

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Members of Board
Manheim Area Water & Sewer Authority
Manheim, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the pension trust fund of Manheim Area Water & Sewer Authority (the Authority), a component unit of Manheim Borough as of and for the year then ended December 31, 2016 and 2015, 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 audit. We conducted our audit 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-Type Activities	Unmodified
Fiduciary Fund – Pension Trust Fund	Unmodified

Opinions

In our opinion, the financial statements referred to above presented fairly, in all material respects, the respective financial position of the business-type activities and the pension trust fund of Manheim Area Water & Sewer Authority as of December 31, 2016 and 2015 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Schedule of Employer Contributions on pages 22 and 23 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Sager, Swisher and Company, LLP

Columbia, Pennsylvania
May 31, 2017

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>			<u>2015</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 657,673	\$ 1,690,631	\$ 2,348,304	\$ 2,009,355
Accounts Receivable	180,411	257,940	438,351	407,613
Accounts Receivable – Other	--	3,417	3,417	--
Prepaid Expenses	6,957	7,124	14,081	--
Due from Other Funds	<u>404,702</u>	<u>--</u>	<u>404,702</u>	<u>682,312</u>
Total Current Assets	<u>1,249,743</u>	<u>1,959,112</u>	<u>3,208,855</u>	<u>3,099,280</u>
Capital Assets				
Water Plant	11,178,132	--	11,178,132	10,512,855
Wastewater Plant	--	29,609,922	29,609,922	29,585,688
Public Works Building	--	149,146	149,146	149,146
Machinery and Equipment	116,425	401,449	517,874	381,916
Vehicles	44,333	81,831	126,164	126,164
Construction in Progress	<u>31,354</u>	<u>58,894</u>	<u>90,248</u>	<u>4,167</u>
Total Capital Assets	11,370,244	30,301,242	41,671,486	40,759,936
Accumulated Depreciation	<u>4,415,746</u>	<u>12,303,042</u>	<u>16,718,788</u>	<u>15,617,280</u>
Net Capital Assets	<u>6,954,498</u>	<u>17,998,200</u>	<u>24,952,698</u>	<u>25,142,656</u>
TOTAL ASSETS	<u>8,204,241</u>	<u>19,957,312</u>	<u>28,161,553</u>	<u>28,241,936</u>
DEFERRED OUTFLOWS OF RESOURCES – PENSIONS				
	<u>6,121</u>	<u>8,453</u>	<u>14,574</u>	<u>--</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,210,362</u>	<u>\$ 19,965,765</u>	<u>\$ 28,176,127</u>	<u>\$ 28,241,936</u>

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015**

	2016			2015
	Water	Wastewater	Total	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 33,299	\$ 56,686	\$ 89,985	\$ 82,299
Developer Deposits	--	20,506	20,506	26,875
Developer Reimbursement	148,150	--	148,150	--
Accrued Wages	7,850	10,230	18,080	16,628
Accrued Paid Time-Off	5,659	6,159	11,818	10,632
Accrued Interest	15,954	113,524	129,478	139,904
Due to Other Funds	--	404,702	404,702	682,312
Current Portion of Long-Term Debt	326,104	708,738	1,034,842	1,154,279
Total Current Liabilities	537,016	1,320,545	1,857,561	2,112,929
Long-Term Liabilities				
Long-Term Debt, Net of Current Portion	1,307,660	11,915,301	13,222,961	14,150,385
Net Pension Liability	2,701	3,730	6,431	--
Total Long-Term Liabilities	1,310,361	11,919,031	13,229,392	14,150,385
TOTAL LIABILITIES	1,847,377	13,239,576	15,086,953	16,263,314
DEFERRED INFLOWS OF RESOURCES - PENSIONS				
	460	635	1,095	--
NET POSITION				
Net Investment in Capital Assets	5,321,095	5,374,161	10,695,256	9,837,992
Unrestricted	1,041,430	1,351,393	2,392,823	2,140,630
TOTAL NET POSITION	6,362,525	6,725,554	13,088,079	11,978,622
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 8,210,362	\$ 19,965,765	\$ 28,176,127	\$ 28,241,936

