

***BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA***

FINANCIAL STATEMENTS

DECEMBER 31, 2015

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
December 31, 2015

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BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Borough Council and Management of
The Borough of Shamokin Dam
42 West Eighth Ave., Suite 1
Shamokin Dam, Pennsylvania 17876

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Shamokin Dam, Shamokin Dam, Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough of Shamokin Dam'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Shamokin Dam, Shamokin Dam, Pennsylvania, as of December 31, 2015, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the modified cash basis financial statements that collectively comprise the Borough of Shamokin Dam's basic financial statements. The management's discussion and analysis, budgetary comparison, and pension information on pages MD&A 1- 5, 36, and 37 – 40, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic modified cash basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.
Selinsgrove, Pennsylvania
May 27, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

**BOROUGH OF SHAMOKIN DAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015
(Unaudited)**

This discussion and analysis of the Borough of Shamokin Dam's financial performance provides an overview review of the Borough's financial activities for the fiscal year ending December 31, 2015. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. Readers should review the financial statements and associated notes along with the Budgetary Comparison Schedule.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments presented in the MD&A.

FINANCIAL HIGHLIGHTS

The Borough's overall financial condition, as in previous years, remains solid. The financial trends for 2015 were similar to those from fiscal year 2014, especially in the area of the General Fund. The Borough continues to experience a decrease in revenue from short & long-term interest sources due to interest rates remaining at historic lows. Real estate tax collections were slightly lower than budgeted in 2015. Realty transfer taxes collected was 2.5 times higher than budgeted for various reasons such as more turn over from elderly residents to younger families taking place. Earned income tax collections were 4% lower than budgeted, but still substantial amount when compared to ten years ago, which directly relates back to the turnover in housing. Business privilege taxes collections were 10.5% higher than budgeted. Costs associated with liability insurance and employee health insurance were slightly higher when compared to those in 2014. As in 2014, water and sewer related revenue again exceeded expenses in 2015.

General Fund

2015 revenue exceeded expenditures by \$20,938, which is lower than in 2014 due to some upgrades at the Borough office, which included a new high efficient heating and cooling system and kitchenette renovation and new more efficient toilet fixtures. Also, a new Ferris lawn mower was purchased in 2015. The general fund capital budgets, \$75,200 in 2015 (including Fire Company and future police retirement obligation), were able to be totally funded due to the excess revenue. It continues to be a benefit to be able to purchase equipment and meet our future benefit obligations through capital funds without depleting our reserves in the process.

Other Funds

Water/Sewer fund balances remain solid. Revenue has increased to help fund our capital reserves and to pay for our treatment of sewage. In 2015, we completed a structural project on each of the corners at the main reservoir at a cost of approximately \$50,000.

The Fiduciary (pension) funds remain solid, with the Police funds exceeding our actuarial liabilities at 2.1%; The Borough's non-uniformed plan is funded at 94.6% of our actuarial liability.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in a format consistent with the presentation requirements of the GASB Statement Number 34 present both government-wide, and fund level financial statements using the modified cash basis of accounting.

Government-Wide Financial Statements

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Borough's overall financial status.

The Government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities resulting from the use of the modified cash basis of accounting.

The two government-wide statements report the Borough's net assets and how they have changed. Net Position, the difference between the Borough's net position and liabilities, are one way to measure the Borough's financial health or position. In the long run, increases or decreases in the Borough's net position are an indication of whether its financial health is improving or deteriorating, respectively.

Regarding the Borough's tax base, the Borough real estate taxes were assessed at eleven and one half (11.5) mills in 2015. Revenue from real estate taxes varies from year to year due to the constantly changing county property assessment rates.

The government-wide financial statements of the Borough are divided into two (2) categories:

Governmental Activities – All of the Borough's basic services are included here, such as public safety, public works and administration. Property taxes, state grants and charges for services finance most of these activities.

Business-type Activities – The Borough operates a water distribution and sewer collection system. Fees are charged to customers of these utilities for operational expenses and tapping fees from new construction for capital related costs.

Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how the Borough's general services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the Borough operates like a business. For the Borough, this is our Water and Sewer Fund. Fiduciary fund statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others.

Governmental Funds – Most of the Borough's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Borough's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the Statement of net position and the Statement of Activities) and governmental funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Proprietary funds – These funds are used to account for Borough activities that are similar to business operations in the private sector or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Borough charges customers for services it provides – whether to outside customers or to other units in the Borough – these services are generally reported in proprietary funds. The Water and Sewer Fund is the Borough's proprietary fund and is shown as the business-type activities we report in the government-wide statements.

Fiduciary Funds – The Borough is the trustee, or fiduciary, for the Uniform (aka Police) and non-uniform pension plans and escrow funds. All of the Borough's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Borough's other financial statements because the Borough cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOROUGH – GOVERNMENT-WIDE STATEMENTS

The Borough's total net position (modified cash basis) was **\$6,486,466** on December 31, 2015 versus **\$6,159,991** on January 1, 2015, an increase of **\$326,475**. The following table presents condensed financial information for the net position, arising from modified cash transactions, of the Borough from January 1, 2015 to December 31, 2015.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
ASSETS						
Total Current Assets	\$ 1,338,751	1,318,003	1,708,485	1,432,384	3,047,236	2,750,387
Total Noncurrent Assets	1,578,285	1,565,999	2,494,735	2,561,927	4,073,020	4,127,526
TOTAL ASSETS	\$ <u>2,917,036</u>	<u>2,883,602</u>	<u>4,203,220</u>	<u>3,994,311</u>	<u>7,120,256</u>	<u>6,877,913</u>
LIABILITIES						
Total Current Liabilities	\$ 0	335	85,538	83,801	85,538	84,136
Total Noncurrent Liabilities	\$ 0	0	548,252	633,786	548,252	633,786
TOTAL LIABILITIES	0	335	633,790	717,587	633,790	717,922
TOTAL NET POSITION	\$ <u>2,917,036</u>	<u>2,883,267</u>	<u>3,569,430</u>	<u>3,276,724</u>	<u>6,486,466</u>	<u>6,159,991</u>
TOTAL LIABILITIES & NET POSITION	\$ <u>2,917,036</u>	<u>2,883,602</u>	<u>4,203,220</u>	<u>3,994,311</u>	<u>7,120,256</u>	<u>6,877,913</u>

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Borough's activities that are supported by other general revenue. The largest revenues are property taxes, business privilege taxes and earned income taxes.

The following table presents condensed financial information for the Statement of Activities in a different format so that you can see our total revenues for the year.

