. GHD, Inc., was retained as the project engineer during the construction phase and will also be providing inspection services for the project. The anticipated cost of the project is \$9.8 million dollars. The Authority has cash remaining in the construction fund from a previous project which will be used in part to fund the new construction. Both Bloomsburg University and Scott Township will contribute to the project based on allocations calculated by the Authority's engineer. The balance of the project cost will be funded by a bank loan. The Authority has contracted the services of a financial advisor to facilitate obtaining funding for the project.

## **Overview of Financial Statements**

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

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

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

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

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

### Summary of Organization and Business

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

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

The Authority does not have taxing power; ongoing operations are funded from customer revenues. The acquisition and construction of capital assets are funded by capital (cash and systems), contributions from customers, including other utilities and developers, Federal and State grants and loans, and customer revenues. The Authority’s average customer base as of December 31, 2019, was 3,721, 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.

|  | 2019  | 2018  | Change |      |
|--|-------|-------|--------|------|
|  |       |       | Amount | %    |
| Average number of customers              | 3,721 | 3,757 | (36)   | -1%  |
| Wastewater treated (millions of gallons) | 835   | 923   | (88)   | -10% |
| Revenues per thousand gallons treated    | 4.49  | 4.30  | 0.19   | 4%   |

## General Trends and Significant Events

Population in the Town of Bloomsburg did not change significantly. Sixty-six new sewer connections were approved in 2019. Of these new connections, two were for new single-family home construction and one (representing 64 connections) was for a newly constructed elderly housing complex. Bloomsburg Municipal Authority processed over 176 million gallons of wastewater for Scott Township which represents 21% of the total wastewater treated in 2019.

The revenue per thousand gallons of wastewater treated increased markedly from 2019 figures due to a significant decrease in the amount of wastewater treated. This can at least partially be attributed to less significant rainfall events in 2019, and a slight decrease in industrial water consumption.

## 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.

### CONDENSED STATEMENTS OF NET POSITION - PROPRIETARY FUND

|  | December 31          |                      | Variance              |               |
|--|----------------------|----------------------|-----------------------|---------------|
|  | 2019                 | 2018                 | Amount                | %             |
| <b>Assets</b>                                  |                      |                      |                       |               |
| Current Assets                                 | \$ 6,597,489         | \$ 7,240,660         | \$ (643,171)          | (8.88)        |
| Capital Assets                                 |                      |                      |                       |               |
| Land and construction in process               | 1,037,015            | 727,523              | 309,492               | 42.54         |
| Assets being depreciated                       | 40,337,038           | 39,724,582           | 612,456               | 1.54          |
| Less accumulated depreciation                  | (21,662,465)         | (19,569,041)         | (2,093,424)           | 10.70         |
| <b>Total assets</b>                            | <b>\$ 26,309,077</b> | <b>\$ 28,123,724</b> | <b>\$ (1,814,647)</b> | <b>(6.45)</b> |
| <b>Deferred Outflows of Resources</b>          |                      |                      |                       |               |
| Deferred amounts on pension and OPEB liability | \$ 565,357           | \$ 124,999           | \$ 440,358            | 352.29        |
| <b>Liabilities</b>                             |                      |                      |                       |               |
| Current Liabilities                            | \$ 2,960,972         | \$ 2,632,021         | \$ 328,951            | 12.50         |
| Long-term liabilities                          | 8,060,000            | 8,860,000            | (800,000)             | (9.03)        |
| <b>Total liabilities</b>                       | <b>\$ 11,020,972</b> | <b>\$ 11,492,021</b> | <b>\$ (471,049)</b>   | <b>(4.10)</b> |
| <b>Deferred Inflows of Resources</b>           |                      |                      |                       |               |
| Deferred amounts on pension and OPEB liability | \$ 438,784           | \$ 176,371           | \$ 262,413            | 148.78        |
| <b>Net Position</b>                            |                      |                      |                       |               |
| Net investment in capital assets               | \$ 10,851,588        | \$ 11,263,064        | \$ (411,476)          | (3.65)        |
| Unrestricted                                   | 4,563,090            | 5,317,267            | (754,177)             | (14.18)       |
| <b>Total net position</b>                      | <b>\$ 15,414,678</b> | <b>\$ 16,580,331</b> | <b>\$ (1,165,653)</b> | <b>(7.03)</b> |

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

|   | December 31 |            | Variance   |         |
|---|-------------|------------|------------|---------|
|   | 2019        | 2018       | Amount     | %       |
| <b>Total Assets</b>                             | \$ 903,292  | \$ 723,467 | \$ 179,825 | 24.86   |
| <b>Total Liabilities</b>                        | \$ 1,466    | \$ 4,277   | \$ (2,811) | (65.72) |
| <b>Net Position</b>                             |             |            |            |         |
| Restricted - held in trust for pension benefits | \$ 901,826  | \$ 719,190 | \$ 182,636 | 25.39   |

