

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2017**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

DECEMBER 31, 2017

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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, 2017 and 2016 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 1, 2018

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

**STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	2017			2016
	Water	Wastewater	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents – Operating	\$ 818,436	\$ 2,048,901	\$ 2,867,337	\$ 2,348,304
Cash and Cash Equivalents – Capital	192,557	153,922	346,479	--
Accounts Receivable	125,078	298,156	423,234	438,351
Accounts Receivable – Other	--	731	731	3,417
Prepaid Expenses	7,256	7,458	14,714	14,081
Due from Other Funds	511,641	--	511,641	404,702
Total Current Assets	<u>1,654,968</u>	<u>2,509,168</u>	<u>4,164,136</u>	<u>3,208,855</u>
Capital Assets				
Water Plant	11,454,489	--	11,454,489	11,178,132
Wastewater Plant	--	29,656,727	29,656,727	29,609,922
Public Works Building	--	149,146	149,146	149,146
Machinery and Equipment	122,510	615,881	738,391	517,874
Vehicles	44,333	81,831	126,164	126,164
Construction in Progress	31,138	6,503	37,641	90,248
Total Capital Assets	11,652,470	30,510,088	42,162,558	41,671,486
Accumulated Depreciation	<u>4,711,863</u>	<u>13,090,920</u>	<u>17,802,783</u>	<u>16,718,788</u>
Net Capital Assets	<u>6,940,607</u>	<u>17,419,168</u>	<u>24,359,775</u>	<u>24,952,698</u>
TOTAL ASSETS	<u>8,595,575</u>	<u>19,928,336</u>	<u>28,523,911</u>	<u>28,161,553</u>
DEFERRED OUTFLOWS OF RESOURCES – PENSIONS				
	<u>8,267</u>	<u>9,247</u>	<u>17,514</u>	<u>14,574</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,603,842</u>	<u>\$ 19,937,583</u>	<u>\$ 28,541,425</u>	<u>\$ 28,176,127</u>

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

**STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	2017			2016
	Water	Wastewater	Total	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 135,921	\$ 32,519	\$ 168,440	\$ 89,985
Developer Deposits	--	25,262	25,262	20,506
Developer Reimbursement	192,882	--	192,882	148,150
Accrued Wages	9,674	10,738	20,412	18,080
Accrued Paid Time-Off	5,945	5,857	11,802	11,818
Accrued Interest	9,049	108,491	117,540	129,478
Due to Other Funds	--	511,641	511,641	404,702
Current Portion of Long-Term Debt	245,562	842,459	1,088,021	1,034,842
Total Current Liabilities	599,033	1,536,967	2,136,000	1,857,561
Long-Term Liabilities				
Long-Term Debt, Net of Current Portion	1,142,564	11,066,509	12,209,073	13,222,961
Net Pension Liability	719	805	1,524	6,431
Total Long-Term Liabilities	1,143,283	11,067,314	12,210,597	13,229,392
TOTAL LIABILITIES	1,742,316	12,604,281	14,346,597	15,086,953
DEFERRED INFLOWS OF RESOURCES - PENSIONS				
	3,861	4,319	8,180	1,095
NET POSITION				
Net Investment in Capital Assets	5,552,481	5,510,200	11,062,681	10,695,256
Unrestricted	1,305,184	1,818,783	3,123,967	2,392,823
TOTAL NET POSITION	6,857,665	7,328,983	14,186,648	13,088,079
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 8,603,842	\$ 19,937,583	\$ 28,541,425	\$ 28,176,127