The accompanying notes are an integral part of these financial statements.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>			<u>2015</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	
OPERATING REVENUE				
Charges for Services	\$ 1,254,695	\$ 1,998,029	\$ 3,252,724	\$ 3,177,096
Rapho Township, Participation	--	38,688	38,688	38,832
Septic Processing	--	599,207	599,207	524,371
Permits	6,414	956	7,370	7,527
Finals Fees	10,709	--	10,709	9,125
Tapping Fees	391,735	1,133	392,868	88,799
Meter Sales	16,315	--	16,315	17,360
Penalties	57,239	14,572	71,811	61,910
Miscellaneous	16,578	60,730	77,308	35,646
Meter Reads	78,812	--	78,812	78,375
TOTAL OPERATING REVENUE	<u>1,832,497</u>	<u>2,713,315</u>	<u>4,545,812</u>	<u>4,039,041</u>
OPERATING EXPENSES				
Engineering Fees	75,121	84,057	159,178	83,078
Personnel Costs	301,799	417,327	719,126	755,603
Repairs and Maintenance	229,217	252,729	481,946	352,392
General Expenses	89,407	451,169	540,576	493,633
Professional Fees	28,062	21,956	50,018	60,306
Utilities	45,318	133,533	178,851	194,471
Postage	8,000	3,850	11,850	12,273
Depreciation	285,816	858,145	1,143,961	1,142,396
Insurance	24,146	37,513	61,659	55,729
TOTAL OPERATING EXPENSES	<u>1,086,886</u>	<u>2,260,279</u>	<u>3,347,165</u>	<u>3,149,881</u>
OPERATING INCOME	<u>745,611</u>	<u>453,036</u>	<u>1,198,647</u>	<u>889,160</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on Disposal of Capital Asset	(32,747)	--	(32,747)	(17,169)
Interest Income	306	2,588	2,894	5,531
Interest Expense	(82,106)	(354,374)	(436,480)	(471,918)
Refund of Prior Year's Expenses	12,993	15,987	28,980	13,918
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(101,554)</u>	<u>(335,799)</u>	<u>(437,353)</u>	<u>(469,638)</u>
INCOME BEFORE CONTRIBUTIONS	644,057	117,237	761,294	419,522
CAPITAL CONTRIBUTIONS	<u>331,647</u>	<u>--</u>	<u>331,647</u>	<u>--</u>
Changes in Net Position	975,704	117,237	1,092,941	419,522
Net Position – Beginning of Year	5,379,884	6,598,738	11,978,622	11,559,100
Implementation of GASB 68 for Pensions	<u>6,937</u>	<u>9,579</u>	<u>16,516</u>	<u>--</u>
Net Position – End of Year	<u>\$ 6,362,525</u>	<u>\$ 6,725,554</u>	<u>\$ 13,088,079</u>	<u>\$ 11,978,622</u>

The accompanying notes are an integral part of these financial statements.

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**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>			<u>2015</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customer	\$ 1,706,967	\$ 2,648,570	\$ 4,355,537	\$ 3,938,581
Other Operating Revenues	95,390	60,730	156,120	114,021
Payments to Employees	(295,077)	(411,944)	(707,021)	(754,579)
Payments For Goods and Services	<u>(490,723)</u>	<u>(1,006,118)</u>	<u>(1,496,841)</u>	<u>(1,285,371)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,016,557</u>	<u>1,291,238</u>	<u>2,307,795</u>	<u>2,012,652</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Refund of Prior Year's Expenses	12,993	15,987	28,980	13,918
Lawsuit Settlement	--	--	--	172,388
Receipt (Payment) of Interfund Activity	<u>277,610</u>	<u>(277,610)</u>	<u>--</u>	<u>--</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>290,603</u>	<u>(261,623)</u>	<u>28,980</u>	<u>186,306</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of Capital Assets	(324,277)	(182,676)	(506,953)	(217,883)
Principal Payments on Debt	(492,308)	(690,511)	(1,182,819)	(1,144,310)
Interest Payments on Debt	(84,881)	(362,025)	(446,906)	(472,080)
Lease Proceeds	<u>67,979</u>	<u>67,979</u>	<u>135,958</u>	<u>--</u>
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(833,487)</u>	<u>(1,167,233)</u>	<u>(2,000,720)</u>	<u>(1,834,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on Investments	<u>306</u>	<u>2,588</u>	<u>2,894</u>	<u>1,744</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>306</u>	<u>2,588</u>	<u>2,894</u>	<u>1,744</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	473,979	(135,030)	338,949	366,429
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>183,694</u>	<u>1,825,661</u>	<u>2,009,355</u>	<u>1,642,926</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 657,673</u>	<u>\$ 1,690,631</u>	<u>\$ 2,348,304</u>	<u>\$ 2,009,355</u>

