

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

**Financial Statements and
Supplementary Information**

December 31, 2015 and 2014



REINSEL KUNTZ LESHER
certified public accountants & consultants

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Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

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December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of the Directors
Downingtown Municipal Water Authority
Downingtown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Downingtown Municipal Water Authority, a component unit of the Borough of Downingtown, Pennsylvania, which comprise the statement of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

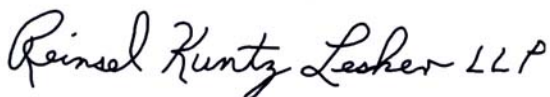
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Downingtown Municipal Water Authority as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the Downingtown Municipal Water Authority's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



June 23, 2016
Wyomissing, Pennsylvania

Downingtown Municipal Water Authority **A Component Unit of the Borough of Downingtown**

Management's Discussion and Analysis
December 31, 2015 and 2014

Our discussion and analysis of the Downingtown Municipal Water Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2015. Please read it in conjunction with the Authority's financial statements that begin on Page 9 and the accompanying notes to those statements. Responsibility for both the accuracy of the presented data and the thoroughness of the presentation rests with the Authority. We believe that the data, as presented herein, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the Authority. We believe that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

Profile of the Downingtown Municipal Water Authority

The Downingtown Municipal Water Authority, a component unit of the Borough of Downingtown, is a water authority incorporated on July 13, 1987 under the provisions of the Pennsylvania Municipality Authorities Act of 1945, as amended, pursuant to the ordinance of the Council of the Borough of Downingtown, Chester County, Pennsylvania. The Authority was formed principally to acquire, hold, construct, improve, maintain, own and operate a water system for the Borough of Downingtown and other territories it may be authorized to serve. The Authority's Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget and establishing water rates.

Financial Highlights

- The net position (assets minus liabilities) of the Authority as of December 31, 2015 was \$4,259,101. Of this amount, \$554,429 is unrestricted and is available to meet the Authority's ongoing obligations in accordance with the Authority's policies. In comparison, the Authority's net position at December 31, 2014 and 2013 was \$3,359,083 and \$2,745,396, respectively.
- The Authority's net position increased \$900,018 or 27% in 2015 compared to increases of \$613,687 or 22% and \$985,896 or 56% for the years ended December 31, 2014 and 2013, respectively.
- The Authority's total assets were \$12,069,406 at December 31, 2015 compared to \$11,918,507 and \$12,222,720 at December 31, 2014 and 2013, respectively.
- The Authority's total liabilities were \$7,810,305 at December 31, 2015 compared to \$8,559,424 and \$9,477,324 at December 31, 2014 and 2013, respectively.
- Revenue for the year ended December 31, 2015 totaled \$4,063,591 compared to \$4,042,284 and \$4,063,469 for the years ended December 31, 2014 and 2013, respectively. The major sources of revenue for the Authority were water revenue charges, penalties and fees and grant revenue.
- Expenses for the year ended December 31, 2015 totaled \$3,163,573 compared to \$3,428,597 and \$3,077,573 for the years ended December 31, 2014 and 2013, respectively. The major expenses for the Authority were chemical supplies, insurance, repairs and maintenance, salaries, sludge removal, utilities, depreciation and interest.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Management's Discussion and Analysis
December 31, 2015 and 2014

Financial Highlights (continued)

- The Authority's bonds payable outstanding, net of bond premium, at December 31, 2015 were \$7,474,757, compared to \$8,091,877 and \$8,678,997 at December 31, 2014 and 2013, respectively.
- The Authority prepares annual operating budgets that are approved by the Board of Directors. For the year 2015, actual revenue surpassed budgeted revenue by \$535,991 or 15% and operating expenses, exclusive of depreciation, were under budget by \$214,491 or 9%. For the year 2014, actual revenue surpassed budgeted revenue by \$551,284 or 16% and operating expenses, exclusive of depreciation, exceeded budget by \$139,591 or 6%. For the year 2013, actual revenue surpassed budgeted revenue by \$612,469 or 18%, and operating expenses, exclusive of depreciation, were under budget by \$200,595 or 9%.

Overview of the Financial Report

The Authority's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Authority. The components of the report include the independent auditor's report, management's discussion and analysis, financial statements and notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The independent auditor's report briefly describes the audit engagement and also renders an opinion as to the material components of the Authority's financial position.

The management's discussion and analysis (MD&A), prepared by Authority management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and the notes to the financial statements.

Statement of Net Position - The statement of net position presents the financial condition of the Authority at the end of the fiscal period or a specific snapshot in time.

Statement of Revenues, Expenses and Changes in Net Position - The statement of revenues, expenses and changes in net position measures the results of operations of the Authority during the fiscal year.

Statement of Cash Flows - The statement of cash flows measures the resources provided and used during the fiscal period.

Notes to Financial Statements - The notes provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Authority's financial condition. The notes can be found immediately following the basic financial statements in this report.

Downingtown Municipal Water Authority
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Management's Discussion and Analysis
 December 31, 2015 and 2014

Overview of the Financial Report (continued)

Other Supplementary Information - In addition to the basic financial statements and accompanying notes, the other supplementary information presents subfund information and budgetary comparison schedules for the Authority to demonstrate compliance with the budget.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$4,259,101, \$3,359,083 and \$2,745,396 at December 31, 2015, 2014 and 2013, respectively.

