COLLEGE TOWNSHIP WATER AUTHORITY
CENTRE COUNTY, PENNSYLVANIA

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2009 AND 2008

FIORE FEDELI SNYDER CAROTHERS, LLP

COLLEGE TOWNSHIP WATER AUTHORITY
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Independent Auditor's Report

Members of the Authority
College Township Water Authority
State College, Pennsylvania

We have audited the accompanying statements of net assets of College Township Water Authority, Centre County, Pennsylvania (the "Authority") as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Township Water Authority as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBERS: AMERICAN AND PENNSYLVANIA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

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Management's Discussion and Analysis on pages 3 to 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except the portion captioned "budget-unaudited - cash basis", has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Frank Fable Snyder Carothers LLP

State College, Pennsylvania
February 26, 2010

COLLEGE TOWNSHIP WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)
Years Ended December 31, 2009 and 2008

To the Members of the Authority
College Township Water Authority
State College, Pennsylvania

As management of the College Township Water Authority, (the "Authority"), we offer readers of our basic financial statements this narrative introduction, overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2009. The reader should use the information contained here in conjunction with the additional information contained in the Authority's audited financial statements which begin immediately following this narrative.

Financial Highlights of 2009

1. The Authority received a reimbursement of $250,000 from Centre County for the construction of the Bellefonte Interconnection.

2. SCI-Rockview's repair of major leaks together with the completion of a water source project greatly reduced their purchases of water from the Authority in 2009.

3. SCI-Rockview concluded their 5 year financial obligation to the Authority for repayment of debt incurred by the Authority to extend the water system to their facility.

4. Historically low interest rates continued during 2009 resulting in revenue from investments coming in at 50% of budget.

5. The Authority accepted (4) water main extensions valued at $148,274 from developers during the year.

6. Construction projects totaling $659,097 were completed and added to the water system during 2009.

7. During 2009, the Authority received $103,000 and $88,600 for water sales and capital repayment, respectively, from the Commonwealth of Pennsylvania pursuant to the terms of the 2003 Water Service Agreement.

8. Unrestricted net assets decreased by $522,774 during 2009.

9. Operating revenues decreased by $150,303 during 2009.

Financial Highlights of 2008

1. The Authority accepted (2) water main extensions valued at $241,725 from developers during the year.

2. Construction projects totaling $285,000 were completed and added to the water system during 2008.

3. During 2008, the Authority received $235,000 and $177,000 for water sales and capital repayment, respectively, from the Commonwealth of Pennsylvania pursuant to the terms of the 2003 Water Service Agreement.

4. Unrestricted net assets decreased by $133,844 during 2008.

5. Operating revenues increased by $18,452 during 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the authority is engaged only in business-type activities, its basic financial statements are comprised of two components: 1) proprietary fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Proprietary fund financial statements. The Authority's operations are accounted for as a single proprietary fund using the full accrual basis of accounting. In this regard, the Authority's operations are accounted for in a manner similar to a private-sector business.

The statements of nets assets present information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. For example, an electric bill for usage during the month of December 2009 is recorded as an expense in 2009 although it may not have been paid until January 2010.

The statements of cash flows differs from the statement of revenues, expenses, and changes in net assets in that it accounts only for transactions that result in cash receipts and cash payments. Cash activities are separated into four distinct categories: 1) operating activities, 2) capital financing activities, 3) non-capital financing activities, and 4) investing activities. This statement assists users in assessing the Authority's ability to pay its bills and the effect on its finances of major transactions during the year.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements such as the Authority's accounting methods and policies.

Analysis of Financial Position

2009:
The following condensed statement of net assets shows that at December 31, 2009, total assets exceeded total liabilities by $4.0 million, an increase of $388,000 over the prior year.

