



TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
BERWYN, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2015

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
BERWYN, PENNSYLVANIA
(A Component Unit of Tredyffrin Township)

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INDEPENDENT AUDITOR'S REPORT

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June 20, 2016

To the Board of Supervisors
Tredyffrin Township Municipal Authority
Berwyn, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Tredyffrin Township Municipal Authority (the "Authority"), a component unit of Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority'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 Authority'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.

To the Board of Supervisors
Tredyffrin Township Municipal Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Tredyffrin Township Municipal Authority as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the Transportation District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2014 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated July 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2015**

The following discussion and analysis of the Tredyffrin Township Municipal Authority (the "Authority") provides an overview of the Authority's activities for the year ended December 31, 2015. Please read it in conjunction with the Authority's financial statements and footnotes which begin on page 9.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and includes notes that explain some of the information in the financial statements in more detail.

Reporting the Authority as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the Authority as a whole begins on pages 9 and 10 with the Statement of Net Position and the Statement of Activities.

These two statements report the Authority's net position, and changes in them, during the year. The Authority's net position – the difference between assets and deferred outflows of resources, and liabilities – are one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's assets are one indicator of whether its financial health is improving or deteriorating.

These statements include all assets, deferred outflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, the Authority is divided into two kinds of activities:

- **Governmental Activities** – Records activities related to the financing of major highway improvement projects.
- **Business-type Activities** – Records activities related to the financing of major sanitary sewer improvement projects.

Reporting the Authority's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the funds. All of the Authority's funds are required by either state law or bond covenants and included as part of this audit. The Authority currently has two types of funds – governmental and proprietary – and each use different accounting approaches.

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
DECEMBER 31, 2015**

Governmental Funds. These funds record the activity associated with the financing of highway projects. Governmental funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Authority's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliations in the financial statements.

Proprietary Fund. This fund records the activity associated with the financing of sewer projects. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Authority's proprietary fund is the same as the business-type activities reported in the entity-wide statements but provides more detailed and additional information, such as cash flows for the proprietary fund.

FINANCIAL ANALYSIS OF THE AUTHORITY

The following Statement of Net Position in Table 1 presents financial information comparing 2015 and 2014. At the close of 2015, the Authority's liabilities exceeded assets and deferred outflows by \$571,523. This negative net position value reflects the structure of the Authority as a financing entity for the Township for certain capital project activity. Due to the Authority's structure and relationship with the Township, the capital highway infrastructure assets associated with the self-liquidating debt of the Authority are shown on the Township's financial statements and not incorporated into these reports.

**TABLE 1: TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY'S NET POSITION
December 31, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 550,259	\$ 5	\$ 550,264	\$ 895,669	\$ 447,249	\$ 1,342,918
Noncurrent assets	-	-	-	-	1,615,000	1,615,000
Total Assets	<u>550,259</u>	<u>5</u>	<u>550,264</u>	<u>895,669</u>	<u>2,062,249</u>	<u>2,957,918</u>
Deferred Outflows	-	-	-	-	36,452	36,452
Current liabilities	426,612	-	426,612	829,152	399,111	1,228,263
Long-term liabilities	695,175	-	695,175	1,030,728	1,646,893	2,677,621
Total Liabilities	<u>1,121,787</u>	<u>-</u>	<u>1,121,787</u>	<u>1,859,880</u>	<u>2,046,004</u>	<u>3,905,884</u>
Restricted	-	-	-	45,918	-	45,918
Unrestricted (Deficit)	<u>(571,528)</u>	<u>5</u>	<u>(571,523)</u>	<u>(1,010,129)</u>	<u>52,697</u>	<u>(957,432)</u>
Total Net Position (Deficit)	<u>\$ (571,528)</u>	<u>\$ 5</u>	<u>\$ (571,523)</u>	<u>\$ (964,211)</u>	<u>\$ 52,697</u>	<u>\$ (911,514)</u>

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (cont'd)
DECEMBER 31, 2015**

Table 2 below summarizes the change in net position. For governmental activities (that is, the highway financing), net position increased by \$392,683 during 2015, compared to an increase of \$435,340 in 2014. As shown in Table 2, the 2015 net position increase is the result of revenues from the highway assessment and other income being more than the operating expenses, bond debt service, and transfers to the Township. The overall financial condition of the governmental activities of the Authority remains sound given that the collection rate of the highway assessment remains above 95 percent and the outstanding debt is guaranteed by the Township.