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General Government	\$ 199,873	4,629	61,535	0	(133,709)	0	(133,709)
Public Safety	265,890	20,333	14,933	0	(230,624)	0	(230,624)
Public Works - Sanitation	4,269	0	0	0	(4,269)	0	(4,269)
Public Works - Highways & Sts	194,832	0	48,124	0	(146,708)	0	0
Culture and Recreation	13,422	1,220	16,750	0	4,548	0	4,548
Miscellaneous Expenditures	113,536	0	0	0	(113,536)	0	(113,536)
Total Governmental Activities	\$ 791,822	26,182	141,342	0	(624,298)	0	(624,298)
Business-type activities:							
Water	\$ 321,911	379,206	0	0	0	57,295	57,295
Sewer	391,352	589,390	0	0	0	198,038	198,038
Total primary government:	\$ 1,505,085	994,778	141,342	0	(624,298)	255,333	(368,965)

General Revenue:

Taxes:

Property taxes, levied for general purposes, net	\$ 283,263	0	283,263
Other taxes levied for general purposes	350,777	0	350,777
Investment Earnings / Rents	17,819	12,737	30,556
Miscellaneous Income	6,208	24,636	30,844
Total general revenue and transfers	\$ 658,067	37,373	695,440
Change in Net Position	\$ 33,769	292,706	326,475
Net Position - January 1, 2015	\$ 2,883,267	3,276,724	6,159,991
Net Position - December 31, 2015	\$ 2,917,036	3,569,430	6,486,466

GOVERNMENTAL FUNDS

Most of the Borough's activities are reported in governmental funds. Governmental funds are reported using the modified cash basis of accounting. Governmental funds include the General Fund and Liquid Fuels Fund. By far the most prominent fund is the General Fund.

DEBT ADMINISTRATION

As of December 31, 2015, the Borough had a total outstanding debt of **\$633,790** versus **\$717,435** on December 31, 2014. The outstanding debt is divided between two projects, the North Old Trail water/sewer project and the elevated tank project that were done approximately 18 years ago. The Borough consolidated and refinanced their debt service (principal loan balances) in 2012. Northumberland National Bank offered a 10 year fixed loan at a rate of 2.25%. The projects consolidated were the elevated tank project, which had a current interest rate of 3.768% until 2021, and the Old Trail water/sewer line replacement, which had an interest rate of 3.39% until 2026.

THE BOROUGH'S FUTURE

In 2015, the Borough had a few longer-term investments mature, and we reinvested the money into short-term investments (money markets and liquid). We need to look at investing into longer term type investments in 2016 so that we can capitalize on the better rates of return that may be out there. We also want to continue to invest in our infrastructure when possible to avoid the increases in costs of construction and components from year to year.

Future budgets should consider a number of important issues including:

1. Monitor funding of our Capital Fund accounts (investment reserves) to ensure the obligations for future upgrades of our infrastructure, buildings, replacement of equipment and maintaining properties, and establish reasonable goals to enable those upgrades, replacement and maintenances to occur.
2. Vehicle Replacement of the 2001 Chevy Pickup.
3. Water plant filter and clarifier expansion, to meet future water demands.
3. Replace aging water/sewer infrastructure on King Ave and Center Street.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Borough's finances and to show the Council's accountability for the money it receives.

If you have questions about this report or wish to request additional financial information, please contact the Borough Manager at 570-743-7565.

**BASIC
FINANCIAL STATEMENTS**

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2015

ASSETS	GOVERNMENTAL	BUSINESS-TYPE	
Current Assets	ACTIVITIES	ACTIVITIES	TOTAL
Cash and Cash Equivalents	\$ 724,349	\$ 825,268	\$ 1,549,617
Investments	593,344	877,928	1,471,272
Other Current Assets	18,549	5,289	23,838
Fire Company Loan Receivable	2,509	0	2,509
Total Current Assets	1,338,751	1,708,485	3,047,236
Noncurrent Assets			
Capital Assets:			
Land	85,950	0	85,950
Other Capital Assets, Net of Accumulated Depreciation	1,492,335	2,494,735	3,987,070
Total Noncurrent Assets	1,578,285	2,494,735	4,073,020
TOTAL ASSETS	\$ 2,917,036	\$ 4,203,220	\$ 7,120,256
LIABILITIES			
Current Liabilities			
Payroll Liabilities	\$ 0	\$ 0	\$ 0
Current Portion of Long-Term Debt	0	85,538	85,538
Other Current Liabilities	0	0	0
Total Current Liabilities	0	85,538	85,538
Noncurrent Liabilities			
Bonds and Notes Payable	0	548,252	548,252
Leases Payable	0	0	0
Total Noncurrent Liabilities	0	548,252	548,252
TOTAL LIABILITIES	0	633,790	633,790
NET POSITION			
Net Investment in Capital Assets	1,578,285	1,860,945	3,439,230
Restricted	178	0	178
Unrestricted	1,338,573	1,708,485	3,047,058
TOTAL NET POSITION	2,917,036	3,569,430	6,486,466
TOTAL LIABILITIES AND NET POSITION	\$ 2,917,036	\$ 4,203,220	\$ 7,120,256

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 199,873	\$ 4,629	\$ 61,535	\$ 0	\$ (133,709)	\$ 0	\$ (133,709)
Public Safety	265,890	20,333	14,933	0	(230,624)	0	(230,624)
Public Works - Sanitation	4,269	0	0	0	(4,269)		(4,269)
Public Works - Highways and Streets	194,832	0	48,124	0	(146,708)	0	(146,708)
Culture and Recreation	13,422	1,220	16,750	0	4,548	0	4,548
Miscellaneous Expenditures	113,536	0	0	0	(113,536)	0	(113,536)
Total Governmental Activities	791,822	26,182	141,342	0	(624,298)	0	(624,298)
Business-type activities:							
Water	321,911	379,206	0	0	0	57,295	57,295
Sewer	391,352	589,390	0	0	0	198,038	198,038
Total primary government	\$ 1,505,085	\$ 994,778	\$ 141,342	\$ 0	\$ (624,298)	\$ 255,333	\$ (368,965)

General revenues:

Taxes:

Property taxes, levied for general purposes, net	\$ 283,263	\$ 0	\$ 283,263
Other taxes levied for general purposes	350,777	0	350,777
Investment Earnings/Rents	17,819	12,737	30,556
Miscellaneous Income	6,208	24,636	30,844
Total general revenues and transfers	658,067	37,373	695,440
Change in Net Position	33,769	292,706	326,475
Net Position - January 1, 2015	2,883,267	3,276,724	6,159,991
Net Position - December 31, 2015	\$ 2,917,036	\$ 3,569,430	\$ 6,486,466

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
 December 31, 2015

	GENERAL FUND	NONMAJOR FUND	TOTALS GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 724,171	\$ 178	\$ 724,349
Investments	593,344	0	593,344
Other Assets	18,549	0	18,549
Fire Company Loan Receivable	2,509	0	2,509
TOTAL ASSETS	\$ 1,338,573	\$ 178	\$ 1,338,751
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Current Liabilities			
Payroll Withholdings	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	0	0	0
 FUND BALANCES			
Restricted	0	178	178
Unassigned	1,338,573	0	1,338,573
TOTAL FUND BALANCES	1,338,573	178	1,338,751
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 1,338,573	 \$ 178	 \$ 1,338,751

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
For The Year Ended December 31, 2015

Total Fund Balances - Governmental Funds **\$ 1,338,751**

**Amounts reported for governmental activities in the statement of
net position - modified cash basis are different because:**

Capital Assets used in governmental activities are not financial resources
and therefore are not reported as assets in governmental funds. The cost
of assets is \$2,805,879 and the accumulated depreciation is \$ 1,227,594.

