

CAPTION SHEET

CASE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/00	:	
2. BUREAU: FUS	:	
3. SECTION(S):	:	
5. APPROVED BY:	:	4. PUBLIC MEETING DATE:
DIRECTOR:	:	00/00/00
SUPERVISOR:	:	
6. PERSON IN CHARGE:	:	7. DATE FILED: 06/30/06
8. DOCKET NO: R-00061625	:	9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT: PUC

RESPONDENT/APPLICANT: PHOENIXVILLE, BOROUGH OF

COMP/APP COUNTY:

UTILITY CODE: 230335

ALLEGATION OR SUBJECT

BOROUGH OF PHOENIXVILLE SEWER FUND FILED A PETITION FOR A WAIVER OF SECTION 53.52 (B) (2) OF COMMISSION'S REGULATIONS TO EXTEND TIME FRAME TO FILE A RATE INCREASE BASED UPON A CALENDAR YEAR TEST YEAR.

DOCUMENT
FOLDER

DOCKETED
JUN 30 2006

CAPTION SHEET

CASE MANAGEMENT SYSTEM

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2. BUREAU: FUS	:	
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COMP/APP COUNTY: UTILITY CODE: 230335

ALLEGATION OR SUBJECT

BOROUGH OF PHOENIXVILLE SEWER FUND FILED A PETITION FOR A WAIVER OF SECTION 53.52(B) (2) OF COMMISSION'S REGULATIONS TO EXTEND TIME FRAME TO FILE A RATE INCREASE BASED UPON A CALENDAR YEAR TEST YEAR.

10/27/06 - BOROUGH OF PHOENIXVILLE FILED SUPPLEMENT NO 13 TO SEWER PA PUC NO 1 TO BECOME EFFECTIVE JANUARY 1, 2007, WHICH PROPOSES A GENERAL RATE INCREASE OF \$72,575 PER YEAR. NAME AND ADDRESS OF COMPANY: THE BOROUGH OF PHOENIXVILLE, 140 CHURCH STREET, PHOENIXVILLE, PA 19460; AREAS SERVED: EAST PIKELAND TWP, CHESTER COUNTY AND SCHUYLKILL TOWNSHIP, CHESTER COUNTY.

DOCUMENT
FOLDER

DOCKETED
OCT 30 2006

BERGER LAW FIRM, P.C.

ATTORNEYS AT LAW

2104 MARKET STREET
CAMP HILL, PA 17011

TELEPHONE: (717) 920-8900
FACSIMILE: (717) 920-8901

EMAIL: publicutilitylaw@bergerlawfirm.net

2006 JUN 30 11:10
PA PUBLIC
UTILITY
COMMISSION
SECRETARY'S
BUREAU

June 30, 2006

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Borough of Phoenixville Sewer Fund Petition For A Waiver of Section 53.52(b)(2) of the Commission's Regulations to Extend The Time Frame To File A Rate Increase Based Upon A Calendar Year Test Year

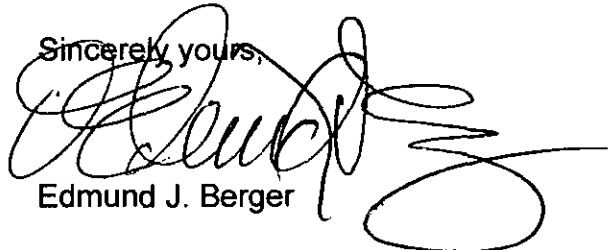
Docket No. R-00061625

Dear Secretary McNulty:

Enclosed please find the original and three (3) copies of the Petition of Borough of Phoenixville Sewer Fund For A Waiver of Section 53.52(b)(2) of the Commission's Regulations to Extend The Time Frame To File A Rate Increase Based Upon A Calendar Year Test Year.

If you have any questions about this filing, please contact me at the number indicated above.

Sincerely yours,



Edmund J. Berger

cc: Office of Consumer Advocate
Office of Small Business Advocate

DOCUMENT
FOLDER

38

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Borough of Phoenixville Sewer :
Fund For A Waiver of Section 53.52(b)(2) :
of the Commission's Regulations to Extend :
The Time Frame To File :
A Rate Increase Based Upon A :
Calendar Year Test Year :

Docket No. *R-00061625*

SECRETARY'S BUREAU
2006 JUN 30 P 11:30

PETITION OF BOROUGH OF PHOENIXVILLE SEWER FUND
FOR A WAIVER OF SECTION 53.52(b)(2)
OF THE COMMISSION'S REGULATIONS
TO EXTEND THE TIME FRAME
TO FILE A RATE INCREASE
BASED UPON A
CALENDAR YEAR TEST YEAR

DOCKETED
JUN 30 2006

Pursuant to Section 5.43 of the Commission's Rules of Practice and Procedure, 52 Pa. Code § 5.43, Borough of Phoenixville Sewer Fund files this request for an extension of time to file a rate increase based upon a calendar year test year. In support of this Petition, Borough of Phoenixville Sewer Fund respectfully sets forth as follows:

1. The Borough of Phoenixville ("Borough of Phoenixville Sewer Fund" or "Sewer Fund") is a municipally owned utility located in Chester County. Although the Borough of Phoenixville serves many customers within its municipal limits, it serves less than 100 customers outside of its municipal limits.
2. The Borough of Phoenixville Sewer Fund is in need of current rate relief from its customers outside of its municipal limits and to bring those customers' rates into line with municipal customer's rates and is planning to make a rate filing in accordance with the Commission's regulations for small water and wastewater utilities.

DOCUMENT
FOLDER

3. The Commission's regulations provide that small water and wastewater utilities with jurisdictional annual revenues of less than \$100,000 must file for a rate increase within 180 days of the end of the test year which they utilize in their rate filing. 52 Pa. Code § 53.52(b)(2).

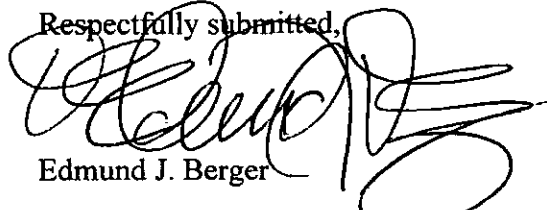
4. Borough of Phoenixville Sewer Fund is a small municipal water utility with jurisdictional annual revenues less than \$100,000.

5. Borough of Phoenixville Sewer Fund is currently preparing its rate filing utilizing an historic test year ending December 31, 2005 and a future test year ending December 31, 2006, but is in need of additional time to finalize its anticipated rate filing.

6. An extension of 90 days in the time frame for Borough of Phoenixville to submit a rate filing based upon a calendar year test year will not result in any harm or prejudice to any interested person. Furthermore, since the Sewer Fund's revenues and expenses do not change significantly from month-to-month, 2005 historic test year data will not be outdated but will generally continue to reflect the ongoing level of revenues and expenses experienced by the Sewer Fund. Additionally, since the Sewer Fund is intending to utilize a future test year, data for the 12 months ending December 31, 2006 will be updated to reflect any changes in the normal levels of revenue and expenses that are anticipated to occur before the end of 2006.

WHEREFORE, Borough of Phoenixville Sewer Fund respectfully requests that the Commission waive the requirement for submitting a rate filing within 180 days of the end of the test year and grant it permission to submit a rate filing utilizing a calendar year test year ending December 31, 2005 within 270 days of such test year.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Edmund J. Berger', written over the typed name below.

Edmund J. Berger

For: Borough of Phoenixville Sewer Fund

BERGER LAW FIRM, P.C.
2104 Market Street
Camp Hill, PA 17011

Phone: 717-920-8900

Fax: 717-920-8901

E-Mail: tberger@bergerlawfirm.net

BERGER LAW FIRM, P.C.

ATTORNEYS AT LAW

2104 MARKET STREET
CAMP HILL, PA 17011

TELEPHONE: (717) 920-8900
FACSIMILE: (717) 920-8901

EMAIL: tberger@bergerlawfirm.net

September 26, 2006

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

ORIGINAL

**Re: Borough of Phoenixville Sewer Fund Petition for Additional
Extension Of 30 Days to Submit Rate Filing Based on Calendar
Year Test Year
Docket No. R-00061625**

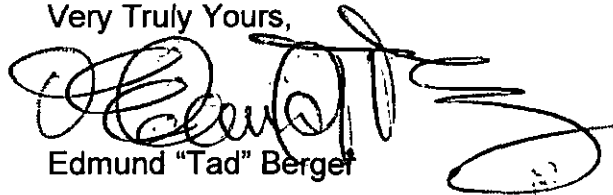
Dear Secretary McNulty:

Enclosed please find an original and three (3) copies of the Petition of the Borough of Phoenixville Sewer Fund for a Waiver of the Commission's Regulations To Further Extend the Time Frame To File A Rate Increase Based Upon A Calendar Year Test Year.

The Borough of Phoenixville is asking for an additional 30 days in which to complete its rate filing.

If there are any questions regarding this request, please feel free to contact me.

Very Truly Yours,



Edmund "Tad" Berger

cc: Allen Mason
Office of Consumer Advocate
Office of Small Business Advocate

**DOCUMENT
FOLDER**

RECEIVED
2006 SEP 27 AM 9:11
PA PUBLIC
UTILITY COMMISSION
SECRETARY'S BUREAU

14

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED
2006 SEP 27 AM 9:11
SECRETARY'S BUREAU

Petition of Borough of Phoenixville Sewer :
Fund For A Waiver of Section 53.52(b)(2) :
of the Commission's Regulations to Extend :
The Time Frame To File : Docket No. R-00061625
A Rate Increase Based Upon A :
Calendar Year Test Year :

PETITION OF BOROUGH OF PHOENIXVILLE SEWER FUND
FOR A WAIVER OF SECTION 53.52(b)(2)
OF THE COMMISSION'S REGULATIONS
TO FURTHER EXTEND THE TIME FRAME
TO FILE A RATE INCREASE
BASED UPON A
CALENDAR YEAR TEST YEAR

Pursuant to Section 5.43 of the Commission's Rules of Practice and Procedure, 52 Pa. Code § 5.43, Borough of Phoenixville Sewer Fund files this request for an additional extension of time to file a rate increase based upon a calendar year test year. In support of this Petition, Borough of Phoenixville Sewer Fund respectfully sets forth as follows:

1. The Borough of Phoenixville ("Borough of Phoenixville Sewer Fund" or "Sewer Fund") is a municipally owned utility located in Chester County. Although the Borough of Phoenixville serves many customers within its municipal limits, it serves less than 100 customers outside of its municipal limits.

2. The Borough of Phoenixville Sewer Fund is in need of current rate relief from its customers outside of its municipal limits and to bring those customers' rates into line with municipal customer's rates and is planning to make a rate filing in accordance with the Commission's regulations for small water and wastewater utilities.

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SEP 28 2006

3. The Commission's regulations provide that small water and wastewater utilities with jurisdictional annual revenues of less than \$100,000 must file for a rate increase within 180 days of the end of the test year which they utilize in their rate filing. 52 Pa. Code § 53.52(b)(2).

4. Borough of Phoenixville Sewer Fund is a small municipal water utility with jurisdictional annual revenues less than \$100,000.

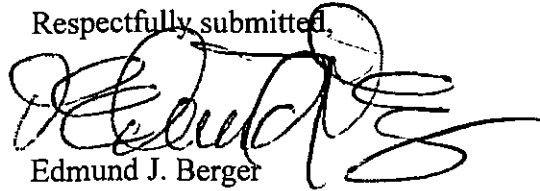
5. Borough of Phoenixville Sewer Fund is currently preparing its rate filing utilizing an historic test year ending December 31, 2005 and a future test year ending December 31, 2006, but is in need of additional time to finalize its anticipated rate filing.

6. The Commission by letter from the Bureau of Fixed Utility Services, dated July 6, 2006, previously granted an extension of 90 days in the time frame to submit a rate filing. However, as the Borough has not filed a request for rate relief for many years, it has had difficulty in putting together all of the information necessary to complete its rate filing by September 30, 2006.

7. An extension of 30 additional days in the time frame for Borough of Phoenixville to submit a rate filing based upon a calendar year test year will not result in any harm or prejudice to any interested person. Furthermore, since the Sewer Fund's revenues and expenses do not change significantly from month-to-month, 2005 historic test year data will not be outdated but will generally continue to reflect the ongoing level of revenues and expenses experienced by the Sewer Fund. Additionally, since the Sewer Fund is intending to utilize a future test year, data for the 12 months ending December 31, 2006 will be updated to reflect any changes in the normal levels of revenue and expenses that are anticipated to occur before the end of 2006.

WHEREFORE, Borough of Phoenixville Sewer Fund respectfully requests that the Commission grant the Borough of Phoenixville an additional extension of 30 days, or until October 30, 2006 in which to complete and submit its rate filing, waive applicable regulations, and allow the Borough to utilize a calendar year test year ending December 31, 2005 and a future test year ending December 31, 2006.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Edmund J. Berger', written over a circular stamp or seal.