The following table reflects the condensed comparative statement of net position at December 31:

Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$ 1,386,701	\$ 1,263,719	\$ 1,578,333
Restricted assets	1,236,973	1,285,222	1,465,454
Capital assets, net	<u>9,445,732</u>	<u>9,369,566</u>	<u>9,178,933</u>
Total Assets	<u>12,069,406</u>	<u>11,918,507</u>	<u>12,222,720</u>
Liabilities and Net Position			
Liabilities			
Current liabilities	965,548	1,077,547	1,378,327
Long-term debt	<u>6,844,757</u>	<u>7,481,877</u>	<u>8,098,997</u>
Total Liabilities	<u>7,810,305</u>	<u>8,559,424</u>	<u>9,477,324</u>
Net Position			
Net investment in capital assets	1,970,975	1,277,689	499,936
Restricted	1,733,697	1,648,319	1,210,702
Unrestricted	<u>554,429</u>	<u>433,075</u>	<u>1,034,758</u>
Total Net Position	<u>\$ 4,259,101</u>	<u>\$ 3,359,083</u>	<u>\$ 2,745,396</u>

For more detailed information, see the statement of net position (Page 9).

The Authority's net position representing unrestricted resources totaled \$554,429 or 13% at December 31, 2015 compared to \$433,075 or 13% and \$1,034,758 or 38% at December 31, 2014 and 2013, respectively. The unrestricted net position may be used to meet the Authority's ongoing obligations to citizens and customers.

Downingtown Municipal Water Authority
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Management's Discussion and Analysis
December 31, 2015 and 2014

Financial Analysis (continued)

Net position is shown as restricted if it can only be used for a specified purpose. The portion of the Authority's net position, \$1,733,697 or 41% at December 31, 2015, represents restricted resources, which compares to \$1,648,319 or 49% and \$1,210,702 or 44% at December 31, 2014 and 2013, respectively. Restricted net position increased \$85,378 or 5% in 2015, which compares to an increase in restricted net position of \$437,617 or 36% in 2014.

The following table reflects the condensed comparative statement of changes in net position for the years ended December 31:

	Statement of Revenues, Expenses and Changes in Net Position		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues	<u>\$ 3,790,142</u>	<u>\$ 3,713,213</u>	<u>\$ 3,565,797</u>
Operating Expenses			
Water system	2,510,348	2,758,349	2,455,638
Administrative	<u>339,977</u>	<u>328,975</u>	<u>256,279</u>
Total Operating Expenses	<u>2,850,325</u>	<u>3,087,324</u>	<u>2,711,917</u>
Operating Income	939,817	625,889	853,880
Nonoperating Revenues (Expenses), Net	<u>(39,799)</u>	<u>(12,202)</u>	<u>132,016</u>
Change in Net Position	900,018	613,687	985,896
Net Position at Beginning of Year	<u>3,359,083</u>	<u>2,745,396</u>	<u>1,759,500</u>
Net Position at End of Year	<u>\$ 4,259,101</u>	<u>\$ 3,359,083</u>	<u>\$ 2,745,396</u>

For the year ended December 31, 2015, operating revenues totaled \$3,790,142, an increase of \$76,929 or approximately 2% compared to 2014. Water revenues from user charges of \$3,697,817 represent 98% of revenues. This is the primary source of revenue for the Authority. The remaining year 2015 operating revenue is comprised of tapping fees of \$16,571 and penalties and miscellaneous fees of \$75,754. Penalties and miscellaneous fees decreased due to the Authority writing off more disputed and uncollectible penalty charges and tapping fees in 2015. For the year ended December 31, 2014, operating revenues totaled \$3,713,213, an increase of \$147,416 or approximately 4% compared to 2013. Water revenues from user charges of \$3,526,464 represent 95% of revenues. This is the primary source of revenue for the Authority. The remaining year 2014 operating revenue is comprised of tapping fees of \$13,948, capacity fees of \$22,918 and penalties and miscellaneous fees of \$149,883. Penalties and miscellaneous fees increased due to the Authority writing off fewer disputed and uncollectible penalty charges and tapping fees in 2014.

Downingtown Municipal Water Authority
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Management's Discussion and Analysis
December 31, 2015 and 2014

Financial Analysis (continued)

For the year ended December 31, 2015, operating expenses totaled \$2,850,325, a decrease of \$236,999 or 8% compared to 2014. Water system expenses of \$2,510,348 represent 88% of total operating expenses. Water system expenses consist of chemical supplies of \$114,352, depreciation of \$592,076, insurance of \$306,322, repairs and maintenance of \$346,005, salaries and wages of \$758,374, sludge removal of \$36,927, utilities of \$125,015 and other miscellaneous expenses of \$231,277. For the year ended December 31, 2014, operating expenses totaled \$3,087,324, an increase of \$375,407 or 14% compared to 2013. Water system expenses of \$2,758,349 represent 89% of total operating expenses. Water system expenses consist of chemical supplies of \$143,825, depreciation of \$582,333, insurance of \$330,061, repairs and maintenance of \$320,380, salaries and wages of \$848,661, sludge removal of \$106,242, utilities of \$143,329 and other miscellaneous expenses of \$283,521.

The remaining operating expenses for the year ended December 31, 2015 consist of administrative costs of \$339,977 or 12% of total operating expenses. Administrative costs consist of engineers' fees of \$103,760, office expense of \$48,289, professional fees of \$171,876 and other miscellaneous expenses of \$16,052. For the year ended December 31, 2014, the remaining operating expenses consisted of administrative costs of \$328,975 or 11% of total operating expenses. Administrative costs consist of engineers' fees of \$97,656, office expense of \$70,434, professional fees of \$148,708 and other miscellaneous expenses of \$12,177.

For the year ended December 31, 2015, nonoperating revenues (expenses) totaled \$(39,799), a decrease of \$27,597 compared to 2014. Grant revenue of \$271,934 represents 99% of nonoperating revenue. This compares to grant revenue of \$319,635 and \$473,869 in 2014 and 2013, respectively. Grant revenue decreased slightly in 2015 due to less capital funding requirements for capital projects. The remaining 2015 nonoperating revenue consisted of \$1,515 of investment income. Investment income was \$4,891 and \$3,633 for the years ended December 31, 2014 and 2013, respectively.