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015
	Water	Wastewater	Total	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 745,611	\$ 453,036	\$ 1,198,647	\$ 889,160
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	285,816	858,145	1,143,961	1,142,396
Change in Deferred Outflows – Pension	1,183	1,634	2,817	--
Change in Deferred Inflows – Pension	460	635	1,095	--
Change in Net Pension Liability	2,333	3,223	5,556	--
(Increase) Decrease In				
Accounts Receivable	(30,140)	(598)	(30,738)	13,561
Accounts Receivable – Other	--	(3,417)	(3,417)	--
Prepaid Expenses	(6,957)	(7,124)	(14,081)	--
Increase (Decrease) In				
Accounts Payable	15,505	(7,819)	7,686	(734)
Developer Deposits	--	(6,369)	(6,369)	(32,754)
Accrued Wages	1,481	(29)	1,452	258
Accrued Paid Time-Off	1,265	(79)	1,186	765
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,016,557</u>	<u>\$ 1,291,238</u>	<u>\$ 2,307,795</u>	<u>\$ 2,012,652</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of Capital Assets	<u>\$ 331,647</u>	<u>\$ --</u>	<u>\$ 331,647</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST FUND
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Investments	\$ 91,214	\$ 83,570
TOTAL ASSETS	<u>\$ 91,214</u>	<u>\$ 83,570</u>
 LIABILITIES	 \$ --	 \$ --
 NET POSITION		
Restricted for Pension Benefits	<u>91,214</u>	<u>83,570</u>
TOTAL NET POSITION	<u>91,214</u>	<u>83,570</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 91,214</u>	<u>\$ 83,570</u>

The accompanying notes are an integral part of these financial statements.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION –
PENSION TRUST FUND
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ADDITIONS		
Employer Contributions	\$ 15,009	\$ 18,264
Investment Income	<u>4,724</u>	<u>4,077</u>
TOTAL ADDITIONS	<u>19,733</u>	<u>22,341</u>
DEDUCTIONS		
Forfeitures	4,992	1,182
Administrative Expense	260	220
Distributions	<u>6,837</u>	<u>4,976</u>
TOTAL DEDUCTIONS	<u>12,089</u>	<u>6,378</u>
Changes in Net Position	7,644	15,963
Net Position – Beginning of Year	<u>83,570</u>	<u>67,607</u>
Net Position – End of Year	<u>\$ 91,214</u>	<u>\$ 83,570</u>

The accompanying notes are an integral part of these financial statements.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Manheim Area Water & Sewer Authority (the Authority) was incorporated on October 26, 1939 under the Municipal Authorities Act of 1935. The purpose of the Authority was to provide financing for sewer and water projects in the Borough of Manheim, as well as portions of Penn and Rapho Townships. The financial statements of the Manheim Area Water & Sewer Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed all potential component units, which may or may not fall within the Authority's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the Authority's reporting entity are financial accountability and the nature and significance of the relationship.

Based on the criteria, the Manheim Area Water & Sewer Authority is a component unit of Borough of Manheim. Borough Council of the Borough of Manheim organized the Authority. The Borough appoints members to the Authority and has a potential burden as the guarantor of the Authority's debt.

These financial statements include all the funds of the Manheim Area Water & Sewer Authority. As such, these financial statements are not intended to present fairly the financial position of the Borough of Manheim and the results of its operations and cash flows of its proprietary trust funds. Audited financial statements for the Borough of Manheim can be obtained at the Borough office.

B. Basis of Accounting

The Authority uses the accrual method of accounting. Revenue is recognized in the period in which earned and becomes measurable. Expenses are recognized at the time they are incurred.

C. Basis of Presentation

Fund financial statements are also provided in the report for all of the proprietary funds and the fiduciary fund of the Authority. All individual enterprise funds are reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds include water and wastewater charges. Operating expenses for the Authority's enterprise fund include water and wastewater system costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority operates two enterprise funds, the water fund and wastewater fund. These funds are used to account for the activities of the Authority's water and wastewater funds primarily through user charges.