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

|                                | December 31 |            | Variance   |          |
|--------------------------------|-------------|------------|------------|----------|
|                                | 2019        | 2018       | Amount     | %        |
| <b>Additions</b>               |             |            |            |          |
| Contributions                  | \$ 57,572   | \$ 60,554  | \$ (2,982) | (4.92)   |
| Investment income (loss)       | 144,790     | (25,204)   | 169,994    | (674.47) |
| Total additions                | 202,362     | 35,350     | 167,012    | 472.45   |
| <b>Deductions</b>              |             |            |            |          |
| Member distributions           | 7,390       | 13,943     | (6,553)    | 100.00   |
| Administrative expense         | 12,336      | 17,548     | (5,212)    | (29.70)  |
| Total deductions               | 19,726      | 31,491     | (11,765)   | 70       |
| <b>Changes in net position</b> | 182,636     | 3,859      | 178,777    | 4,632.73 |
| Net Position - Beginning       | 719,190     | 715,331    | 3,859      | 0.54     |
| Net Position - Ending          | \$ 901,826  | \$ 719,190 | \$ 182,636 | 25.39    |

## Results of Operations

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

|   | December 31        |                  | Variance         |              |
|---|--------------------|------------------|------------------|--------------|
|   | 2019               | 2018             | Amount           | %            |
| <b>Revenues</b>                                   |                    |                  |                  |              |
| Total operating revenues                          | \$ 3,749,818       | \$ 3,973,271     | \$ (223,453)     | (5.62)       |
| <b>Expenses</b>                                   |                    |                  |                  |              |
| Operating expenses                                |                    |                  |                  |              |
| Sewage treatment                                  | 3,894,303          | 4,042,473        | 148,170          | 3.67         |
| Operations and maintenance                        | 254,986            | 203,627          | (51,359)         | (25.22)      |
| General administration                            | 402,202            | 462,630          | 60,428           | 13.06        |
| <b>Total operating expenses</b>                   | <b>4,551,491</b>   | <b>4,708,730</b> | <b>157,239</b>   | <b>3.34</b>  |
| <b>Operating loss</b>                             | <b>(801,673)</b>   | <b>(735,459)</b> | <b>(66,214)</b>  | <b>9.00</b>  |
| Other Expenses - Net                              | (363,980)          | (263,389)        | (100,591)        | 38.19        |
| <b>Changes in net position</b>                    | <b>(1,165,653)</b> | <b>(998,848)</b> | <b>(166,805)</b> | <b>16.70</b> |
| Net Position - January 1 (as previously reported) | 16,580,331         | 18,756,410       | (2,176,079)      | (11.60)      |
| Prior period adjustment (See Note 6)              | -                  | (1,177,231)      | 1,177,231        | (100.00)     |
| Net Position - January 1 (restated)               | 16,580,331         | 17,579,179       | (998,848)        | (5.68)       |
| Net Position - December 31                        | \$ 15,414,678      | \$ 16,580,331    | \$ (2,342,884)   | (14.13)      |

**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 decreased slightly from 2018. This decrease could be attributed to incurring less costs in employer health insurance related expenses.

|  | 2019         | 2018         | Variance     | %       |
|--|--------------|--------------|--------------|---------|
| Sewage treatment plant and pumping stations                    | \$ 3,894,303 | \$ 4,042,473 | \$ (148,170) | (3.67)  |
| Collection and intercepting sewer maintenance and improvements | 254,986      | 203,627      | 51,359       | 25.22   |
| Administrative expenses  | 402,202      | 462,630      | (60,428)     | (13.06) |
| Total operating expenses                                       | \$ 4,551,491 | \$ 4,708,730 | \$ (157,239) | (3.34)  |

## 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.

|                                 | 2019         | 2018         | Variance     |
|---------------------------------|--------------|--------------|--------------|
| Total operating revenues        | \$ 3,749,818 | \$ 3,973,271 | \$ (223,453) |
| Net cash provided by operations | \$ 1,448,148 | \$ 1,541,348 | \$ (93,200)  |

Net cash provided by operations decreased from 2019, primarily due to the reduction in sewer revenue experienced because of discrepancies in consumption data used for the calculation of bills for Bloomsburg University. Anticipated revenue from the University was \$100,000 less than expected. Total operating revenues decreased from 2019, due to the University discrepancies as well as the continued reduction in water usage by several of the town's industries.

## Capital Assets

The investment in plant and equipment decreased slightly from 2019. 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, 2019 and 2018