Edmund J. Berger

For: Borough of Phoenixville Sewer Fund

BERGER LAW FIRM, P.C.
2104 Market Street
Camp Hill, PA 17011

Phone: 717-920-8900

Fax: 717-920-8901

E-Mail: tberger@bergerlawfirm.net

BERGER LAW FIRM, P.C.
ATTORNEYS AT LAW

ORIGINAL

2104 MARKET STREET
CAMP HILL, PA 17011

TELEPHONE: (717) 920-8900
FACSIMILE: (717) 920-8901

EMAIL: publicutilitylaw@bergerlawfirm.net

October 27, 2006

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**RE: Borough of Phoenixville Sewer Fund
Docket No. R-00061625**

Dear Secretary McNulty:

Enclosed please find the original and eight (8) copies of the proposed rate increase filing of **Borough of Phoenixville (Sewer Fund)**, which is issued in accordance with the short-form rate filing procedures for water and wastewater companies with annual revenues of less than \$250,000. This filing includes the following materials:

- Supplement No. 13 to Borough of Phoenixville (Sewer Fund's) Tariff Sewer – Pa. P.U.C. No. 1, which proposes to modify the Rates, Rules and Regulations Governing the Furnishing of Sewage Service in East Pikeland Township, Chester County and Schuylkill Township, Chester County
- Notice of Proposed Rate Changes, which was mailed to the Borough of Phoenixville's jurisdictional sewer customers on October 26, 2006.
- Affidavit of Service, with a customer list attached. A copy of the affidavit of service is attached. The original affidavit service will be filed within the next few days.
- Borough of Phoenixville (Sewer Fund's) Short Form Rate Filing in accordance with the Commission's regulations at 52 Pa. Code § 53.54 and its "Short Form" filing forms

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2006 OCT 27 AM 11:49
PA PUC
SECRETARY'S BUREAU

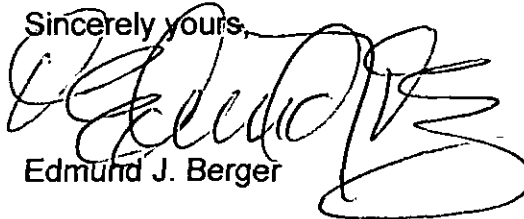
DOCKETED
OCT 30 2006

DOCUMENT
FOLDER

James McNulty, Secretary
October 27, 2006
Page 2

If you have any questions about this proposed rate filing, please contact me at the number indicated above.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Edmund J. Berger". The signature is stylized and cursive, with a large, sweeping flourish at the end.

Edmund J. Berger

cc: Office of Consumer Advocate
Office of Small Business Advocate

R-00061625

Supplement No. 13 to
Sewer - Pa. P.U.C. No. 1

ORIGINAL

DOCKETED
OCT 30 2006

BOROUGH OF PHOENIXVILLE
RATES, RULES AND REGULATIONS
GOVERNING THE FURNISHING OF SEWAGE SERVICE
IN
EAST PIKELAND TOWNSHIP, CHESTER COUNTY
AND
SCHUYLKILL TOWNSHIP, CHESTER COUNTY
PENNSYLVANIA

NOTICE

RECEIVED
2006 OCT 27 AM 11:51
PA PUC
SECRETARY'S BUREAU

Issued: October 26, 2006

Effective: January 1, 2007

By:

Borough Manager
Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460

This Tariff Supplement Increases Rates

DOCUMENT
FOLDER

BOROUGH OF PHOENIXVILLE

LIST OF CHANGES MADE BY THIS TARIFF

This tariff increases the Borough's rates for sewer service to customers served outside of the Borough of Phoenixville by 98.95%.

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BOROUGH OF PHOENIXVILLE

SCHEDULE OF FLAT RATES (I)
(PER QUARTER)

Residential	\$92.49	(I)
Commercial	\$138.73	(I)

BOROUGH OF PHOENIXVILLE

SCHEDULE OF METER RATES (I)

Quarterly Charges -- For Consumption
Within Calendar Quarter Per 1,000 Gallons
(Subject to Minimum Charges Below)

First 1,000,000 gallons	\$5.09 (I)
Next 4,000,000 gallons	\$4.58 (I)
All over 5,000,000 gallons	\$3.86 (I)

Quarterly Minimum Charges

For Customers With Consumption Less Than 12,500 gallons in a Calendar Quarter (for such customers, the minimum charge is imposed in lieu of the consumption charge)	\$63.66 (I)
---	-------------



The Borough of Phoenixville

CHESTER COUNTY, PENNSYLVANIA

Borough Hall, 140 Church Street, Phoenixville, PA 19460

Phone: (610) 933-8801 Fax: (610) 983-0621

NOTICE OF PROPOSED RATE CHANGES

MAYOR
Leo Scoda

BOROUGH COUNCIL
John Messina
President
Letitia Jones
Vice-President
Richard Kirkner
Assistant Secretary
Kendrick Buckwalter
Carlos Ciruelos
Timothy Daly
David Gill
Henry Wagner

OFFICERS
Anthony C. DiGirolomo
Borough Manager
Unruh Turner Burke & Frees
Borough Solicitor

To Our Customer:

The Borough of Phoenixville (Sewer Fund) is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your sewer rates as of January 1, 2007. This notice describes the Borough's rate request, the PUC's role, and what actions you can take.

The Borough of Phoenixville (Sewer Fund) has requested an overall rate increase of \$72,575 per year. If the Borough's entire request is approved; the total bill for a typical metered residential customer using 13,400 gallons of billed usage per quarter (based on water usage) would increase from \$34.30 per quarter to \$68.25 per quarter or by 98.95%. The bill of flat rate residential customers would increase from \$46.49 to \$92.49, or by 98.95%.

To find out how the requested increase may affect your sewer bill, contact the Borough of Phoenixville at 610-933-8801. The rates requested by the Borough may be found in Supplement No. 13 to Tariff Sewer - Pa.P.U.C. No. 1. You may examine the material filed with the PUC which explains the requested increase and the reasons for it. A copy of this material is kept at Borough of Phoenixville's office.

The state agency which approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Borough of Phoenixville must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates.

The PUC may change the amount of the rate increase or decrease requested by the utility for each customer class. As a result, the rate charged to you may be different than the rate requested by the Borough and shown above.

There are three ways to challenge a public utility's request to change its rates:

1. You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC

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 PHOENIXVILLE PA PUC
 SEWER FUND BUREAU

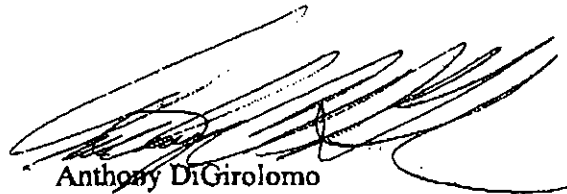
Page 2

before January 1, 2007. If no formal complaints are filed, the Commission may grant all, some or none of the request without holding a hearing before a judge.

2. You can send us a letter telling why you object to the requested rate increase. Sometimes there is information in these letters that makes us aware of problems with the Borough's service or management. This information can be helpful when we investigate the rate request.

Send your letter or request for a formal complaint form to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.

3. You can be a witness at a public input hearing. Public input hearings are held if the Commission opens an investigation of the Borough's rate request and if there is a large number of customers interested in the case. At these hearings you have the opportunity to present your views in person to the PUC judge hearing the case and the public utility's representatives. All Testimony given "under oath" becomes part of the official rate case record. These hearings are held in the service area of the Borough.



Anthony DiGirolomo

Borough Manager

Borough of Phoenixville

Report Criteria:

Customer Group Code = ST

Customer Term Date = (Is NULL)

Billing Service No = 86-90

Cust No	Name	Address 1	City	State	Zip	Service No	Service Address
900001	COSTELLO TRACY	402 E ANDERSON AVE	PHOENIXVILLE	PA	19460-2485	86	402 E ANDERSON AVE - SK
900003	MCCLINTOCK CHARLES & KRISTIN	501 E ANDERSON AVE	PHOENIXVILLE	PA	19460-2464	86	501 E ANDERSON AVE - SK
900004	BOLGER DAVID & VICTORIA	170 KLEYONA AVE	PHOENIXVILLE	PA	19460-2580	86	170 KLEYONA AVE - SK
900072	AKER EARL & NINA	1078 W BRIDGE ST	PHOENIXVILLE	PA	19460-4904	86	1078 W BRIDGE ST - SK
900184	CHESTER COUNTY TECHNICAL SCHOOL	CHARLESTOWN RD	PHOENIXVILLE	PA	19460	90	CHARLESTOWN RD - SK
900185	VALLEY FORGE CHRISTIAN COLLEGE	PO BOX 810	PHOENIXVILLE	PA	19460-0810	90	CHARLESTOWN RD BOX 810 - SK
900186	LIBERTY HOUSE	100 LIBERTY HOUSE LN	PHOENIXVILLE	PA	19460-2381	88	100 LIBERTY HOUSE LN
900187	LIBERTY HOUSE - off	100 LIBERTY HOUSE LN	PHOENIXVILLE	PA	19460-2381	88	1435 CHARLESTOWN RD - SK
900200	FINANCIAL RESOURCES CORP	PO BOX 671	KIMBERTON	PA	19442-0671	87	26 CHESTER AVE - SK
900201	NAUMENKO JOANN	190 CHESTER AVE	PHOENIXVILLE	PA	19460-4084	86	190 CHESTER AVE - SK
900210	SIMON DAVID & NANCY	208 CITY LINE AVE	PHOENIXVILLE	PA	19460-2403	86	202 CITY LINE AVE - SK
900211	KARCHER ROBERT	4 CITY LINE AVE	PHOENIXVILLE	PA	19460	86	4 CITY LINE AVE - SK
900212	SABO DAVID	6 CITY LINE AVE	PHOENIXVILLE	PA	19460-2401	86	6 CITY LINE AVE - SK
900214	KELEMEN JOSEPH	190 CITY LINE AVE & DOROTHY	PHOENIXVILLE	PA	19460	86	190 CITY LINE AVE & DOROTHY
900215	BOTHWELL CHARLES W	402 CITY LINE AVE	PHOENIXVILLE	PA	19460-2448	86	402 CITY LINE AVE - SK
900216	SIMON DAVID & NANCY	208 CITY LINE AVE	PHOENIXVILLE	PA	19460-2403	86	206 CITY LINE AVE - SK
900239	LION PHOENIX ASSOCIATES	100 PLAZA DR UNIT 8	DOWNINGTOWN	PA	19335-3314	89	300 KIMBERTON RD - SK
900449	WALTON CLAIRE	28 KLEYONA AVE	PHOENIXVILLE	PA	19460-2539	86	28 KLEYONA AVE - SK
900450	WAND THOMAS	31 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	31 KLEYONA AVE - SK
900451	KREIDER EILEEN	18 KLEYONA AVE	PHOENIXVILLE	PA	19460-2539	86	18 KLEYONA AVE - SK
900452	AGOSTINI GARY & BERNADINE	42 KLEYONA AVE	PHOENIXVILLE	PA	19460-2539	86	42 KLEYONA AVE - SK
900453	SAKAL HELEN	54 KLEYONA AVE	PHOENIXVILLE	PA	19460-2539	86	54 KLEYONA AVE - SK
900454	CECELIA KERN FLAT	64 KLEYONA AVE	PHOENIXVILLE	PA	19460-2539	86	64 KLEYONA AVE - SK
900455	PHILIP & KATHRYN COLLINS FLAT	74 KLEYONA AVE	PHOENIXVILLE	PA	19460-2539	86	74 KLEYONA AVE - SK
900456	AUGUSTINE SCOTT	80 KLEYONA AVE	PHOENIXVILLE	PA	19460-2568	86	80 KLEYONA AVE - SK
900457	KATZ HAROLD & KATE	35 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	35 KLEYONA AVE - SK
900458	SCHLOTTERER GEORGE & ALLISON	90 KLEYONA AVE	PHOENIXVILLE	PA	19460-2568	86	90 KLEYONA AVE - SK
900459	JEFFREY TRESS FLAT	100 KLEYONA AVE	PHOENIXVILLE	PA	19460-2580	86	100 KLEYONA AVE - SK
900460	KANIEWSKI RICHARD & BRIDGET FLAT	110 KLEYONA AVE	PHOENIXVILLE	PA	19460-2580	86	110 KLEYONA AVE - SK
900461	ROUSE MARVIN & LAZAY	61 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	61 KLEYONA AVE - SK
900462	PAUL CUNNINGHAM FLAT	120 KLEYONA AVE	PHOENIXVILLE	PA	19460-2580	86	120 KLEYONA AVE - SK
900463	BURGERON WENDY FLAT	130 KLEYONA AVE	PHOENIXVILLE	PA	19460	86	130 KLEYONA AVE - SK
900464	RAYSOR WILLIAM	55 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	55 KLEYONA AVE - SK
900465	BAROVICH ROBERT & PATRICIA	150 KLEYONA AVE	PHOENIXVILLE	PA	19460-2580	86	150 KLEYONA AVE - SK
900466	ANN MARIE MATONAK FLAT	140 KLEYONA AVE	PHOENIXVILLE	PA	19460-2580	86	140 KLEYONA AVE - SK
900467	STANLEY MANTELL, DDS	65 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	65 KLEYONA AVE - SK
900468	JAMES & TONIA KULP FLAT	160 KLEYONA AVE	PHOENIXVILLE	PA	19460-2580	86	160 KLEYONA AVE - SK
900469	SNADER GEORGE & DOROTHY	75 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	75 KLEYONA AVE - SK
900470	GLASS LINDA	85 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	85 KLEYONA AVE - SK
900471	URIE JACK & DONNA	95 KLEYONA AVE	PHOENIXVILLE	PA	19460-2538	86	95 KLEYONA AVE - SK
900472	HOWSE PHILIP & WINIFRED	105 KLEYONA AVE	PHOENIXVILLE	PA	19460-2540	86	105 KLEYONA AVE - SK
900473	SMITH WILLIAM	115 KLEYONA AVE	PHOENIXVILLE	PA	19460-2540	86	115 KLEYONA AVE - SK
900474	REYES JAIME & EVELYN	177 KLEYONA AVE	PHOENIXVILLE	PA	19460-2569	86	177 KLEYONA AVE - SK
900475	MEANEY NATALIE FLAT	206 KLEYONA AVE - SK	PHOENIXVILLE	PA	19460-2473	86	206 KLEYONA AVE - SK
900554	KAMUCA JUAN & BETHAN VAUGH	1301 MELVIN RD	PHOENIXVILLE	PA	19460-2493	86	1301 MELVIN RD - SK
900589	JAMES OVERSTREET FLAT	1330 CHARLESTOWN RD	PHOENIXVILLE	PA	19460-2330	86	315 NATLIE RD - SK
900600	SABIA WILLIAM	325 NATALIE RD	PHOENIXVILLE	PA	19460-2409	86	325 NATLIE RD - SK
900601	MARTIN MARGARET	1308 NATALIE RD	PHOENIXVILLE	PA	19460-4471	86	1308 NATALIE RD - SK
900602	COX ALVIN	301 NATALIE RD	PHOENIXVILLE	PA	19460-2409	86	301 NATLIE RD - SK
900603	MASTRANGELO TIM & LOIS	312 NATALIE RD	PHOENIXVILLE	PA	19460-2410	86	312 NATLIE RD - SK
900604	JAMES OVERSTREET FLAT	1330 CHARLESTOWN RD	PHOENIXVILLE	PA	19460-2330	86	319 NATLIE RD - SK
900605	SOMMERS ROBERT	316 NATALIE RD	PHOENIXVILLE	PA	19460-2410	86	316 NATALIE RD - SK
900606	RABNER ROBERT	320 NATALIE RD	PHOENIXVILLE	PA	19460-2410	86	320 NATLIE RD - SK