For business activities (that is, the sewer financing), net position decreased by \$52,692, compared to an increase of \$1,011 in 2014. The 2015 net position decrease is the result of the transfer of approximately \$57,000 to help cover the cost of calling all remaining maturities of the Series of 2010 Sewer Revenue Bonds.

The total net position of the Authority increased by \$339,991 in 2015 as compared to an increase of \$436,351 in 2014.

**TABLE 2: TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY'S CHANGES IN NET POSITION
Years Ended December 31, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES:						
Sewer lease rental	\$ -	\$ 45,618	\$ 45,618	\$ -	\$ 61,118	\$ 61,118
Highway special assessment	501,408	-	501,408	500,227	-	500,227
Investment earnings	-	5	5	5	-	5
Other income	247	-	247	5,100	-	5,100
Amortization	-	4,552	4,552	-	1,011	1,011
TOTAL REVENUES	501,655	50,175	551,830	505,332	62,129	567,461
EXPENSES:						
Operating expenses	36,180	-	36,180	35,600	-	35,600
Interest on bonds	26,874	45,618	72,492	34,392	61,118	95,510
Transfer to Township	45,918	57,249	103,167	-	-	-
TOTAL EXPENSES	108,972	102,867	211,839	69,992	61,118	131,110
Change in Net Position	392,683	(52,692)	339,991	435,340	1,011	436,351
Net Position, Beginning	(964,211)	52,697	(911,514)	(1,399,551)	51,686	(1,347,865)
Net Position, Ending	<u>\$ (571,528)</u>	<u>\$ 5</u>	<u>\$ (571,523)</u>	<u>\$ (964,211)</u>	<u>\$ 52,697</u>	<u>\$ (911,514)</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (cont'd)
DECEMBER 31, 2015**

Governmental Funds. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources for activity associated with the financing of highway projects. Such information is useful in assessing the Authority's financial condition.

As of December 31, 2015, the Authority's governmental funds reported combined ending fund balances of \$435,180, an increase of \$47,794 as compared to the prior year. All of the fund balance, or \$435,180, constitutes assigned fund balance, which is designated for bond redemption and administrative expenses.

Transportation District Fund. The Transportation District Fund is the main operating fund of the Authority. As of December 31, 2015, the total fund balance of the Transportation District Fund was \$435,180 (compared to \$341,468 for the prior year), all of which is assigned. The major revenue source for the Transportation District Fund is a highway improvement assessment of businesses located within a defined district.

Debt Service Fund. The Debt Service Fund accounts for the money accumulated for the payment of debt. As of December 31, 2015, the debt was repaid and the fund was closed out.

Proprietary Fund. The focus of the Authority's proprietary fund is to provide information on near-term inflows, outflows, and balances of spendable resources for activity associated with the financing of sewer projects. Such information is useful in assessing the Authority's financial condition.

As of December 31, 2015, the Authority's proprietary funds reported a net position of \$5, a decrease of \$52,692 compared to the prior year, due to the decision to call all remaining outstanding maturities of the Series of 2010 Sewer Revenue Bonds. The net position is unrestricted but have been committed to pay for: (1) debt service; (2) capital improvements; or (3) additional security for bonds. The major revenue source for the Authority's proprietary funds is a lease payment from the Township for use of the sewer system.

DEBT ADMINISTRATION

As of December 31, 2015, the Authority had \$1,031,013 in a note outstanding versus \$3,364,265 last year – a decrease of 69.4 percent – as shown in Table 3.