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Cash and cash equivalents  | \$ 3,145,188         | \$ 3,401,687         |
| Cash and cash equivalents - restricted for construction projects | 1,306,104            | 1,673,199            |
| Investments - certificate of deposit                             | 1,420,321            | 1,394,507            |
| Sewer receivable   | 628,192              | 713,483              |
| Prepaid expenses   | 97,684               | 57,784               |
| Capital assets   |                      |                      |
| Land, improvements and construction-in-progress                  | 1,037,015            | 727,523              |
| Other capital assets, net of depreciation                        | 18,674,573           | 20,155,541           |
| Total capital assets   | 19,711,588           | 20,883,064           |
| <b>Total assets</b>  | <b>\$ 26,309,077</b> | <b>\$ 28,123,724</b> |
| <b>Deferred Outflows of Resources</b>                            |                      |                      |
| Deferred amounts on pension liability                            | \$ 248,745           | \$ 124,999           |
| Deferred amounts on OPEB liability                               | 316,612              | -                    |
| <b>Total Deferred Outflows of Resources</b>                      | <b>\$ 565,357</b>    | <b>\$ 124,999</b>    |
| <b>Liabilities</b>   |                      |                      |
| Accounts payable   | \$ 213,728           | \$ 166,145           |
| Accrued expenses   | 32,507               | 42,246               |
| Long-term liabilities  |                      |                      |
| Notes payable due within one year                                | 800,000              | 760,000              |
| Notes payable due in more than one year                          | 8,060,000            | 8,860,000            |
| Net pension liability  | 327,266              | 298,355              |
| OPEB liability   | 1,587,471            | 1,365,275            |
| Total long-term liabilities                                      | 10,774,737           | 11,283,630           |
| <b>Total liabilities</b>   | <b>\$ 11,020,972</b> | <b>\$ 11,492,021</b> |
| <b>Deferred Inflows of Resources</b>                             |                      |                      |
| Deferred amounts on pension liability                            | \$ 199,257           | \$ 77,932            |
| Deferred amounts on OPEB liability                               | 239,527              | 98,439               |
| <b>Total Deferred Inflows of Resources</b>                       | <b>\$ 438,784</b>    | <b>\$ 176,371</b>    |
| <b>Net Position</b>  |                      |                      |
| Net investment in capital assets                                 | \$ 10,851,588        | \$ 11,263,064        |
| Unrestricted   | 4,563,090            | 5,317,267            |
| <b>Total net position</b>  | <b>\$ 15,414,678</b> | <b>\$ 16,580,331</b> |

See Notes to Financial Statements.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
 PROPRIETARY FUND TYPE - SEWER SYSTEM OPERATING FUND**

**Years Ended December 31, 2019 and 2018**

|  | <b>2019</b>          | 2018                 |
|--|----------------------|----------------------|
| Operating Revenues   |                      |                      |
| Sewer charges and penalties                                    | \$ 3,749,818         | \$ 3,973,271         |
| Operating Expenses   |                      |                      |
| Sewage Treatment Plant and Pumping Station                     | 3,894,303            | 4,042,473            |
| Collection and intercepting sewer maintenance and improvements | 254,986              | 203,627              |
| Administrative expenses  | 402,202              | 462,630              |
| <b>Total operating expenses</b>                                | <b>4,551,491</b>     | <b>4,708,730</b>     |
| <b>Operating loss</b>  | <b>(801,673)</b>     | <b>(735,459)</b>     |
| Nonoperating Revenues (Expenses)                               |                      |                      |
| Rental income  | 315                  | 315                  |
| Interest income  | 102,579              | 79,242               |
| Interest expense   | (459,640)            | (335,963)            |
| Refund of prior years' (receipts) expenses - net               | (7,234)              | (6,983)              |
| <b>Total nonoperating expenses - net</b>                       | <b>(363,980)</b>     | <b>(263,389)</b>     |
| <b>Changes in net position</b>                                 | <b>(1,165,653)</b>   | <b>(998,848)</b>     |
| Net Position - January 1 (as previously reported)              | 16,580,331           | 18,756,410           |
| Prior period adjustment (See Note 6)                           | -                    | (1,177,231)          |
| Net Position - January 1 (restated)                            | <b>16,580,331</b>    | <b>17,579,179</b>    |
| Net Position - December 31                                     | <b>\$ 15,414,678</b> | <b>\$ 16,580,331</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, 2019 and 2018

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>                      |                     |                     |
| Cash received from customers                                     | \$ 3,835,109        | \$ 3,962,902        |
| Cash payments for goods and services                             | (1,318,968)         | (1,254,515)         |
| Cash payments to employees for services                          | (1,067,993)         | (1,167,039)         |
| <b>Net cash provided by operating activities</b>                 | <b>1,448,148</b>    | <b>1,541,348</b>    |
| <b>Cash Flows From Capital and Related Financing Activities</b>  |                     |                     |
| Repayment of long-term debt                                      | (760,000)           | (725,000)           |
| Purchases and construction of property, plant and equipment      | (921,948)           | (460,337)           |
| Cash and cash equivalents - restricted for construction projects | 367,095             | 240,396             |
| <b>Net cash used in capital and related financing activities</b> | <b>(1,314,853)</b>  | <b>(944,941)</b>    |
| <b>Cash Flows From Investing Activities</b>                      |                     |                     |
| Rental income  | 315                 | 315                 |
| Interest income  | 102,579             | 79,242              |
| Interest expense   | (459,640)           | (335,963)           |
| Refund of prior years' expenses (receipts)                       | (7,234)             | (6,983)             |
| Change in investments - net                                      | (25,814)            | (16,200)            |
| <b>Net cash used in investing activities</b>                     | <b>(389,794)</b>    | <b>(279,589)</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>      | <b>(256,499)</b>    | <b>316,818</b>      |
| <b>Cash and Cash Equivalents:</b>                                |                     |                     |
| Beginning  | 3,401,687           | 3,084,869           |
| Ending   | <b>\$ 3,145,188</b> | <b>\$ 3,401,687</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, 2019 and 2018