For the years ended December 31, 2015 and 2014, nonoperating expenses totaled \$313,248 and \$341,273, respectively. These amounts consist entirely of interest expense. Interest expense decreased \$28,025 or 8% from the prior year.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of December 31, 2015 amounted to \$9,445,732 (net of accumulated depreciation). This is an increase of \$76,166 or 1% from 2014. This investment in capital assets includes land, land improvements, software, equipment, water system and water plant assets. Capital acquisitions are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation.

Major capital asset transactions/events during the year ended December 31, 2015 included the completion of a high service pump and water tank in the amount of \$673,156.

Additional information on capital assets can be found in Note 8 to the financial statements.

Downingtown Municipal Water Authority
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Management's Discussion and Analysis
December 31, 2015 and 2014

Capital Assets and Debt Administration (continued)

Debt Administration

At December 31, 2015, the Authority's total amount for water revenue bonds outstanding was \$7,400,000, compared to \$8,010,000 and \$8,590,000 at December 31, 2014 and 2013, respectively.

Additional information on the Authority's long-term debt can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The 2016 budget, as adopted by the Authority Board, provides the necessary resources for the Authority to achieve its goals and priorities. The 2016 budget reflects an adjustment to the rate structure that is expected to result in an increase in annual revenues of \$780,953 or 23.5 percent. Operating expenses are expected to increase by \$201,220 or 8.1 percent during this same period. The increase in expenses is due primarily to increases in staff levels. The Authority's budget maintains accustomed service levels and represents an accurate estimate in dollar terms of its commitment to deliver quality services to its customers. Economic conditions of the Authority are expected to remain stable and the Authority continues to work on its capital improvement plan.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives and disburses. If you have any questions about this report or need additional information, please contact the Authority's Executive Director at the Downingtown Municipal Water Authority, 100 Water Plant Way, Downingtown, PA 19335.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Statement of Net Position

	December 31,	
	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,027,197	\$ 961,560
Grants receivable	244,313	178,066
Prepaid expenses	59,326	56,946
Inventory	55,865	67,147
Total Current Assets	1,386,701	1,263,719
Restricted Current Assets		
Cash	336,868	401,786
Accounts receivable	900,105	883,436
Total Restricted Current Assets	1,236,973	1,285,222
Capital Assets		
Assets not being depreciated	468,785	706,127
Assets being depreciated, net of depreciation	8,976,947	8,663,439
Total Capital Assets	9,445,732	9,369,566
Total Assets	12,069,406	11,918,507

See accompanying notes.

	December 31,	
	2015	2014
Liabilities		
Current Liabilities		
Accounts payable	\$ 72,048	\$ 168,142
Accrued payroll and payroll taxes	29,432	33,636
Pension payable	8,807	15,216
Interest payable	100,351	110,009
Returnable deposits	124,910	140,544
Bonds payable, current	630,000	610,000
Total Current Liabilities	965,548	1,077,547
Long-Term Debt, Bonds Payable, Net of Current Portion	6,844,757	7,481,877
Total Liabilities	7,810,305	8,559,424
Net Position		
Net Position		
Net investment in capital assets	1,970,975	1,277,689
Restricted	1,733,697	1,648,319
Unrestricted	554,429	433,075
Total Net Position	\$ 4,259,101	\$ 3,359,083

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,	
	2015	2014
Operating Revenues		
Water revenues	\$ 3,697,817	\$ 3,526,464
Water capacity fees	-	22,918
Tapping fees	16,571	13,948
Penalties and miscellaneous	75,754	149,883
	<u>3,790,142</u>	<u>3,713,213</u>
Operating Expenses		
Water system	2,510,348	2,758,349
Administrative	339,977	328,975
	<u>2,850,325</u>	<u>3,087,324</u>
Operating Income	<u>939,817</u>	<u>625,889</u>
Nonoperating Revenues (Expenses)		
Grants	271,934	319,635
Interest expense	(313,248)	(341,273)
Investment income	1,515	4,891
Gain on disposal of capital assets	-	4,545
	<u>(39,799)</u>	<u>(12,202)</u>
Change in Net Position	<u>900,018</u>	<u>613,687</u>
Net Position at Beginning of Year	<u>3,359,083</u>	<u>2,745,396</u>
Net Position at End of Year	<u>\$ 4,259,101</u>	<u>\$ 3,359,083</u>

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Statement of Cash Flows

	Years Ended December 31,	
	2015	2014
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 3,757,839	\$ 3,507,621
Payments to suppliers	(1,471,885)	(1,643,131)
Payments to employees	(884,169)	(965,628)
Net Cash Provided by Operating Activities	1,401,785	898,862
Cash Flows from Capital and Related Financing Activities		
Repayment of bond debt	(610,000)	(580,000)
Acquisition and construction of capital assets	(668,242)	(772,966)
Interest paid on debt obligations	(330,026)	(357,576)
Proceeds from capital grants	205,687	-
Net Cash Used in Capital and Related Financing Activities	(1,402,581)	(1,710,542)
Cash Flows from Investing Activities		
Investment income	1,515	4,891
Proceeds from disposal of capital assets	-	4,545
Net Cash Provided by Investing Activities	1,515	9,436
Net Increase (Decrease) in Cash and Cash Equivalents	719	(802,244)
Cash and Cash Equivalents at Beginning of Year	1,363,346	2,165,590
Cash and Cash Equivalents at End of Year	\$ 1,364,065	\$ 1,363,346
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 939,817	\$ 625,889
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	592,076	582,333
Bad debt expense	-	5,183
(Increase) decrease in assets:		
Prepaid expenses	(2,380)	(2,521)
Inventory	11,282	4,531
Accounts receivable	(16,669)	(136,525)
Increase (decrease) in liabilities:		
Accounts payable	(96,094)	(112,601)
Accrued payroll and payroll taxes	(4,204)	5,827
Pension payable	(6,409)	996
Returnable deposits	(15,634)	(74,250)
Net Cash Provided by Operating Activities	\$ 1,401,785	\$ 898,862

See accompanying notes.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Notes to Financial Statements
December 31, 2015 and 2014

Note 1 - Nature of Activity

The Downingtown Municipal Water Authority (the Authority), a component unit of the Borough of Downingtown, is a water authority incorporated on July 13, 1987 under the provisions of the Pennsylvania Municipality Authorities Act of 1945, as amended, pursuant to the ordinance of the Council of the Borough of Downingtown, Chester County, Pennsylvania. The Authority was formed principally to acquire, hold, construct, improve, maintain, own and operate a water system for the Borough of Downingtown and other territories it may be authorized to serve. The Authority's revenue base consists of residential and commercial customers in the Downingtown area.