1,578,285

Total Net Position - Modified Cash Basis - Governmental Funds **\$ 2,917,036**

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015

	<u>GENERAL FUND</u>	<u>NONMAJOR FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 634,040	\$ 0	\$ 634,040
Licenses and Permits	14,485	0	14,485
Fines and Forfeits	20,333	0	20,333
Interest and Rents	17,539	280	17,819
Intergovernmental Revenue	64,142	45,965	110,107
Charges for Services	5,849	0	5,849
Contributions	16,750	0	16,750
Miscellaneous Revenues	324	0	324
Refund of Prior Year Expenditures	5,884	0	5,884
Total Revenues	<u>779,346</u>	<u>46,245</u>	<u>825,591</u>
EXPENDITURES			
Administration and Tax Collection	81,518	0	81,518
Legal	6,019	0	6,019
Other General Government Administration	44,418	0	44,418
Engineering	11,546	0	11,546
General Government Buildings and Plant	49,832	0	49,832
Police and Fire Protection	235,907	0	235,907
Health and Human Services	1,435	0	1,435
Public Works - Sanitation	4,269	0	4,269
Public Works - Highways and Streets	198,901	46,100	245,001
Culture and Recreation	11,027	0	11,027
Insurance	37,568	0	37,568
Pension	47,050	0	47,050
Miscellaneous Expenditures	2,815	0	2,815
Refund of Prior Year Revenues	5,133	0	5,133
Interfund Transfer	20,970	0	20,970
Total Expenditures	<u>758,408</u>	<u>46,100</u>	<u>804,508</u>
 NET CHANGE IN FUND BALANCES	 <u>20,938</u>	 <u>145</u>	 <u>21,083</u>
 FUND BALANCE - JANUARY 1, 2015	 <u>1,317,635</u>	 <u>33</u>	 <u>1,317,668</u>
 FUND BALANCE - DECEMBER 31, 2015	 <u>\$ 1,338,573</u>	 <u>\$ 178</u>	 <u>\$ 1,338,751</u>

The Accompanying Notes Are An Integral
Part of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For The Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds
\$ 21,083

Amounts reported for governmental activities in the statement of activities - modified cash basis are different because:

Capital outlays are reported in governmental funds as expenditures.
 However, in the statement of activities - modified cash basis, the cost of those assets
 is allocated over their estimated useful lives as depreciation expense.
 This is the amount by which capital outlays exceed depreciation in the period.

	Depreciation	\$ (95,214)	
Net Capital outlays	\$	<u>107,900</u>	<u>12,686</u>

Change in Net Position of Governmental Activities - Modified Cash Basis
\$ 33,769

The Accompanying Notes Are An Integral
 Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
December 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 825,268
Investments	877,928
Total Cash, Cash Equivalents, and Investments	<u>1,703,196</u>
Other Current Assets	5,289
Total Current Assets	<u>1,708,485</u>

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation	<u>2,494,735</u>
Total Noncurrent Assets	<u>2,494,735</u>

TOTAL ASSETS	\$ <u>4,203,220</u>
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LIABILITIES

Current Liabilities

Note Payable - Current	\$ <u>85,538</u>
Total Current Liabilities	<u>85,538</u>

Noncurrent Liabilities

Note Payable - Noncurrent	<u>548,252</u>
Total Noncurrent Liabilities	<u>548,252</u>

TOTAL LIABILITIES	<u>633,790</u>
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NET POSITION

Net Investment in Capital Assets	1,860,945
Unrestricted	<u>1,708,485</u>

TOTAL NET POSITION	<u>3,569,430</u>
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TOTAL LIABILITIES AND NET POSITION	\$ <u>4,203,220</u>
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The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
For The Year Ended December 31, 2015

OPERATING REVENUES

Water and Sewer Revenue	\$ 967,596
Miscellaneous Income	237
Total Operating Revenues	<u>967,833</u>

OPERATING EXPENSES

Administration	60,967
Other General Government Administration	39,337
General Government Buildings and Plant	411
Sewage Collection and Treatment	303,772
Water System	163,540
Insurance	21,840
Miscellaneous Expenses	2,607
Depreciation Expense	105,292
Total Operating Expenses	<u>697,766</u>

OPERATING INCOME (LOSS)	270,067
--------------------------------	---------

NONOPERATING REVENUES (EXPENSES)

Earnings on Investments	12,737
Tapping Fees	1,000
Refund of Prior Year Expense	3,429
Interfund Transfer	20,970
Interest Expense	(15,497)
Total Nonoperating Revenues (Expenses)	<u>22,639</u>

CHANGE IN NET POSITION	292,706
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NET POSITION - JANUARY 1, 2015	<u>3,276,724</u>
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NET POSITION - DECEMBER 31, 2015	<u>\$ 3,569,430</u>
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The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
For The Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 967,596
Payments to Suppliers	(451,214)
Payments to Employees	(138,737)
Other Receipts	237
Other Payments	(2,607)
	<u>375,275</u>

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>375,275</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>0</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Tapping Fees	1,000
Refund of Prior Year Expense	3,429
Interfund Transfer	20,970
Capital Asset Purchase	(38,100)
Loan Principal Payments	(83,645)
Interest Expense	(15,497)
	<u>(111,843)</u>

NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(111,843)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Earnings on Investments	12,737
	<u>12,737</u>

NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>12,737</u>
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NET INCREASE (DECREASE) IN CASH, CASH EQUIV. AND INVESTMENTS	276,169
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CASH, CASH EQUIV. AND INVESTMENTS - JANUARY 1, 2015	<u>1,427,027</u>
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CASH, CASH EQUIV. AND INVESTMENTS - DECEMBER 31, 2015	<u>\$ 1,703,196</u>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY
(USED FOR) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 270,067
Depreciation	105,292
(Increase)/Decrease in Other Current Assets	68
Increase/(Decrease) in Payroll Liabilities	(152)
	<u>375,275</u>

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 375,275</u>
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The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2015.