**TABLE 3: TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY'S OUTSTANDING DEBT
December 31, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation Note	\$ 1,031,013	\$ -	\$ 1,031,013	\$ 1,359,265	\$ -	\$ 1,359,265
Sewer Revenue Bonds	-	-	-	-	2,005,000	2,005,000
Total Bonds	<u>\$ 1,031,013</u>	<u>\$ -</u>	<u>\$ 1,031,013</u>	<u>\$ 1,359,265</u>	<u>\$ 2,005,000</u>	<u>\$ 3,364,265</u>

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (cont'd)
DECEMBER 31, 2015**

SUMMARY OF ORGANIZATION BACKGROUND

The Authority was incorporated on June 22, 1959, under the Municipality Authorities Act of 1945, 53 P.S. §301, amended and reenacted as 53 Pa. C.S.A. Ch. 56. There are seven members of the Authority, each appointed by the Tredyffrin Township Board of Supervisors. The purpose of the Authority is to acquire, finance, hold, construct, improve, and own sanitary sewer systems and highway projects.

The sanitary sewer system, consisting of approximately 162 miles of gravity main, 7.8 miles of force main, and nine pump stations, is owned in its entirety by the Authority. Tredyffrin Township leases the sewer system from the Authority. The terms of the lease and subsequent indentures provide for Tredyffrin Township to operate and maintain the sewer system. The lease payments from the Township are equal to the debt service of the Authority's sewer revenue bonds.

There are two components to the sanitary sewer system: the Valley Creek Trunk Sewer ("VCTS") and the Township system. The Valley Creek Trunk Sewer is a trunk line which conveys sewage from Charlestown Township, Easttown Township, East Whiteland Township, Malvern Borough, Tredyffrin Township, and Willistown Township to the treatment plant owned and operated by the Valley Forge Sewer Authority in Phoenixville, Pennsylvania. Tredyffrin Township operates the VCTS on behalf of the partner municipalities. The Township system conveys only Tredyffrin sewage. A portion of it connects into the VCTS.

The sanitary sewer system provides collection and conveyance only; Philadelphia, Upper Merion Township, and the Valley Forge Sewer Authority provide the treatment.

Sewer utility rentals, collected by the Township, were \$250.00 per equivalent dwelling unit ("EDU") per year in 2015 and 2014. For any property making a connection to the sanitary sewer, a tapping fee is charged. Capacity allocations for the purpose of determining the tapping fee are based on total wastewater flows of 213 gallons per day ("gpd") per EDU for residential properties and the schedule attached to the resolution dated June 22, 2005, for commercial properties. The allocations are applied to the tapping fee of \$9.82/gpd for capacity plus \$6.51/gpd for collection. For residential properties, the total tapping fee is \$3,478.29 per EDU [213*(\$9.82+\$6.51)].

Act 537 plans provide municipalities with data to evaluate the current and future needs of sanitary sewer systems. The Wilson Road Pumping Station Act 537 Plan was approved by the Pennsylvania Department of Transportation ("PA DEP") in 2009, allowing the Township to proceed with plans to expand the pumping station to relieve the constraints set forth in the PA DEP Connection Management Plan. The design of the pumping station was 100 percent complete in 2010, and construction started in the summer of 2010. The Valley Creek Trunk Sewer Act 537 draft was completed in 2009, with review and approval in 2010.

Under the terms of the lease with the Authority, the Township completed various capital and maintenance improvement projects during 2015, including:

- cleaning 3,516 linear feet of sewer line;
- camera operations 10,608 linear feet of sewer line;
- degrease 52,628 linear feet of sewer line;

**TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (cont'd)
DECEMBER 31, 2015**

- inspecting 44 manholes;
- replacing 359 feet of eight-inch sewer line;
- replacing or repairing various mechanical items at pump stations;