	Net Assets at December 31,		
	2009	2008	Change
Current assets	$ 404,733	$ 474,833	$(70,100)
Restricted assets	1,614,459	1,996,680	(382,221)
Other non-current assets	173,525	282,039	(108,514)
Capital assets - net	10,126,391	9,490,124	636,267
Total Assets	12,319,108	12,243,676	75,432
Current liabilities	619,866	628,493	(8,627)
Bonds payable - net	7,721,622	8,025,726	(304,104)
Total Liabilities	8,341,488	8,654,219	(312,731)
Net Assets	$ 3,977,620	$ 3,589,457	$ 388,163

Total current and restricted assets decreased in 2009 primarily as a result of an decrease in operating revenue and tap fees over 2008. Contract receivable, which accounted for the majority of the other non-current assets classification, decreased by $87,600 as a result of payments received from the Commonwealth of Pennsylvania ("Commonwealth") pursuant to the Water Service Agreement.

Net capital assets increased as a result of current year investment in projects funded with Bond Redemption and Improvement Fund and operations monies and the capitalized value of the water main extensions contributed by developers exceeding current year depreciation expense.

The decrease in total liabilities is primarily the result of the net decrease in bonds payable attributed to the net of the amortization of premium and the $355,000 principal payment.

Analysis of Financial Position

2008:
The following condensed statement of net assets shows that at December 31, 2008, total assets exceeded total liabilities by $3.6 million, an increase of $427,000 over the prior year.

	Net Assets at December 31,		
	2008	2007	Change
Current assets	$ 474,833	$ 488,877	$(14,044)
Restricted assets	1,996,680	1,783,315	213,365
Other non-current assets	282,039	473,918	(191,879)
Capital assets - net	9,490,124	9,193,244	296,880
Total Assets	12,243,676	11,939,354	304,322
Current liabilities	628,493	464,553	163,940
Bonds payable - net	8,025,726	8,312,347	(286,621)
Total Liabilities	8,654,219	8,776,900	(122,681)
Net Assets	$ 3,589,457	$ 3,162,454	$ 427,003

Total current and restricted assets increased in 2008 primarily as a result of an increase in operating revenue and tap fees over 2007. Contract receivable, which accounts for the majority of the other non-current assets classification, decreased by $170,000 as a result of payments received from the Commonwealth of Pennsylvania ("Commonwealth") pursuant to the Water Service Agreement.

Net capital assets increased as a result of current year investment in projects funded with Bond Redemption and Improvement Fund and operations monies and the capitalized value of the water main extensions contributed by developers exceeding current year depreciation expense.

The decrease in total liabilities is primarily the result of the net decrease in bonds payable attributed to the net of the amortization of premium and the $185,000 principal payment.

Analysis of Operating Results

2009:
The following condensed statement of revenues, expenses, and changes in net assets provides a comparison of the major categories of revenues and expenses recognized during the year.

	Changes in Net Assets		
	2009	2008	Change
Operating revenues	$ 1,337,545	$ 1,487,848	$(150,303)
Operating expenses	961,711	953,058	8,653
Operating income	375,834	534,790	(158,956)
Non-operating revenues and (expense)	12,329	(107,787)	120,116
Changes in net assets	388,163	$ 427,003	$(38,840)

The Authority experienced a decrease in metered revenue for 2009 totaling $155,000, $135,000 being attributable to decreased usage by SCI-Rockview.

Fluctuations in various expenses resulted in an overall increase of $9,000 from 2008.

An decrease in connection fee revenue together with a $250,000 contribution from Centre County and the value of water lines contributed to the Authority pursuant to water main extension agreements are the primary driving forces behind the increase in non-operating revenues from 2008.

Statement 33 of the Governmental Accounting Standards Board requires that physical assets, such as water main extensions, contributed to the Authority by developers be treated as non-operating revenue. The Authority recorded $148,000 and $242,000 of such non-operating revenue during the years ended December 31, 2009 and 2008, respectively.

The difference in the levels of such activity from 2008 to 2009 directly impacts the overall changes in the Authority's net assets. These contributions are also associated with an expansion of the Authority's customer base.