Note 2 - Summary of Significant Accounting Policies

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Authority.

The Financial Reporting Entity

The Authority is an operating authority which operates under a Board of Directors form of governance. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit, if the nature and significance of their relationship with the primary government or other component units are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. There are no agencies or entities which should be presented with the Authority.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority establishes water rates, collects water revenues, operates the water system, employs personnel to operate the water system and process water bills, and handles fiscal management for the water system.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Notes to Financial Statements
December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)**

The Authority distinguishes operating revenues and expenses from nonoperating items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses for the Authority include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Authority are grants and investment income. The principal nonoperating expense of the Authority is interest expense.

The Authority's water proprietary fund accounts for the operations of the water system. The water system is financed and operated in a manner similar to a private business enterprise, whereby the cost of providing goods or services to the general public on a continuing basis is recovered primarily through user charges.

All water revenues received must be disbursed as provided in the Trust Indenture, dated June 15, 2008, securing the Guaranteed Water Revenue Bonds, Series of 2008. The Trust Indenture provides, among other things, for the creation of various subfunds which restrict financial activities to the following:

Operating Fund - Receipt of transfers from the Revenue Fund and Construction Fund to pay for the operating expenses incurred in connection with the water system. This Fund may maintain an operating reserve equal to no greater than six months of operating expenses under the Authority's then current budget.

Revenue Fund - Receipt of revenues from the water system to be disbursed for both debt service and operations and maintenance.

Debt Service Fund - Payment of bond principal and interest on the water revenue bonds.

Construction Fund - Proceeds from bond issues that are restricted for use in construction projects.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt instruments purchased with original maturities of three months or less to be cash. Cash includes funds in the Authority's checking, savings and money market accounts, and certificates of deposit.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Notes to Financial Statements
December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

Investments

The Board is permitted to invest the Authority's funds as defined in the Local Government Unit Debt Act, the Municipality Authorities Act and the related Trust Indenture. Authorized types of investments include the following:

- A. U. S. Treasury Bills.
- B. Short-term obligations of the U. S. Government and federal agencies.
- C. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
- D. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
- E. Shares of mutual funds whose investments are restricted to the above categories.

When making investments, the Board can combine funds from more than one fund under the Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

Investments are stated at fair value, based on quoted market prices.

The Authority has no investment policy that would further limit its investment choices.

Accounts Receivable and Revenue Recognition

Accounts receivable and revenues are recorded as water is used by customers. The Authority invoices all customers quarterly. All uncollateralized accounts receivable of the Authority are from customers in the Borough of Downingtown and the surrounding areas. The accounts receivable balance includes unbilled revenues earned at year-end.

Accounts receivable are shown net of an allowance for uncollectible accounts, as deemed necessary. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. There is no reserve for uncollectible accounts at December 31, 2015 and 2014.

Inventory

Inventory consists of chemicals and supplies on hand, and is stated at the lower of cost (first-in, first-out method) or market.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Notes to Financial Statements
December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

Capital Assets

Capital assets are stated at cost. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of capital assets for purposes of computing depreciation are as follows:

Water system (mains, fire lines, pump station improvements and wells)	40 years
Water plant	40 years
Land improvements	15 years
Equipment (meters, office furniture and equipment and transportation equipment)	2 to 15 years
Software	3 years

Maintenance and repairs not considered renewals or betterments are charged to expense as incurred. Upon sale or retirement, the cost of the assets and the related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is included in income.

Interest Capitalization

Interest expense and interest income that relate to the cost of acquiring or constructing fixed assets by the Authority are capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board Accounting Standards Codification 835-20, *Capitalization of Interest*.

Bond Premiums, Discounts and Debt Issuance Costs

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Debt issuance costs represent legal, financial and other costs associated with the issuance of various water revenue bonds. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

Returnable Deposits

Returnable deposits represent fees received from developers and others to be used as expense reimbursement for legal, engineering and other fees. Any excess funds are returned to the developers and others at project completion.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Notes to Financial Statements
December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

Unearned Grant Revenues

Unearned grant revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but are not available.

Net Position

Net position is comprised of the net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified into the following three components:

Net investment in capital assets - This component of net position consists of all capital assets, net of accumulated depreciation, and is reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

Restricted - This component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the assets result from a resource flow that also results in the recognition of a liability, or if the liability will be liquidated with the restricted assets reported. This component of net position includes constraints that are placed thereon by (a) external parties, such as lenders, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position is the net amount of the assets and liabilities that are not included in the determination of "net investment in capital assets" or "restricted" as noted above.

The Authority's policy is to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Downingtown Municipal Water Authority
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Notes to Financial Statements
 December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncement

In February 2015, the Governmental Accounting Standards Board issued 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. This Statement is effective for periods beginning after June 15, 2015 for governmental entities reporting certain assets at fair value. The Authority is currently evaluating what effect, if any, this Statement will have on the Authority's financial statements.

Note 3 - Stewardship, Compliance and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

The Authority had no material violations of finance-related legal and contractual provisions.

Budgets are adopted on the basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for operations and capital projects each year. All annual appropriations lapse at fiscal year-end.