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| Reconciliation of Operating Loss to Net Cash   |                     |                     |
| Provided by Operating Activities   |                     |                     |
| Operating loss   | \$ (801,673)        | \$ (735,459)        |
| Adjustments to reconcile operating loss to net cash provided by operating activities |                     |                     |
| Depreciation   | 2,093,424           | 2,106,660           |
| Changes in assets and liabilities:   |                     |                     |
| (Increase) decrease in:  |                     |                     |
| Receivables  | 85,291              | (10,368)            |
| Prepaid expenses   | (39,900)            | 91                  |
| Deferred outflows of resources   | (440,358)           | (2,632)             |
| (Decrease) increase in:  |                     |                     |
| Accounts payable   | 47,583              | 80,835              |
| Accrued expenses   | (9,739)             | 8,324               |
| Net pension liability  | 28,911              | 89,513              |
| OPEB liability   | 222,196             | (81,713)            |
| Deferred inflows of resources  | 262,413             | 86,097              |
| <b>Net cash provided by operating activities</b>                                     | <b>\$ 1,448,148</b> | <b>\$ 1,541,348</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, 2019 and 2018**

|   | <b>2019</b>       | 2018              |
|---|-------------------|-------------------|
| <b>Assets</b>                                   |                   |                   |
| Cash and cash equivalents                       | \$ 16,386         | \$ 57,333         |
| Investments                                     | 884,603           | 661,984           |
| Contribution receivable                         | -                 | 1,764             |
| Accrued interest receivable                     | 2,303             | 2,386             |
| <b>Total assets</b>                             | <b>\$ 903,292</b> | <b>\$ 723,467</b> |
| <b>Liabilities</b>                              |                   |                   |
| Accounts payable                                | \$ 1,466          | \$ 4,277          |
| <b>Total liabilities</b>                        | <b>\$ 1,466</b>   | <b>\$ 4,277</b>   |
| <b>Net Position</b>                             |                   |                   |
| Restricted - held in trust for pension benefits | \$ 901,826        | \$ 719,190        |
| <b>Total net position</b>                       | <b>\$ 901,826</b> | <b>\$ 719,190</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, 2019 and 2018**

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>Additions</b>   |                   |                   |
| Contributions  |                   |                   |
| Employees  | \$ 24,643         | \$ 23,580         |
| Employer   | 32,929            | 36,974            |
| <b>Total contributions</b>                                   | <b>57,572</b>     | <b>60,554</b>     |
| Investment Income  |                   |                   |
| Interest and dividends                                       | 25,565            | 21,357            |
| Net appreciation (depreciation) in fair value of investments | 120,876           | (65,692)          |
| Gain (loss) on sale of investments                           | (1,651)           | 19,131            |
| <b>Total investment income (loss)</b>                        | <b>144,790</b>    | <b>(25,204)</b>   |
| <b>Total additions</b>                                       | <b>202,362</b>    | <b>35,350</b>     |
| <b>Deductions</b>  |                   |                   |
| Member distributions   | 7,390             | 13,943            |
| Administrative expenses                                      | 12,336            | 17,548            |
| <b>Total deductions</b>                                      | <b>19,726</b>     | <b>31,491</b>     |
| <b>Changes in net position</b>                               | <b>182,636</b>    | <b>3,859</b>      |
| Net Position - Beginning                                     | 719,190           | 715,331           |
| Net Position - Ending  | <b>\$ 901,826</b> | <b>\$ 719,190</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 June 10, 2020, the date the financial statements were available to be issued. See Note 10 for subsequent event disclosures.

# 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, 2019, are shown below:

|  | Carrying<br>Amount  | Bank<br>Balance     | Financial<br>Institution    |
|--|---------------------|---------------------|-----------------------------|
| Insured (FDIC)   | \$ 250,000          | \$ 250,000          | First Columbia Bank & Trust |
| Uninsured, collateralized in accordance<br>with Act 72 | 5,621,349           | 5,672,418           | First Columbia Bank & Trust |
|  | <u>\$ 5,871,349</u> | <u>\$ 5,922,418</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, 2019, 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, 2019 and 2018, was as follows:

|   | January 1,<br>2019   | Increases             | Decreases        | December 31,<br>2019 |
|---|----------------------|-----------------------|------------------|----------------------|
| Capital assets, not being depreciated       |                      |                       |                  |                      |
| Land  | \$ 27,334            | \$ -                  | \$ -             | \$ 27,334            |
| Construction-in-progress                    | 700,189              | 338,348               | 28,856           | 1,009,681            |
| Total capital assets, not being depreciated | <u>727,523</u>       | <u>338,348</u>        | <u>28,856</u>    | <u>1,037,015</u>     |
| Capital assets being depreciated            |                      |                       |                  |                      |
| Land improvements                           | 47,029               | -                     | -                | 47,029               |
| Buildings and improvements                  | 35,702,416           | 57,100                | -                | 35,759,516           |
| Machinery and equipment                     | 1,107,660            | 56,350                | -                | 1,164,010            |
| Vehicles                                    | 277,214              | 24,602                | -                | 301,816              |
| Improvements to sewage system               | 2,590,263            | 474,404               | -                | 3,064,667            |
| Total capital assets being depreciated      | <u>39,724,582</u>    | <u>612,456</u>        | <u>-</u>         | <u>40,337,038</u>    |
| Less accumulated depreciation for:          |                      |                       |                  |                      |
| Land improvements                           | (45,136)             | (409)                 | -                | (45,545)             |
| Buildings and improvements                  | (17,687,803)         | (1,967,941)           | -                | (19,655,744)         |
| Machinery and equipment                     | (772,098)            | (59,077)              | -                | (831,175)            |
| Vehicles                                    | (255,131)            | (10,896)              | -                | (266,027)            |
| Improvements to sewage system               | (808,873)            | (55,101)              | -                | (863,974)            |
| Total accumulated depreciation              | <u>(19,569,041)</u>  | <u>(2,093,424)</u>    | <u>-</u>         | <u>(21,662,465)</u>  |
| Total capital assets being depreciated, net | <u>20,155,541</u>    | <u>(1,480,968)</u>    | <u>-</u>         | <u>18,674,573</u>    |
| Capital Assets - Net                        | <u>\$ 20,883,064</u> | <u>\$ (1,142,620)</u> | <u>\$ 28,856</u> | <u>\$ 19,711,588</u> |

MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

NOTES TO FINANCIAL STATEMENTS

Note 3. Property, Plant and Equipment (Continued)

|   | January 1,<br>2018 | Increases      | Decreases | December 31,<br>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)**

Depreciation expense was charged to operating expenses as follows:

|  | 2019         | 2018         |
|--|--------------|--------------|
| Sewage Treatment Plant and Pumping Station                     | \$ 2,009,448 | \$ 2,032,686 |
| Collection and intercepting sewer maintenance and improvements | 75,916       | 67,586       |
| Administrative expenses  | 8,060        | 6,388        |
|  | \$ 2,093,424 | \$ 2,106,660 |

**Note 4. Long-Term Debt**

During the year ended December 31, 2019, long-term obligations changed as follows:

|                           | Balances<br>January 1,<br>2019 | Increases | Decreases    | Balances<br>December 31,<br>2019 | Due within<br>One Year |
|---------------------------|--------------------------------|-----------|--------------|----------------------------------|------------------------|
| Long-Term Debt            |                                |           |              |                                  |                        |
| General Obligations Bonds |                                |           |              |                                  |                        |
| Series of 2008            | \$ 6,415,000                   | \$ -      | \$ (505,000) | \$ 5,910,000                     | \$ 535,000             |
| Guaranteed Sewer Revenue  |                                |           |              |                                  |                        |
| Note - Series of 2009     | 3,205,000                      | -         | (255,000)    | 2,950,000                        | 265,000                |
| Total Long-Term Debt      | \$ 9,620,000                   | \$ -      | \$ (760,000) | \$ 8,860,000                     | \$ 800,000             |

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. From October 15, 2018 through the remainder of the note the interest rate would revert back to the original terms which was the rate to change on 10/15/2018 to the then current 10 year US Treasury securities plus 3.15% variance, tax free rate which is the current 4.78%.

# 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. From October 15, 2018 through the remainder of the note the interest rate would revert back to the original terms which was the rate to change on 10/15/2018 to the then current 10 year US Treasury securities plus 3.15% variance, tax free rate which is the current 4.78%.

The following is a schedule by years and in the aggregate of future minimum principal and interest payments at December 31, 2019:

| Year ending December 31: | Principal           | Interest            | Total                |
|--------------------------|---------------------|---------------------|----------------------|
| 2020                     | \$ 800,000          | \$ 422,903          | \$ 1,222,903         |
| 2021                     | 840,000             | 385,268             | 1,225,268            |
| 2022                     | 885,000             | 345,116             | 1,230,116            |
| 2023                     | 930,000             | 302,813             | 1,232,813            |
| 2024                     | 930,000             | 258,359             | 1,188,359            |
| 2025-2028                | 4,475,000           | 588,876             | 5,063,876            |
|                          | <u>\$ 8,860,000</u> | <u>\$ 2,303,335</u> | <u>\$ 11,163,335</u> |

# 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 2019 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    | 2           |
| Active plan members   | 11          |
|   | <hr/>       |
|   | 14          |
|   | <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 2019 measurement period, the active member contribution rate was 4.0 percent of annual pay, and the Authority average contribution rate was 5.45 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, 2019 and 2018, the Authority's Pension Plan had deposits with financial institutions with a carrying amount of \$16,386 and \$57,333, respectively. Of the December 31, 2019 balance, \$16,386 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, 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.