Fiduciary Fund Types are used to account for the assets held by the Authority as a trustee or agent for individuals, private organizations and/or governmental units. The fund included in this category is the pension trust fund which provides benefits for Authority employees. The principal revenue source for this fund is municipal contributions.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Accounts Receivable

It is the Authority's policy to record an allowance for doubtful accounts based on management's assessment of the collectability of specific balances and the aging of accounts receivable. Management has determined that no valuation allowance for uncollectible accounts is required as of December 31, 2016.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

All investments are stated at cost including accrued interest, which approximates fair value.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sanitary sewer lines and facilities), are reported at cost. Capital assets are defined by the Authority as assets with an individual cost of more than \$5,000 and estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital contributions are recorded at estimated fair market value at the date of donation. The Authority received water and wastewater lines from developers.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water Plant	5 to 80
Wastewater Plant	10 to 50
Public Works Building	30
Machinery and Equipment and Vehicles	5 to 20

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Manheim Area Water & Sewer Authority Defined Benefit Cash Balance Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value. The Pension Fund Financial Statements reported on pages 8 and 9 present the municipal reserve account of the Authority from Pennsylvania Municipal Retirement System (PMRS).

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

J. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

K. Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

During the year ended December 31, 2016, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements.

During the year ended December 31, 2016, the Authority adopted GASB Statement No. 77, Tax Abatement Disclosures. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreement, as well as those that are entered into by other governments that reduce the reporting government's tax revenues. The adoption of this standard does not currently impact the Authority.

During the year ended December 31, 2016, the Authority also adopted GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The objective of this statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement also establishes additional note disclosure requirements. The adoption of this standard does not currently impact the Authority.

During the year ended December 31, 2015, the Authority implemented GASB Statement No. 68, *Accounting and Reporting for Pensions*, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date to improve accounting and financial reporting for pensions. GASB Statement No. 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. Due to the immaterial effect on the financial statements, management elected to omit the amounts from its December 31, 2015 financial statements. However, management has elected to recognize the amounts in its December 31, 2016 financial statements.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Changes in Accounting Principles and Restatement of Net Position (Continued)

As a result, the Authority restated beginning net position as of January 1, 2016 as part of these statements. The restatement of the net position is detailed below.

Restatement of Net Position

Net Position, January 1, 2016	\$11,978,622
Deferred Outflow – 2015 Contribution	17,391
Net Pension Liability -- December 31, 2015	<u>(875)</u>
Restated Net Position, January 1, 2016	<u>\$11,995,138</u>

L. Date of Management’s Review

Management has evaluated subsequent events through May 31, 2017, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Pennsylvania Municipal Authorities Act, Section 7.1 requires that the Authority’s deposits be federally insured. Deposits above the insured maximum are required to have collateral pledged in the name of the financial institution. In addition, the following types of investments are authorized:

1. United States Treasury Bills
2. Short-term obligations of the United States Government, its agencies or its instrumentalities
3. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

Deposits of the Authority consist of demand deposits at financial institutions. The cash and cash equivalents are stated at cost, which is equal to fair value.

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. The Authority does not have a policy for custodial credit risk. As of December 31, 2016, \$317,951 of the Authority’s bank balance of \$2,425,738 was exposed to custodial credit risk.

Reconciliation to Financial Statements

Uninsured Amount	\$ 317,951
Plus: Insured Amount	2,107,786
Less: Outstanding Checks	<u>(77,433)</u>
Total Cash per Financial Statements	<u>\$ 2,348,304</u>

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Beginning January 1, 2013, all interest and noninterest bearing demand accounts are aggregated in total by financial institution and fully insured up to \$250,000. Time and savings accounts also have FDIC insurance coverage up to \$250,000.

Investments

As of December 31, 2016, the Authority had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Pension Trust Fund – Pooled Investments – Pennsylvania Municipal Retirement System (PMRS)	<u>\$ 91,214</u>

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.

Credit Risk

The Authority has no investment policy that limits its investment choices other than by statutes.

Concentration of Credit Risk – Deposits and Investments

The Authority's deposits and investments are held at the following financial institutions:

	<u>Deposits and/or Investments</u>	<u>Concentration Percentage</u>
Ephrata National Bank	\$ 2,394,613	95.1%
Fulton Bank	31,125	1.3%
Pennsylvania Municipal Retirement System (PMRS)	<u>91,214</u>	<u>3.6%</u>
	<u>\$ 2,516,952</u>	<u>100.0%</u>