Note 4 - Deposits

The Authority's cash consists of demand deposit accounts, savings accounts, money market accounts and certificates of deposit. The carrying amounts of cash consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Cash deposits	\$ 1,202,473	\$ 1,202,608
Certificates of deposit	161,592	160,738
	<u>\$ 1,364,065</u>	<u>\$ 1,363,346</u>

Reconciliation to the Statement of Net Position

Cash:		
Unrestricted	\$ 1,027,197	\$ 961,560
Restricted	336,868	401,786
	<u>\$ 1,364,065</u>	<u>\$ 1,363,346</u>

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Notes to Financial Statements
 December 31, 2015 and 2014

Note 4 - Deposits (continued)

Custodial Credit Risk, Deposits

Custodial risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to the Authority. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Deposit Insurance Corporation limits. The Authority does not have a deposit policy for custodial credit risk.

As of December 31, 2015 and 2014, the carrying amounts of the Authority's bank deposits were \$1,364,065 and \$1,363,346, respectively, and the corresponding bank balances at December 31, 2015 and 2014 were \$1,370,873 and \$1,392,693, respectively, of which \$998,053 and \$931,658, respectively, was covered by Federal Depository Insurance. \$372,820 and \$461,035 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

Note 5 - Restricted Cash

The Authority has classified as restricted, certain cash and cash equivalents that are not available for use in its operations. At December 31, 2015, restricted cash consists of \$336,868 which was restricted for debt service payments. At December 31, 2014, restricted cash consisted of \$401,786 which was restricted for debt service payments.

Note 6 - Accounts Receivable, Restricted

Restricted accounts receivable consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Utility billing	\$ 409,290	\$ 496,811
Escrow	40,010	34,369
Other	116,488	69,277
Unbilled revenue	<u>334,317</u>	<u>282,979</u>
	<u>\$ 900,105</u>	<u>\$ 883,436</u>

Downingtown Municipal Water Authority
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Notes to Financial Statements
December 31, 2015 and 2014

Note 7 - Grants Receivable

In November 2013, the Authority entered into an agreement with the Borough of Downingtown to provide water system improvements to rehabilitate a drinking water storage tank. The Borough contracted with the County of Chester for the funding of these improvements. The total contract amount is \$450,000. The Authority incurred costs of \$271,934 and \$178,066 in December 31, 2015 and 2014, respectively, related to this project, which is included in grants in the statement of revenues, expenses and changes in net position. As of December 31, 2015 and 2014, respectively, \$244,313 and \$178,066 was included in grants receivable in the statement of net position related to this grant. As of December 31, 2015, the improvements related to this grant were complete.

Note 8 - Capital Assets

Capital asset activity is as follows as of December 31:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Capital assets not being depreciated:				
Land	\$ 468,785	\$ -	\$ -	\$ 468,785
Construction in progress	237,342	452,077	(689,419)	-
Total capital assets not being depreciated	706,127	452,077	(689,419)	468,785
Capital assets being depreciated:				
Land improvements	11,536	-	-	11,536
Software	1,300	10,659	-	11,959
Equipment	581,669	-	-	581,669
Water system	3,575,648	893,564	-	4,469,212
Water plant	12,314,400	1,361	-	12,315,761
Total capital assets being depreciated	16,484,553	905,584	-	17,390,137
Less accumulated depreciation	7,821,114	592,076	-	8,413,190
Total capital assets being depreciated, net	8,663,439	313,508	-	8,976,947
Total capital assets, net	\$ 9,369,566	\$ 765,585	\$ (689,419)	\$ 9,445,732

Downingtown Municipal Water Authority
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Notes to Financial Statements
December 31, 2015 and 2014

Note 8 - Capital Assets (continued)

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 468,785	\$ -	\$ -	\$ 468,785
Construction in progress	358,431	237,342	(358,431)	237,342
Total capital assets not being depreciated	827,216	237,342	(358,431)	706,127
Capital assets being depreciated:				
Land improvements	11,536	-	-	11,536
Software	1,300	-	-	1,300
Equipment	625,034	3,939	(47,304)	581,669
Water system	3,366,887	208,761	-	3,575,648
Water plant	11,633,045	681,355	-	12,314,400
Total capital assets being depreciated	15,637,802	894,055	(47,304)	16,484,553
Less accumulated depreciation	7,286,085	582,333	(47,304)	7,821,114
Total capital assets being depreciated, net	8,351,717	311,722	-	8,663,439
Total capital assets, net	\$ 9,178,933	\$ 549,064	\$ (358,431)	\$ 9,369,566

Note 9 - Long-Term Debt

Changes in long-term debt consist of the following at December 31:

	Balance January 1, 2015	Additions/ (Reductions)	Balance December 31, 2015	Due Within One Year
Guaranteed Water Revenue Bonds, Series of 2008	\$ 8,010,000	\$ (610,000)	\$ 7,400,000	\$ 630,000
Bond premium	81,877	(7,120)	74,757	-
	\$ 8,091,877	\$ (617,120)	\$ 7,474,757	\$ 630,000

Downingtown Municipal Water Authority
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Notes to Financial Statements
 December 31, 2015 and 2014

Note 9 - Long-Term Debt (continued)

	<u>Balance January 1, 2014</u>	<u>Additions/ (Reductions)</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
Guaranteed Water Revenue Bonds, Series of 2008	\$ 8,590,000	\$ (580,000)	\$ 8,010,000	\$ 610,000
Bond premium	88,997	(7,120)	81,877	-
	<u>\$ 8,678,997</u>	<u>\$ (587,120)</u>	<u>\$ 8,091,877</u>	<u>\$ 610,000</u>

In June 2008, the Authority issued \$10,705,000 of term bonds which refinanced the outstanding debt of Series A of 1998 Bonds and a construction loan.

The Guaranteed Water Revenue Bonds, Series of 2008, original issue of \$10,705,000, mature through 2026 with interest rates ranging from 3.250% to 4.750%. The Bonds are guaranteed by the Borough of Downingtown.