Analysis of Operating Results

2008:
The following condensed statement of revenues, expenses, and changes in net assets provides a comparison of the major categories of revenues and expenses recognized during the year.

	Changes in Net Assets		
	2008	2007	Change
Operating revenues	$ 1,487,848	1,469,396	18,452
Operating expenses	953,058	929,128	23,930
Operating income	534,790	540,268	(5,478)
Non-operating revenues and (expense)	(107,787)	(300,678)	192,891
Changes in net assets	$ 427,003	239,590	187,413

The Authority experienced an increase in metered revenue for 2008 totaling $19,000.

The increase in storage and other operating expenses resulting in an overall increase of $24,000 from 2007.

An increase in connection fee revenue together with an increase in the length and value of water lines contributed to the Authority pursuant to water main extension agreements are the primary driving forces behind the increase in non-operating revenues from 2007.

Statement 33 of the Governmental Accounting Standards Board requires that physical assets, such as water main extensions, contributed to the Authority by developers be treated as non-operating revenue. The Authority recorded $242,000 and $55,000 of such non-operating revenue during the years ended December 31, 2009 and 2008, respectively.

The difference in the levels of such activity from 2007 to 2008 directly impacts the overall changes in the Authority's net assets. These contributions are also associated with an expansion of the Authority's customer base.

Capital Assets

At December 31, 2009, the Authority had invested $10.1 million in capital assets (wells, equipment, structures) and infrastructure (distribution and transmission waterlines) net of $2.9 million accumulated depreciation. Significant additions included 1) Developer water main extensions - $148,000, and 2) Waterline installation and upgrades - $659,000, 3) Sealing of the Struble Tank - $35,000, and 4) Purchase of a backhoe - $67,000.

At December 31, 2008, the Authority had invested $9.5 million in capital assets (wells, equipment, structures) and infrastructure (distribution and transmission waterlines) net of $2.6 million accumulated depreciation. Significant additions included 1) Developer water main extensions - $242,000, and 2) Waterline installation and upgrades - $285,000.

The Authority plans to continue investing in its water system in 2010. Budgeted improvements total $175,000 with funding primarily to come from funds available in the Bond Redemption and Improvement Fund. The Authority also plans on spending $54,000 on various capital assets.

Please refer to notes to the financial statements for additional information on the Authority's investment in capital assets and infrastructure.

Long-Term Debt Activity

During 2003, the Authority took advantage of a low interest rate environment and issued its Water Revenue Bonds, Series of 2003 in the aggregate amount of $9,995,000. The proceeds from this issue were used to advance refund the outstanding bonds from the Series of 1999 issue and to provide capital for essential water system improvements.

The 2003 bonds are secured by a Trust Indenture. This document limits the amount of unsecured debt the Authority may incur to $1,250,000. As of the end of the year, there had been no additional borrowings. More importantly however, the Indenture requires annual revenues from the water system to be equal to or greater than the combined total of 100% of the year's actual administrative and operating expenses and 110% of that year's debt service requirement. This requirement is perhaps the single greatest driving factor in establishing the rates for water service. The supplemental schedule found on page 23 of this report illustrates the Authority's compliance with this provision of the Indenture.

At December 31, 2009, $8,720,000 of the original par value remained outstanding following a principal payment of $355,000. The Trust Indenture required transfers to the Debt Service Fund totaling $1,080,860 for the payment of bond interest and principal. Such transfers were made in the amounts required and on schedule.

At December 31, 2008, $9,075,000 of the original par value remained outstanding following a principal payment of $185,000. The Trust Indenture required transfers to the Debt Service Fund totaling $719,548 for the payment of bond interest and principal. Such transfers were made in the amounts required and on schedule.

Note D contains financial information relative to funds held by the trustee as required by the Trust Indenture. Notes E, F, and G contain additional information we consider to be essential to understanding the structure, terms, and financial implications of the Authority's long-term debt.