Cust No	Name	Address 1	City	State	Zip	Service No	Service Address
900607	HANCOCK MICHAEL & LISA	330 NATALIE RD	PHOENIXVILLE	PA	19460-2410	86	330 NATLIE RD - SK
900640	HARVEY STEPHEN	212 SOUTHSIDE CIRCLE	DOWNTOWN	PA	19335	86	424 VALLEY FORGE RD - SK
900641	HARVEY STEPHEN	212 SOUTHSIDE CIRCLE	DOWNTOWN	PA	19335	86	422 VALLEY FORGE RD - SK
m- 900642	KONELL CHRIS & RENEE	444 VALLEY FORGE RD	PHOENIXVILLE	PA	19460	87	444 VALLEY FORGE RD - SK
900652	VIRCSIK MICHAEL	406 PENNYPACKER AVE	PHOENIXVILLE	PA	19460-2444	86	406 PENNYPACKER AVE - SK
900700	DUSTRICH JAY	542 PICKERING LN	PHOENIXVILLE	PA	19460-2548	86	542 PICKERING LN - SK
900714	GOULD JOSHUA & SUSAN	531 PICKERING LN	PHOENIXVILLE	PA	19460-2547	86	531 PICKERING LN - SK
900940	MARONEY BRIAN & ROBIN	1309 STATE RD	PHOENIXVILLE	PA	19460-2433	86	1309 STATE RD - SK
900941	BRADEN JOHN & LINDA	1311 STATE RD	PHOENIXVILLE	PA	19460-2433	86	1311 STATE RD - SK
900942	ROWE JOEL R.	1319 STATE RD	PHOENIXVILLE	PA	19460-2433	88	1319 STATE RD - SK
900943	DAVID STAD <i>FLAT</i>	1315 STATE RD	PHOENIXVILLE	PA	19460-2433	88	1315 STATE RD - SK
900960	BROWN JOANNE	403 VALLEY FORGE RD	PHOENIXVILLE	PA	19460-2513	86	403 VALLEY FORGE RD - SK
900960	BROWN JOANNE <i>duplicate</i>	403 VALLEY FORGE RD	PHOENIXVILLE	PA	19460-2513	87	403 VALLEY FORGE RD - SK
900970	OVERSTREET JAMES	1330 CHARLESTOWN RD	PHOENIXVILLE	PA	19460-2330	86	501 VALLEY FORGE RD - SK
900971	WOOD DEIRDRE L.	544 VALLEY FORGE RD	PHOENIXVILLE	PA	19460-2536	86	544 VALLEY FORGE RD - SK

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Report Criteria:

Customer.Group Code = ST

Customer.Term Date = (Is NULL)

Billing.Service No = 86-90

54 - aqua Pa.

12 - Flat

66


AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA

ss:

Chester County

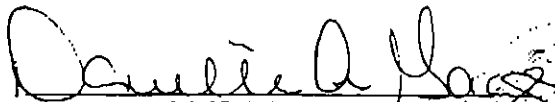
Anthony DiGirolomo, being duly sworn (affirmed) according to law, deposes and says that he is Borough Manager of Borough of Phoenixville, that he is authorized to and does make this affidavit for it; and that the customer notice pertaining to a rate increase filing before the Public Utility Commission for Supplement No. 13 to Tariff Sewer Pa. P.U.C. No. 1 was mailed this 26th day of October, 2006.

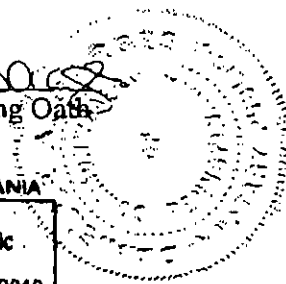

Signature of Affiant

Sworn and subscribed before me this

26 day of Oct, 2006

My Commission Expires Sept 16 2010


Signature of Official Administering Oath



COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
DANIELLE A. GARGES, Notary Public
Phoenixville Boro., Chester County
My Commission Expires September 18, 2010

BOROUGH OF PHOENIXVILLE SEWER FUND

Short Form Filing Rate Schedules

1. Summary Schedule
2. Balance Sheet
3. Revenue Statement
4. Revenue Annualization
5. Rate Base and ROR
6. Detail – Labor
7. Detail – Supplies
8. Detail – Repair and Maintenance
9. Detail – Office
10. Detail – Insurance
11. Detail – Outside Services
12. Detail – Miscellaneous
13. Detail – Depreciation Expense
14. Historic Test Year Adjustment – Supplies
15. Historic Test Year Adjustment – Repair and Maintenance
16. Historic Test Year Adjustment – Outside Services
17. Historic Test Year Adjustment – Miscellaneous Expense
18. Future Test Year Adjustment – Miscellaneous Expense
19. Weighted Cost of Capital
20. Development of Allocation Factors for Outside Borough Costs

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BOROUGH OF PHOENIXVILLE
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2005

	Enterprise Funds		Total
	Water	Sewer	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,117,025	\$ 1,024,807	\$ 2,141,832
Investments	593,527	4,459,761	5,053,288
ACCOUNTS receivable, net	643,037	476,405	1,119,442
Due from other funds	93,095	-	93,095
Prepaid expenses	25,941	14,106	40,047
Inventory	17,873	-	17,873
Total Current Assets	<u>2,490,498</u>	<u>5,975,079</u>	<u>8,465,577</u>
NONCURRENT ASSETS:			
Land	9,502	108,728	118,230
Construction-in-progress	-	901,841	901,841
Capital assets, net	<u>7,920,582</u>	<u>7,361,408</u>	<u>15,281,990</u>
Total Noncurrent Assets	<u>7,930,084</u>	<u>8,371,977</u>	<u>16,302,061</u>
TOTAL ASSETS	<u>\$10,420,582</u>	<u>\$14,347,056</u>	<u>\$24,767,638</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and other liabilities	\$ 80,944	\$ 513,547	\$ 594,491
Compensated absences	7,000	1,841	8,841
Accrued interest payable	7,366	29,466	36,832
Current portion of long-term debt	<u>415,063</u>	<u>204,802</u>	<u>619,871</u>
Total Current Liabilities	<u>510,379</u>	<u>749,656</u>	<u>1,260,035</u>
NONCURRENT LIABILITIES:			
Compensated absences	63,011	16,565	79,576
Long-term debt	<u>3,804,104</u>	<u>8,740,684</u>	<u>12,544,788</u>
Total Noncurrent Liabilities	<u>3,867,115</u>	<u>8,757,249</u>	<u>12,624,364</u>
TOTAL LIABILITIES	<u>4,377,494</u>	<u>9,506,905</u>	<u>13,884,399</u>
NET ASSETS:			
Invested in capital assets, net of related debt	4,097,453	2,420,925	6,518,378
Unrestricted	<u>1,945,635</u>	<u>2,419,226</u>	<u>4,364,861</u>
TOTAL NET ASSETS	<u>6,043,088</u>	<u>4,840,151</u>	<u>10,883,239</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$10,420,582</u>	<u>\$14,347,056</u>	<u>\$24,767,638</u>

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

BOROUGH OF PHOENIXVILLE
COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2004
 (with comparative totals for 2003)

Schedule 2, page 2

ASSETS	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		ACCOUNT GROUPS		2004 TOTALS (MEMORANDUM ONLY)	2003 TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	ENTERPRISE FUNDS WATER FUNDS	SEWER FUNDS	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT		
Cash and cash equivalents	\$ 2,148,020	\$ 210,055	\$ 12,013	\$ 449,301	\$ 885,939	\$ 0	\$ 0	\$ 3,703,328	\$ 2,790,572
Investments	2,855,317	100,000	4,285	1,488,120	6,421,794			10,899,518	12,994,971
Due from other funds	325	716,088	920,425	158,346				1,793,184	423,518
Due from other governments	173,324		82,513		65,880			321,517	1,334,785
Receivables (net)	800,457	84,508		513,766	588,128			1,984,859	1,449,840
Inventories				17,019				17,019	22,891
Prepaid expenses				25,941	14,108			40,047	44,873
Deferred charges (net)								-	48,044
Fixed assets (net)				7,742,626	8,567,525	3,844,782		17,954,933	13,612,709
Amount to be provided for: Retirement of long-term debt							3,338,571	3,338,571	3,433,185
Total assets	\$ 5,805,443	\$ 1,110,651	\$ 1,019,238	\$ 10,393,118	\$ 14,521,172	\$ 3,844,782	\$ 3,338,571	\$ 39,832,974	\$ 36,155,396
LIABILITIES AND FUND EQUITY									
Liabilities									
Accounts payable and accrued expenses	\$ 105,447	\$ 5,205	\$ 9,009	\$ 107,021	\$ 235,491	\$ 0	\$ 0	\$ 462,173	\$ 2,448,737
Bank overdraft		529,984	294,693	81,158				886,018	281,017
Compensated absences payable	17,501			71,117	20,214		157,513	266,345	284,460
Judgments payable								0	
Due to other funds	1,770,434		22,425		325			1,793,184	423,516
Deferred revenue	268,888			1,100	38,500			308,289	279,761
Escrow deposits	474,080			21,651				495,741	142,252
Bonds payable				4,520,861	9,102,080		3,181,058	16,803,789	17,325,125
Total liabilities	2,636,171	535,169	326,327	4,782,899	9,398,610	0	3,338,571	21,015,547	21,165,868
Fund Equity									
Investment in general fixed assets						3,844,782		3,844,782	3,370,900
Fund balances:									
Reserve for escrows								0	0
Reserve for encumbrances								0	0
Unappropriated	3,189,272	575,482	692,909	5,610,420	5,124,562			15,172,645	11,618,628
Total fund equity	3,189,272	575,482	692,909	5,610,420	5,124,562	3,844,782	0	18,917,427	14,989,528
Total liabilities & fund equity	\$ 5,805,443	\$ 1,110,651	\$ 1,019,238	\$ 10,393,118	\$ 14,521,172	\$ 3,844,782	\$ 3,338,571	\$ 39,832,974	\$ 36,155,396

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

BOROUGH OF PHOENIXVILLE SEWER FUND (OUTSIDE BOROUGH OPERATIONS)

Schedule 3

STATEMENT OF REVENUES

Description	Classification of Customers TME 12-31-05		Historic Test Year Revenues* TME 12-31-05		Annualization Adjustments TME 12-31-05	Totals of Annualized TME 12-31-05	Future Test Year Adjustments TME 12-31-06	Future Test Year Level of Operations TME 12-31-06	Proposed Increases	Total Anticipated After Increase
	Beginning	End	Beginning Amt.	End Amount						
Metered Sales:										
Residential	49	49	10,890.05	9,265.25	-183.99	9,081.26	0.00	9,081.26	8,985.72	18,066.98
Commercial/Multi-Res	2	2	1,597.47	5,065.27	-1,578.75	3,486.52	0.00	3,486.52	3,449.83	6,936.35
Industrial	1	1	816.40	680.80	176.58	857.38	0.00	857.38	848.36	1,705.75
Institutional	2	2	71,644.56	49,212.66	8,477.36	57,690.02	0.00	57,690.02	57,083.04	114,773.07
Total Metered Sales	54	54	84,948.48	64,223.98	6,891.21	71,115.19	0.00	71,115.19	70,366.96	141,482.15
Unmetered Sales:										
Residential	12	12	2,231.52	2,231.52	0.00	2,231.52	0.00	2,231.52	2,208.04	4,439.56
Commerical										
Industrial										
Public Fire										
Private Fire										
Other Water Utilities										
Total Unmetered Sales:	12	12	2,231.52	2,231.52	0.00	2,231.52	0.00	2,231.52	2,208.04	4,439.56
Penalties and Forfeitures										
Other Revenue										
Total Operating Revenue	66	66	87,180.00	66,455.50	6,891.21	73,346.71	0.00	73,346.71	72,575.00	145,921.71