##### *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 2019 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 2019 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

| Asset Class          | Long-Term Expected<br>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, 2019, the Authority's Pension Plan had the following investments:

| Investment Type                    | Percent of<br>Total | Fair<br>Value | Investment Maturities (in years) |            |           |
|------------------------------------|---------------------|---------------|----------------------------------|------------|-----------|
|                                    |                     |               | Less<br>Than 1                   | 1-5        | 6-10      |
| <u>Debt Securities</u>             |                     |               |                                  |            |           |
| Negotiable Certificates of Deposit | 10.79%              | \$ 95,407     | \$ -                             | \$ 95,407  | \$ -      |
| Municipal Bonds                    | 2.98%               | 26,369        | -                                | 26,369     | -         |
| Corporate Bonds and Notes          | 24.53%              | 216,949       | 39,811                           | 106,496    | 70,642    |
|                                    |                     | \$ 338,725    | \$ 39,811                        | \$ 228,272 | \$ 70,642 |
| <u>Other Investments</u>           |                     |               |                                  |            |           |
| Income Mutual Funds                | 3.11%               | \$ 27,531     |                                  |            |           |
| Equity Mutual Funds                | 11.05%              | 97,750        |                                  |            |           |
| Equity Securities                  | 47.55%              | 420,597       |                                  |            |           |
| Total Investments                  |                     | \$ 884,603    |                                  |            |           |

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Pension Plan (Continued)

#### Investments (Continued)

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            |
|                                    |                  | <u>\$ 277,236</u> | <u>\$ 6,993</u>                  | <u>\$ 121,787</u> | <u>\$ 148,456</u> |
| <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                  |                  | <u>\$ 661,984</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. There are no certificates that are in excess of \$250,000. These certificates are subject to custodial credit risk.

Municipal Bonds - The Authority is invested in one (1) Pennsylvania municipal bond issue: Trinity Area School District Taxable, the yield is 4.16%, maturity of November 1, 2024, and the bond represents 2.93% of the total portfolio.

Corporate Bonds - The Authority is invested in corporate bond issues as follows: see attached Bond Maturity Projections Issues printed April 7, 2020, which includes the corporate bond issues. Third party investment advisor monitoring Ford Motor Corp bond due to downgrade. I certify that all of the corporate bond issues listed thereon were held in the account as of December 31, 2019. Investment policy updated per the May 10, 2016 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 December 31, 2019, 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 must 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 seven (7) investments in Equity Mutual Funds. Three of the funds, Dodge & Cox Fund (Ticker: DODGX) (4 star), Federated Strategic Value Dividend Fund (Ticker: SVAIX) (3 star), and the Vanguard Windsor II Fund (Ticker: VWNFX) (3 star) represent the Large Cap Value Category, and Growth Fund of America (Ticker: GFAFX) (3 star) represents the Large Cap Growth Category. The Vanguard Small Cap Index (Ticker: NAESX) (5 star), Vanguard Mid Cap Index Fund (Ticker: VIMAX) (5 star) and the Dodge & Cox International Fund (Ticker: DODFX) (3 star) represent the Small, Mid and International sectors. Ratings were obtained through Morningstar as of December 31, 2019. 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 ratings 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 does not hold any U.S. Government Agencies at this time.

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, 2019 and 2018, are included on the tables on pages 27 and 28 respectively.

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**NOTES TO FINANCIAL STATEMENTS**

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

*Investments (Continued)*

Rate of Return - For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.87%. 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, 2019, was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the calendar year end. The Authority reported a liability of \$327,266 as of December 31, 2019.

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, 2018       | \$ 1,017,545            | \$ 719,190                  | \$ 298,355            |
| Service cost                        | 47,762                  | -                           | 47,762                |
| Interest                            | 70,055                  | -                           | 70,055                |
| Differences between experience      | (60,895)                | -                           | (60,895)              |
| Changes of assumptions              | 163,481                 | -                           | 163,481               |
| Contributions - employer            | -                       | 32,929                      | (32,929)              |
| Contributions - members             | -                       | 26,407                      | (26,407)              |
| Net investment income               | -                       | 147,302                     | (147,302)             |
| Benefit payments, including refunds | (7,390)                 | (7,390)                     | -                     |
| Administrative expenses             | -                       | (15,146)                    | 15,146                |
| Net changes                         | 213,013                 | 184,102                     | 28,911                |
| Balances at December 31, 2019       | \$ 1,230,558            | \$ 903,292                  | \$ 327,266            |

**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, 2019, the Authority recognized pension expense of \$59,419. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following resources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience              | \$ 19,242                            | \$ 115,186                          |
| Changes of assumptions  | 181,550                              | -                                   |
| Net difference between projected and actual investment earnings | 47,953                               | 84,071                              |
|   | <u>\$ 248,745</u>                    | <u>\$ 199,257</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 ending December 31: | Amount           |
|--------------------------|------------------|
| 2020                     | \$ (5,054)       |
| 2021                     | (4,715)          |
| 2022                     | (1,128)          |
| 2023                     | (17,113)         |
| 2024                     | 2,027            |
| Thereafter               | 75,471           |
|                          | <u>\$ 49,488</u> |

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation for the 2019 measurement period at January 1, 2019, and rolled-forward to December 31, 2019, 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 | 7.0% (net of pension plan investment expense, including inflation) |

Mortality rates were based on the PubG-2010 Mortality Table with MP2019 projection.