Potentially Significant Matters

The University Area Joint Authority has constructed a transmission line that will transmit "beneficial reuse" water for discharge at the upper reaches of Slab Cabin Run. Potentially, both current and prospective customers of the Authority may be able to use the reuse water instead of the water provided by the Authority. An agreement currently exists which prevents a revenue loss by the Authority if this situation occurs.

The Authority serves as a back-up water supply to the State Correctional Institution at Rockview. Weather has a direct impact on Rockview's purchases of water during the year.

We are not aware any other facts, decisions, or conditions that are expected to have a significant effect on the Authority's financial position or operating results.

Overall Financial Analysis

We believe that the overall financial position of the Authority has improved. The substantial increase in net assets is but one indication. In addition, the number of customers and water system revenues has increased over the prior year and this trend is expected to continue for the foreseeable future.

Request for Information

This financial report is designed to provide an overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Authority's Finance Director at 1481 East College Avenue, State College, PA 16801.

COLLEGE TOWNSHIP WATER AUTHORITY
STATEMENTS OF NET ASSETS

	December 31, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash	$ 133,376	$ 114,795
Trade accounts receivable, net	239,272	316,253
Accrued interest and other receivables	1,098	4,512
Material and supplies	30,784	30,669
Due from College Township	203	8,604
Total current assets	404,733	474,833
Non-current Assets:		
Restricted assets held by trustee	1,614,459	1,996,680
Contract receivable	--	87,676
Unamortized bond costs, net	173,525	194,363
	1,787,984	2,278,719
Capital Assets:		
Water Utility Plant in service, at cost	12,999,496	12,101,547
Less accumulated depreciation	(2,884,077)	(2,644,705)
Net utility plant	10,115,419	9,456,842
Construction in progress	10,972	33,282
Total utility plant	10,126,391	9,490,124
Total assets	12,319,108	12,243,676
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	71,907	91,219
Due to College Township	1,453	--
Accrued interest	176,506	182,274
Current portion of long term debt	370,000	355,000
Total current liabilities	619,866	628,493
Non-current Liabilities:		
Bonds payable, net of unamortized premium	7,721,622	8,025,726
Total liabilities	8,341,488	8,654,219
NET ASSETS:		
Invested in capital assets, net of related debt	2,946,130	2,042,063
Restricted for debt service	1,284,341	1,277,471
Unrestricted	(252,851)	269,923
Total net assets	$ 3,977,620	$ 3,589,457

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended December 31, 2009	2008
Operating revenues (securing revenue bonds):		
Water operating revenues	$ 1,104,660	$ 1,259,282
Unmetered water sales and other fees	232,885	228,566
Total operating revenues	1,337,545	1,487,848
Operating expenses:		
Purification system	36,566	40,536
Pumping system, primarily power	96,566	108,729
Storage	2,077	14,995
Maintenance	38,252	30,573
General	152,187	180,834
Office	70,570	74,402
General property	11,860	20,965
Engineering and professional fees	54,458	34,910
Taxes, benefits and insurance	123,604	90,120
Miscellaneous	77,518	74,698
Depreciation and amortization	298,053	282,296
Total operating expenses	961,711	953,058
Operating income	375,834	534,790
Non-operating revenues/(expense):		
Interest expense	(423,111)	(432,928)
Investment income	25,223	47,660
Tap and connection fees	11,943	35,756
Sub-total	(385,945)	(349,512)
Capital contributions	398,274	241,725
Net income	388,163	427,003
Net assets, beginning	3,589,457	3,162,454
Net assets, ending	$ 3,977,620	$ 3,589,457