BOROUGH OF PHOENIXVILLE SEWER FUND (OUTSIDE BOROUGH OPERATIONS)

REVENUE ANNUALIZATION FOR TME 12-31-05 (OUTSIDE BOROUGH CUSTOMERS ONLY)

	Current Revenues	Increase	Proposed Rates
			98.95%
Quarterly Minimum Charge (charge only applies if billed consumption < \$32.00/Q)	\$32.00		\$31.66
Average Quarterly Consumption Below Minimum Charge (1,000s of gallons)	82.52		82.52
Supplemental Quarterly Revenues from Minimum Charge (1st block rate X Below-Minimum Consumption)	\$211.25		\$209.03
Annual Minimum Charge Revenues	\$845.00		\$836.11
Annual Metered Consumption	30,399,300		30,399,300
-- Block 1	8,928,300		8,928,300
-- Block 2	16,000,000		16,000,000
-- Block 3	5,471,000		5,471,000
Consumption Rates (per 1,000 gallons)			98.95%
-- up to 1,000,000 gallons per quarter	\$2.56		\$2.53
-- 1,000,000 to 5,000,000 gallons per quarter	\$2.30		\$2.28
-- over 5,000,000 gallons per quarter	\$1.94		\$1.92
2006 Consumption Charges			
-- up to 1,000,000 gallons per quarter	\$22,856.45	\$22,615.97	\$45,472.41
-- 1,000,000 to 5,000,000 gallons per quarter	\$36,800.00	\$36,412.81	\$73,212.81
-- over 5,000,000 gallons per quarter	\$10,613.74	\$10,502.07	\$21,115.81
TOTAL	\$70,270.19	\$69,530.84	\$139,801.03
TOTAL REVENUES	\$71,115.19	\$70,366.96	\$141,482.15
Annualization Adjustment for Metered Customers	\$6,674.01		\$70,366.96
Typical Residential Metered Usage (gallons)	13,400		13,400
Typical Residential Metered Bill -- Quarterly	\$34.30	\$33.94	\$68.25
Typical Residential Metered Bill -- Annual	\$137.22	\$135.77	\$272.99
Typical Residential Flat Rate Customer -- Quarterly	\$46.49	\$46.00	\$92.49
Typical Residential Flat Rate Customer -- Annual	\$185.96	\$184.00	\$369.96

RATE BASE AND RATE OF RETURN

Net Plant-in-Service (All Operations)		5,110,216
- FTY Adjustment for Net Plant		0
Cash Working Capital (1/8th method)		
- Total O&M and Taxes	116,993	
- 1/8th of Total O&M and Taxes		14,624
Total Rate Base (All Operations)		5,124,840
Rate Base Allocation Factor to Outside Borough		5.58%
Rate Base Allocated Outside Borough		285,966
Proposed Rate of Return		5.63%
Return on Rate Base (Outside Borough)		16,097

BOROUGH OF PHOENIXVILLE SEWER FUND

Schedule 6

DETAIL -- LABOR

	<u>2005</u>	<u>2004</u>
Wages (Incl. overtime)	678,864	672,255
Benefits	278,234	253,897
FICA/Unemployment/Workers Comp	126,378	113,942
TOTAL LABOR	1,083,476	1,040,093
Percentage Allocation outside Borough (see attached allocation schedule)	6.21%	6.22%
Dollar Allocation Outside Borough	67,274	64,717

BOROUGH OF PHOENIXVILLE SEWER FUND

DETAIL - SUPPLIES

	<u>2005</u>	<u>2004</u>
Repair & Maintenance -- Supplies	16,015	17,643
Repair & Maintenance -- Manholes	13,440	7,950
Small Tools & Minor Equipment	1,053	340
Laboratory Supplies	19,097	17,731
Janitorial Supplies	1,109	301
Chemicals	9,907	17,066
Natural Gas for Digesters	31,097	26,822
Heating Fuel	1,604	773
Diesel Fuel - Generators	3,437	
Lubricants		499
Fuel Pumping Station Generator	263	1,286
Electric	195,734	180,712
Vehicle Fuel	820	287
Safety and First Aid Supplies	2,383	1,080
Protective Clothing & Uniforms	7,394	6,120
TOTAL SUPPLIES	303,352	278,609
Percentage Allocation Outside Borough	6.44%	6.46%
Dollar Allocation Outside Borough	19,543	18,007

BOROUGH OF PHOENIXVILLE SEWER FUND

DETAIL -- REPAIR & MAINTENANCE

	<u>2005</u>	<u>2004</u>
Repair & Maintenance Supplies	9,782	11,817
Small Tools & Minor Equipment	3,539	2,998
Repair of Equipment	24,036	17,796
Vehicle Maintenance	2,286	6,273
TOTAL REPAIR & MAINTENANCE	39,643	38,883
Percentage Allocation Outside Borough	6.50%	6.50%
Dollar Allocation Outside Borough	2,577	2,527

BOROUGH OF PHOENIXVILLE SEWER FUND

DETAIL - OFFICE

	<u>2005</u>	<u>2004</u>
Rent Use of Boro Hall	25,000	
Office Supplies	5,552	5,310
Telephone	13,843	11,349
Postage	4,582	6,138
Advertising		998
Other Expenses		149
TOTAL OFFICE	48,977	23,943
Percentage Allocation Outside Borough	1.26%	1.26%
Dollar Allocation Outside Borough	617	301

DETAIL - INSURANCE

	<u>2005</u>	<u>2004</u>
Property Insurance	55,431	57,181
Liability and Auto Insurance	45,275	46,733
TOTAL INSURANCE	100,706	103,914
Allocation Factor	6.50%	6.50%
Allocated Amount	6,546	6,754

DETAIL -- OUTSIDE SERVICES

	<u>2005</u>	<u>2004</u>
Laboratory Services	2,964	7,765
Professional Services	11,383	17,327
Contract Services (incl. Sludge Removal)	130,542	212,335
Third Party Sewer Service	5,100	
Engineering Services	21,903	11,589
Legal Fees	21,297	4,989
Auditing Services	8,133	7,931
<u>TOTAL OUTSIDE SERVICES</u>	201,321	261,935
Allocation Factor	6.50%	6.50%
Allocated Amount	13,086	17,026

BOROUGH OF PHOENIXVILLE SEWER FUND

DETAIL - MISCELLANEOUS

	<u>2005</u>	<u>2004</u>
Bank Service Charges	9,860	9,073
Dues, Subscriptions, Members & Training	882	4,430
Cable TV Programming & Airing	18,438	
Collection Fees and Court Costs		12,200
Miscellaneous	260	
Meals	112	272
TOTAL MISCELLANEOUS	29,553	25,975
Allocation Factor	1.42%	4.61%
Allocated Amount	420	1,199

BOROUGH OF PHOENIXVILLE SEWER FUND

DETAIL – DEPRECIATION EXPENSE

	<u>2005</u>	<u>2004</u>
Depreciation Expense	229,957	181,957
Percentage Allocation Outside Borough	5.58%	5.58%
Dollar Allocation Outside Borough	12,832	10,153

BOROUGH OF PHOENIXVILLE SEWER FUND

HISTORIC TEST YEAR ADJUSTMENT – SUPPLIES

	<u>2005 Normalized Expense</u>	<u>2005 Actual</u>	<u>Adjustment</u>	<u>% Allocation</u>	<u>Dollar Allocation</u>
Janitorial Supplies -- Average 2004 and 2005	705	1,109	-404	6.50%	-26
Chemicals -- Average 2004 and 2005	13,486	9,907	3,579	6.50%	233
TOTAL ADJUSTMENT	14,191	11,015	3,176	6.50%	206

HISTORIC TEST YEAR ADJUSTMENT – REPAIR AND MAINTENANCE

	<u>2005 Normalized Expense</u>	<u>2005 Actual</u>	<u>Adjustment</u>	<u>% Allocation</u>	<u>Dollar Allocation</u>
Repair of Equipment – Average 2004 and 2005	20,916	24,036	-3,120	6.50%	-203
Vehicle Maintenance – Average 2004 and 2005	4,279	2,286	1,993	6.50%	130
TOTAL ADJUSTMENT	25,195	26,322	-1,127	6.50%	-73

BOROUGH OF PHOENIXVILLE SEWER FUND

Schedule 16

HISTORIC TEST YEAR ADJUSTMENT – OUTSIDE SERVICES

	<u>2005 Normalized Expense</u>	<u>2005 Actual Expense</u>	<u>Adjustment</u>	<u>% Allocation</u>	<u>Dollar Allocation</u>
Engineering Fees -- Average 2004 and 2005	16,746	21,903	-5,157	6.50%	-335
Legal Fees -- Average 2004 and 2005	13,143	21,297	-8,154	6.50%	-530
TOTAL MISCELLANEOUS	29,889	43,200	-13,311		-865

BOROUGH OF PHOENIXVILLE SEWER FUND

HISTORIC TEST YEAR ADJUSTMENT -- MISCELLANEOUS EXPENSE

	<u>2005 Normalized Expense</u>	<u>2005 Actual Expense</u>	<u>Adjustment</u>	<u>% Allocation</u>	<u>Dollar Allocation</u>
Remove Cable TV Programming & Airing	0	18,438	-18,438	1.26%	-232
Remove Meals	0	112	-112	1.26%	-1
Add Collection Fees and Court Costs (average 2004 and 2005)	6,100	0	6,100	6.50%	397
TOTAL MISCELLANEOUS	6,100	18,550	-12,450		163

FUTURE TEST YEAR ADJUSTMENT -- MISCELLANEOUS EXPENSE

Rate Case Expense Normalization 1	7,500.00	(est. rate case expense of \$30,000 normalized over 4 years)
TOTAL ADJUSTMENTS	<u>7,500.00</u>	

WEIGHTED COST OF CAPITAL

	% OF CAPITAL	COST RATE	WEIGHTED COST
Debt	55%	2.87%	1.58%
Equity	45%	9.00%	4.05%
TOTAL	100%		5.63%

Note: Capital Structure is Hypothetical; equity cost rate is at lower end of Commission allowed returns for water/wastewater utilities

Actual Debt Issues

	% OF CAPITAL	INTEREST RATE	WEIGHTED COST
1990B Bond Issue	16.96%	7.15%	1.21%
Del Val Bond Issue	10.67%	3.70%	0.39%
2003 Bond Issue	72.37%	1.75%	<u>1.27%</u>
TOTAL	100.00%		2.87%

ALLOCATION OF SEWER FUND COSTS BETWEEN BOROUGH AND TOWNSHIP CUSTOMERS

Allocation Factors:

Total Customers	5,242	Total Wastewater Flows (2005)	414,682,000	gallons
Phoenixville Borough Customers	5,176	Wastewater Flow Generated in Borough	387,736,000	gallons
Customers (Township) Outside of Borough	66	Wastewater Flow Generated outside Borough	26,946,000	gallons
Allocation Factor by Customer (= 66/5,242)	<u>1.26%</u>	% of Flow Attributable to Township Customers	<u>6.50%</u>	

Total Collection/Conveyance System (feet)	192,441
Collection/Conveyance System within Borough Boundary (feet)	181,711
Collection/Conveyance System outside Borough Boundary (feet)	10,730
Allocation Factor by Collection/Conveyance Facilities (= 10,730/192,411)	<u>5.58%</u>