NOTE 3 – CHANGES IN CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 4,167	\$ 90,248	\$ 4,167	\$ 90,248
Total Capital Assets Not Being Depreciated	<u>4,167</u>	<u>90,248</u>	<u>4,167</u>	<u>90,248</u>
Capital Assets Being Depreciated				
Water Plant	10,512,855	708,908	43,631	11,178,132
Wastewater Plant	29,585,688	55,803	31,569	29,609,922
Public Works Building	149,146	--	--	149,146
Machinery and Equipment	381,916	135,958	--	517,874
Vehicles	<u>126,164</u>	<u>--</u>	<u>--</u>	<u>126,164</u>
Total Assets Being Depreciated	<u>40,755,769</u>	<u>900,669</u>	<u>75,200</u>	<u>41,581,238</u>

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 – CHANGES IN CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation				
Water Plant	4,061,876	278,799	10,884	4,329,791
Wastewater Plant	11,206,656	815,416	31,569	11,990,503
Public Works Building	19,886	4,972	--	24,858
Machinery and Equipment	217,609	32,703	--	250,312
Vehicles	111,253	12,071	--	123,324
Total Accumulated Depreciation	<u>15,617,280</u>	<u>1,143,961</u>	<u>42,453</u>	<u>16,718,788</u>
Total Capital Assets, Being Depreciated Net	<u>25,138,489</u>	<u>(243,292)</u>	<u>32,747</u>	<u>24,862,450</u>
Total Capital Assets, Net	<u>\$ 25,142,656</u>	<u>\$ (153,044)</u>	<u>\$ 36,914</u>	<u>\$ 24,952,698</u>

NOTE 4 – LONG-TERM DEBT

The ending balance consisted of the following:

PennVest Loans:	
Water Line	\$ 40,769
Water Plant	652,616
Caterpillar Financial Services Corporation – Wheel Loader	107,418
Guaranteed Water and Sewer Revenue Note – Series of 2014 (MidPenn Bank)	4,580,000
Guaranteed Water and Sewer Revenue Note – Series of 2008 (PNC Bank)	4,969,000
Guaranteed Water and Sewer Revenue Note – Series A of 2014 (Fulton Bank)	<u>3,908,000</u>
	<u>\$ 14,257,803</u>

During the year ended December 31, 2016, long-term debt changed as follows:

Beginning of Year	\$ 15,304,664
Additional Borrowing	135,958
Principal Retirement	<u>(1,182,819)</u>
End of Year	<u>\$ 14,257,803</u>

The future annual payments required to amortize all debt outstanding as of December 31, 2016 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,034,842	\$ 415,327	\$ 1,450,169
2018	1,068,021	382,447	1,450,468
2019	1,081,303	372,321	1,453,624
2020	990,695	458,612	1,449,307
2021	1,000,660	420,951	1,421,611
2022-2026	5,621,282	1,487,246	7,108,528
2027-2029	<u>3,461,000</u>	<u>302,383</u>	<u>3,763,383</u>
	<u>\$ 14,257,803</u>	<u>\$ 3,839,287</u>	<u>\$ 18,097,090</u>

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 – LONG-TERM DEBT (Continued)

Guaranteed Water and Sewer Revenue Note – Series of 2014

In September 2014, the Authority authorized a Guaranteed Water and Sewer Revenue Note, Series of 2014 in the amount of \$4,740,000. The purpose of the note was to refinance the Guaranteed Water and Sewer Revenue Note – Series of 2009 and to pay the costs of issuing the note. Manheim Borough guarantees the debt. Interest and principal is payable in March and September of each year at the rate of 2.68% through 4.00%. Principal payments range from \$67,000 to \$1,152,000 with final payment due September 1, 2026.

Guaranteed Water and Sewer Revenue Note – Series A of 2014

In September 2014, the Authority authorized a Guaranteed Water and Sewer Revenue Note, Series A of 2014 in the amount of \$3,985,000. The purpose of the note was to refinance the Guaranteed Water and Sewer Revenue Note – Series A of 2009 and to pay the costs of issuing the note. Manheim Borough guarantees the debt. Interest and principal is payable in March and September of each year at the rate of 2.70% through 4.625%. Principal payments range from \$39,000 to \$878,000 with final payment due September 1, 2029.

Guaranteed Water and Sewer Revenue Note – Series of 2008

In June 2008, the Authority issued a Guaranteed Water and Sewer Revenue Note, Series of 2008 in the amount of \$9,950,000 for the purpose of (1) providing funds for and toward the current refunding of all of the Authority's outstanding Guaranteed Water and Sewer Revenue Bonds, Series of 2001, plus interest accrued thereon to the date of payment and discharge and (2) to pay the issuance costs of issuing the 2008 note. Manheim Borough guarantees the debt. The Series of 2008 note bears interest at the rate of 3.25% until September 1, 2018, at which time the interest rate is adjusted based on the sum of one-month LIBOR plus 160 basis points times 65% plus 25 basis points with a cap of 5.75%. The note will mature in September 2022.