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2009	2008
Cash flow from operating activities:		
Cash received from customers	$ 1,434,870	$ 1,515,159
Cash payments to suppliers for goods and services	(681,632)	(674,080)
Net cash provided by operating activities	753,238	841,079
Cash flows from capital and related financing activities:		
Payments for water utility plant	(517,690)	(315,827)
Interest paid on bonds and capital leases	(360,500)	(367,556)
Capital contributions	87,676	170,255
Principal paid on bond maturities	(355,000)	(185,000)
Net cash used in capital and related financing activities	(1,145,515)	(698,128)
Cash flows from investing activities:		
Proceeds from/ (purchase of) investments	382,221	(213,365)
Investment earnings	28,637	53,731
Net cash provided by/ (used in) investing activities	410,858	(159,634)
Net increase/ (decrease) in cash	18,581	(16,683)
Cash balance, beginning of year	114,795	131,478
Cash balance, end of year	$ 133,376	$ 114,795
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	$ 375,834	$ 534,790
Tap and connection fees	11,943	35,756
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation of water utility plant	277,214	260,672
Amortization of bond costs	20,839	21,624
Change in assets and liabilities:		
Decrease/ increase in receivables	85,382	(8,445)
Increase in materials and supplies	(115)	(265)
(Decrease)/ increase in accounts payable and accrued expenses	(19,312)	17,917
Increase/ (decrease) in amounts due to related parties	1,453	(20,970)
Net cash provided by operating activities	$ 753,238	$ 841,079

See accompanying notes to financial statements

COLLEGE TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

A. Summary of Significant Accounting Policies

Basis of Presentation - The College Township Water Authority (the "Authority") was formed by resolution of the Council of the Township of College, Centre County, Pennsylvania adopted on May 2, 1996 pursuant to the Pennsylvania Municipality Authorities Act of 1945.

Effective as of May 20, 1996, the Authority acquired a majority of the voting rights of the common stock of Lemont Water Co. which has since been liquidated.

Description of business - The Authority supplies water to residential and business customers in College Township, Pennsylvania. All of the Authority's activities are located in Central Pennsylvania. Water produced is treated with a sequesterant and is disinfected with chlorine. The wells provide water to the customers through 26 miles of underground distribution piping.

The Authority has two well facilities. The "Rogers" Well is permitted to pump up to 1,800 gallons per minute (gpm). The "Spring Creek Park" well, placed in service in 2000, is permitted to pump up to 1,700 gpm. Thus, the Authority has two independent sources for its total expected usage. Each well is currently configured to pump at 1,250 gpm and the Authority's overall permitted withdrawal rate is limited to a monthly average of 1.8 million gallons per day.

Water utility plant - All additions to the water utility plant are recorded at cost when an asset is placed in service. Costs incurred during the construction of an asset are accumulated and reported as construction in progress until the asset is placed in service.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed, the asset account and related depreciation account are reduced and any gain or loss is included in operations.

Accounts receivable - Accounts receivable are shown net of allowances for uncollectible amounts. At December 31, 2009 and 2008, allowances of $6,938 and $8,224, respectively, have been provided for such items.

Inventory - Inventories of supplies and materials are stated at the lower of cost or market value based on the first-in, first-out method.

A. Summary of Significant Accounting Polices (continued)

Investments - Investments are recorded at amortized cost. Included in other receivables at December 2009 and 2008 are $1,098 and $4,512, respectively of accrued interest and dividends on the assets held by the Trustee.

Depreciation - Assets are depreciated over estimated useful lives using the straight-line method.

Revenue recognition - Revenue is generally recognized from water sales when the meters are read. Meters are read on a quarterly basis for regular customers. Rates are determined based on a fee schedule approved by the Authority's Board. Un-billed receivables are recorded as revenues based upon pro-rata calculations, from the date of the last meter reading to the financial reporting date.

Interest Expense - Interest costs incurred on bonds and loans are capitalized as part of the cost of the constructed project. Interest costs on borrowings for construction are capitalized as work progresses until completion of the project. The interest cost on bonds payable is netted against interest earned on the invested bond proceeds.

Income Tax Expense - The Authority is exempt from federal and state income tax under the Municipality Authorities Act of 1945.