	<u>TRUST FUND</u>	<u>AGENCY FUND</u>	<u>TOTALS FIDUCIARY FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 121	\$ 19,652	\$ 19,773
TOTAL ASSETS	<u>121</u>	<u>19,652</u>	<u>19,773</u>
LIABILITIES			
Other Current Liabilities	\$	\$ 18,161	\$ 18,161
Payroll Liabilities	<u>0</u>	<u>30</u>	<u>30</u>
TOTAL LIABILITIES	<u>0</u>	<u>18,191</u>	<u>18,191</u>
NET POSITION			
Restricted	<u>121</u>	<u>1,461</u>	<u>1,582</u>
TOTAL NET POSITION	<u>121</u>	<u>1,461</u>	<u>1,582</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>121</u>	\$ <u>19,652</u>	\$ <u>19,773</u>

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
STATEMENT OF CHANGES IN CASH BASIS FIDUCIARY NET POSITION
FIDUCIARY FUND
 For The Year Ended December 31, 2015

	<u>TRUST FUND</u>
ADDITIONS	
Earnings on Investments	<u>0</u>
Total Additions	<u>0</u>
 DEDUCTIONS	
	<u>0</u>
 CHANGE IN NET POSITION	<u>0</u>
 NET POSITION - JANUARY 1, 2015	<u>121</u>
 NET POSITION - DECEMBER 31, 2015	\$ <u>121</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Borough of Shamokin Dam is a municipality located in Snyder County in Central Pennsylvania. The Borough of Shamokin Dam was incorporated on August 12, 1927 and operates a General Fund, Water and Sewer Fund, and several other related funds.

The Borough of Shamokin Dam is a local taxing body that supports a Police Department, oversees the community Fire Company, and maintains their local roads, bridges and parks. The Borough also operates a water distribution system fed by a water filtration plant as well as a sewer collection system. Sewage is treated by the Eastern Snyder County Regional Authority under a contract agreement.

Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provides a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Borough that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Borough at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Borough's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient 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 program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Borough.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

The financial transactions of the Borough are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a single column on the governmental fund financial statements. Nonmajor funds by category are summarized into a single column. Fiduciary funds are reported by type.

Governmental Funds

Governmental funds are those through which most governmental functions of the Borough are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following represents the Borough's major governmental fund:

General Fund – The General Fund constitutes the primary operating fund of the Borough in that it includes all revenues and expenditures not required by law to be accounted for in other funds. The General Fund is always reported as a major fund.

The Borough's nonmajor governmental fund is a Special Revenue Fund. Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Borough has one Special Revenue Fund: State Liquid Fuels Highway Aid Fund. This fund is used to account for Pennsylvania allocated funding from the State Motor License Fund. These funds must be kept separate from all other funds and no other monies shall be commingled with it. Proceeds accounted for in this fund are restricted to expenditure for highway construction and rebuilding purposes in accordance with Department of Transportation regulations.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the Borough's proprietary fund:

Enterprise Fund – The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods and services.

The Water and Sewer Fund is reported as an Enterprise Fund used to account for all revenues and expenditures pertaining to water and sewer operations. The Water and Sewer Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing services to customers on a continuing basis are financed or recovered primarily through user charges. It is reported as a major fund.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support borough programs. The reporting focus is on net position and changes in net position.

The fiduciary fund category is split into two classifications: trust funds, and agency funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are not available to support Borough's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Trust Fund - The Pension Fund is a Trust Fund used to account for funds received under the program Municipal Pension Aid in a fiduciary capacity.

Agency Fund - The Payroll Fund is an Agency Fund used to account for the disbursement of payroll related expenditures. Agency Funds are custodial in nature and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applies to the modified cash basis of accounting, is used as appropriate:

- All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America in that certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred with modifications having substantial support. These modifications include the recording of all material assets, liabilities, revenues, and expenses/expenditures resulting from cash transactions.

If the Borough utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand and interest-bearing bank deposits and money market funds. These are carried at fair value.

Investments

In accordance with Government Accounting Standards Board (GASB) Statement No. 31, short-term money market investments and interest-bearing investment contracts are reported at amortized cost, provided that the remaining maturity is one year or less at the time of purchase. Long-term investments (maturity of more than one year) are reportable at fair value.

Capital Assets

The Borough's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical costs, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to January 1, 2003. Prior to January 1, 2003, governmental funds infrastructure assets were not capitalized. Infrastructure assets required since January 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	20-50 years
Vehicle and Equipment	5-20 years
Utility property	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term debt arising from cash transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and repayment of principles and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by trust indenture or external restrictions by creditors, grantors, laws or regulations of other governments.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification

In the governmental environment, management often commits or assigns resources to be used for specific purposes, indicating that those amounts are not considered to be available for general operations. Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the statement of net position.

The government-wide and proprietary fund net positions are classified as follows:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if use is constrained externally to a particular purpose.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and are available for general use by the borough.

In the governmental fund financial statements, fund balances are classified as follows:

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

Restricted – Amounts that can be spent only for specific purposes by external parties, or by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes determined by a formal action by the Borough's highest level of decision-making authority, the Borough Council. Committed fund balance may also include resources that have been specifically committed for use in satisfying contractual requirements. A fund balance commitment may be established, modified, or rescinded by a resolution of the Borough Council.

Assigned – Amounts that are constrained by the Borough's intent to be used for specific purposes, but is not restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

The Borough would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned.

Budgetary Controls

The Borough operates under an annual budget, which may be amended by the Council as needed. The budget is prepared using the modified cash basis of accounting for the general fund and the proprietary fund.

SHAMOKIN DAM BOROUGH
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Joint Venture

The Borough appoints two board members to the Eastern Snyder County Regional Authority. The Authority was organized and incorporated in 1994 by Shamokin Dam Borough and three other local governmental entities to operate the regional sewage treatment plant. The Authority, the other local governmental entities and the Borough have verbally agreed to continue using the cost sharing plan that was in effect when the regional sewage system was operated by the Selinsgrove Municipal Authority (Sewer Division). The costs to each participating entity are based on estimated usage and are adjusted annually to reflect actual use. The Authority's audited financial statements as of and for the period ended December 31, 2015 are available for public inspection at the Authority office.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Pennsylvania municipal statutes provide for investment of Borough funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Borough funds for investment purposes.

At December 31, 2015, the carrying amount of the Borough's cash, cash equivalents and investments was \$3,040,662. The depository balances throughout the year were covered by federal depository insurance or by collateral held by the Borough's agent. These amounts are secured by the pledging of pooled assets as collateral in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of pledge funds.

CASH AND CASH EQUIVALENTS:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough has an investment policy that addresses credit risk in general terms. As of December 31, 2015, \$430,794 of the Borough's bank balance of \$935,987 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by the pledging bank's trust department	
Not in the Borough's name	<u>430,794</u>
Total	<u>\$ 430,794</u>

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Reconciliation to Financial Statements

Collateralized Amount Above	\$ 430,794
Plus: Insured Amount	505,193
Plus: Deposits in Investment Pools and Money Market Fund Considered Cash Equivalents	623,227
Plus: Deposits in Transit	10,976
Less: Outstanding Checks	(800)
Total Cash and Cash Equivalents Per Financial Statements	<u>\$1,569,390</u>

INVESTMENTS:

As of December 31, 2015, the Borough had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposits	0-60 Months	\$ 1,471,272
PA Local Government Investment Trust		<u>623,227</u>
Total		\$ <u>2,094,499</u>

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough has no investment subject to custodial credit risk.