The actuarial assumptions used in the valuation for the 2019 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 7.0 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 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

|                       | 1% Decrease<br>(6.0%) | Current Discount<br>Rate (7.0%) | 1% Increase<br>(8.0%) |
|-----------------------|-----------------------|---------------------------------|-----------------------|
| Net pension liability | \$ 503,444            | \$ 327,266                      | \$ 173,910            |

### 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)

#### Plan Description (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, 2019, 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   | 5           |
|  | <hr/>       |
|  | 9           |
|  | <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, 2019, The Authority reported a liability of \$1,587,471 for the total OPEB liability. The total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019. The OPEB liability is composed of the following:

|  | Amount                     |
|--|----------------------------|
| Total OPEB Liability, beginning                    | <u>\$ 1,365,275</u>        |
| Changes for the year                               |                            |
| Service cost                                       | 29,196                     |
| Interest   | 56,290                     |
| Differences between Expected and Actual Experience | (192,931)                  |
| Changes in assumptions                             | 379,935                    |
| Estimated benefit payments                         | <u>(50,294)</u>            |
| Net Changes  | <u>222,196</u>             |
| Total OPEB Liability, ending                       | <u><u>\$ 1,587,471</u></u> |

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$96,966. At December 31, 2019, the Authority reported deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ -                                 | \$ 160,776                          |
| Changes of assumptions                             | 316,612                              | 78,751                              |
|  | <u>\$ 316,612</u>                    | <u>\$ 239,527</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, 2020. 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 31: | Total            |
|--------------------------|------------------|
| 2020                     | \$ 11,480        |
| 2021                     | 11,480           |
| 2022                     | 11,480           |
| 2023                     | 11,481           |
| 2023                     | 31,164           |
|                          | <u>\$ 77,085</u> |

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.40%
- Salary Increases - 4.50%
- Discount Rate - 2.74%
- Health Care Cost Trend - 5.40% from 2019 to 2020 decreasing to an ultimate rate of 3.94% by 2075

Mortality rates were based on the Pub-2010 General Headcount-Weighted Mortality table projected fully generationally using MP-2019 improvement scale.

# 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 Discount Rate

The following presents the total OPEB liability of the Authority calculated using the discount rate of 2.74% as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.74%) or one percentage point higher (3.74%) than the current discount rate:

|                      | 1% Decrease<br>1.74% | Current Discount<br>Rate 2.74% | 1% Increase<br>3.74% |
|----------------------|----------------------|--------------------------------|----------------------|
| Total OPEB liability | \$ 1,822,158         | \$ 1,587,471                   | \$ 1,393,306         |

The discount rate used to measure the total OPEB liability decreased from 4.11% to 2.74% as of December 31, 2019.

#### 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 5.40% 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<br>Trend Rate | 1% Increase  |
|----------------------|--------------|-----------------------|--------------|
| Total OPEB liability | \$ 1,344,982 | \$ 1,587,471          | \$ 1,887,542 |

#### 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.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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

During the years ended December 31, 2019 and 2018, the Authority was charged approximately \$-0- and \$12,912, 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 the years ended 2019 and 2018, the Authority recognized \$2,587 and \$692, respectively, 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.

# MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG

## NOTES TO FINANCIAL STATEMENTS

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### **Note 10. Subsequent Events**

In April 2020, the Authority began the initial stages of its commitment to major renovations of the wastewater treatment plant. The approved bids totaled \$7,343,572.

On May 19, 2020, the Authority issued the guaranteed sewer revenue note, series of 2020, in the amount of \$8,300,000 to fund the major renovations of the wastewater treatment plant project. 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, 2021 and range from \$340,000 to \$544,000. The note will mature on October 15, 2040.

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have disrupted operations of companies in many industries. Facility closings, labor and personnel layoffs, curtailments of supply lines and increased materials costs, contracted production, dislocations of product-delivery methods, and reduced markets enhance local government's risk factors as they have significant reliance on charges for service revenues from citizens to fund portions of their operations. These factors adversely impact revenue recognition, cash flows and liquidity, contingencies, and in some instances, the going-concern assumption. Presently, the ultimate, effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