Aggregate maturities required on long-term debt at December 31, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 630,000	\$ 301,051	\$ 931,051
2017	645,000	279,789	924,789
2018	670,000	249,151	919,151
2019	690,000	222,351	912,351
2020	715,000	194,751	909,751
2021-2025	3,940,000	522,179	4,462,179
2026	110,000	4,675	114,675
	<u>\$ 7,400,000</u>	<u>\$ 1,773,947</u>	<u>\$ 9,173,947</u>

For the years ended December 31, 2015 and 2014, interest expense was \$313,248 and \$341,273, respectively. All interest costs were charged to operations.

The Authority's Guaranteed Water Revenue Bonds are secured by all assets of the Authority and the water revenue consumer base.

Downingtown Municipal Water Authority
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Notes to Financial Statements
December 31, 2015 and 2014

Note 10 - Pension Plan

The Authority contributes to a single-employer defined contribution money purchase pension plan: the Downingtown Municipal Water Authority Money Purchase Pension Plan. All full-time employees are eligible to participate in the plan. Full-time employment is defined as no less than 35 hours per week. Contributions are made by the Authority based upon a fixed percentage of each qualified employee's gross wages. Gross payroll of all qualified employees for the year ended December 31, 2015 and 2014 was \$672,257 and \$805,035, respectively. At the approved rate of 7%, the 2015 and 2014 contributions to the plan totaled \$47,058 and \$56,352, respectively. The pension plan is administered by an outside investment management company.

The following is a brief description of the plan:

Death Benefits - When a member dies prior to the commencement of his pension benefits, he is deemed fully vested and his designated beneficiary shall be entitled to the entire vested interest. If a member dies after commencement of his benefits, the member's entire interest will be distributed to his beneficiaries under the member's selected distribution method.

Forfeitures - Forfeitures will remain assets of the plan to reduce future contributions by the Authority.

Vesting - Contributions vest after five years of service. Upon termination of employment, the employee receives a distribution of his entire vested interest at the end of the quarter during which termination occurs.

Note 11 - Deferred Compensation Plan

Employees of the Authority may participate in a deferred compensation plan adopted under the provisions of the Internal Revenue Code. The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying federal taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or plan-defined unforeseeable emergency. Upon Board approval, the Authority may make contributions to the employees' deferred compensation accounts. There were no contributions made in 2015 and 2014.

Note 12 - Commitments and Contingencies

Commitments

As of December 31, 2015, the Authority had remaining commitments for the rehabilitation of the Authority's filtration system of \$217,598. The project is being funded by the Authority

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Notes to Financial Statements
December 31, 2015 and 2014

Note 12 - Commitments and Contingencies (continued)

Environmental Issues

Because of the nature of water treatment, the Authority is potentially liable for various pollution standards. The Authority can be fined by various regulatory agencies for violation of pollution standards. The Authority routinely tests certain contaminants in its water distribution systems. In 2005, the Authority was required by the Pennsylvania Department of Environmental Protection (PaDEP) and Chester County Health Department (CCHD) to provide public notices to its customers for the exceedance of the running annual average (RAA) of halo acetic acids (HAAs).

The Authority complied with all 2005 safe drinking water standards in 2005. However, it exceeded the 2005 RAA Standard for HAAs due to the higher quarterly test results in the summer and fall of 2004.

The Authority has been working with the PaDEP and CCHD to reduce the HAAs in the water and has made several adjustments and improvements to its systems to prevent similar exceedance from occurring in the future.

Self-Insurance

The Authority is a member of the Pennsylvania Intergovernmental Risk Management Association (PIRMA), a public entity self-insurance pool. PIRMA is comprised of various townships, boroughs, cities, counties and authorities in the Commonwealth of Pennsylvania. The Authority pays an annual premium to PIRMA for its workers' compensation and employer's liability insurance coverages. The agreement for the formation of PIRMA provides that PIRMA will be self-sustaining through member premiums and will pay the first \$250,000 in claims per member, will reinsure losses through the American Public Entity Excess Pool in the amount not to exceed \$1.75 million per claim and \$5 million in the aggregate excess coverage through a commercial reinsurance company.

If the Authority withdraws from PIRMA, it will receive its vested interest in the cumulative reserve fund and become responsible for only its claims. The Authority's vested interest was \$25,253 at December 31, 2015.

Concentration of Labor

Effective January 1, 2013, the Authority entered into a collective bargaining agreement for all full-time and regular part-time nonprofessional employees. The agreement, which terminates December 31, 2018, covers 83% of the Authority's workforce.

Note 13 - Subsequent Events

The Authority has evaluated subsequent events through June 23, 2016. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2015 were noted.

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Combining Schedule of Fund Net Position, by Subfund

	December 31, 2015				Total
	Operating Fund	Revenue Fund	Debt Service Fund	Construction Fund	
Assets					
Current Assets					
Cash and cash equivalents	\$ 649,876	\$ 376,684	\$ 637	\$ -	\$ 1,027,197
Grants receivable	-	244,313	-	-	244,313
Prepaid expenses	59,326	-	-	-	59,326
Inventory	55,865	-	-	-	55,865
Due from other funds	-	-	-	538	538
Total Current Assets	765,067	620,997	637	538	1,387,239
Restricted Current Assets					
Cash	-	-	336,868	-	336,868
Accounts receivable	-	900,105	-	-	900,105
Total Restricted Current Assets	-	900,105	336,868	-	1,236,973
Capital Assets					
Assets not being depreciated	468,785	-	-	-	468,785
Assets being depreciated, net of depreciation	8,976,947	-	-	-	8,976,947
Total Capital Assets	9,445,732	-	-	-	9,445,732
Total Assets	10,210,799	1,521,102	337,505	538	12,069,944

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Combining Schedule of Fund Net Position, by Subfund (continued)