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, 2017 AND 2016**

	2017			2016
	Water	Wastewater	Total	
OPERATING REVENUE				
Charges for Services	\$ 1,247,463	\$ 1,997,636	\$ 3,245,099	\$ 3,252,724
Rapho Township, Participation	--	38,616	38,616	38,688
Septic Processing	--	713,881	713,881	599,207
Permits	7,899	2,057	9,956	7,370
Finals Fees	9,301	--	9,301	10,709
Tapping Fees	204,045	74,411	278,456	392,868
Meter Sales	13,860	--	13,860	16,315
Penalties	48,442	16,305	64,747	71,811
Miscellaneous	16,472	9,669	26,141	77,308
Meter Reads	13,138	--	13,138	78,812
Well Land Lease	--	12,000	12,000	--
TOTAL OPERATING REVENUE	1,560,620	2,864,575	4,425,195	4,545,812
OPERATING EXPENSES				
Engineering Fees	12,324	44,634	56,958	159,178
Personnel Costs	352,832	389,514	742,346	719,126
Repairs and Maintenance	196,362	148,881	345,243	481,946
General Expenses	106,017	312,690	418,707	540,576
Professional Fees	22,749	17,140	39,889	50,018
Utilities	45,747	128,121	173,868	178,851
Postage	9,548	3,765	13,313	11,850
Depreciation	296,117	787,878	1,083,995	1,143,961
Insurance	23,527	36,245	59,772	61,659
TOTAL OPERATING EXPENSES	1,065,223	1,868,868	2,934,091	3,347,165
OPERATING INCOME	495,397	995,707	1,491,104	1,198,647
NONOPERATING REVENUES (EXPENSES)				
Loss on Disposal of Capital Asset	--	--	--	(32,747)
Interest Income	4,704	12,166	16,870	2,894
Interest Expense	(57,419)	(343,010)	(400,429)	(436,480)
Debt Issuance Costs	--	(69,982)	(69,982)	--
Refund of Prior Year's Expenses	4,844	8,548	13,392	28,980
TOTAL NONOPERATING REVENUES (EXPENSES)	(47,871)	(392,278)	(440,149)	(437,353)
INCOME BEFORE CONTRIBUTIONS	447,526	603,429	1,050,955	761,294
CAPITAL CONTRIBUTIONS	47,614	--	47,614	331,647
Changes in Net Position	495,140	603,429	1,098,569	1,092,941
Net Position – Beginning of Year	6,362,525	6,725,554	13,088,079	11,978,622
Implementation of GASB 68 for Pensions	--	--	--	16,516
Net Position – End of Year	\$ 6,857,665	\$ 7,328,983	\$ 14,186,648	\$ 13,088,079

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, 2017 AND 2016**

	2017			2016
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customer	\$ 1,586,343	\$ 2,805,376	\$ 4,391,719	\$ 4,355,537
Other Operating Revenues	29,610	21,669	51,279	156,120
Payments to Employees	(244,254)	(275,190)	(519,444)	(707,021)
Payments For Goods and Services	<u>(532,840)</u>	<u>(825,374)</u>	<u>(1,358,214)</u>	<u>(1,496,841)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>838,859</u>	<u>1,726,481</u>	<u>2,565,340</u>	<u>2,307,795</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Refund of Prior Year's Expenses	4,844	8,548	13,392	28,980
Receipt (Payment) of Interfund Activity	<u>(106,939)</u>	<u>106,939</u>	<u>--</u>	<u>--</u>
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>(102,095)</u>	<u>115,487</u>	<u>13,392</u>	<u>28,980</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of Capital Assets	(78,186)	(208,846)	(287,032)	(506,953)
Principal Payments on Debt	(245,638)	(9,330,071)	(9,575,709)	(1,182,819)
Interest Payments on Debt	(64,324)	(348,043)	(412,367)	(446,906)
Lease Proceeds	--	--	--	135,958
Note/Bond Proceeds	--	8,615,000	8,615,000	--
Note/Bond Issuance Costs	<u>--</u>	<u>(69,982)</u>	<u>(69,982)</u>	<u>--</u>
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(388,148)</u>	<u>(1,341,942)</u>	<u>(1,730,090)</u>	<u>(2,000,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on Investments	<u>4,704</u>	<u>12,166</u>	<u>16,870</u>	<u>2,894</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,704</u>	<u>12,166</u>	<u>16,870</u>	<u>2,894</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	353,320	512,192	865,512	338,949
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>657,673</u>	<u>1,690,631</u>	<u>2,348,304</u>	<u>2,009,355</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 1,010,993</u>	<u>\$ 2,202,823</u>	<u>\$ 3,213,816</u>	<u>\$ 2,348,304</u>

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

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016
	Water	Wastewater	Total	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 495,397	\$ 995,707	\$ 1,491,104	\$ 1,198,647
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	296,117	787,878	1,083,995	1,143,961
Change in Deferred Outflows – Pension	(2,146)	(794)	(2,940)	2,817
Change in Deferred Inflows – Pension	3,401	3,684	7,085	1,095
Change in Net Pension Liability	(1,982)	(2,925)	(4,907)	5,556
(Increase) Decrease In				
Accounts Receivable	55,333	(40,216)	15,117	(30,738)
Accounts Receivable – Other	--	2,686	2,686	(3,417)
Prepaid Expenses	(299)	(334)	(633)	(14,081)
Increase (Decrease) In				
Accounts Payable	(9,072)	(24,167)	(33,239)	7,686
Developer Deposits	--	4,756	4,756	(6,369)
Accrued Wages	1,824	508	2,332	1,452
Accrued Paid Time-Off	286	(302)	(16)	1,186
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 838,859</u>	<u>\$ 1,726,481</u>	<u>\$ 2,565,340</u>	<u>\$ 2,307,795</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of Capital Assets	<u>\$ 47,614</u>	<u>\$ --</u>	<u>\$ 47,614</u>	<u>\$ 331,647</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Investments	\$ 111,512	\$ 91,214
TOTAL ASSETS	<u>\$ 111,512</u>	<u>\$ 91,214</u>
LIABILITIES	\$ --	\$ --
NET POSITION		
Restricted for Pension Benefits	<u>111,512</u>	<u>91,214</u>
TOTAL NET POSITION	<u>111,512</u>	<u>91,214</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 111,512</u>	<u>\$ 91,214</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, 2017 AND 2016**