Original Account No.	Title	Assigned Account No.	Amount	Allocation Factor	Cost Attributable to Outside (Township) Customers
08-442-149	Wages	351.10	\$ 16,034.69	6.50%	\$ 1,042.25
08-442-183	Overtime	351.10	\$ 2,460.62	6.50%	\$ 159.94
08-443-149	Wages	351.10	\$ 254,246.16	6.50%	\$ 16,526.00
08-443-179	Holiday	351.10	\$ 14,206.76	6.50%	\$ 923.44
08-443-183	Overtime	351.10	\$ 20,778.46	6.50%	\$ 1,350.60
08-444-149	Wages	351.10	\$ 64,138.54	6.50%	\$ 4,169.01
08-444-179	Holiday	351.10			\$ -
08-444-183	Overtime	351.10	\$ 10,203.86	6.50%	\$ 663.25
08-450-113	Salary of Council	351.10	\$ 6,601.32	6.50%	\$ 429.09
08-450-121	Salary - Manager	351.10	\$ 22,378.20	6.50%	\$ 1,454.58
08-450-122	Salary - Public Works Director	351.10	\$ 34,965.06	6.50%	\$ 2,272.73
08-450-123	Salary - Supervisor	351.10	\$ 63,876.80	6.50%	\$ 4,151.99
08-450-130	Salary - Finance Director	351.10	\$ 16,093.75	6.50%	\$ 1,046.09
08-450-140	Wages - Secretary	351.10			\$ -
08-450-141	Wages - Clerical Staff	351.10	\$ 60,159.34	1.26%	\$ 758.01
08-450-143	Wages - Mechanic	351.10	\$ 3,152.19	6.50%	\$ 204.89
08-450-153	Long Term Disability	351.10	\$ 9,399.24	6.50%	\$ 610.95
08-450-183	Overtime	351.10			\$ -
08-450-189	Purchase of Sick Time	351.10			\$ -
08-450-194	Planning Commission Compensation	351.10	\$ 1,475.00	6.50%	\$ 95.88
08-480-152	Dental Insurance	351.10	\$ 19,090.27	6.50%	\$ 1,240.87
08-480-155	Eyeglasses & Prescriptions	351.10	\$ 64,953.77	6.50%	\$ 4,222.00
08-480-156	Health & Hospitalization	351.10	\$ 175,594.81	6.50%	\$ 11,413.66
08-480-158	Life Insurance	351.10	\$ 4,977.13	6.50%	\$ 323.51
08-480-160	Pension Contributions	351.10	\$ 1,118.96	6.50%	\$ 72.73
08-480-161	FICA/Medicare	351.10	\$ 51,825.33	6.50%	\$ 3,368.65
08-480-162	Unemployment Comp	351.10	\$ 1,519.81	6.50%	\$ 98.79
08-480-163	Workers Compensation	351.10	\$ 73,033.34	6.50%	\$ 4,747.17
08-480-182	Longevity Pay	351.10	\$ 3,100.00	6.50%	\$ 201.50
08-480-183	Sick Buy Back	351.10			\$ -
08-441-149	Wages	351.70	\$ 87,462.50	6.50%	\$ 5,685.06
08-441-183	Overtime	351.70	\$ 630.47	6.50%	\$ 40.98
		O&M Labor	\$ 1,083,476.38		\$ 67,273.62
08-442-232	Diesel Fuel - Generators	355.20	\$ 3,436.64	6.50%	\$ 223.38
08-441-250	Repair & Maintenance Supplies	361.20	\$ 4,507.96	5.58%	\$ 251.54
08-441-252	Repair & Maintenance Manholes	361.20	\$ 13,440.11	5.58%	\$ 749.96
08-441-260	Small Tools & Minor Equipment	361.20	\$ 1,053.10	5.58%	\$ 58.76
08-443-226	Janitorial Supplies	380.40	\$ 1,108.63	6.50%	\$ 72.06
08-444-221	Chemicals	380.40	\$ 7,205.58	6.50%	\$ 468.36
08-444-230	Natural Gas for Digesters	380.40	\$ 31,097.16	6.50%	\$ 2,021.32
08-773-221	Chemicals	380.40	\$ 1,752.00	6.50%	\$ 113.88
08-442-250	Repair & Maintenance Supplies	389.20	\$ 2,772.68	6.50%	\$ 180.22
08-443-224	Safety & First Aid Supplies	389.40	\$ 2,382.59	6.50%	\$ 154.87
08-443-225	Laboratory Supplies	389.40	\$ 19,096.78	6.50%	\$ 1,241.29
08-443-235	Lubricants	389.40			\$ -
08-443-238	Protective Clothing & Uniforms	389.40	\$ 7,394.36	6.50%	\$ 480.63
08-443-361	Electric	389.40	\$ 134,658.10	6.50%	\$ 8,752.78
08-444-250	Repair & Maintenance Supplies	389.40	\$ 8,734.26	6.50%	\$ 567.73
08-443-231	Vehicle Fuel Gasoline	391.70	\$ 322.02	6.50%	\$ 20.93
08-443-232	Vehicle Fuel Diesel	391.70	\$ 497.97	6.50%	\$ 32.37
08-442-221	Chemicals	398.20	\$ 949.20	6.50%	\$ 61.70
08-442-230	Heating Oil	398.20	\$ 1,603.63	6.50%	\$ 104.24
08-442-233	Fuel Pumping Station Generator	398.20	\$ 263.16	6.50%	\$ 17.11
08-442-361	Electric	398.20	\$ 61,076.04	6.50%	\$ 3,969.94
		O&M Supplies	\$ 303,351.97		\$ 19,543.07

ALLOCATION OF SEWER FUND COSTS BETWEEN BOROUGH AND TOWNSHIP CUSTOMERS

08-443-250	Repair & Maintenance Supplies	389.40	\$	4,686.90	6.50%	\$	304.65
08-443-252	Repair & Maintenance Supplies - Plant Pumps	371.40				\$	-
08-443-253	Repair & Maintenance Supplies - Plant Blower	389.40	\$	1,692.90	6.50%	\$	110.04
08-443-254	Repair & Maintenance Supplies	389.40	\$	3,402.42	6.50%	\$	221.16
08-443-260	Small Tools and Minor Equipment	389.40	\$	3,539.34	6.50%	\$	230.06
08-443-374	Repair of Equipment	389.40	\$	6,288.21	6.50%	\$	408.73
08-441-251	Vehicle Maintenance	391.70	\$	96.11	6.50%	\$	6.25
08-443-251	Vehicle Maintenance	391.70	\$	845.69	6.50%	\$	54.97
08-444-251	Vehicle Maintenance	391.70	\$	1,344.01	6.50%	\$	87.36
08-442-374	Repair of Equipment	398.20	\$	7,693.50	6.50%	\$	500.08
08-444-374	Repair of Equipment	398.70	\$	10,054.21	6.50%	\$	653.52
	Repair & Maintenance		\$	39,643.29			\$2,576.81
08-450-210	Office Supplies	351.10	\$	5,551.58	1.26%	\$	69.95
08-450-240	Other Expenses	351.10					
08-450-321	Telephone	351.10	\$	13,842.96	1.26%	\$	174.42
08-450-325	Postage	351.10	\$	4,582.33	1.26%	\$	57.74
08-450-341	Advertising	351.10					
08-482-382	Rent Use of Boro Hall	351.10	\$	25,000.00	1.26%	\$	315.00
	Office Expense		\$	48,976.87			\$ 617.11
08-450-351	Insurance - Property	351.10	\$	55,430.72	6.50%	\$	3,603.00
08-450-352	Insurance - Liability and Auto	351.10	\$	45,275.15	6.50%	\$	2,942.88
	Insurance		\$	100,705.87			\$ 6,545.88
08-450-311	Auditing Services	351.10	\$	8,133.33	6.50%	\$	528.67
08-450-312	Planning Consultant	351.10					
08-450-313	Engineering Services	351.10	\$	21,902.57	6.50%	\$	1,423.67
08-450-314	Legal Fees	351.10	\$	21,297.13	6.50%	\$	1,384.31
08-450-317	Other Professional Services	351.10					
08-450-450	Contract Services	351.10	\$	10,541.57	6.50%	\$	685.20
08-441-318	Professional Services	361.20	\$	5,895.00	6.50%	\$	383.18
08-444-450	Contract Services - Sludge Removal	380.40	\$	113,713.82	6.50%	\$	7,391.40
08-443-317	Laboratory Services	389.40	\$	2,964.00	6.50%	\$	192.66
08-443-318	Professional Services	389.40	\$	5,487.76	6.50%	\$	356.70
08-443-320	Third Party Sewer Service	389.40	\$	5,100.00	6.50%	\$	331.50
08-443-450	Contract Services	389.40	\$	822.09	6.50%	\$	53.44
08-444-452	Professional Services - Grit Removal	389.40	\$	5,464.08	6.50%	\$	355.17
	Outside Services		\$	201,321.35			\$ 13,085.89
08-443-193	Meals	351.10	\$	112.00	1.26%	\$	1.41
08-450-319	Bank Service Charges	351.10	\$	9,860.09	1.26%	\$	124.24
08-482-000	Miscellaneous Expense	351.10	\$	250.00	1.26%	\$	3.15
08-495-100	Cable TV Programming & Airing	351.10	\$	18,438.33	1.26%	\$	232.32
08-443-240	Miscellaneous	389.40	\$	10.30	1.26%	\$	0.13
08-443-420	Dues, Subscript, Membrs, Training	389.40	\$	882.31	6.50%	\$	57.35
08-450-400	Collection Fees and Court Costs	351.10					
08-450-420	Dues, Subscriptions, and Training	351.10					
08-471-000	Debt Principal	351.10					
08-481-000	Depreciation Expense	351.10					
08-491-000	Refund of prior year revenues	351.10					
08-492-033	Transfer to Capital Reserve	351.10	\$	-		\$	-
	Miscellaneous		\$	29,553.03			\$ 418.60
	Subtotal		\$	1,807,028.76			\$ 110,060.98
08-472-000	Debt Interest	351.10	\$	571,652.88			
	TOTAL		\$	2,378,681.64			

STATEMENT OF REASONS FOR PROPOSED INCREASE

Since the Borough of Phoenixville Sewer Fund last raised its rates to PUC-jurisdictional customers in 1993, its operating costs and capital employed in providing service to customers has increased significantly. At the same time, rates for customers inside the Borough of Phoenixville have been increased and have been subsidizing rates for service to customers outside the Borough. The proposed rate increase is intended to bring the rates to a reasonable level that is necessary to recover the Borough's costs, including its capital costs, from its customers located outside the Borough. The rate increase is necessary for the Borough to continue to provide the high level of service to these customers which it has for many years.

RECEIVED

2006 OCT 27 AM 11:51

PA PUC
SECRETARY'S BUREAU

DESCRIPTION OF BOROUGH OF PHOENIXVILLE

SEWER FUND FACILITIES

Phoenixville Borough provides for the collection, conveyance, and treatment of wastewater for all of the Borough and parts of Schuylkill Township. The Phoenixville Wastewater Treatment Plant (WWTP), located on South Second Avenue, was constructed in 1930's and expanded in 1949 and 1970 to a current daily average capacity of 4.0 million gallons per day (MGD). The service area can be divided into six separate drainage basins with five basins draining into the Ashland Street Pump Station and the final sub-basin flowing directly to the WWTP.

The WWTP is operated to maintain compliance with the Borough's NPDES permit. The operators are responsible for a variety of tasks to ensure compliance. The mechanical equipment at the WWTP is inspected daily. The WWTP grounds, treatment units, and control buildings are inspected periodically. Routine maintenance tasks include changing oil, checking oil levels, replacing oil filters, replacing air filters, lubricating motor bearings, and other maintenance tasks. The pumping stations are inspected routinely three days per week. During adverse weather conditions they may be inspected more frequently. The electrical generators are exercised once per week. The Borough uses a flushing truck to remove blockages from the sewer system. The Borough's Streets Department performs the maintenance on the sanitary sewer system. The Borough has two workers to perform a preventative maintenance program. These workers use a television inspection truck to observe problems with the sanitary sewers.

DESCRIPTION OF BOROUGH OF PHOENIXVILLE

SALARIES PAID AND WORK PERFORMED

The Borough of Phoenixville Sewer Fund employs nine full-time and 1 part-time employees in the work involved in operating the sewage treatment plant and collection facilities. In addition, management, clerical, and other labor (and benefits) are allocated by the Borough of Phoenixville to the sewer fund in direct relation to the work that is performed by those individuals on behalf of the sewer fund.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

DATE: October 31, 2006

SUBJECT: Request for Information Regarding Water Quality, Service and Compliance

TO: Department of Environmental Protection
Bureau of Water Quality Management

Jenifer Fields, P.E., Water Management Program Mgr, SE Regional Office
Steve O'Neil, Chief, Monitoring & Compliance, SE Regional Office

FROM: Public Utility Commission
Bureau of Fixed Utility Services
Water/Wastewater Industry Group
P. O. Box 3265
Harrisburg, PA 17105-3265
Attention: Wm. David Shrader, FUVE
Phone (717) 783-2505
Fax No. (717) 787-4750
(mailto:wshrader@state.pa.us)

**DOCUMENT
FOLDER**

The necessary information to identify the company is as follows:

Name of Company	<u>Borough of Phoenixville – Sewer Fund</u>
Official	<u>Anthony DiGirolomo, Borough Manager</u>
Office Address	<u>Borough Hall, 140 Church Street</u> <u>Phoenixville, PA 19460</u>
County	<u>Chester</u>
Municipality	<u>Borough of Phoenixville</u>
Docket No.	<u>R-00061625</u>

The purpose of this email is to identify any pending actions, outstanding complaints, current permit violations and or standing CO&As against the above system. If there were/are any problems, could you please provide a brief description of the problems and any steps being taken to correct them? If there were/are not any problems, could you please provide a statement stating the same?

The Borough has filed for a General Rate Increase to take affect on January 1, 2007. Please send this information to the Public Utility Commission to the email address given above by November 27, 2006. Thank you for your cooperation.

cc: Marylou Barton (DEP), Charles Weakley (OTS), Christine Hoover (OCA)



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

November 1, 2006

EDMUND J BERGER
BERGER LAW FIRM PC
2104 MARKET STREET
CAMP HILL PA 17011

DOCUMENT
FOLDER
FOLDER

Re: Borough of Phoenixville (Sewer Fund) - General Rate Increase at R-00061625

Dear Mr. Berger:

In order for us to complete our analysis of the aforementioned filing, answers to the enclosed data requests are required by the Water/Wastewater Industry Group. This information is necessary for completion of our recommendation to the Commission.


An early and expeditious conclusion of your requested rate change is dependent upon full and responsive answers to the enclosed data requests which should be received by this office no later than ten working days from the date of this letter.

Answers to these data requests need not be typed but restate each data request and its corresponding number before answering. Internal and informal worksheets, as long as they are legible, will suffice. It is requested that three copies of the data requests be provided to:

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P O Box 3265
Harrisburg, PA 17105-3265

Attention: Wm. David Shrader - (717) 783-2505

Your answers should be verified per 52 Pa. Code § 1.36. If any problems should arise that prevent a full response within ten working days or any clarification of these data requests is required, please contact the above staff person. Thank you for your cooperation in the foregoing matter.