	December 31, 2015				Total
	Operating Fund	Revenue Fund	Debt Service Fund	Construction Fund	
Liabilities					
Current Liabilities					
Accounts payable	\$ 71,510	\$ -	\$ -	\$ 538	\$ 72,048
Accrued payroll and payroll taxes	29,432	-	-	-	29,432
Pension payable	8,807	-	-	-	8,807
Interest payable	100,351	-	-	-	100,351
Returnable deposits	-	124,910	-	-	124,910
Due to other funds	538	-	-	-	538
Bonds payable, current	630,000	-	-	-	630,000
Total Current Liabilities	840,638	124,910	-	538	966,086
Long-Term Debt, Bonds Payable, Net of Current Portion	6,844,757	-	-	-	6,844,757
Total Liabilities	7,685,395	124,910	-	538	7,810,843
Net Position					
Net Position					
Net investment in capital assets	1,970,975	-	-	-	1,970,975
Restricted	-	1,396,192	337,505	-	1,733,697
Unrestricted	554,429	-	-	-	554,429
Total Net Position	\$ 2,525,404	\$ 1,396,192	\$ 337,505	\$ -	\$ 4,259,101

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Combining Schedule of Fund Net Position, by Subfund

	December 31, 2014				
	Operating Fund	Revenue Fund	Debt Service Fund	Construction Fund	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 628,359	\$ 325,291	\$ 284	\$ 7,626	\$ 961,560
Grants receivable	-	178,066	-	-	178,066
Prepaid expenses	56,946	-	-	-	56,946
Inventory	67,147	-	-	-	67,147
Due from other funds	-	-	-	42,534	42,534
Total Current Assets	752,452	503,357	284	50,160	1,306,253
Restricted Current Assets					
Cash	-	-	401,786	-	401,786
Accounts receivable	-	883,436	-	-	883,436
Total Restricted Current Assets	-	883,436	401,786	-	1,285,222
Capital Assets					
Assets not being depreciated	706,127	-	-	-	706,127
Assets being depreciated, net of depreciation	8,663,439	-	-	-	8,663,439
Total Capital Assets	9,369,566	-	-	-	9,369,566
Total Assets	10,122,018	1,386,793	402,070	50,160	11,961,041

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Combining Schedule of Fund Net Position, by Subfund (continued)

	December 31, 2014				
	Operating Fund	Revenue Fund	Debt Service Fund	Construction Fund	Total
Liabilities					
Current Liabilities					
Accounts payable	\$ 117,982	\$ -	\$ -	\$ 50,160	\$ 168,142
Accrued payroll and payroll taxes	33,636	-	-	-	33,636
Pension payable	15,216	-	-	-	15,216
Interest payable	110,009	-	-	-	110,009
Returnable deposits	-	140,544	-	-	140,544
Due to other funds	42,534	-	-	-	42,534
Unearned grant revenues	-	-	-	-	-
Bonds payable, current	610,000	-	-	-	610,000
Total Current Liabilities	929,377	140,544	-	50,160	1,120,081
Long-Term Debt, Bonds Payable, Net of Current Portion	7,481,877	-	-	-	7,481,877
Total Liabilities	8,411,254	140,544	-	50,160	8,601,958
Net Position					
Net Position					
Net investment in capital assets	1,277,689	-	-	-	1,277,689
Restricted	-	1,246,249	402,070	-	1,648,319
Unrestricted	433,075	-	-	-	433,075
Total Net Position	\$ 1,710,764	\$ 1,246,249	\$ 402,070	\$ -	\$ 3,359,083

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position, by Subfund

	Year Ended December 31, 2015				Total
	Operating Fund	Revenue Fund	Debt Service Fund	Construction Fund	
Operating Revenues					
Water revenues	\$ -	\$ 3,697,817	\$ -	\$ -	\$ 3,697,817
Tapping fees	-	16,571	-	-	16,571
Penalties and miscellaneous	-	75,754	-	-	75,754
Total Operating Revenues	-	3,790,142	-	-	3,790,142
Operating Expenses					
Water system	2,510,348	-	-	-	2,510,348
Administrative	339,977	-	-	-	339,977
Total Operating Expenses	2,850,325	-	-	-	2,850,325
Operating Income (Loss)	(2,850,325)	3,790,142	-	-	939,817
Nonoperating Revenues (Expenses)					
Grants	-	271,934	-	-	271,934
Interest expense	-	-	(313,248)	-	(313,248)
Investment income	358	1,101	56	-	1,515
Total Nonoperating Revenues (Expenses)	358	273,035	(313,192)	-	(39,799)
Income (Loss) before Transfers In (Out)	(2,849,967)	4,063,177	(313,192)	-	900,018
Transfers In (Out)	3,664,607	(3,913,234)	248,627	-	-
Change in Net Position	814,640	149,943	(64,565)	-	900,018
Net Position at Beginning of Year	1,710,764	1,246,249	402,070	-	3,359,083
Net Position at End of Year	\$ 2,525,404	\$ 1,396,192	\$ 337,505	\$ -	\$ 4,259,101

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position, by Subfund

	Year Ended December 31, 2014				Total
	Operating Fund	Revenue Fund	Debt Service Fund	Construction Fund	
Operating Revenues					
Water revenues	\$ -	\$ 3,526,464	\$ -	\$ -	\$ 3,526,464
Water capacity fees	-	22,918	-	-	22,918
Tapping fees	-	13,948	-	-	13,948
Penalties and miscellaneous	-	149,883	-	-	149,883
Total Operating Revenues	-	3,713,213	-	-	3,713,213
Operating Expenses					
Water system	2,753,166	5,183	-	-	2,758,349
Administrative	328,975	-	-	-	328,975
Total Operating Expenses	3,082,141	5,183	-	-	3,087,324
Operating Income (Loss)	(3,082,141)	3,708,030	-	-	625,889
Nonoperating Revenues (Expenses)					
Grants	-	319,635	-	-	319,635
Interest expense	-	-	(341,273)	-	(341,273)
Investment income	104	4,725	62	-	4,891
Gain on disposal of capital assets	4,545	-	-	-	4,545
Total Nonoperating Revenues (Expenses)	4,649	324,360	(341,211)	-	(12,202)
Income (Loss) before Transfers In (Out)	(3,077,492)	4,032,390	(341,211)	-	613,687
Transfers In (Out)	3,253,562	(3,533,343)	279,781	-	-
Change in Net Position	176,070	499,047	(61,430)	-	613,687
Net Position at Beginning of Year	1,534,694	747,202	463,500	-	2,745,396
Net Position at End of Year	\$ 1,710,764	\$ 1,246,249	\$ 402,070	\$ -	\$ 3,359,083