**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, 2019**

|   | <b>2019</b>                | <b>2018</b>                | <b>2017</b>              | <b>2016</b>              | <b>2015</b>              |
|---|----------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| <b>Total Pension Liability</b>  |                            |                            |                          |                          |                          |
| Service cost  | \$ 47,762                  | \$ 35,828                  | \$ 35,828                | \$ 25,355                | \$ 25,355                |
| Interest  | 70,055                     | 71,487                     | 60,869                   | 65,653                   | 66,717                   |
| Differences between expected and actual experience                                | (60,895)                   | -                          | 24,012                   | -                        | (100,153)                |
| Changes of assumptions  | 163,481                    | -                          | 32,247                   | -                        | 4,109                    |
| Benefit payments, including refunds of member contributions                       | (7,390)                    | (13,943)                   | (9,515)                  | (207,194)                | (7,390)                  |
| <b>Net Change in Total Pension Liability</b>                                      | <u>213,013</u>             | <u>93,372</u>              | <u>143,441</u>           | <u>(116,186)</u>         | <u>(11,362)</u>          |
| <b>Total pension liability, beginning</b>   | <u>1,017,545</u>           | <u>924,173</u>             | <u>780,732</u>           | <u>896,917</u>           | <u>908,279</u>           |
| <b>Total pension liability, ending (a)</b>  | <u><u>\$ 1,230,558</u></u> | <u><u>\$ 1,017,545</u></u> | <u><u>\$ 924,173</u></u> | <u><u>\$ 780,732</u></u> | <u><u>\$ 896,917</u></u> |
| <b>Plan Fiduciary Net Position</b>  |                            |                            |                          |                          |                          |
| Contributions, employer   | \$ 32,929                  | \$ 36,974                  | \$ 20,825                | \$ 27,425                | \$ 27,071                |
| Contributions, member   | 26,407                     | 23,580                     | 22,075                   | 20,091                   | 19,277                   |
| Net investment income   | 147,302                    | (25,203)                   | 66,089                   | 54,862                   | 10,387                   |
| Benefit payments, including refunds of members contributions                      | (7,390)                    | (13,943)                   | (9,515)                  | (207,194)                | (7,390)                  |
| Administrative expense  | (15,146)                   | (17,549)                   | (11,629)                 | (14,313)                 | (10,404)                 |
| Other   | -                          | -                          | (3,651)                  | 133                      | -                        |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | <u>184,102</u>             | <u>3,859</u>               | <u>84,194</u>            | <u>(118,996)</u>         | <u>38,941</u>            |
| <b>Plan fiduciary net position, beginning</b>                                     | <u>719,190</u>             | <u>715,331</u>             | <u>631,137</u>           | <u>750,133</u>           | <u>711,192</u>           |
| <b>Plan fiduciary net position, ending (b)</b>                                    | <u><u>\$ 903,292</u></u>   | <u><u>\$ 719,190</u></u>   | <u><u>\$ 715,331</u></u> | <u><u>\$ 631,137</u></u> | <u><u>\$ 750,133</u></u> |
| <b>Net pension liability, ending (a)-(b)</b>                                      | <u><u>\$ 327,266</u></u>   | <u><u>\$ 298,355</u></u>   | <u><u>\$ 208,842</u></u> | <u><u>\$ 149,595</u></u> | <u><u>\$ 146,784</u></u> |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <u>73.41%</u>              | <u>70.68%</u>              | <u>77.40%</u>            | <u>80.84%</u>            | <u>83.63%</u>            |
| <b>Covered Payroll</b>  | <u><u>\$ 604,553</u></u>   | <u><u>\$ 587,611</u></u>   | <u><u>\$ 562,307</u></u> | <u><u>\$ 502,675</u></u> | <u><u>\$ 478,738</u></u> |
| <b>Net Pension Liability as a Percentage of Covered Payroll</b>                   | <u>54.13%</u>              | <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, 2019**

|  | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially Determined Contribution                                  | \$ 32,929         | \$ 36,974         | \$ 20,825         | \$ 27,425         | \$ 27,071         |
| Contributions in Relation to the Actuarially Determined Contribution | <u>32,929</u>     | <u>36,974</u>     | <u>20,825</u>     | <u>27,557</u>     | <u>27,071</u>     |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ (132)</u>   | <u>\$ -</u>       |
| Covered Payroll  | <u>\$ 604,553</u> | <u>\$ 587,611</u> | <u>\$ 562,307</u> | <u>\$ 502,675</u> | <u>\$ 478,738</u> |
| Contribution as a Percentage of Covered Payroll                      | <u>5.45%</u>      | <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, 2019**

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Valuation Date January 1, 2019

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 | 20 years  |
| Asset valuation method        | Market value  |
| Inflation                     | 3.0%  |
| Salary increases              | 4.5% average, including inflation                                 |
| Investment rate of return     | 7.0%, net of pension plan investment expense, including inflation |
| Retirement age                | Age 65 or 60 with 15 years' service                               |
| Mortality                     | PubG-2010 Mortality Table with MP2019 projection                  |

**MUNICIPAL AUTHORITY OF THE TOWN OF BLOOMSBURG**

**SCHEDULES OF PENSION PLAN INVESTMENT RETURNS**

**Years Ended December 31, 2019**

|   | <b>2019</b>   | <b>2018</b>    | <b>2017</b>   | <b>2016</b> | <b>2015</b> |
|---|---------------|----------------|---------------|-------------|-------------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | <u>19.87%</u> | <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, 2019

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>Total OPEB liability</b>   |                     |                     |
| Service cost  | \$ 29,196           | \$ 33,991           |
| Interest  | 56,290              | 50,132              |
| Difference between expected and actual experience                       | (192,931)           | -                   |
| Changes of assumptions  | 379,935             | (118,127)           |
| Benefit payments  | (50,294)            | (47,709)            |
| <b>Net change in total OPEB liability</b>                               | 222,196             | (81,713)            |
| <b>Total OPEB Liability - beginning</b>                                 | 1,365,275           | 1,446,988           |
| <b>Total OPEB Liability - ending</b>                                    | <u>\$ 1,587,471</u> | <u>\$ 1,365,275</u> |
| <b>Covered-employee payroll</b>   | <u>\$ 303,337</u>   | <u>\$ 329,492</u>   |
| <b>Total OPEB liability as a percentage of covered-employee payroll</b> | 523.34%             | 414.36%             |

**Notes to Schedule:**

Changes of Assumptions: The discount rate changed from 4.11% to 2.74%. 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.