The highway system in the Township consists of approximately 107 miles of municipal roadways owned by the Township and 43 miles of state roadways. Operation, maintenance, and repair of the Township roadways are the responsibility of the Township. The Authority worked with private property developers, Tredyffrin Township, Upper Merion Township, and the Pennsylvania Department of Transportation on a joint project to ameliorate traffic congestion along the Route 202 corridor between the Schuylkill Expressway and West Swedesford Road. The project consisted of the widening of Route 202 and the construction of new interchanges and collector roads. The Authority financed a portion of Tredyffrin Township's local share of the project by issuing bonds. The Authority generates funds to pay the debt service on the highway bonds by levying a special assessment payable annually against all properties zoned commercial, industrial, hotel, or professional/office located within the Transportation District. The Transportation District includes an area of about 4.2 square miles of land surrounding Route 202.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Joseph F. DiRocco, CPA, Director of Finance, 1100 DuPortail Road, Berwyn, PA 19312.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENT OF NET POSITION
DECEMBER 31, 2015
(With Summarized Comparative Data for December 31, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 525,954	\$ 5	\$ 525,959	\$ 899,332
Taxes receivable	24,305	-	24,305	7,668
Lease receivable, current portion	-	-	-	390,000
Due from Township	-	-	-	45,918
Total Current Assets	<u>550,259</u>	<u>5</u>	<u>550,264</u>	<u>1,342,918</u>
Noncurrent Assets:				
Lease receivable, net of current portion	-	-	-	1,615,000
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,615,000</u>
TOTAL ASSETS	<u>550,259</u>	<u>5</u>	<u>550,264</u>	<u>2,957,918</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges	-	-	-	36,452
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>550,259</u>	<u>5</u>	<u>550,264</u>	<u>2,994,370</u>
LIABILITIES				
Current Liabilities:				
Due to Township	90,774	-	90,774	500,615
Current portion of long-term debt	335,838	-	335,838	727,648
Total Current Liabilities	<u>426,612</u>	<u>-</u>	<u>426,612</u>	<u>1,228,263</u>
Noncurrent Liabilities:				
Long-term portion of long-term debt	695,175	-	695,175	2,677,621
Total Noncurrent Liabilities	<u>695,175</u>	<u>-</u>	<u>695,175</u>	<u>2,677,621</u>
TOTAL LIABILITIES	<u>1,121,787</u>	<u>-</u>	<u>1,121,787</u>	<u>3,905,884</u>
NET POSITION (DEFICIT)				
Restricted	-	-	-	45,918
Unrestricted (Deficit)	<u>(571,528)</u>	<u>5</u>	<u>(571,523)</u>	<u>(957,432)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (571,528)</u>	<u>\$ 5</u>	<u>\$ (571,523)</u>	<u>\$ (911,514)</u>

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES:						
General government	\$ 36,180	\$ -	\$ -	\$ (36,180)	\$ -	\$ (36,600)
Interest expense	26,874	-	-	(26,874)	-	(34,392)
TOTAL GOVERNMENTAL ACTIVITIES	<u>63,054</u>	<u>-</u>	<u>-</u>	<u>(63,054)</u>	<u>-</u>	<u>(69,992)</u>
BUSINESS-TYPE ACTIVITIES:						
Sewer	45,618	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>45,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 108,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(63,054)</u>	<u>-</u>	<u>(69,992)</u>
GENERAL REVENUES						
Taxes levied for specific purposes				501,408	-	501,408
Investment earnings				-	5	5
Transfers to Township				(45,918)	(57,249)	(103,167)
Other				247	4,552	4,799
GENERAL REVENUES AND TRANSFERS				<u>455,737</u>	<u>(52,692)</u>	<u>403,045</u>
CHANGE IN NET POSITION				392,683	(52,692)	339,991
NET POSITION (DEFICIT), BEGINNING OF YEAR				(964,211)	52,697	(911,514)
NET POSITION (DEFICIT), END OF YEAR				<u>\$ (571,528)</u>	<u>\$ 5</u>	<u>\$ (911,514)</u>

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

TREDFYFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

(With Summarized Comparative Data for December 31, 2014)