	2017	2016
ADDITIONS		
Employer Contributions	\$ 18,571	\$ 15,009
Investment Income	5,092	4,724
TOTAL ADDITIONS	23,663	19,733
DEDUCTIONS		
Forfeitures	3,125	4,992
Administrative Expense	240	260
Distributions	--	6,837
TOTAL DEDUCTIONS	3,365	12,089
Changes in Net Position	20,298	7,644
Net Position – Beginning of Year	91,214	83,570
Net Position – End of Year	\$ 111,512	\$ 91,214

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, 2017**

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, 2017**

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, 2017.

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 (e.g., water and sanitary sewer lines and facilities), are reported at cost, which includes any legal and engineering fees, costs to acquire, installation, and costs to prepare the item for its intended use. Capital assets are defined by the Authority as tangible, non-consumable items valued at \$5,000 or more with a life expectancy of over two years. Donated capital assets, such as those obtained through deeds of dedication, are valued at estimated acquisition value on the date of donation.

Routine and/or emergency repair and maintenance costs are expensed as incurred and are not capitalized. Major repairs will be capitalized if it results in a betterment/improvement to the Authority's capital assets. Improvements to an existing asset that extends the life of the asset or significantly improves its utility are capitalized and depreciated over the remaining useful life of the related asset.

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, 2017**

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, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The primary objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external reports of state and local governments. The adoption of this standard does not currently impact the Authority.

L. Date of Management's Review

Management has evaluated subsequent events through May 1, 2018, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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, 2017, \$547,159 of the Authority's bank balance of \$3,224,683 was exposed to custodial credit risk.

Reconciliation to Financial Statements

Uninsured Amount	\$ 547,159
Plus: Insured Amount	2,677,524
Less: Outstanding Checks	<u>(10,867)</u>
Total Cash per Financial Statements	<u>\$ 3,213,816</u>

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, 2017, the Authority had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Pension Trust Fund – Pooled Investments – Pennsylvania Municipal Retirement System (PMRS)	<u>\$ 111,512</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	\$ 3,189,226	95.6%
Fulton Bank	35,457	1.1%
Pennsylvania Municipal Retirement System (PMRS)	<u>111,512</u>	<u>3.3%</u>
	<u>\$ 3,336,195</u>	<u>100.0%</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	\$ 90,248	\$ 31,027	\$ 83,634	\$ 37,641
Total Capital Assets Not Being Depreciated	<u>90,248</u>	<u>31,027</u>	<u>83,634</u>	<u>37,641</u>
Capital Assets Being Depreciated				
Water Plant	11,178,132	276,357	--	11,454,489
Wastewater Plant	29,609,922	46,805	--	29,656,727
Public Works Building	149,146	--	--	149,146
Machinery and Equipment	517,874	220,517	--	738,391
Vehicles	<u>126,164</u>	<u>--</u>	<u>--</u>	<u>126,164</u>
Total Assets Being Depreciated	<u>41,581,238</u>	<u>543,679</u>	<u>--</u>	<u>42,124,917</u>
Less Accumulated Depreciation				
Water Plant	4,329,791	290,963	--	4,620,754
Wastewater Plant	11,990,503	745,464	--	12,735,967
Public Works Building	24,858	4,971	--	29,829
Machinery and Equipment	250,312	40,675	--	290,987
Vehicles	<u>123,324</u>	<u>1,922</u>	<u>--</u>	<u>125,246</u>
Total Accumulated Depreciation	<u>16,718,788</u>	<u>1,083,995</u>	<u>--</u>	<u>17,802,783</u>
Total Capital Assets, Being Depreciated Net	<u>24,862,450</u>	<u>(540,316)</u>	<u>--</u>	<u>24,322,134</u>
Total Capital Assets, Net	<u>\$ 24,952,698</u>	<u>\$ (509,289)</u>	<u>\$ 83,634</u>	<u>\$ 24,359,775</u>

NOTE 4 – LONG-TERM DEBT

The ending balance consisted of the following:

PennVest Loans:

Water Line	\$ 35,238
Water Plant	586,180
Caterpillar Financial Services Corporation – Wheel Loader	81,676
Guaranteed Water and Sewer Revenue Note – Series of 2008 (PNC Bank)	4,165,000
Guaranteed Water and Sewer Revenue Note – Series of 2017 (BB&T)	4,495,000
Guaranteed Water and Sewer Revenue Bond – Series A of 2017 (BB&T)	<u>3,934,000</u>
	<u>\$ 13,297,094</u>

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

Beginning of Year	\$ 14,257,803
Additional Borrowing	8,615,000
Principal Retirement	<u>(9,575,709)</u>
End of Year	<u>\$ 13,297,094</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 – LONG-TERM DEBT (Continued)

The future annual payments required to amortize all debt outstanding as of December 31, 2017 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,088,021	\$ 374,049	\$ 1,462,070
2019	1,102,303	363,831	1,466,134
2020	1,141,695	321,422	1,463,117
2021	1,165,793	280,923	1,446,716
2022	1,207,572	239,454	1,447,026
2023-2027	4,869,710	738,603	5,608,313
2028-2030	<u>2,722,000</u>	<u>139,077</u>	<u>2,861,077</u>
	<u>\$ 13,297,094</u>	<u>\$ 2,457,359</u>	<u>\$ 15,754,453</u>

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. In June 2017, the note was paid off.

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. In June 2017, the note was paid off.

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.

Guaranteed Water and Sewer Revenue Note, Series of 2017

In June 2017, the Authority authorized a Guaranteed Water and Sewer Revenue Note, Series of 2017 in the amount of \$4,648,000. The purpose of the note was to current refund the Guaranteed Water and Sewer Revenue Note, Series of 2014, 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 a fixed rate of 2.44%. Principal payments range from \$153,000 to \$920,000 with final payment due September 1, 2026.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 – LONG-TERM DEBT (Continued)

Guaranteed Water and Sewer Revenue Bond, Series A of 2017

In June 2017, the Authority authorized a Guaranteed Water and Sewer Revenue Bond, Series A of 2017 in the amount of \$3,967,000. The purpose of the bond was to current refund the Guaranteed Water and Sewer Revenue Note, Series A of 2014, and to pay the costs of issuing the bond. Manheim Borough guarantees the debt. Interest and principal is payable in March and September of each year at a fixed rate of 2.71%. Principal payments range from \$33,000 to \$1,030,000 with final payment due September 1, 2030.

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 – PENSION PLAN (Continued)

Plan Membership

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

Active plan members	9
Retirees and beneficiaries currently receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
	<u>11</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, 2017, the Authority reported a liability of \$1,524 for its net pension liability. The beginning of year total pension liability is based upon the January 1, 2016 actuarial valuation, with liabilities measured at December 31, 2015. The end of year total pension liability is based upon the January 1, 2017 actuarial valuation with liabilities measured at December 31, 2016. 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	5.25 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.

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:

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MANHEIM, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 – PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (large capitalized firms)	25%	6.4%
Domestic Equities (small capitalized firms)	15%	7.0%
International Equities (international developed markets)	15%	3.7%
International Equities (emerging markets)	10%	7.9%
Real Estate	20%	7.0%
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 5.25 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 12/31/2015	\$ 88,491	\$ 82,060	\$ 6,431
Changes for the Year:			
Service Cost	14,749	--	14,749
Interest	4,689	--	4,689
Changes of assumptions	124	--	124
Differences between Expected and Actual Experience	(8,108)	--	(8,108)
Contributions – Employer	--	9,757	(9,757)
Contributions – PMRS assessment	--	260	(260)
PMRS Investment Income	--	4,980	(4,980)
Market Value Investment Income	--	1,808	(1,808)
Benefit Payments	(7,189)	(7,189)	--
PMRS Administrative Expense	--	(200)	200
Additional Administrative Expense	--	(244)	244
Net Changes	<u>4,265</u>	<u>9,172</u>	<u>(4,907)</u>
Balances at 12/31/2016	<u>\$ 92,756</u>	<u>\$ 91,232</u>	<u>\$ 1,524</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 5.25 percent, as well as what the pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Total Pension Liability	\$ 110,852	\$ 92,756	\$ 74,747
Plan Fiduciary Net Position	91,232	91,232	91,232
Net Pension Liability	\$ 19,620	\$ 1,524	\$ (16,485)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 82.30%	 98.36%	 122.05%

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, 2017, the Authority recognized pension expense of \$17,809. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,930	\$ --
Differences between expected and actual experience	--	8,180
Changes in Assumption	138	--
Contributions subsequent to the measurement date	15,446	--
	\$ 17,514	\$ 8,180

\$15,446 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, 2018. 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,

2018	\$ (218)
2019	(217)
2020	(293)
2021	(1,366)
2022	(1,006)
Thereafter	(3,012)

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 2017 were \$4,680.