Reconciliations to Financial Statements

Total Investments Above	\$ 2,094,499
Less: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents	(623,227)
Total Investments Per Financial Statements	\$ <u>1,471,272</u>

Interest Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 — CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. More than 5 percent of the Borough's investments are in Certificates of Deposit and PA Local Government Investment Trust. These investments are 70.24% and 29.76%, respectively, of the Borough's total investments.

For the General Fund, more than 5% of the investments are in PA Local Government Investment Trust and Certificates of Deposit. These investments are 74.11% and 25.89%, respectively, of the General Fund's total investments.

For the Proprietary Fund, more than 5% of the investments are in PA Local Government Investment Trust and Certificates of Deposit. These investments are 16.54% and 83.46% respectively, of the Proprietary Fund's total investments.

NOTE 3 – CAPITAL ASSETS

Capital assets are recorded as expenditures in the governmental funds at the time of purchase. A summary of Capital Assets transactions resulting from modified cash basis transactions, for the year ended December 31, 2015 is as follows:

GOVERNMENTAL ACTIVITIES

	<u>Balance at</u> <u>January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>December 31, 2015</u>
Land	\$ 85,950	0	0	85,950
Buildings & Improvements	826,500	0	0	826,500
Streets/ Stormwater Infrastructure	1,190,060	97,000	0	1,287,060
Vehicles & Equipment	475,469	10,900	0	486,369
Traffic Signals	<u>120,000</u>	<u>0</u>	<u>0</u>	<u>120,000</u>
Total at Cost	2,697,979	107,900	0	2,805,879
Less: Accumulated Depreciation				
Buildings & Improvements	(509,450)	(21,120)	0	(530,570)
Streets/ Stormwater Infrastructure	(212,268)	(41,485)	0	(253,753)
Vehicles & Equipment	(290,662)	(32,609)	0	(323,271)
Traffic Signals	<u>(120,000)</u>	<u>0</u>	<u>0</u>	<u>(120,000)</u>
Total Accum. Depreciation	<u>(1,132,380)</u>	<u>(95,214)</u>	<u>0</u>	<u>(1,227,594)</u>
Governmental Activities				
Capital Assets, Net	\$ <u>1,565,599</u>	<u>12,686</u>	<u>0</u>	<u>1,578,285</u>

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 – CAPITAL ASSETS (Continued)

BUSINESS-TYPE ACTIVITIES

	Balance at January 1, 2015	Additions	Deletions	Balance at December 31, 2015
Water / Sewer Infrastructure	\$ 4,980,100	38,100	0	5,018,200
Less: Accumulated Depreciation:	<u>(2,418,173)</u>	<u>(105,292)</u>	<u>0</u>	<u>(2,523,465)</u>
Business-Type Activities				
Capital Assets, Net	\$ <u>2,561,927</u>	<u>(67,192)</u>	<u>0</u>	<u>2,494,735</u>

Depreciation expense was charged to functions as follows in the statement of activities:

Governmental Activities:

General Government	\$ 6,540
Public Safety	28,548
Public Works-Highway and Streets	57,731
Culture and Recreation	<u>2,395</u>
Total Depreciation Expense – Governmental Activities	\$ <u>95,214</u>

Business-Type Activities:

Water	\$ 88,042
Sewer	<u>17,250</u>
Total Depreciation Expense – Business-Type Activities	\$ <u>105,292</u>

NOTE 4 – OTHER ASSETS

The General Fund reports prepaid payroll expenditures of \$11,217 and a separate investment of stock as other assets. The Borough had previously received shares of stock through an insurance policy held by the Borough. The value of this stock at December 31, 2015 was \$7,332.

The Proprietary Fund also reports prepaid payroll expenditures of \$5,289 as another asset.

NOTE 5 - PROPERTY TAXES

The Borough's property tax is levied each March 1, based upon assessed valuations provided by the county (approximately \$ 23,769,530 for 2015). The municipal tax collector bills and collects property taxes on behalf of the Borough. The tax rate for all expenditures in 2015 is 11.50 mills (\$11.50 per \$1,000 assessed valuation). The schedule for property taxes levied for 2015 is as follows:

March 1, 2015 through April 30, 2015	2% discount period
May 1, 2015 through June 30, 2015	face payment period
Beginning July 1, 2015	10% penalty period

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 – LOAN RECEIVABLE – FIRE COMPANY

During the year ended December 31, 2009, the Borough loaned \$20,000 to the Fire Company at 5.246% for a seven (7) year term. The balance outstanding at December 31, 2015 was \$2,509.

NOTE 7 - GENERAL OBLIGATION NOTE PAYABLE

On October 5, 2012, the Borough issued General Obligation Note – Series 2012 in the principal amount of \$925,000. The proceeds of this Note are to be used to refinance and retire existing Borough debt. The note carries a rate of interest of 2.25% per annum on the unpaid balance of principal, payable in equal monthly original installments of \$8,628.91. Loan payments of principal and interest are to begin in October, 2012 and continuing monthly thereafter for 10 years until the remaining balance of principal and accrued interest will be immediately due and payable.

In lieu of the first installment payment for October, 2012, the Borough made a principal prepayment of \$39,340.41. In light of this prepayment, the issuing bank reduced the amount of monthly principal and interest payments to \$8,261.91 beginning with the December 1, 2012 payment, and on the first day of each month thereafter for the full ten-year term of the loan.

The principal balance due on this note at December 31, 2015 was \$633,790.

Debt service to maturity is as follows:

Year Ending			
<u>Dec 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$85,538	13,605	99,143
2017	\$87,550	11,594	99,144
2018	\$89,568	9,576	99,144
2019	\$91,633	7,511	99,144
2020	\$93,728	5,415	99,143
2021	\$95,906	3,238	99,144
2022	\$89,867	1,150	91,017
Total	<u>\$ 633,790</u>	<u>52,089</u>	<u>685,879</u>

NOTE 8 – LONG-TERM DEBT SUMMARY

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2015:

<u>Description</u>	<u>Balance</u> <u>January 1, 2015</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>December 31, 2015</u>
Note Payable	\$ 717,435	0	(83,645)	633,790
Total	<u>\$ 717,435</u>	<u>0</u>	<u>(83,645)</u>	<u>633,790</u>

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN

Non-Uniform Municipal Pension Plan

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pennsylvania Municipal Retirement System (PMRS) and additions to/deduction from PMRS's fiduciary net position have been determined on the same basis as they are reported by PMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The Shamokin Dam Borough Non-Uniform Municipal pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 2015-2 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The assets of the participating government employers in an agent multiple-employer plan are pooled for investment purposes but separate accounts are maintained for each individual employer. PMRS issues a separate Comprehensive Annual Financial Report, which is available on the PMRS website www.pmr.state.pa.us.