	Transportation District	Debt Service Fund	Totals	
	2015	2014	2015	2014
ASSETS				
Cash and cash equivalents	\$ 525,954	-	\$ 525,954	\$ 842,083
Taxes receivable	24,305	-	24,305	7,668
Due from Township	-	-	-	45,918
TOTAL ASSETS	<u>550,259</u>	<u>-</u>	<u>550,259</u>	<u>895,669</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Due to Township	90,774	-	90,774	500,615
TOTAL LIABILITIES	<u>90,774</u>	<u>-</u>	<u>90,774</u>	<u>500,615</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	24,305	-	24,305	7,668
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>24,305</u>	<u>-</u>	<u>24,305</u>	<u>7,668</u>
FUND BALANCES:				
Restricted	-	-	-	45,918
Assigned	435,180	-	435,180	341,468
TOTAL FUND BALANCES	<u>\$ 435,180</u>	<u>-</u>	<u>\$ 435,180</u>	<u>\$ 387,386</u>

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
DECEMBER 31, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 435,180
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Amounts reported for governmental activities in the statement of net position are different because:

Some of the Authority's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	24,305
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Long-term debt	<u>(1,031,013)</u>
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NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (571,528)</u></u>
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The accompanying notes are an integral part of these financial statements.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Data for the Year Ended December 31, 2014)

	Transportation District	Debt Service Fund	Totals
	2015	2014	2014
REVENUES			
Highway improvement assessment	\$ 484,771	-	\$ 507,124
Interest, dividends, and rents	-	-	5
Miscellaneous income	247	-	5,100
TOTAL REVENUES	<u>485,018</u>	<u>485,018</u>	<u>512,229</u>
EXPENDITURES			
Current:			
General government	36,180	-	35,600
Debt service:			
Principal	328,252	-	320,735
Interest and other charges	26,874	-	34,392
TOTAL EXPENDITURES	<u>391,306</u>	<u>391,306</u>	<u>390,727</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>93,712</u>	<u>-</u>	<u>121,502</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	554
Transfers out	-	-	(554)
Transfers to Township	-	(45,918)	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(45,918)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	93,712	(45,918)	121,502
FUND BALANCES, BEGINNING OF YEAR	<u>341,468</u>	<u>45,918</u>	<u>265,884</u>
FUND BALANCES, END OF YEAR	<u>\$ 435,180</u>	<u>\$ -</u>	<u>\$ 387,386</u>

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 47,794

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 16,637

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond principal 328,252

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 392,683

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
BUDGETARY COMPARISON STATEMENT - TRANSPORTATION DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original and Final Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Positive (Negative) Variance</u>
REVENUES			
Highway improvement assessment	\$ 499,100	\$ 484,771	\$ (14,329)
Miscellaneous revenue	-	247	247
TOTAL REVENUES	<u>499,100</u>	<u>485,018</u>	<u>(14,082)</u>
EXPENDITURES			
Current:			
General government	36,100	36,180	(80)
Principal	328,537	328,252	285
Interest	26,590	26,874	(284)
TOTAL EXPENDITURES	<u>391,227</u>	<u>391,306</u>	<u>(79)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>107,873</u>	<u>93,712</u>	<u>(14,161)</u>
NET CHANGES IN FUND BALANCE	107,873	93,712	(14,161)
FUND BALANCES, BEGINNING OF YEAR	<u>370,058</u>	<u>341,468</u>	<u>(28,590)</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 477,931</u></u>	<u><u>\$ 435,180</u></u>	<u><u>\$ (42,751)</u></u>

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENTS OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2015 AND 2014

	Major Fund	
	Sewer Projects Fund	
	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5	\$ 57,249
Lease receivable, current portion	-	390,000
Total Current Assets	<u>5</u>	<u>447,249</u>
Noncurrent Assets:		
Lease receivable	-	1,615,000
Total Noncurrent Assets	<u>-</u>	<u>1,615,000</u>
TOTAL ASSETS	<u>5</u>	<u>2,062,249</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges	-	36,452
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5</u>	<u>2,098,701</u>
 LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Revenue bonds due within one year, net	-	399,111
Total Current Liabilities	<u>-</u>	<u>399,111</u>
Noncurrent Liabilities:		
Revenue bonds, net	-	1,646,893
Total Noncurrent Liabilities	<u>-</u>	<u>1,646,893</u>
TOTAL LIABILITIES	<u>-</u>	<u>2,046,004</u>
 NET POSITION		
Unrestricted	<u>\$ 5</u>	<u>\$ 52,697</u>