Lease/Purchase Agreements

In 2016, the Authority executed a lease/purchase agreement for a wheel loader through Caterpillar Financial Services Corporation. The lease is payable in five years with annual principal and interest payments of \$28,450. The lease terminates in August 2021.

PennVest Loans

The Authority received a \$1,300,000 loan from Pennsylvania Infrastructure Investment Authority (PennVest) to upgrade the water treatment filtration system. The loan is guaranteed by the Borough. The principal and interest on the loan are to be paid from revenues derived from the operation of the Authority's water system. Principal and interest payments of \$7,335 are to be paid monthly at an interest rate of 3.468%. The loan will mature July 2025.

The Authority received a \$100,000 loan from Pennsylvania Infrastructure Investment Authority (PennVest) to construct a water line extension on Orchard Road. The loan is guaranteed by the Borough. The principal and interest on the loan are to be paid from revenues derived from the operation of the Authority's water system. Principal and interest payments of \$571 are to be paid monthly at an interest rate of 3.468%. The loan will mature August 2023.

NOTE 5 – PENSION PLAN

Plan Description

The Manheim Area Water & Sewer Authority Pension Plan is a single-employer cash balance pension plan controlled by the provisions of Resolution No. 7-2011 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public retirement system that acts as a common investment and administrative agent to the participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website. A copy of the CAFR can be obtained by contacting the PMRS accounting office.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – PENSION PLAN (Continued)

Benefit Provisions

The Authority's plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan. All benefits vest after five years of credited service. Employees who retire at or after age 55 are entitled to a monthly retirement benefit, payable for life, in an amount equal to a single life annuity starting on the effective date of retirement with a present value equal to all monies credited to the member's account. A member who completes 20 years of credited service and voluntarily terminates prior to reaching the normal retirement may receive an immediate pension. The pension is the accrued pension, reduced by an actuarial factor to account for early retirement.

Plan Membership

Membership of the plan consisted of the following based upon the most recent actuarial valuation date:

Active plan members	8
Retirees and beneficiaries currently receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
	<u><u>10</u></u>

Funding Policy

The plan is funded through municipal contributions and member contributions. Municipal contributions equal 4% of covered payroll. Members are not required to contribute to the plan, but may contribute up to 20% of covered payroll.

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

Net Pension Liability

At December 31, 2016, the Authority reported a liability of \$6,431 for its net pension liability. The beginning of year total pension liability is based upon the January 1, 2015 actuarial valuation, with liabilities measured at December 31, 2014. The end of year total pension liability is based upon the January 1, 2016 actuarial valuation with liabilities measured at December 31, 2015. PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer plan fiduciary net position. PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning fiduciary net position balance adjusted for cash flows throughout the year. The market value investment income reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of underlying retiree liabilities.

Actuarial Assumptions

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 as well as subsequent Board approved assumption changes.

Inflation	2.8 percent
Salary increases	age related scale with merit and inflation component
Investment rate of return	5.5 percent, compounded annually, net of expenses
Post-Retirement Cost of Living Increases	2.8 percent per year, subject to plan limitations

Pre-retirement mortality rates were based on the RP-2000 sex-distinct mortality table with 5 year set-back for females. The post-retirement mortality rates were based on the RP-2000 sex-distinct mortality table.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The PMRS System's 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 are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (large capitalized firms)	25%	6.9%
Domestic Equities (small capitalized firms)	15%	6.8%
International Equities (international developed markets)	15%	4.0%
International Equities (emerging markets)	10%	7.6%
Real Estate	20%	7.1%
Fixed Income	<u>15%</u>	2.4%
Total Portfolio	100%	

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

Discount Rate

The discount rate used to measure the total pension liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will continue the historical and legally required practice of contributing to the plan based on an Statutorily Required Contribution. As a cash balance plan, specific sensitivity calculations based on the plan's demographics or plan provisions have not been performed for active participants given that benefits are based on the accumulated account balances at actual retirement.