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Membership is mandatory for all full-time employees of the Authority. A member shall vest upon the completion of twelve (12) years of credited service. A vested member shall be entitled to a superannuation retirement benefit upon attainment of fifty-five (55) years of age. A member who voluntarily terminates service after twenty (20) years of credited service may apply for an early retirement benefit. A member whose service is involuntarily terminated after eight (8) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof prior to fifty-five (55) years of age that early retirement takes place.

The annual Basic Benefit shall be comprised of the sum of the following annuities:

- a) An annuity calculated by multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of two percent (2%).
- b) An annuity equal to a single life annuity starting on the effective date of retirement with a present value equal to the optional member contributions and regular interest on the optional member contributions.

Disability retirement benefits are available to members and shall equal an annual benefit of fifty percent (50%) of final salary, plus the benefit provided in b) above if the disability is determined to be a service connected disability. When the disability of a member is determined to be non-service connected, the member is eligible to apply for disability retirement if the member has completed ten (10) years of credited service. A non-service connected disability shall equal an annual benefit of thirty percent (30%) of final salary, plus the benefit provided in b) above.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

If an active member or vested member dies before becoming eligible for any retirement benefits, the balance of the member's account shall be paid to the beneficiary. For an active member or vested member who has met the eligibility requirement for a superannuation retirement benefit or a voluntary early retirement benefit, benefits shall become effective at the time of death.

Plan Membership

Membership of the plan consisted of the following at the most recent actuarial valuation date of December 31, 2014:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>6</u>
 Total Participant Count	 <u>10</u>

Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. Any funding requirements established by the MMO in excess of employee contributions must be paid by the municipality in accordance with Act 205.

In accordance with the plan's governing ordinance, members shall contribute 4.5% of compensation to fund the annuity. Members may optionally contribute up to, but no more than 15.5% of their compensation on an after-tax basis to fund the annuity. Borough Council has the option to waive all or part of the member contributions.

Net Pension Liability

The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.0 percent per year, subject to plan limitations
Investment rate of return	5.50 percent compounded annually, net of expenses

Mortality rates were based on the RP-2000 Healthy Life Mortality for Males or Females, as appropriate. Pre-Retirement Mortality for Males: RP 2000 with 1 year set back and Females: RP 2000 with 5 year set back. Rates of Post-Retirement Mortality for Males and Females: RP 2000 Sex-Distinct Mortality Table.

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010 as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.50% for the January 1, 2013 actuarial valuation.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

The table below shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (i.e., fair value of plan assets), and the Net Pension Liability as of the Measurement Date of December 31, 2014.

Change in Net Pension Liability
Increase (Decrease)

		Total Pension Liability (a)	Plan Fiduciary Net Position (b)		Net pension Liability (a) – (b)
Balances at 12/31/2013	\$	2,046,494	1,955,699	\$	90,795
Changes for the year:					
Service cost		37,864			37,864
Interest		112,094			112,094
Changes of benefits					
Changes of assumptions					
Differences between expected and actual experience		13,289			13,289
Contributions - employer			29,958		(29,958)
Contributions - member			8,977		(8,977)
PMRS investment income			107,183		(107,183)
Market value investment income*			(2,418)		2,418
Transfers					
Benefit payments		(92,356)	(92,356)		
PMRS administrative expense			(220)		220
Additional administrative expense			(4,110)		4,110
Net changes		70,891	47,014		23,877
Balances at 12/31/2014	\$	2,117,385	2,002,713	\$	114,672

*Reflects the net investment income/(loss) of (\$6,532) and the income/(loss) due to the difference between expected and actual asset values of \$4,114, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

This report does not reflect changes in benefits or assumptions after January 1, 2015. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2013 actuarial valuation, with liabilities measured at December 31, 2012, rolled forward to December 31, 2013. The end of year TPL is based upon the January 1, 2015 actuarial valuation with liabilities measured at December 31, 2014.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and then adding expected inflation.

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	8.7%
Domestic Equities (small capitalized firms)	15%	8.4%
International Equities (international developed markets)	15%	4.6%
International Equities (emerging markets)	10%	8.1%
Real Estate	20%	6.7%
Fixed Income	15%	-1.0%
Total Portfolio	100%	6.2%

Discount Rate

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer “plan fiduciary net position.” PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The “Additional administrative expenses” are the expenses in excess of the “PMRS administrative expense” (i.e. \$20 per participant expense paid by each plan). The “PMRS investment income” is based upon the regular and excess interest used to credit accounts annually. The “Market value investment income” reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease <u>4.50%</u>	Discount Rate <u>5.50%</u>	1% Increase <u>6.50%</u>
Total Pension Liability (Asset)	\$ 2,349,895	\$ 2,117,385	\$ 1,919,840
Plan Fiduciary Net Position	<u>2,002,713</u>	<u>2,002,713</u>	<u>2,002,713</u>
Net Pension Liability (Asset)	<u>\$ 347,182</u>	<u>\$ 114,672</u>	<u>\$ (82,873)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.2%	94.6%	104.3%

Deferred Inflows and Outflows

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. However, there were no assumption changes as of the Measurement Date.

Schedule of Collective Deferred Inflows and Outflows

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,391	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	<u>1,934</u>	<u>0</u>
Total	<u>\$ 13,325</u>	<u>\$ 0</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:

2015	\$ 2,382
2016	2,382
2017	2,382
2018	2,380
2019	1,898
Thereafter	\$ 1,901

The recognition period for experience and assumptions change gains/losses is 7.00 years.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

Police Pension Plan

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pennsylvania Municipal Retirement System (PMRS) and additions to/deduction from PMRS's fiduciary net position have been determined on the same basis as they are reported by PMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The Shamokin Dam Borough Police pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 2015-3 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The assets of the participating government employers in an agent multiple-employer plan are pooled for investment purposes but separate accounts are maintained for each individual employer. PMRS issues a separate Comprehensive Annual Financial Report, which is available on the PMRS website www.pmrs.state.pa.us.

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Membership is mandatory for all full-time employees of the Authority. A member shall vest upon the completion of twelve (12) years of credited service. A vested member shall be entitled to a superannuation retirement benefit upon attainment of fifty-five (55) years of age.

A member who voluntarily terminates service after twenty (20) years of credited service but less than twenty-four (24) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to the date on which the member would have earned twenty-five (25) years of credited service (presuming continuous employment) and would have attained fifty-five (55) years of age. A member who voluntarily terminates service after twenty-four (24) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof prior to fifty-five (55) years of age that early retirement takes place. A member whose service is involuntarily terminated after eight (8) years of credited service may apply for an early retirement benefit. The early retirement benefit will be actuarially reduced for each year or partial year thereof prior to fifty-five (55) years of age that early retirement takes place.

The annual Basic Benefit shall be calculated by multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of two percent (2%). In no event shall the annual Basic Benefit exceed fifty percent (50%) of the member's final salary. An annual excess interest benefit shall be equal to a single life annuity starting on the effective date of retirement with a present value equal to the member's excess investment account.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

In addition to the Basic Benefit, an annuitant who has twenty-six (26) or more years of credited service shall receive a yearly service increment to be determined by computing the number of whole years of credited service beyond twenty-five (25) years and multiplying by an amount equal to 2.5% of the Basic Benefit. This increment shall not exceed one hundred dollars (\$100) per month. Annuitants shall be entitled to a cost-of-living adjustment to the Basic Benefit subject to limitations.