Sincerely,

H. Edwin Rodrock, Supervisor
Water/Wastewater Industry Group
Bureau of Fixed Utility Services

Enclosure

cc: A. DiGirolomo, C. Hoover (OCA), W. Lloyd (OSBA), T. Weakley (OTS)

**BUREAU OF FIXED UTILITY SERVICES
WATER/WASTEWATER INDUSTRY GROUP
DISCOVERY – SET I
BOROUGH OF PHOENIXVILLE (Sewer Fund)
DOCKET NO. R-00061625**

November 1, 2006

NOTE: RESTATE THE DATA REQUEST PRIOR TO PROVIDING A RESPONSE. ALSO, PROVIDE THE NAME OF THE PERSON, CAPACITY AND NAME OF FIRM PROVIDING THE RESPONSE.

COMPLIANCE

C-MISC-1 A review of Commission records indicate that the Borough has not filed its 2005 Annual Report in accordance with **66 Pa.C.S. §504**. Submit this document immediately.

C-MISC-2 A review of Commission records indicate that the Borough has not filed its **Public Utility Security and Readiness Self Certification** in accordance with **52 Pa. Code Chapter 101, effective June 11, 2005**. Submit this document immediately.

RATE BASE

RB-1 Schedule 2, Page 1 indicates a claim for Construction Work in Progress (CWIP); whereas, Schedules 14 through 17 indicate a Historic Test Year. What type of Test Year is Borough using for this filing?

RB-2 Provide by line item, type, and cost of all utility plant claimed as CWIP with its location (inside or outside the Borough).

RB-3 Provide the “financial statements” cited in Schedule 2 of the filing.

RB-4 Provide the plant-in service schedule, including all calculations, that supports the Depreciation Expense claim in Schedule 13.

RATE STRUCTURE

RS-1 Provide the mathematical rationale for the Quarterly Minimum Charges increase.

RS-2 Why are there 12 flat rate customers?

RS-3 How does the Borough obtain metered water consumption?

RS-4 Your overall annual flow contribution from outside customers is indicated to be about 27 MGY. Provide a breakdown of annual flows per customer as shown on your Active PHIX Customers list.

RS-5 What are the rates charged to inside customers? Provide your response in the same format as your proposed Tariff Supplement No. 13, Pages 9 and 10.

RS-6 In your **STATEMENT OF REASONS FOR PROPOSED INCREASE**, you cite that "At the time, rates for customers inside the Borough of Phoenixville have been increased and have been subsidizing rates fo (sic) service to customers outside the Borough." Beginning with implementation of Tariff Supplement No. 12 to Sewer – Pa. P. U. C. No. 1, Effective: June 4, 1993, provide a chronological account of all rate increases to the inside customers. Include any and all changes to the Borough's rules and regulations during this same time frame.

RS-7 What entity is providing wastewater service to the 22 customers that are indicated to have left the Borough's collection system?

QUALITY OF SERVICE

QS-1 Provide a valid copy of your NPDES permit.

QS-2 Provide documentation of any and all inflow/infiltration studies conducted on service lines in the two townships, their findings and corrective actions taken.

**DOCUMENT
FOLDER**

BERGER LAW FIRM, P.C.
ATTORNEYS AT LAW

ORIGINAL

2104 MARKET STREET
CAMP HILL, PA 17011

TELEPHONE: (717) 920-8900
FACSIMILE: (717) 920-8901

EMAIL: publicutilitylaw@bergerlawfirm.net

November 1, 2006

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**RE: Borough of Phoenixville Sewer Fund
Docket No. R-00061625**

RECEIVED
2006 NOV -2 PM 1:15
SECRETARY'S BUREAU
PA P.U.C.

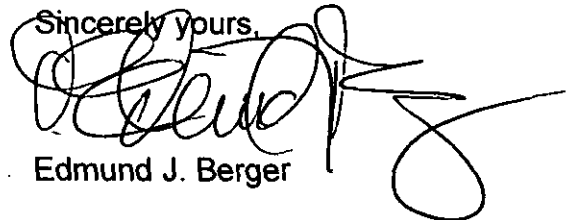
Dear Secretary McNulty:

Enclosed please find the original and eight (8) copies of a corrected cover page for the Borough of Phoenixville's Tariff Supplement No. 13, which was submitted to your office on October 27, 2006. The previously submitted cover page for Tariff Supplement No. 13 showed an Issue Date of October 26, 2006 when in fact the correct issue date was October 27, 2006.

Please substitute this corrected page for the previously submitted cover page.

I apologize for any confusion this error may have caused. If you have any questions about this correction, please contact me at the number indicated above.

Sincerely yours,



Edmund J. Berger

cc: Office of Consumer Advocate
Office of Small Business Advocate

KJR

22

R-00061625

Supplement No. 13 to
Sewer - Pa. P.U.C. No. 1

ORIGINAL

DOCUMENT FOLDER

BOROUGH OF PHOENIXVILLE
RATES, RULES AND REGULATIONS
GOVERNING THE FURNISHING OF SEWAGE SERVICE
IN
EAST PIKELAND TOWNSHIP, CHESTER COUNTY
AND
SCHUYLKILL TOWNSHIP, CHESTER COUNTY
PENNSYLVANIA

RECEIVED
2006 NOV -2 PM 1:15
PA P.U.C. BUREAU
SECRETARY'S OFFICE

NOTICE

DOCKETED
NOV 09 2006

Issued: October 27, 2006

Effective: January 1, 2007

By:
Borough Manager
Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460

This Tariff Supplement Increases Rates



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

VIA CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 17, 2006

EDMUND J BERGER
BERGER LAW FIRM PC
2104 MARKET STREET
CAMP HILL PA 17011

Re: Borough of Phoenixville (Sewer Fund) - General Rate Increase at R-00061625

Dear Mr. Berger:

In order for us to complete our analysis of the aforementioned filing, answers to the enclosed data requests are required by the Water/Wastewater Industry Group. This information is necessary for completion of our recommendation to the Commission.

An early and expeditious conclusion of your requested rate change is dependent upon full and responsive answers to the enclosed data requests which should be received by this office no later than ten working days from the date of this letter.

Answers to these data requests need not be typed but restate each data request and its corresponding number before answering. Internal and informal worksheets, as long as they are legible, will suffice. It is requested that three copies of the data requests be provided to:

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P O Box 3265
Harrisburg, PA 17105-3265

Attention: Wm. David Shrader - (717) 783-2505

Your answers should be verified per 52 Pa. Code § 1.36. If any problems should arise that prevent a full response within ten working days or any clarification of these data requests is required, please contact the above staff person. Thank you for your cooperation in the foregoing matter.

**DOCUMENT
FOLDER**

Sincerely,

H. Edwin Rodrock, Supervisor
Water/Wastewater Industry Group
Bureau of Fixed Utility Services

Enclosure

cc: A. DiGirolomo, C. Hoover (OCA), W. Lloyd (OSBA), T. Weakley (OTS)

BUREAU OF FIXED UTILITY SERVICES
WATER/WASTEWATER INDUSTRY GROUP
DISCOVERY – SET II
BOROUGH OF PHOENIXVILLE (Sewer Fund)
DOCKET NO. R-00061625

November 17, 2006

NOTE: RESTATE THE DATA REQUEST PRIOR TO PROVIDING A RESPONSE. ALSO, PROVIDE THE NAME OF THE PERSON, CAPACITY AND NAME OF FIRM PROVIDING THE RESPONSE.

******SPECIAL NOTE******

PROVIDE THE CAPACITY AND NAME OF FIRM PROVIDING THE RESPONSES CONTAINED IN THE UTILITY'S NOVEMBER 13, 2006 LETTER. THIS INFORMATION IS REQUESTED, AS WELL AS THE RESPONDER'S NAME, FOR THE FOLLOWING DISCOVERY.

RATE STRUCTURE

RS-8 Provide the numerical calculations to determine the proposed Quarterly Minimum Charges increase.

RS-9 The Utility's response to RS-6 was not attached with your November 13, 2006 submittal. Submit this documentation.

RS-10 At R-00922415, the Utility indicated that there were 104 outside customers. In the Utility's Annual Report for the period ending December 31, 1994, it is reported that there were 90 metered and 12 flat rate outside customers. In this filing, you indicate that there are 54 metered and 12 flat rate outside customers. Explain these discrepancies.

QUALITY OF SERVICE

QS-3 Your response to QS-1 was the submittal of a draft NPDES Permit. Provide a copy of your valid NPDES Permit

QS-4 Your response to QS-2 appears to be a 2002 engineering evaluation of the total collection system that indicates there is a 50% dry weather infiltration with a substantial worsening during precipitation events. It is unclear from this study what pertains to the outside customers. QS-2 data request concerns the collection mains in the two townships, the infiltration findings in the two townships and the actions taken to correct infiltration problems. Include appropriate mapping of the Borough and Township boundaries.

BORO OF PHOENIXVILLE R-00061625
(SEWER)

Pennsylvania Department of Environmental Protection
Southeast Regional Office
WATER Management

2 East Main Street
Norristown, PA 19401

DOCUMENT
FOLDER



Date: November 20, 2006

Time: _____

Number of pages including cover sheet: 33

To:

Dave Schrader
PVC

Phone: _____

Fax phone: _____

CC: _____

From:

Jesse Goldberg

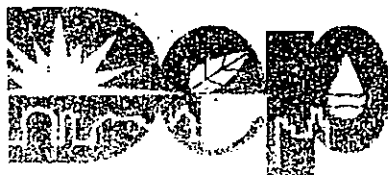
Phone: 484-250-5150

Fax phone: 484-250-5971

REMARKS: Urgent For your review Reply ASAP Please comment

Per your request, attached is a copy of the Consent Order and Agreement that the Department and Phoenixville entered into back in 2003. Currently, the borough is way behind on the "Completion of Construction" milestone on Page 6. According to conversations with borough personnel, they may be done with the construction by the end of December of 2006.

PLEASE CALL IF YOU ENCOUNTER PROBLEMS WITH THIS FAX



Pennsylvania Department of Environmental Protection

Lee Park, Suite 6010
555 North Lane
Conshohocken, PA 19428
August 5, 2003

Phone: 610-832-6130
Fax: 610-832-6133

Southeast Regional Office

Mr. Donald T. Edwards, P.E.
Public Works Director
The Borough of Phoenixville
Borough Hall
140 Church Street
Phoenixville, PA 19460

Re: Water Management/Sewage
NPDES Permit No. PA0027154
The Borough of Phoenixville
Consent Order and Agreement
Phoenixville Borough
Chester County

Dear Mr. Edwards:

Enclosed, please find your executed copy of our Consent Order and Agreement dated July 28, 2003 concerning the construction of the Bridge Street Pump Station, sewage treatment plant, and the implementation of your Infiltration/inflow abatement program. We look forward to monitoring the Borough of Phoenixville's progress towards upgrading your collection, conveyance, and treatment facilities, and anticipate future compliance with the requirements of this Consent Order and Agreement. Please submit the required civil penalty payment within five days of the date of this letter.

Thank you for your cooperation in resolving this matter.

Sincerely,

Jesse Goldberg
Compliance Specialist
Water Management

cc: Mr. Feola
Mr. Newbold
Mr. O'Neil
Ms. Dolchak
Mr. Bram -- Office of Chief Counsel
Mr. Sheridan -- Borough of Phoenixville
Compliance and Monitoring
Re 30 (GJE03)211-6



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

In the Matter of:

Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460

: Water Management; Sewage
: Violations of the Clean Streams Law

CONSENT ORDER AND AGREEMENT

This Consent Order and Agreement is entered into this *28th* day of *July* 2003, by and between the Commonwealth of Pennsylvania, Department of Environmental Protection (hereinafter "Department"), and the Borough of Phoenixville (hereinafter "Phoenixville").

The Department has found and determined the following:

A. The Department is the agency with the duty and authority to administer and enforce the Clean Streams Law, Act of June 22, 1937, P.L. 1987, as amended, 35 P.S. § 691.1 et seq. ("Clean Streams Law"); Section 1917-A of the Administrative Code of 1929, Act of April 9, 1929, P.L. 177; as amended, 71 P.S. § 510-17 ("Administrative Code") and the Rules and Regulations promulgated thereunder.

B. Phoenixville exists under the laws of the Commonwealth of Pennsylvania with their offices located in the Borough of Phoenixville, Chester County. The mailing address is Borough of Phoenixville, 140 Church Street, Phoenixville, PA 19460. Phoenixville is considered a "municipality" as that term is defined in Section 1 of the Clean Streams Law, 35 P.S. § 691.1.

C. Phoenixville owns and operates a sewage treatment plant ("Plant"), located in the Borough of Phoenixville, Chester County which Plant discharges to the Schuylkill River, a water of the Commonwealth.

D. The Plant receives sewage, within the meaning of that term as defined in Section 1 of the Clean Streams Law, supra, 35 P.S. § 691.1, from a collection system which serves the Borough of Phoenixville and portions of Schuylkill and Charlestown Townships. Phoenixville owns and operates the collection system tributary to the Plant, and the Bridge Street Pump Station, which conveys approximately 85 percent of the sewage generated within Phoenixville and the surrounding municipalities to the Plant.

E. On December 23, 1993, the Department issued National Pollutant Discharge Elimination System Permit No. PA0027154, ("NPDES Permit") to Phoenixville, which NPDES Permit authorized the discharge of treated effluent to the Schuylkill River and set effluent limits and monitoring requirements for the discharge. This NPDES Permit was renewed on August 12, 1999, and reissued to Phoenixville. The NPDES permit also required the submittal of Discharge Monitoring Reports ("DMRs") on a monthly basis.