Change in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 12/31/2014	\$ 67,521	\$ 66,646	\$ 875
Changes for the Year:			
Service Cost	18,152	--	18,152
Interest	4,116	--	4,116
Changes of assumptions	34	--	34
Differences between Expected and Actual Experience	(1,217)	--	(1,217)
Contributions – Employer	--	16,862	(16,862)
Contributions – PMRS assessment	--	220	(220)
PMRS Investment Income	--	4,210	(4,210)
Market Value Investment Income	--	(5,367)	5,367
Benefit Payments	(115)	(115)	--
PMRS Administrative Expense	--	(220)	220
Additional Administrative Expense	--	(176)	176
Net Changes	<u>20,970</u>	<u>15,414</u>	<u>5,556</u>
Balances at 12/31/2015	<u>\$ 88,491</u>	<u>\$ 82,060</u>	<u>\$ 6,431</u>

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – PENSION PLAN (Continued)

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

The following presents the net pension liability, calculated using the discount rate of 5.50 percent, as well as what the pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	<u>1% Decrease 4.50%</u>	<u>Current Discount Rate 5.50%</u>	<u>1% Increase 6.50%</u>
Total Pension Liability	\$ 105,741	\$ 88,491	\$ 71,328
Plan Fiduciary Net Position	<u>82,060</u>	<u>82,060</u>	<u>82,060</u>
Net Pension Liability	<u>\$ 23,681</u>	<u>\$ 6,431</u>	<u>\$ (10,732)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.60%	92.73%	115.05%

Pension Plan Fiduciary Net Position

Detailed information about PMRS's fiduciary net position is available in PMRS Comprehensive Annual Financial Report which can be found on the PMRS's website at www.pMrs.state.pa.us.

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

For the year ended December 31, 2016, the Authority recognized pension expense of \$24,477. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 4,526	\$ --
Differences between expected and actual experience	--	1,095
Changes in Assumption	31	--
Contributions subsequent to the measurement date	<u>10,017</u>	<u>--</u>
	<u>\$ 14,574</u>	<u>\$ 1,095</u>

\$10,017 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2017	\$ 1,031
2018	1,031
2019	1,032
2020	956
2021	(119)
Thereafter	(469)

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 – DEFERRED COMPENSATION PLAN

In 2012, the Authority adopted a deferred compensation plan. The deferred compensation plan qualifies under Section 457 of the Internal Revenue Code. Employees are eligible to participate on their date of hire. Employees must notify the Authority of their election to defer compensation. Employee contributions to the deferred compensation plan are discretionary and there is no Authority contribution. Total employee contributions to the deferred compensation plan for 2016 were \$4,825.

NOTE 7 – OPERATING LEASES

In November 2011, the Authority entered into an operating lease agreement for office space. In April 2014, the lease was renewed for an additional 3-year term with monthly rent of \$850 plus utilities, which will expire October 31, 2017. In January 2016, the lease was extended for an additional 5-year term effective October 25, 2017 through October 25, 2022. Monthly rent will start at \$875 plus utilities and be adjusted annually by applying the Philadelphia Consumer Price Index. Future minimum payments are as follows:

<u>Year Ended December 31,</u>	
2017	\$ 10,250
2018	10,550
2019	10,800
2020	10,800
2021	10,800
Thereafter	<u>9,000</u>
	<u>\$ 62,200</u>

In 2013, the Authority entered into two lease agreements with LEAF Capital Funding, LLC to lease two copiers. The leases are for a period of 60 months and are payable monthly. The future minimum payments are as follows:

<u>Year Ended December 31,</u>	
2017	\$ 2,757
2018	<u>1,920</u>
	<u>\$ 4,677</u>

NOTE 8 – DEVELOPER REIMBURSEMENT

The Authority entered into an agreement with a Penn Towne Center LLC (developer) for the construction of a new water main extension. The Authority agreed to reimburse the developer 50% of the costs of the extension using tapping fees generated by the new extension. The reimbursement shall cease upon full reimbursement or ten years from the date of accepted dedication. The Authority's total obligation is \$161,700 for its share of the extension. During the year ended December 31, 2016, the Authority paid the developer \$13,550 from collected tapping fees, leaving a balance due to the developer of \$148,150 as of December 31, 2016.