Contributions in aid of construction - The Authority receives property additions from developers and customers to extend its service territory. These are typically constructed by the third party contractors with the Authority's supervision.

The contributed assets are then depreciated over their useful life.

Cash and cash equivalents - For the purpose of the statement of cash flows, the Authority considers as cash, checking and demand accounts at banks. Funds held by the Trustee under the terms of the Trust Indenture regarding the Water Revenue Bonds are considered investments, regardless of the type of financial instrument used for investment.

Credit risk - Cash balances not secured by FDIC insurance are collateralized as provided under Pennsylvania Act 72, whereby banks pledge collateral with a market value equal or exceeding the total of its public funds and place the collateral with a third party such as the Federal Reserve Bank. Cash balances of $250,000 are FDIC insured. The remaining balance is secured as described above.

A. Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. Actual results will differ.

B. Receivables

	December 31, 2009	December 31, 2008
Interest Receivable	$ 1,098	$ 4,512
Accounts Receivable, net	239,272	316,253
Total Accrued Interest and Accounts Receivable	$ 240,370	$ 320,765

During 2003, the Authority entered into an agreement with the Pennsylvania Department of Corrections to extend a water line to provide service to the State Correctional Institution at Rockview. The costs incurred to connect SCI-Rockview were repaid by the State, with interest, over a five year period beginning July, 2004 and ending in 2009.

The Rockview contract receivable included construction, engineering, financing and other costs totaling $803,675. Principal payments were $87,676 and $170,255 for the years ended December 31, 2009 and 2008, respectively.

The rate of interest was the same as the rate paid by the Authority on its 2003 Bond Issue or 3.946%. In addition, the agreement provides for SCI-Rockview to purchase (or pay for) at least 50 million gallons of water annually at agreed-upon rates, which rates were fixed for five years ending June 2009. Thereafter, they adjust at the same rate as the Authority bills its regular customers.

C. Water Utility Plant

Water utility plant is made up of contributed property and purchased or constructed property as follows:

	Useful Life In Years	December 31, 2009	December 31, 2008
Land and rights		$ 213,140	$ 205,960
Land improvements	15	11,468	11,468
Land, rights and improvements		224,608	217,428
Structures and Improvements:			
Distribution reservoirs, tanks and standpipes	20-60	373,429	338,879
Power and pumping structures	20-35	321,559	321,559
Wells and springs	40	2,854,129	2,854,129
Structures and improvements		3,549,117	3,514,567
Tangible Plant:			
Main and accessories	50	8,466,085	7,658,713
Meters	10-20	314,613	301,355
Electric pumping equipment	10-20	110,267	110,267
Transportation equipment	5-7	182,692	158,128
Tools and work equipment	15	58,375	58,375
Office furniture and equipment	3-7	68,509	57,484
Other power pumping equipment	10	25,230	25,230
Tangible plant		9,225,771	8,369,552
Total		12,999,496	12,101,547
Less accumulated depreciation		(2,884,077)	(2,644,705)
Net Utility Plant		$ 10,115,419	$ 9,456,842

Capitalized interest expense for construction in progress was not material to 2009 or 2008. There were no significant dispositions of assets in either year.

D. Restricted Assets Held by Trustee

Under the terms of the Trust Indenture, the Authority has placed certain funds on deposit with the Trustee as follows:

	December 31,	
	2009	2008
Revenue Fund	--	85,555
Debt Service Fund	546,505	539,169
Debt Service Reserve Fund	737,836	738,302
Bond Redemption and Improvement Fund	330,118	633,654
	$1,614,459	$ 1,996,680

Investments held in the funds consist of:

Federated Treasury Obligation Fund	$1,514,459	$ 1,061,680
Certificates of Deposit	100,000	935,000
	$1,614,459	$ 1,996,680

All assets are restricted as to their use, pursuant to the Trust Indenture. While the Trust Indenture restricts the use of assets held, amounts held in the Revenue Fund and Bond Redemption and Improvement Fund are reported in the statements of net assets is "unrestricted" since the Authority has the flexibility to apply these funds to operating expenses, capital repairs or debt service.