F. Sections 201, 202, and 401 of the Clean Streams Law, 35 P.S. §§ 691.201, 691.202, and 691.401, prohibit the discharge of sewage, or other polluting substances into waters of the Commonwealth, except as provided under the Clean Streams Law and the Rules and Regulations of the Department.

G. DMRs submitted by Phoenixville for the reporting periods of March of 2000 through December of 2002 reflect exceedances of the effluent limits of the NPDES Permit. These violations are shown in Attachment A.

H. The discharges of sewage into waters of the Commonwealth, as described in paragraph G, herein and identified in Attachment A, were not authorized by permit or regulation and constitute a violation of Sections 201, 202, and 401 of the Clean Streams Law, 35 P.S. §§ 691.201, 691.202, and 691.401.

I. The sewage collection system owned by Phoenixville was constructed pursuant to Water Quality Management Permit Nos. 8070, 9886-S, 8521-S, 8459-S, 8293-S, 762S30, 7576, 8402-S, and 8534-S. These permits contain the following standard conditions with which Phoenixville must comply:

"No stormwater from pavements, areaways, roofs, or other sources shall be admitted to the sanitary sewers herein approved, which shall be used exclusively as carriers of domestic sewage and suitable industrial wastes. Stormwater shall be admitted only to such sewers as are specifically approved for use as combined sewers."

Very similar language also appears in the NPDES Permit.

J. The collection system is subject to hydraulic surges, which result from the inflow of stormwater into sanitary sewers tributary to the Plant. Excessive infiltration and inflow ("I/I") has contributed to sanitary sewer overflows ("SSOs") in the collection system. The collection system, particularly manholes located at Bridge and Church Streets, and Routes 113 and 23, is especially prone to I/I and has overflowed extensively.

K. The existence of excessive I/I within Phoenixville's sanitary sewer system is contrary to the conditions of Water Quality Management Permit Nos. 8070, 9886-S, 8521-S, 8459-S, 8293-S, 762S30, 7576, 8402-S, and 8534-S, and constitutes a violation of Sections 201 and 202 of the Clean Streams Law, 35 P.S. §§ 691.201 and 691.202.

L. During the years of 1998, 1999, 2000, 2001, and through 2002, the sanitary sewer collection system has overflowed on at least twenty-five (25) separate occasions. The majority of these overflows were directly related to excessive I/I within the sanitary sewer system which resulted in the collection system being overloaded and, subsequently, resulted in the sanitary sewer system overflowing. Some of the overflows are related to system blockages or pump failures. The dates and locations of these known overflows are shown in Attachment B of this Consent Order and Agreement.

M. The overflows described in paragraph L, above, constitute violations of the standard conditions of Water Quality Management Permit Nos. 8070, 9886-S, 8521-S, 8459-S, 8293-S, 762S30, 7576, 8402-S, and 8534-S, and a violation of Sections 201, 202, and 401 of the Clean Streams Law, 35 P.S. §§ 691.201, 691.202, and 691.401.

N. On October 12, 2001, Phoenixville submitted a draft Act 537 Sewage Facilities Plan ("537 Plan") to the Department which contained an analysis of the existing wastewater collection, conveyance, and sewage treatment infrastructure within Phoenixville, along with anticipated improvements and upgrades to the systems. Schedules for construction and implementation were also included with the plan.

O. The 537 Plan documents that I/I is evident throughout the sewage collection system, and that the Bridge Street Pump Station does not have adequate capacity to adequately pump current and projected flows. In addition, the 537 Plan also documents the shortcomings of the Plant, and the current operational and design problems that are limiting the ability of the Plant to consistently perform, especially during periods of wet weather. Pertinent sections of the 537 Plan, as described above, are shown in Attachment C of this Consent Order and Agreement.

P. On September 17, 2001, the Department sent a letter to Phoenixville which outlined concerns regarding the performance of the Plant's primary clarifiers during wet weather, in addition to a discussion regarding SSOs which occurred within the collection system. A copy of this letter is included in Attachment D of this Consent Order and Agreement.

Q. Based upon several meetings held between representatives of the Department and Phoenixville, it was determined that formal approval of Phoenixville's entire 537 Plan would not be necessary since no new connections were being requested at the time, and the proposed work to be performed would only repair/upgrade the existing collection system, Bridge Street Pump Station, and the Plant to be able to accommodate wet weather flows. No increases in the annual average of the Plant capacity, or requests for new connections have been made at this time. The Department determined that the only portion of the 537 Plan that would need approval would be that portion for the French Creek Interceptor project.

R. On March 6, 2002, the Department granted 537 Plan Approval for only Phase 1 of the French Creek Interceptor project, which will include the construction of approximately 3,500 linear feet of 24-inch diameter PVC and ductile iron pipe with precast manholes from Market and Ashland Streets to Church and Bridge Streets within the borough. This project is being undertaken to alleviate hydraulic surges and overflows in the interceptor in this specific area of Phoenixville. On March 7, 2002, the Department issued Water Quality Management Permit No. 1501423 to Phoenixville which approved the French Creek Interceptor project.

S. On March 29, 2002, the Department approved the March 7, 2002 "Phase 1 – Infiltration and Inflow Analysis" which was submitted by Carroll Engineering Corporation on behalf of Phoenixville. The proposed Phase 1 study will encompass, but is not limited to the following actions:

1. Review previous studies, reports, data, and other sewer system records for previously identified problem areas;
2. Flow monitoring equipment to be placed at key manholes during spring 2002 for a 21-day period encompassing several rain events;
3. Analyze the flow data and quantify the infiltration and inflow for the areas associated with the key manholes; and
4. Prepare a summary report that details the results of the flow monitoring, data analysis, identification of areas needing further investigation, recommendations for rehabilitation, and/or analysis of alternatives including costs comparison of removing infiltration and inflow sources versus treating the infiltration and inflow at the Plant.

T. The 2001 Annual Municipal Wasteload Management Report, the annual wastewater treatment Plant report that Phoenixville is required to submit to the Department pursuant to 25 Pa. Code Chapter 94 ("Chapter 94 Report"), received by the Department on April 22, 2002, states that the Bridge Street Pump Station is hydraulically overloaded, and is not capable of adequately pumping flow directed into the pump station during high intensity rainfalls. Upstream of the pump station, the French Creek Interceptor frequently is surcharged due to a hydraulic overload condition. One of the reasons for the surcharged conditions in the French Creek Interceptor, and the Bridge Street Pump Station, is the presence of I/I in the collection system.

U. The Chapter 94 Report, as referenced in paragraph T above, contained a Corrective Action Plan ("CAP") which Phoenixville would be implementing in order to reduce the hydraulic overload condition and I/I in the collection system, make the necessary upgrades to the collection system, Bridge Street Pump Station, and the Plant, and to establish a Connection Management Plan. The CAP also contains a Wastewater Improvements Schedule which outlines time frames for the upgrade of the Bridge Street Pump Station and the Plant.

V. The Department has determined from reports of inspections of the Plant conducted by Department personnel, and from examination of the operator's log sheets submitted with Phoenixville's DMRs, that the Plant has been, and continues to be unable to provide adequate treatment during periods of wet weather when flows to the Plant are increased.

W. On April 9, 2002, the Department accompanied Phoenixville's consultants on an inspection of the Canal Street interceptor in order to determine locations where temporary flow meters could be installed. During this inspection, evidence of sewage overflows from manholes along the interceptor, and near the Bridge Street Pump Station were observed. In addition, it was also noted that the siphon located along the Canal Street interceptor had also overflowed.

X. The violations described in paragraphs H, K, M, V, and W hereof, constitute unlawful conduct under Section 611 of the Clean Streams Law, 35 P.S. § 691.611; a statutory nuisance under Section 601 of the Clean Streams Law, 35 P.S. § 691.601; and subject Phoenixville to civil penalty liability under Section 605 of the Clean Streams Law, 35 P.S. § 691.605.

After full and complete negotiation of all matters set forth in this Consent Order and Agreement and upon mutual exchange of covenants contained herein, the parties desiring to avoid litigation and intending to be legally bound, it is hereby **ORDERED** by the Department and **AGREED** to by Phoenixville as follows:

1. **Authority.** This Consent Order and Agreement is an Order of the Department authorized and issued pursuant to Section 5 of the Clean Streams Law, 35 P.S. § 691.5; and Section 1917-A of the Administrative Code, supra.

2. **Findings.**

a. Phoenixville agrees that the findings in paragraphs A through X are true and correct and, in any matter or proceeding involving Phoenixville and the Department, Phoenixville shall not challenge the accuracy or validity of these findings.

b. The parties do not authorize any other persons to use the findings in this Consent Order and Agreement in any matter or proceeding.

3. **Corrective Action.** Phoenixville agrees to construct upgraded and expanded sewage treatment facilities to enable the Plant to achieve and maintain compliance with the NPDES Permit effluent limits.

a. The work described above shall be accomplished in accordance with the following schedule:

SEWAGE TREATMENT PLANT AND BRIDGE STREET PUMP STATION

<u>Milestone Event(s)</u>	<u>Milestone Date</u>
1. Start construction of the work approved by the WQM Permit for the Bridge Street Pump Station	<u>July 31, 2003</u>
2. Complete construction of the work approved by the WQM Permit for the Bridge Street Pump Station	July 31, 2004
3. Submit Part II WQM Permit Application for upgrade of the Plant	October 31, 2004
4. Start construction of the work approved by the WQM Permit for the Plant	March 31, 2005
5. Complete construction of the work approved by the WQM Permit for the Plant	February 28, 2006
	<u>Final Compliance Date</u>
Achieve NPDES Permit Discharge Limitations	August 31, 2006

b. **INFILTRATION/INFLOW ABATEMENT**

The permittee shall undertake an aggressive and thorough I/I Abatement Program which shall effectively result in the elimination of all SSOs within Phoenixville that are a result of wet weather events. As mentioned in the Department's May 30, 2002 letter, a copy of which is shown in Attachment E of this Consent Order and Agreement, Phoenixville shall provide, in accordance with the schedule provided herein by the Department, detailed quarterly reports describing actions taken in the I/I Abatement Program.

c. **STATUS REPORTS**

Phoenixville shall submit quarterly status reports to the Department as discussed in the Infiltration/Inflow Abatement section, which will describe in detail the progress made on abating I/I in the collection system. At a minimum, the reports shall include the following:

1. **Proposed Inspection/Evaluation** – Inspection/Evaluation activities previously proposed for implementation during the reporting quarter.
2. **Actual Inspection/Evaluation** – Inspection/Evaluation activities actually implemented during the reporting quarter.
3. **Proposed Corrective Work** – Corrective work (rehabilitation, illegal connection elimination, etc.) previously proposed for implementation during the reporting quarter.
4. **Actual Corrective Work** – Corrective work actually completed during the reporting quarter.
5. **Proposed Connection Credits** – Proposed flow credits on elimination of extraneous flow for use by new connections.
6. **Flow Data** – Data from flow monitors for the reporting quarter.
7. **Work Plan for the next Quarter** – Schedule of activities proposed for the next reporting quarter.

The status reports shall be submitted to the Department according to the following schedule:

June 30, 2003
September 30, 2003
December 31, 2003
March 30, 2004
June 30, 2004
September 30, 2004
December 31, 2004
March 30, 2005
June 30, 2005
September 30, 2005
December 31, 2005
March 30, 2006
June 30, 2006
September 30, 2006
December 31, 2006

4. **Civil Penalty Settlement.** Within five (5) days of the date of this Consent Order and Agreement, Phoenixville shall pay a civil penalty of **TWENTY TWO THOUSAND FOUR HUNDRED TWELVE DOLLARS (\$22,412.00)**. This payment is in settlement of the Department's claim for civil penalties for the violations set forth in paragraph X, above, covering the period from January 1998 to December 2002. The payment shall be made by corporate check or the like made payable to the Clean Water Fund and sent to Mr. Jesse Goldberg, Environmental Protection Compliance Specialist, Pennsylvania Department of Environmental Protection, Lee Park, Suite 6010, 555 North Lane, Conshohocken, PA 19428.

5. **Stipulated Penalties.**

a. In the event Phoenixville fails to comply in a timely manner with any term or provision of this Consent Order and Agreement, Phoenixville shall be in violation of this Consent Order and Agreement and, in addition to other applicable remedies, shall pay a civil penalty for each violation as specified below:

1. Between the execution date of this Consent Order and Agreement and February 28, 2006, subject to the conditions of paragraph 12 hereof, Phoenixville shall make a payment to the Clean Water Fund in the amount of **ONE HUNDRED DOLLARS (\$100.00)** per day for each day of noncompliance with the milestone schedule dates specified in paragraphs 3.a.1-3.a.5 of this Consent Order and Agreement.

2. Between the execution date of this Consent Order and Agreement and December 31, 2006, subject to the conditions of paragraph 12 hereof, Phoenixville shall make a payment to the Clean Water Fund in the amount of **\$100.00** per day for each day of noncompliance with the status report submittal dates specified in paragraph 3.c of this Consent Order and Agreement.

3. Between the execution date of this Consent Order and Agreement and August 31, 2006, subject to the conditions of paragraph 12 hereof, Phoenixville shall pay into the Clean Water Fund **TWO HUNDRED FIFTY DOLLARS (\$250.00)** for every SSO within Phoenixville that is documented and/or reported by either Department personnel or Phoenixville's personnel. These SSOs are those that occur within the collection system, at pump stations, or at the Plant.