Downingtown Municipal Water Authority
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Budgetary Comparison Schedule

	Year Ended December 31, 2015		
	Original and Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Water revenues	\$ 3,446,600	\$ 3,697,817	\$ 251,217
Tapping fees	20,000	16,571	(3,429)
Penalties and miscellaneous	57,500	75,754	18,254
Total Operating Revenues	3,524,100	3,790,142	266,042
Operating Expenses			
Water system	2,071,740	2,510,348	(438,608)
Administrative	401,000	339,977	61,023
Total Operating Expenses	2,472,740	2,850,325	(377,585)
Operating Income	1,051,360	939,817	(111,543)
Nonoperating Revenues (Expenses)			
Grants	-	271,934	271,934
Interest expense	(938,388)	(313,248)	625,140
Investment income	3,500	1,515	(1,985)
Total Nonoperating Revenues (Expenses)	(934,888)	(39,799)	895,089
Change in Net Position	\$ 116,472	900,018	\$ 783,546
Net Position at Beginning of Year		3,359,083	
Net Position at End of Year		\$ 4,259,101	

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Budgetary Comparison Schedule

	Year Ended December 31, 2014		
	Original and Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Water revenues	\$ 3,420,000	\$ 3,526,464	\$ 106,464
Water capacity fees	-	22,918	22,918
Tapping fees	-	13,948	13,948
Penalties and miscellaneous	70,000	149,883	79,883
Total Operating Revenues	3,490,000	3,713,213	223,213
Operating Expenses			
Water system	2,137,900	2,758,349	(620,449)
Administrative	227,500	328,975	(101,475)
Total Operating Expenses	2,365,400	3,087,324	(721,924)
Operating Income	1,124,600	625,889	(498,711)
Nonoperating Revenues (Expenses)			
Grants	-	319,635	319,635
Interest expense	(853,954)	(341,273)	512,681
Investment income	1,000	4,891	3,891
Gain on disposal of capital assets	-	4,545	4,545
Total Nonoperating Revenues (Expenses)	(852,954)	(12,202)	840,752
Change in Net Position	\$ 271,646	613,687	\$ 342,041
Net Position at Beginning of Year		2,745,396	
Net Position at End of Year		\$ 3,359,083	

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Schedule of Operating Expenses - Budget and Actual

	Year Ended December 31, 2015		
	Original and Final Budget	Actual	Variance with Final Budget
Water System			
Bad debt expense	\$ -	\$ -	\$ -
Chemical supplies	155,000	114,352	40,648
Depreciation	-	592,076	(592,076)
Insurance	337,300	306,322	30,978
Laboratory supplies	60,000	22,854	37,146
Distribution system	60,000	41,500	18,500
Miscellaneous expenses	100,500	22,516	77,984
Operating supplies	25,500	29,591	(4,091)
Payroll taxes	67,800	60,249	7,551
Pension	48,000	47,058	942
Regulatory expense	10,000	7,509	2,491
Repairs and maintenance	278,500	346,005	(67,505)
Salaries and wages	690,500	758,374	(67,874)
Sludge removal	110,000	36,927	73,073
Utilities	128,640	125,015	3,625
Total Water System Expenses	2,071,740	2,510,348	(438,608)
Administrative			
Board members' fees	8,000	7,875	125
Engineers' fees	110,000	103,760	6,240
Marketing	6,000	2,885	3,115
Miscellaneous expenses	1,600	5,292	(3,692)
Office expenses	63,400	48,289	15,111
Professional fees	212,000	171,876	40,124
Total Administrative Expenses	401,000	339,977	61,023
Total Operating Expenses	\$ 2,472,740	\$ 2,850,325	\$ (377,585)

Downingtown Municipal Water Authority
A Component Unit of the Borough of Downingtown

Schedule of Operating Expenses - Budget and Actual

	Year Ended December 31, 2014		
	Original and Final Budget	Actual	Variance with Final Budget
Water System			
Bad debt expense	\$ -	\$ 5,183	\$ (5,183)
Chemical supplies	152,000	143,825	8,175
Depreciation	-	582,333	(582,333)
Insurance	331,500	330,061	1,439
Laboratory supplies	35,000	32,413	2,587
Miscellaneous expenses	52,000	45,865	6,135
Operating supplies	56,000	62,875	(6,875)
Payroll taxes	68,800	67,438	1,362
Pension	55,650	56,352	(702)
Regulatory expense	10,000	13,392	(3,392)
Repairs and maintenance	300,000	320,380	(20,380)
Salaries and wages	803,750	848,661	(44,911)
Sludge removal	120,000	106,242	13,758
Utilities	153,200	143,329	9,871
Total Water System Expenses	2,137,900	2,758,349	(620,449)
Administrative			
Board members' fees	7,500	7,500	-
Engineers' fees	80,000	97,656	(17,656)
Marketing	8,000	3,579	4,421
Miscellaneous expenses	1,000	1,098	(98)
Office expenses	61,000	70,434	(9,434)
Professional fees	70,000	148,708	(78,708)
Total Administrative Expenses	227,500	328,975	(101,475)
Total Operating Expenses	\$ 2,365,400	\$ 3,087,324	\$ (721,924)