The funds are considered uncollateralized under the guidelines of the Government Accounting Standards Board. The Federated fund is AAA rated and invests only in U.S. Government or government agency securities and repurchase agreements backed by the same. Certificates of deposit are FDIC insured.

E. Unamortized Bond Costs

In connection with the issuance of its Water Revenue Bonds, Series of 2003, the Authority incurred certain costs, and discounts were allowed, to compensate the underwriter (and bondholders).

The significant components of these costs at December 31, 2009 and 2008 are:

Insurance and other issuance costs, net	$ 194,783
Original issue premium	(14,852)
Underwriter's discount	134,027
Total costs and related expenses	$ 313,958

These costs are being amortized over the term of the bonds using the interest method. Amortization was $20,838 and $21,624 for the years ended December 31, 2009 and 2008, respectively; accumulated amortization was $140,433 and $119,595, respectively.

F. Bonds Payable

On November 1, 2003, the Authority issued $9.995 million in Water Revenue Bonds, Series of 2003 with an average interest rate of 3.946% to advance refund $7.055 million of outstanding 1999 Series Bonds with an average interest rate of 6.02%. The net proceeds of $9,660,912 (after payment of $334,088 in underwriting fees, insurance, and other issuance costs) plus an additional $610,230 of 1999 debt service reserve fund monies were used to purchase U.S. Government securities totaling $7,988,266. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 series bonds. As a result, the 1999 series bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets as of December 31, 2003.

The advance-refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,072,431. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to interest expense through the year 2027 using the effective-interest method. The Authority completed the advance-refunding to finance approximately $1,677,000 of additional construction improvements and extensions of the water system. The advance-refunding reduced the Authority's total debt service payments over the next twenty-seven (27) years by $1,317,565 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $433,850.

Bonds Payable consist of the following:

	December 31,	
	2009	2008
Water Revenue Bonds	$ 8,720,000	$ 9,075,000
Less Current Portion	(370,000)	(355,000)
Less Unamortized premiums, net of accumulated amortization of $444,093 and $378,197 at December 31, 2009 and 2008	(628,378)	(694,274)
	$ 7,721,622	$ 8,025,726

F. Bonds Payable (continued)

Total future debt service requirements are as follows:

Due January 1,	Principal Amount	Coupon Interest Rate	Coupon Interest	Total Debt Service
2010	370,000	3.250%	353,011	723,011
2011	380,000	3.250%	340,986	720,986
2012	395,000	3.250%	328,636	723,636
2013	410,000	3.500%	315,799	725,799
2014	425,000	3.500%	301,449	726,449
2015	440,000	3.625%	286,574	726,574
2016	455,000	3.750%	270,624	725,624
2017	475,000	4.000%	253,561	728,561
2018	495,000	4.000%	234,561	729,561
2019	515,000	4.100%	214,761	729,761
2020	535,000	4.125%	193,646	728,646
2021	555,000	4.250%	171,578	726,578
2022	580,000	4.375%	147,990	727,990
2023	615,000	4.500%	122,615	737,615
2024	510,000	4.500%	94,940	604,940
2025	530,000	4.600%	71,990	601,990
2026	560,000	4.600%	47,610	607,610
2027	475,000	4.600%	21,850	496,850
	$ 8,720,000		$ 3,772,181	$ 12,492,181

Bonds maturing are subject to mandatory sinking fund installments required to be made annually.

Interest payments on the bonds are payable to bondholders on July 1st and January 1st of each year.

The bonds are subject to a Trust Indenture (the "Indenture") dated as of November 1, 2003 between the Authority and Omega Bank, N.A. as Trustee. The Indenture specifies the terms and conditions for the security and repayment of the bonds as well as the use of the bond proceeds. As more fully set forth therein:

- Bond proceeds can be used for: a) the acquisition and construction of additions, extensions and improvements to the water system, b) the payment of outstanding indebtedness and the initial costs of the bonds and, c) making certain initial deposits with the Trustee.