Disability retirement benefits are available to members and shall equal an annual benefit of fifty percent (50%) of final salary with no minimum period of credited service required if the disability is determined to be a service connected disability. When the disability of a member is determined to be non-service connected, the member is eligible to apply for disability retirement if the member has completed ten (10) years of credited service. A non-service connected disability shall equal an annual benefit of thirty percent (30%) of final salary.

If an active member or vested member dies before becoming eligible for any retirement benefits, the balance of the member's account shall be paid to the beneficiary. For an active member or vested member who has met the eligibility requirement for a superannuation retirement benefit or a voluntary early retirement benefit, benefits shall become effective at the time of death.

Plan Membership

Membership of the plan consisted of the following at the most recent actuarial valuation date of December 31, 2014:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>2</u>
Total Participant Count	<u>5</u>

Contributions

Act 205 requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. Any funding requirements established by the MMO in excess of employee contributions must be paid by the municipality in accordance with Act 205.

In accordance with the plan's governing ordinance, members shall contribute five percent (5%) of their compensation. Borough Council has the option to waive all or part of the member contributions.

Net Pension Liability

The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.0 percent per year, subject to plan limitations
Investment rate of return	5.50 percent compounded annually, net of expenses

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

Mortality rates were based on the RP-2000 Healthy Life Mortality for Males or Females, as appropriate. Pre-Retirement Mortality for Males: RP 2000 with 1 year set back and Females: RP 2000 with 5 year set back. Rates of Post-Retirement Mortality for Males and Females: RP 2000 Sex-Distinct Mortality Table.

The actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010 as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.50% for the January 1, 2013 actuarial valuation.

The table below shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (i.e., fair value of plan assets), and the Net Pension Liability as of the Measurement Date of December 31, 2014.

Change in Net Pension Liability
Increase (Decrease)

		Total Pension Liability (a)	Plan Fiduciary Net Position (b)		Net pension Liability (b) – (a)
Balances at 12/31/2013	\$	1,073,500	1,163,603	\$	(90,103)
Changes for the year:					
Service cost		30,542			30,542
Interest		59,581			59,581
Changes of benefits					
Changes of assumptions					
Differences between expected and actual experience		45,298			45,298
Contributions - employer			16,544		(16,544)
Contributions - member					
PMRS investment income			63,664		(63,664)
Market value investment income*			(8,058)		8,058
Transfers					
Benefit payments		(42,059)	(42,059)		
PMRS administrative expense			(100)		100
Additional administrative expense			(2,442)		2,442
Net changes		93,362	27,549		65,813
Balances at 12/31/2014	\$	1,166,862	1,191,152	\$	(24,290)

*Reflects the net investment income/(loss) of (\$3,880) and the income/(loss) due to the difference between expected and actual asset values of (\$4,178), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

This report does not reflect changes in benefits or assumptions after January 1, 2015. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2013 actuarial valuation, with liabilities measured at December 31, 2012, rolled forward to December 31, 2013. The end of year TPL is based upon the January 1, 2015 actuarial valuation with liabilities measured at December 31, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and then adding expected inflation.

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	8.7%
Domestic Equities (small capitalized firms)	15%	8.4%
International Equities (international developed markets)	15%	4.6%
International Equities (emerging markets)	10%	8.1%
Real Estate	20%	6.7%
Fixed Income	15%	-1.0%
Total Portfolio	100%	6.2%

Discount Rate

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer “plan fiduciary net position.” PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The “Additional administrative expenses” are the expenses in excess of the “PMRS administrative expense” (i.e. \$20 per participant expense paid by each plan). The “PMRS investment income” is based upon the regular and excess interest used to credit accounts annually. The “Market value investment income” reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 9 – PENSION PLAN (Continued)

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease <u>4.50%</u>	Discount Rate <u>5.50%</u>	1% Increase <u>6.50%</u>
Total Pension Liability (Asset)	\$ 1,333,454	\$ 1,166,862	\$ 1,030,963
Plan Fiduciary Net Position	<u>1,191,152</u>	<u>1,191,152</u>	<u>1,191,152</u>
Net Pension Liability (Asset)	<u>\$ 142,302</u>	<u>\$ (24,290)</u>	<u>\$ (160,189)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.3%	102.1%	115.5%

Deferred Inflows and Outflows

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. However, there were no assumption changes as of the Measurement Date.

Schedule of Collective Deferred Inflows and Outflows

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,748	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	<u>6,446</u>	<u>0</u>
Total	<u>\$ 44,194</u>	<u>\$ 0</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:

2015	\$ 9,162
2016	9,162
2017	9,162
2018	9,160
2019	7,548
Thereafter	\$ 0

The recognition period for experience and assumptions change gains/losses is 6.00 years.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 10 - RISK MANAGEMENT

The Borough is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Borough has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2015 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 11 - CONTINGENT LIABILITIES

Grant Programs

The Borough participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditure which may be disallowed pursuant to the terms of the grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

Tax Revenue

The Borough is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the Borough. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the Borough.

NOTE 12 - SUBSEQUENT EVENTS

The Borough has evaluated all events subsequent to the financial statement date of December 31, 2015 through May 27, 2016 which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure.

**OTHER
INFORMATION**

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BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For The Year Ended December 31, 2015