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Major Fund	
	Sewer Projects Fund	
	2015	2014
NONOPERATING REVENUES (EXPENSES)		
Interest on lease rental - Tredyffrin Township	\$ 45,618	\$ 61,118
Investment income	5	-
Amortization of deferred charges	4,552	1,011
Transfers to Township	(57,249)	-
Interest expense on bonds	(45,618)	(61,118)
	(52,692)	1,011
TOTAL NONOPERATING REVENUES (EXPENSES)		
CHANGES IN NET POSITION	(52,692)	1,011
NET POSITION, BEGINNING OF YEAR	52,697	51,686
NET POSITION, END OF YEAR	\$ 5	\$ 52,697

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Major Fund	
	Sewer Projects Fund	
	2015	2014
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to Township	\$ (57,249)	\$ -
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(57,249)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal amount received on lease receivable	2,005,000	385,000
Interest amount received on lease receivable	45,618	61,118
Principal paid on capital debt	(2,005,000)	(385,000)
Interest paid on capital debt	(45,618)	(61,118)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and investment revenues	5	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	5	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(57,244)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	57,249	57,249
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5	\$ 57,249
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Amortization of deferred charges	\$ 4,552	\$ 1,011

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

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tredyffrin Township Municipal Authority (the "Authority") was incorporated by Tredyffrin Township, Chester County, Pennsylvania, on June 22, 1959, pursuant to the Municipality Authorities Act of 1945, approved May 2, 1945, as amended. The Authority Board consists of seven members appointed by the Township Board of Supervisors. The Authority was established for the purpose of the acquisition, construction, improvement, extension, maintenance, and operation of sewer systems and highway projects. The Authority also has been authorized to construct various highway and sewer projects in the Township by the sales of municipal bonds.

The financial statements of the 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:

Reporting Entity

For purposes of defining the scope of the financial reporting entity, the Authority is considered a component unit of Tredyffrin Township. Such determination is consistent with the Township's consideration of the criteria used in determining whether such organization should be included in the Township's financial reporting entity. The accompanying financial statements represent component unit financial statements of the Authority and include all operations of the Authority.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the Authority as a whole. These statements distinguish between activities that are governmental and those that are considered business-type.

The entity-wide financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Authority and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Authority.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from debt service funds and the restrictions on their net position use.

Fund Financial Statements

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The Authority reports the following major governmental funds:

- The **Transportation District Fund** is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.
- The **Debt Service Fund** accounts for the resources restricted for payment of debt service. For financial reporting purposes, the Debt Service Fund includes amounts held by the Trustee for debt service in the Revenue Fund and the Debt Service Reserve Fund. The fund also accounts for resources accumulated for capital projects, redemption of bonds and other debts, liabilities, and obligations of the Authority for which provision for payment has not otherwise been made.

The Authority reports the following proprietary fund:

- The **Sewer Projects Fund** financed the construction of the collection systems and the pumping stations for leasing to Tredyffrin Township under a direct financing lease. The funds are held by the Trustee for purposes described in the Trust Indenture for the 2010 Guaranteed Sewer Revenue Bonds (Note 4).

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days from year end and available to pay obligations of the current period). This includes investment earnings, certain assessments, and certain fees for services. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Highway improvement assessments, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, assessment receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as amortization, are recorded in proprietary funds. The Authority's only proprietary fund is an enterprise fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Lease

As discussed in Note 4, the Authority leases the sewer system to the Township pursuant to a lease agreement. The lease is classified as a capital lease in the entity-wide and proprietary fund financial statements.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, bonds payable and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method.