- The bonds are secured by all receipts and revenues of the water system, earnings on and the initial deposits made with the Trustee and the financial guaranty of Financial Security Assurance, Inc.

F. Bonds Payable (continued)

- A series of accounts have been established for the application of monies required to be held. These include:

  The Construction Fund to hold the net proceeds of the bond issue while the Authority constructs the various capital additions and improvements to the water system.

  The Revenue Fund into which the receipts and revenues of the water system are deposited, within 20 days of receipt by the Authority.

  The Debt Service Fund into which deposits to pay the amount of principal maturities and coupon interest payments are required on or before June 20 or December 20 for amounts due on the ensuing July 1 and January 1, respectively.

  The Debt Service Reserve Fund into which an initial deposit of $737,625 was made to further secure the bonds, representing an amount equal to the highest debt service requirement in any one year.

  The Bond Redemption and Improvement Fund to hold accumulated reserves for operations, improvement of the water system and/or early retirement of the bonds payable, at the discretion of the Authority.

Under the Indenture, the Authority covenants to maintain water rates and charges which, together with other receipts and revenues, are sufficient to fund: a) administrative expenses; b) operating expense, and, c) 110% of the debt service requirements, plus any other mandatory payments.

The Authority is permitted additional unsecured debt up to $1,250,000 provided no event of default exists at that time, and if other funds are not available. Additional bonds may also be issued under certain circumstances.

G. Statement of Cash Flows

For the years ending December 31, 2009 and 2008, the Authority paid interest of $360,500 and $367,556, respectively.

H. Related Party Transactions

During 2009 and 2008 the Authority paid College Township $74,820 and $72,073, respectively, for the oversight of its administrative, financial and operational activities. College Township also serves as the common paymaster for all employees. Costs of the employees hired for, or assigned to Authority operations are billed at actual costs and reimbursed by the Authority.

I. Commitments and Contingencies

The Authority has an agreement with the Pennsylvania State University, whereby it can purchase up to one million gallons of water per day on an emergency basis.

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COLLEGE TOWNSHIP WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND DEBT SERVICE-
BUDGET VS. ACTUAL
YEAR ENDED DECEMBER 31, 2009

	Actual	Budget-Unaudited-Cash Basis	Variance
Water System Operating Revenues	$1,337,545	$ 1,417,209	$(79,664)
Operating Expenses:			
Purification system	36,566	40,000	(3,434)
Pumping system, primarily power	96,566	107,085	(10,519)
Storage	2,077	3,375	(1,298)
Maintenance	38,252	50,823	(12,571)
General	152,187	189,350	(37,163)
Office	70,570	78,925	(8,355)
General property	11,860	22,700	(10,840)
Engineering and professional fees	54,458	45,100	9,358
Taxes, benefits and insurance	123,604	119,250	4,354
Miscellaneous	77,518	78,850	(1,332)
Total operating expenses	663,658	736,428	(71,800)
Net operating income	673,897	681,751	(7,854)
Other Receipts and Revenues:			
Capital recovery - SCI-Rockview	87,676	87,676	--
Tap and connection fees	11,943	30,000	(18,057)
Investment income	25,223	48,012	(22,789)
Sub-total	124,842	165,688	(40,846)
Total available for debt service	798,739	847,439	(48,700)
Debt service requirements provided:			
Interest expense	353,011	353,011	--
Principal repayments	370,000	370,000	--
Total debt service	723,011	723,011	--
Available for contingencies and capital improvements	$ 75,728	$ 123,458	$(48,700)
Ratio of total available for debt service to debt service	110.5%	117.2%	(6.7)%

Note: Depreciation, amortization, and items of accretion are omitted from this presentation.