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Real Estate Taxes	\$ 299,095	\$ 299,095	\$ 283,263	\$ (15,832)
Per Capita Taxes	6,200	6,200	5,286	(914)
Real Estate Transfer Taxes	15,000	15,000	38,572	23,572
Earned Income Taxes	155,000	155,000	148,994	(6,006)
Business Privilege Taxes	100,000	100,000	110,551	10,551
LST Tax	52,000	52,000	47,374	(4,626)
Landlord Permits	2,500	2,500	2,130	(370)
Cable Television Franchise Fees	10,000	10,000	12,355	2,355
Fines	30,000	30,000	20,333	(9,667)
Interest Earnings	5,000	5,000	5,739	739
Rents and Royalties	11,300	11,300	11,800	500
Intergovernmental Revenues	15,150	15,150	64,142	48,992
Charges for Services	2,100	2,100	5,849	3,749
Contributions	2,500	2,500	16,750	14,250
Miscellaneous Income	1,000	1,000	324	(676)
Refund of Prior Year Expenditures	0	0	5,884	5,884
Total Revenues	706,845	706,845	779,346	72,501
EXPENDITURES				
General Government				
Executive	33,250	33,250	33,286	(36)
Financial Administration	16,650	16,650	2,850	13,800
Tax Collection	15,570	15,570	14,750	820
Solicitor/Legal Services	8,000	8,000	6,019	1,981
Secretary/Clerk	30,300	30,300	30,632	(332)
Other General Government Administration/Personnel Administration	32,950	32,950	44,418	(11,468)
Engineering	2,000	2,000	11,546	(9,546)
General Government Buildings	16,000	16,000	49,832	(33,832)
Total General Government	154,720	154,720	193,333	(38,613)
Public Safety				
Police	255,381	255,381	195,426	59,955
Fire Protection	79,980	79,980	40,481	39,499
Total Public Safety	335,361	335,361	235,907	99,454
Public Works - Sanitation				
Trash removal	7,500	7,500	4,269	3,231
Total Public Works - Sanitation	7,500	7,500	4,269	3,231
Public Works - Highways and Streets				
Winter Maintenance	6,000	6,000	6,081	(81)
Traffic Control Devices	5,580	5,580	4,836	744
Street Lighting	27,000	27,000	24,234	2,766
Storm Sewers and Drains	0	0	569	(569)
Repairs of Tools and Machinery	0	0	11,043	(11,043)
Road and Bridge Maintenance	4,000	4,000	7,216	(3,216)
Construction & Rebuilding	75,000	75,000	52,873	22,127
Total Public Works - Highways and Streets	207,035	207,035	198,901	8,134
Culture and Recreation				
Parks	8,700	8,700	11,027	(2,327)
Total Culture and Recreation	8,700	8,700	11,027	(2,327)
Miscellaneous Expenditures				
Pension	0	0	47,050	(47,050)
Insurance	11,348	11,348	36,744	(25,396)
Other Miscellaneous Exp	0	0	5,074	(5,074)
Refund of Prior Year Revenues	0	0	5,133	(5,133)
Interfund Transfers	0	0	20,970	(20,970)
Total Miscellaneous Expenditures	11,348	11,348	114,971	(103,623)
TOTAL EXPENDITURES	\$ 724,664	\$ 724,664	\$ 758,408	\$ (33,744)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			20,938	
FUND BALANCE - JANUARY 1, 2015			1,317,635	
FUND BALANCE - DECEMBER 31, 2015			\$ 1,338,573	

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
OTHER INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
NON-UNIFORM MUNICIPAL PENSION FUND

For The Year Ended December 31, 2015

Last 10 Measurement Years (if available)*

	Measurement Year Ending 12/31/2014
<u>Total Pension Liability</u>	
Service cost (beginning of year)	\$ 37,864
Interest (includes interest on service cost)	112,094
Changes of benefit terms	0
Differences between expected and actual experience	13,289
Changes of assumptions	0
Transfers	0
Benefit payments, including refunds of member contributions	(92,356)
Net change in total pension liability	70,891
Total Pension Liability - beginning	2,046,494
Total pension liability - ending	\$ 2,117,385
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 29,958
Contributions - member	8,977
PMRS investment income	107,183
Market value investment income	(2,418)
Transfers	0
Benefit payments, including refunds of member contributions	(92,356)
PMRS administrative expense	(220)
Additional Administrative expense	(4,110)
Net change in plan fiduciary net position	\$ 47,014
Plan fiduciary net position - beginning	1,955,699
Plan fiduciary net position - ending	\$ 2,002,713
Net pension liability/(asset) - ending	\$ 114,672
 Plan fiduciary net position as a percentage of the total pension liability	 94.6%
Covered-employee payroll	\$ 261,366
Net pension liability/(asset) as a percentage of covered-employee payroll	43.9%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

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BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
OTHER INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND

For The Year Ended December 31, 2015

Last 10 Measurement Years (if available)*

	Measurement Year Ending 12/31/2014
<u>Total Pension Liability</u>	
Service cost (beginning of year)	\$ 30,542
Interest (includes interest on service cost)	59,581
Changes of benefit terms	0
Differences between expected and actual experience	45,298
Changes of assumptions	0
Transfers	0
Benefit payments, including refunds of member contributions	(42,059)
Net change in total pension liability	93,362
Total Pension Liability - beginning	1,073,500
Total pension liability - ending	\$ 1,166,862
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 16,544
Contributions - member	0
PMRS investment income	63,664
Market value investment income	(8,058)
Transfers	0
Benefit payments, including refunds of member contributions	(42,059)
PMRS administrative expense	(100)
Additional Administrative expense	(2,442)
Net change in plan fiduciary net position	\$ 27,549
Plan fiduciary net position - beginning	1,163,603
Plan fiduciary net position - ending	\$ 1,191,152
Net pension liability/(asset) - ending	\$ (24,290)
 Plan fiduciary net position as a percentage of the total pension liability	 102.1%
Covered-employee payroll	\$ 137,719
Net pension liability/(asset) as a percentage of covered-employee payroll	17.6%

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BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
OTHER INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
NON-UNIFORM MUNICIPAL PENSION FUND
For The Year Ended December 31, 2015

Last 10 Measurement Years (if available)*

	<u>2014</u>
Actuarially Determined Contribution	\$ 13,480
Contributions in Relation to the Actuarially Determined Contribution**	<u>29,958</u>
Contribution Deficiency/(Excess)	\$ <u>(16,478)</u>
Covered-Employee Payroll	\$ 261,366
Contributions as a Percentage of Covered-Employee Payroll	11.46%

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**Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2014 is based upon the January 1, 2011 actuarial valuation.

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset valuation method: Based upon the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary increases: age related scale with merit and inflation component
- COLA increases: 3.0% for those eligible for a COLA
- Pre-Retirement Mortality: Males - RP 2000 with 1 year set back, Females - RP 2000 with 5 year set back
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Healthy Mortality

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BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
OTHER INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

For The Year Ended December 31, 2015

Last 10 Measurement Years (if available)*

	<u>2014</u>
Actuarially Determined Contribution	\$ 0
Contributions in Relation to the Actuarially Determined Contribution**	<u>16,544</u>
Contribution Deficiency/(Excess)	\$ <u><u>(16,544)</u></u>
Covered-Employee Payroll	\$ 137,719
Contributions as a Percentage of Covered-Employee Payroll	12.01%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

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The Accompanying Notes Are An Integral
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BOROUGH OF SHAMOKIN DAM
SHAMOKIN DAM, PENNSYLVANIA
LIST OF REPORT DISTRIBUTION
For The Year Ended December 31, 2015

<u>REPORT</u>	<u>TO WHOM DISTRIBUTED</u>	<u># OF COPIES</u>
Audit Report	Prothonotary Office - Snyder County Courthouse P.O. Box 217 Middleburg, PA 17842	1
Audit Report	The Northumberland National Bank Attn: Thomas Crissinger, Jr. 245 Front Street Northumberland, PA 17857	1
DCED Report	Commonwealth of Pennsylvania Department of Community and Economic Development Governor's Center for Local Government Services 4 th Floor Commonwealth Keystone Building Harrisburg, PA 17120-0225	1
Audit Report DCED Report	Shamokin Dam Borough 42 West Eighth Avenue, Suite 1 PO Box 273 Shamokin Dam, PA 17876	14