In the governmental fund financial statements, governmental fund types report discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Debt service payments are reported as debt service expenditures. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Balance

As of December 31, 2015, fund balance of the governmental funds are classified, if applicable, as follows:

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Authority Board of Supervisors. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet - governmental funds will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The Transportation District Fund reports delinquent highway improvement assessments not collected within 60

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

days of year end as deferred inflows since they are not considered available to liquidate liabilities of the current period in accordance with modified accrual reporting. The Sewer Projects Fund and business-type activities report the loss on debt refunding as deferred outflows of resources.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. At December 31, 2015, the carrying amount of the Authority's deposits was \$525,959, and the bank balance was \$525,959. Of the bank balance, \$250,000 was covered by federal depository insurance and \$275,959 was collateralized in accordance with Act 72 at December 31, 2015.

NOTE 3 LEASE AGREEMENT

The Authority owns a sewage collection and transmission system which serves the Township and conveys sewage from portions of certain adjacent municipalities. The Authority issued Sewer Revenue Bonds to finance the construction of the sanitary sewage system. The Authority leases the sewer system to the Township pursuant to the lease.

Under the terms of the lease, the Township has agreed to pay the Authority amounts sufficient to cover debt service requirements of the Sewer Revenue Bonds and the administrative expenses of the Authority. To facilitate these payments, the lease agreement requires that revenues received by the Township relating to the leased sewer system be used for payments to the Authority as well as to pay for maintenance and capital expenditures for the leased system. The Township will pay the rentals to the trustee on June 25 and December 25 in amounts equal to the Authority's debt service on the bonds.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 LEASE AGREEMENT (cont'd)

The lease agreement dated October 1, 1989, as amended by a first supplemental lease dated September 1, 1992 (the original lease), as amended by the second supplemental indenture dated November 1, 1997 (collectively, as the "indenture"), as supplemented by the third supplemental indenture dated November 1, 2003, as supplemented by the fourth supplemental indenture dated July 1, 2010, provides for the Township to operate and maintain the sewer system.

NOTE 4 LONG-TERM DEBT

Governmental Activity Debt

In December 2013, a \$1,680,000 General Obligation Note, Series of 2013 (the "Note") was issued to refund the Guaranteed Highway Improvement Revenue Bonds, Series of 2008, which had been issued to refund the Highway Improvement Revenue Bonds, Series of 2002. The 2002 bonds had been issued to refund the Series of 1993 bonds, which were issued to finance the Township's share of highway construction and improvement projects along U.S. Route 202 between I-76 and West Swedesford Road.

It is covenanted with the registered owner from time to time of the Note that the Authority shall 1) include the amount of the debt service for the Note for each fiscal year in which such sums are payable in its budget for that year; 2) appropriate such amounts from its dedicated special highway assessment revenues, or if necessary from its general revenues, for the payment of such debt service; and 3) duly and punctually pay, or cause to be paid, from its sinking fund or any other of its revenues or funds the principal of, and the interest on, the Note at the dates and places in the manner stated in the Note according to the true intent and meaning thereof. For such budgeting, appropriation, and payment, the Township pledges its full faith, credit, and taxing power.

The Note dated December 27, 2013 shall bear interest at the rate of 2.20 percent per annum, and shall mature on December 27, 2018. Interest and principal will be payable monthly at the interest rate described above beginning in the month following the month of issuance.

Business-type Activity Debt

In July 2010, Guaranteed Sewer Revenue Bonds, Series of 2010, were issued to refund Guaranteed Sewer Revenue Bonds, Series of 2003, which had been issued to refund Sewer Revenue Bonds of 1997. Payments are due semi-annually in January and July, through July 2019, at interest rates on remaining maturities which range from 2.0 percent to 4.0 percent.

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

As described more fully in Note 3, under the terms of a lease agreement, Tredyffrin Township agreed to pay the Authority amounts sufficient to cover debt service requirements of the Sewer Revenue Bonds. Also pledged for debt service were funds held by the trustee under the trust indenture, grants and subsidies, and any connection or tapping fees. The Township guaranteed the payment of debt service.