NOTE 9 – RISK MANAGEMENT

Manheim Area Water & Sewer Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Authority has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2016, and the two previous years, no settlements exceeded insurance coverage.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10 – SELF INSURANCE

Health Insurance

In 2013, the Authority became a member of the Intergovernmental Insurance Cooperative (IIC) through which it self-insures for employee health claims. These claims are administered by Highmark. During the year ended December 31, 2016, the Authority remitted their contracted monthly amount to IIC who pays the funds directly to Highmark. Under the shared pooling agreement with IIC, the Authority's claims may exceed their monthly contributions and no additional payments are required to cover their underpayment. At the end of the Pool's fiscal year, the excess or deficit of the Pool is allocated to all the members. As of December 31, 2016, the Authority did not receive any of the Pool's excess. The Authority was limited to liability for 2016 claims to \$35,000 individually.

As of December 31, 2016, there are no additional assessments relating to the health plan. The Authority terminated membership with IIC effective December 31, 2016 and has switched to a fully-insured health plan effective January 1, 2017.

NOTE 11 – COMMITMENT

The Authority awarded a bid for the replacement of the high service pumps. The commitment outstanding at December 31, 2016 was \$62,985.

NOTE 12 – SUBSEQUENT EVENT

On April 13, 2017, the Authority approved the proposal for issuance of Revenue Note, Series of 2017 and Revenue Bond, Series A of 2017 in the amount of \$8,615,000 for the purpose of refunding the Authority's Revenue Note, Series of 2014 and Revenue Note, Series A of 2014 and to cover issuance costs.

REQUIRED SUPPLEMENTARY INFORMATION

OF

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

DECEMBER 31, 2016

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS)
DECEMBER 31, 2016**

	2016	2015
<u>Total Pension Liability</u>		
Service Cost (Beginning of Year)	\$ 18,152	\$ 18,203
Interest (includes Interest on Service Cost)	4,116	2,902
Differences between Expected and Actual Experience	(1,217)	1
Changes of Assumptions	34	--
Benefit Payments, including refunds of employee contributions	(115)	--
Net Change in Total Pension Liability	20,970	21,106
Total Pension Liability – Beginning	67,521	46,415
Total Pension Liability – Ending	\$ 88,491	\$ 67,521
<u>Plan Fiduciary Net Pension</u>		
Contributions – Employer	\$ 16,862	\$ 18,271
Contributions – PMRS assessment	220	--
PMRS Investment Income	4,210	2,992
Market Value Investment Income	(5,367)	(386)
Benefit payments, including refunds of employee contributions	(115)	--
PMRS Administrative Expense	(220)	(220)
Additional Administrative Expense	(176)	(115)
Net Change in Plan Fiduciary Net Position	\$ 15,414	\$ 20,542
Plan Fiduciary Net Position – Beginning	66,646	46,104
Plan Fiduciary Net Position – Ending	\$ 82,060	\$ 66,646
Net Pension Liability – Ending	\$ 6,431	\$ 875
Plan fiduciary net position as a percentage of the total pension liability	92.73%	98.70%
Covered-employee payroll	\$ 453,803	\$ 455,078
Authority’s net pension liability (asset) as a percentage of covered-employee payroll	1.42%	.19%

Notes to Schedule:

Plan Changes: None

Assumption Changes: In 2016, amounts reported as changes of assumption resulted primarily from adjustments to expected inflation rates and mortality rates.

See accompanying independent auditor’s report.

**MANHEIM AREA WATER & SEWER AUTHORITY
MANHEIM, PENNSYLVANIA**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS)
DECEMBER 31, 2016**

	<u>Statutorily Required Contribution</u>	<u>Contribution In relation to Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2012	\$ 9,740	\$ 9,740	\$ --	\$ 239,506	4.07%
2013	\$ 16,664	\$ 16,664	\$ --	\$ 412,112	4.04%
2014	\$ 18,423	\$ 18,271	\$ 152	\$ 455,078	4.01%
2015	\$ 18,372	\$ 17,082	\$ 1,290 (1)	\$ 453,803	3.76%
2016	\$ 15,009	\$ 10,017	\$ 4,992 (1)	\$ 368,735	2.72%

Notes to Schedule:

Due to the plan design, there are no Actuarially Determined Contributions for cash balance pension plans. The Statutorily Required Contribution is a contribution amount based upon payroll and the contribution rate as outlined under the terms of the cash balance plan. As provided by PMRS, the employer portion of the Statutorily Required Contribution was the amount recognized by the pension plan during the year.

Plan Changes : None

(1) For 2015 and 2016, the Authority utilized forfeitures in the amount of \$1,182 and \$4,992, respectively, to cover contribution deficiencies.

See accompanying independent auditor's report.