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>	
2018	\$ 10,550
2019	10,800
2020	10,800
2021	10,800
2022	<u>9,000</u>
	<u>\$ 51,950</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>	
2018	\$ <u>1,920</u>
	<u>\$ 1,920</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 phase 1 extension and \$47,614 for the phase 3 extension. During the year ended December 31, 2017, the developer reimbursement changed as follows:

Beginning of Year	\$ 148,150
Additional Agreement for Phase 3	47,614
Developer Reimbursements	<u>(4,900)</u>
End of Year	<u>\$ 190,864</u>

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, 2017, and the two previous years, no settlements exceeded insurance coverage.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 – CAPITAL RESERVE

During 2017, the Authority established a capital policy and capital reserve funds to separate operations and maintenance (O&M) costs from capital expenditures. The Authority is to maintain four months of O&M expenses, including the annual debt service amounts in both the Water and Wastewater's general checking accounts, respectively. Any cash balance in the accounts exceeding the four-month requirement will be transferred to the capital reserve accounts each February. The Authority is to maintain two months of O&M expenses for both water and wastewater in respective capital reserve accounts. During the year ended December 31, 2017, the capital funds changed as follows:

	<u>Water</u>	<u>Wastewater</u>
Capital Funding	\$ 270,200	\$ 370,800
Interest Earnings	929	964
Capital Purchases	<u>(78,572)</u>	<u>(217,842)</u>
	<u>\$ 192,557</u>	<u>\$ 153,922</u>

NOTE 11 – SUBSEQUENT EVENT

On March 8, 2018, the Authority approved a bid in the amount of \$83,700 for the Sun Hill tank coating project.

REQUIRED SUPPLEMENTARY INFORMATION

OF

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

DECEMBER 31, 2017

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

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS)
DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Total Pension Liability</u>			
Service Cost (Beginning of Year)	\$ 14,749	\$ 18,152	18,203
Interest (includes Interest on Service Cost)	4,689	4,116	2,902
Differences between Expected and Actual Experience	(8,108)	(1,217)	1
Changes of Assumptions	124	34	--
Benefit Payments, including refunds of employee contributions	<u>(7,189)</u>	<u>(115)</u>	<u>--</u>
Net Change in Total Pension Liability	4,265	20,970	21,106
Total Pension Liability – Beginning	<u>88,491</u>	<u>67,521</u>	<u>46,415</u>
Total Pension Liability – Ending	<u>\$ 92,756</u>	<u>\$ 88,491</u>	<u>\$ 67,521</u>
<u>Plan Fiduciary Net Pension</u>			
Contributions – Employer	\$ 9,757	\$ 16,862	18,271
Contributions – PMRS assessment	260	220	--
PMRS Investment Income	4,980	4,210	2,992
Market Value Investment Income	1,808	(5,367)	(386)
Benefit payments, including refunds of employee contributions	(7,189)	(115)	--
PMRS Administrative Expense	(200)	(220)	(220)
Additional Administrative Expense	<u>(244)</u>	<u>(176)</u>	<u>(115)</u>
Net Change in Plan Fiduciary Net Position	\$ 9,172	\$ 15,414	\$ 20,542
Plan Fiduciary Net Position – Beginning	<u>82,060</u>	<u>66,646</u>	<u>46,104</u>
Plan Fiduciary Net Position – Ending	<u>\$ 91,232</u>	<u>\$ 82,060</u>	<u>\$ 66,646</u>
Net Pension Liability – Ending	<u>\$ 1,524</u>	<u>\$ 6,431</u>	<u>\$ 875</u>
Plan fiduciary net position as a percentage of the total pension liability	98.36%	92.73%	98.70%
Covered-employee payroll	\$ 368,735	\$ 453,803	\$ 455,078
Authority's net pension liability (asset) as a percentage of covered-employee payroll	.41%	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. In 2017, amounts reported as changes in assumption resulted primarily from adjustments to the discount rate.

See accompanying independent auditor's report.

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS)
DECEMBER 31, 2017**

	<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	\$ 14,949	\$ 10,017	\$ 4,932 (1)	\$ 368,735	2.72%
2017	\$ 18,571	\$ 15,446	\$ 3,125 (1)	\$ 458,277	3.37%

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, 2016, and 2017 the Authority utilized available forfeitures to cover contribution deficiencies.

See accompanying independent auditor's report.