The net proceeds of \$3,495,884 (after issuance costs of \$74,061 plus bond premium of \$82,003 and accrued interest of \$2,942) were used to refund the 2003 series of bonds with an outstanding principal amount of \$3,480,000.

Per the 2010 bonds Trust Indenture, the Township was obligated under the lease to set, fix, charge, and impose; and to the extent permitted by law, maintain and use its best efforts to collect appropriate sewer rentals, tapping fees, connection charges, and assessments, if any, due the Township from users of the sewer system, which, together with certain funds specified under the Trust Indenture, will be sufficient to provide money in each fiscal year to pay:

- (a) The regular rentals payable under the lease in such fiscal year by the Township to the Authority and additional rentals, if any, payable with respect to taxes;
- (b) Any additional rentals payable under any supplemental lease;
- (c) The expense of operating, maintaining, and repairing the sewer system;
- (d) To provide a margin of safety equal to 2½ percent of the sum of (a), (b), and (c), above; and
- (e) An additional sum equal to five percent of the next year's maximum lease rentals.

During 2015, the Guaranteed Sewer Revenue Bonds, Series of 2010, were paid in full.

An analysis of debt service requirements to maturity on the General Obligation Note, Series of 2013 is as follows:

<u>December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 335,838	\$ 19,289	\$ 355,127
2017	343,301	11,826	355,127
2018	<u>351,874</u>	<u>4,196</u>	<u>356,070</u>
Totals	<u>\$ 1,031,013</u>	<u>\$ 35,311</u>	<u>\$ 1,066,324</u>

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

A schedule of changes in debt is as follows:

	<u>Balance at 01/01/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/15</u>	<u>Due Within One Year</u>
Government Activities:					
General Obligation Note - Series of 2013	\$1,359,265	\$ -	\$ 328,252	\$1,031,013	\$ 335,838
Total Governmental Activities	<u>1,359,265</u>	<u>-</u>	<u>328,252</u>	<u>1,031,013</u>	<u>335,838</u>
Business-type Activities:					
Sewer Revenue Bonds - Series of 2010	2,005,000	-	2,005,000	-	-
Premium	41,004	-	41,004	-	-
Total Business-type Activities	<u>2,046,004</u>	<u>-</u>	<u>2,046,004</u>	<u>-</u>	<u>-</u>
Total Bonds and Note	<u>\$3,405,269</u>	<u>\$ -</u>	<u>\$2,374,256</u>	<u>\$1,031,013</u>	<u>\$ 335,838</u>

NOTE 5 DUE TO TOWNSHIP

At December 31, 2015, the Authority had a balance due to Tredyffrin Township of \$90,774. This amount was comprised of two years of a \$25,000 management fee due to the Township and a debt service payment of \$40,774.

NOTE 6 FUND BALANCE

As of December 31, 2015, fund balances are comprised of the following:

	<u>Transportation District</u>	<u>Debt Funds</u>	<u>Total Governmental Funds</u>
Assigned for debt service	\$ 435,180	\$ -	\$ 435,180
Total Fund Balance	<u>\$ 435,180</u>	<u>\$ -</u>	<u>\$ 435,180</u>

TREDYFFRIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of Tredyffrin Township)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts, thefts, damage or destruction of assets, errors or omissions, injuries to employees, or acts of God. Insurance settlements have not exceeded the insurance coverage in the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 CONTINGENT LIABILITIES

The Authority is subject to various disputes and legal proceedings which arise in the normal course of its operations. In the opinion of management, the amount of ultimate liability with respect to these activities will not be material to the Authority's financial condition.

NOTE 9 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the year ended December 31, 2015, the Transportation District Fund incurred expenditures in excess of appropriations in the following functions:

General government	\$	80
Interest	\$	284

The excess expenditures were covered by the use of fund balance.

NOTE 10 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through June 20, 2016, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

June 20, 2016

To the Board of Supervisors
Tredyffrin Township Municipal Authority
Berwyn, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Tredyffrin Township Municipal Authority (the "Authority"), a component unit of Tredyffrin Township, Berwyn, Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Supervisors
Tredyffrin Township Municipal Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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