4. Between August 31, 2006 and February 28, 2007, subject to the conditions of paragraph 12 hereof, Phoenixville shall pay into the Clean Water Fund **THREE THOUSAND DOLLARS (\$3,000.00)** per month for each month or portion of a month that Phoenixville fails to achieve the final compliance date specified in paragraph 3.a.7 of this Consent Order and Agreement.

b. Between the execution date of this Consent Order and Agreement and August 31, 2006, subject to the conditions of paragraph 12 hereof, Phoenixville shall make a payment to the Clean Water Fund for each monthly average violation of the NPDES Permit in accordance with the table listed in Attachment F.

Notwithstanding the penalty amounts set forth in the preceding chart, each and every violation of the pH and Fecal Coliform NPDES limits shall require payment of a **\$100.00** penalty.

c. The Department reserves the right to assess additional civil penalties and/or to bring any action at law or equity for pollution incidents at or from the plant which result from willful actions of Phoenixville or its agents and/or for pollution incidents which have an adverse impact on the receiving stream or which adversely affect public health, safety and welfare.

d. Stipulated penalty payments for schedule violations shall be payable monthly on or before the 15th day of each succeeding month, and shall be forwarded as described in paragraph 4 (Civil Penalty Settlement), above. Stipulated penalty payments for effluent violations shall be payable monthly on or before the 28th day of each succeeding month and shall be accompanied by a copy of the DMR for that month.

e. Any payment under this paragraph shall neither waive the Phoenixville's duty to meet its obligations under this Consent Order and Agreement nor preclude the Department from commencing an action to compel Phoenixville's compliance with the terms and conditions of this Consent Order and Agreement. The payment resolves only Phoenixville's liability for civil penalties arising from the violation of this Consent Order and Agreement for which the payment is made.

f. Stipulated civil penalties shall be due automatically and without notice.

6. **Additional Remedies.**

a. In the event Phoenixville fails to comply with any provision of this Consent Order and Agreement, the Department may, in addition to the remedies prescribed herein, pursue any remedy available for a violation of an order of the Department, including an action to enforce this Consent Order and Agreement.

b. The remedies provided by this paragraph and paragraph 5 (Stipulated Civil Penalties) are cumulative and the exercise of one does not preclude the exercise of any other. The failure of the Department to pursue any remedy shall not be deemed to be a waiver of that remedy. The payment of a stipulated civil penalty, however, shall preclude any further assessment of civil penalties for the violation for which the stipulated civil penalty is paid.

7. **Reservation of Rights.** The Department reserves the right to require additional measures to achieve compliance with applicable law. Phoenixville reserves the right to challenge any action which the Department may take to require those measures.

8. **Liability of Operator.** Phoenixville shall be liable for any violations of the Consent Order and Agreement, including those caused by, contributed to, or allowed by its officers, agents, employees, or contractors. Except as provided in paragraph 9(c), Phoenixville also shall be liable for any violation of this Consent Order and Agreement caused by, contributed to, or allowed by its successors and assigns.

9. **Transfer of Site.**

a. The duties and obligations under this Consent Order and Agreement shall not be modified, diminished, terminated or otherwise altered by the transfer of any legal or equitable interest in the collection system, Bridge Street Pump Station or the Plant or any part thereof.

b. If Phoenixville intends to transfer any legal or equitable interest in the collection system, Bridge Street Pump Station, or the Plant which is affected by this Consent Order and Agreement, Phoenixville shall serve a copy of this Consent Order and Agreement upon the prospective transferee of the legal and equitable interest at least thirty (30) days prior to the contemplated transfer and shall simultaneously inform the Regional Office of the Department of such intent.

c. The Department in its sole discretion may agree to modify or terminate Phoenixville's duties and obligations under this Consent Order and Agreement upon transfer of the collection system, Bridge Street Pump Station, or the Plant. Phoenixville waives any right that it may have to challenge the Department's decision in this regard.

10. **Correspondence with Department.** All correspondence with the Department concerning this Consent Order and Agreement shall be addressed to:

Regional Water Quality Manager
Department of Environmental Protection
Lee Park, Suite 6010
555 North Lane
Conshohocken, PA 19428
610-832-6131 Fax: 610-832-6133

11. **Correspondence with Phoenixville.** All correspondence with Phoenixville concerning this Consent Order and Agreement shall be addressed to:

Mr. William J. Sheridan
Borough Manager
Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460
610-933-8801 Fax: 610-983-0621

Phoenixville shall notify the Department whenever there is a change in the contact person's name, title, or address. Service of any notice or any legal process for any purpose under this Consent Order and Agreement, including its enforcement, may be made by mailing a copy by first class mail to the above address.

12. **Force Majeure.**

a. In the event that Phoenixville is prevented from complying in a timely manner with any time limit imposed in this Consent Order and Agreement solely because of a strike, fire, flood, act of God, or other circumstances beyond Phoenixville's control and which Phoenixville, by the exercise of all reasonable diligence, is unable to prevent, then Phoenixville may petition the Department for an extension of time. An increase in the cost of performing the obligations set forth in this Consent Order and Agreement shall not constitute circumstances beyond Phoenixville's control. Phoenixville's economic inability to comply with any of the obligations of this Consent Order and Agreement shall not be grounds for any extension of time.

b. Phoenixville shall only be entitled to the benefits of this paragraph if it notifies the Department within five (5) working days by telephone and within ten (10) working days in writing of the date it becomes aware or reasonably should have become aware of the event impeding performance. The written submission shall include all necessary documentation, as well as a notarized affidavit from an authorized individual specifying the reasons for the delay, the expected duration of the delay, and the efforts which have been made and are being made by Phoenixville to mitigate the effects of the event and to minimize the length of the delay. The initial written submission may be supplemented within ten (10) days of its submission. Phoenixville's failure to comply with the requirements of this paragraph specifically and in a timely fashion shall render this paragraph null and of no effect as to the particular incident involved.

c. The Department will decide whether to grant all or part of the extension requested on the basis of all documentation submitted by Phoenixville and other information available to the Department. In any subsequent litigation, the Phoenixville shall have the burden of proving that the Department's refusal to grant the requested extension was an abuse of discretion based upon the information then available to it.

13. **Severability.** The paragraphs of this Consent Order and Agreement shall be severable and should any part hereof be declared invalid or unenforceable, the remainder shall continue in full force and effect between the parties.

14. **Entire Agreement.** This Consent Order and Agreement shall constitute the entire integrated agreement of the parties. No prior or contemporaneous communications or prior drafts shall be relevant or admissible for purposes of determining the meaning or intent of any provisions herein in any litigation or any other proceeding.

15. **Attorney Fees.** The parties agree to bear their respective attorney fees, expenses and other costs in the prosecution or defense of this matter or any related matters, arising prior to execution of this Consent Order and Agreement.

16. **Modifications.** No changes, additions, modifications, or amendments of this Consent Order and Agreement shall be effective unless they are set out in writing and signed by the parties hereto.

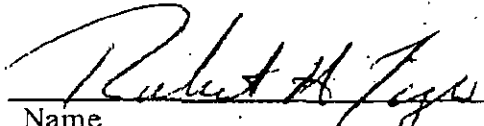
17. **Titles.** A title used at the beginning of any paragraph of this Consent Order and Agreement may be used to aid in the construction of that paragraph, but shall not be treated as controlling.

18. **Decisions under Consent Order.** Any decision which the Department makes under the provisions of this Consent Order and Agreement is intended to be neither a final action under 25 Pa. Code Section 1021.2, nor an adjudication under 2 Pa. C. S. Section 101. Any objection which Phoenixville may have to the decision will be preserved until the Department enforces this Consent Order and Agreement.

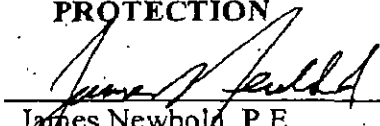
IN WITNESS WHEREOF, the parties hereto have caused this Consent Order and Agreement to be executed by their duly authorized representatives. The undersigned representatives of Phoenixville certify under penalty of law, as provided by 18 Pa. C.S. § 4904, that they are authorized to execute this Consent Order and Agreement on behalf of Phoenixville; that Phoenixville consents to the entry of this Consent Order and Agreement as a final **ORDER** of the Department; and that Phoenixville hereby knowingly waives its right to appeal this Consent Order and Agreement and to challenge its content or validity, which rights may be available under Section 4 of the Environmental Hearing Board Act, the Act of July 13, 1988, P.L. 530, No. 1988-94, 35 P.S. § 7514; the Administrative Agency Law, 2 Pa. C.S. § 103(a); and Chapters 5A and 7A, or any other provision of law. Signature by Phoenixville's attorney certifies only that the agreement has been signed after consulting with counsel.

**FOR THE BOROUGH OF
PHOENIXVILLE:**

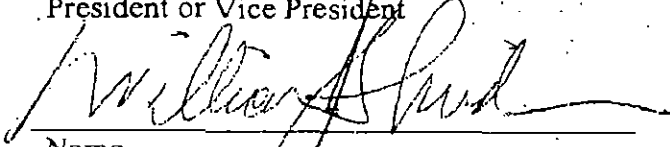
**FOR THE COMMONWEALTH OF
PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL
PROTECTION**



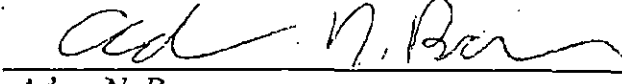
 Name
 President or Vice President




 James Newbold, P.E.
 Regional Manager
 Water Management



 Name
 Secretary or Treasurer



 Adam N. Bram
 Assistant Counsel



 Attorney for Phoenixville

Re 30 (GJE02)268-2

ATTACHMENT A

COUNTY NAME: CHESTER
FACILITY NAME: PHOENIXVILLE BOROUGH
PERMIT NUMBER: PA 0027154
STREAM TYPE: OTHER
FLOW IN MGD: 4.0

<u>DATE</u>	<u>PARAMETER</u>	<u>PERMIT LIMIT</u>	<u>REPORTED VALUE</u>
3/00	TSS	1501	2748
3/00	TSS	30	40
3/00	TSS	45	84
4/00	TSS	45	54
5/00	TSS	45	55
5/02	TSS	1500	1531
5/02	TSS	45	63
11/02	TSS	1500	2383
11/02	TSS	30	32
11/02	TSS	45	81
12/02	CBOD	25	27.4
12/02	CBOD	40	46
12/02	TSS	1500	1515
12/02	TSS	30	36
12/02	TSS	45	58

ATTACHEMENT B - PHOENIXVILLE BOROUGH SSOs

<u>DATE</u>	<u>SSO LOCATION</u>
1/23/98	Routes 23 and 113
1/23/98	Downstream of Routes 23 and 113
1/23/98	Paradise Street and Center Street
3/9/98	Routes 23 and 113
3/9/98	Paradise Street north of Route 23
3/9/98	Church and Bridge Street
3/9/98	Callowhill Street and Pennsylvania Avenue
4/2/98	Routes 23 and 113
4/2/98	Downstream of Routes 23 and 113
4/2/98	Paradise Street and Center Street
4/9/98	Routes 23 and 113
4/9/98	Paradise Street at Route 23
4/9/98	Church and Bridge Street
4/9/98	Three manholes downstream of Routes 113 and 23
5/13/98	Ashland Street and Market Street
1/21/99	Routes 23 and 113
1/21/99	Downstream of Routes 23 and 113
1/21/99	Paradise Street and Center Street
1/21/99	Church and Bridge Street
3/21/99	Church and Bridge Street
12/23/01	Canal Street Interceptor Overflow
12/28/01	Eland Downe Pump Station Overflow
1/15/02	Eland Downe Pump Station Overflow
1/23/02	Church Street and Gay Street
6/6/02	Church and Bridge Street

ATTACHMENT C - Act 537 Plan Pages

TABLE 4 (CONTINUED)
SUMMARY OF EXISTING SEWER CONNECTIONS

Existing Connections Related to Flow	at 250 gpd/connection	at 300 gpd/connection
5 year average WWTP flow (MGD)	1.8	1.3
Corresponding connections/population	7,200/18,000	6,000/15,000
gpd/connection at 2.5 persons per household and 120 gpd/person *	---	300
gpd/connection at 2.5 persons per household and 100 gpd/person*	250	---
WWTP rated capacity (MGD)	4.0	4.0
Corresponding connections/population	16,000/40,000	13,300/33,250

* Source: Chapter 94 Waste Load Management Report, Phoenixville, 1997

The Canal Interceptor services Subbasin #3 with 160 connections, and the Loop with 110 under existing conditions. The FCI collects the remaining flow except for Subbasin #1 with 311 connections.

2. Operational Condition Analysis

The existing collection system consists primarily of clay pipe which is more than 60 years old. It can be expected that some structural and/or hydraulic limitations exist. The condition of the system was analyzed based on review of previous reports, interviews with Department of Public Works personnel, preliminary site inspections, and existing data. Major components are described below and key findings are summarized in Subsection #3.

a. The overall sewer system experiences infiltration and inflow which is a major concern. Closed Circuit Television Operations (CCTV) were performed by the Borough in some of the sewer drainage areas. They revealed the following issues:

- Root intrusion, cracked joints and crowns.
- Grease build up and other debris which contributes to reduction in hydraulic carrying capacity.
- Signs of structural damage in areas subject to heavy traffic.
- Most of the manholes in the system constructed of brick masonry where grouting has degraded over time.

Clearing and rehabilitation was carried out in response to the CCTV findings.

Although certain sections of the collection system appear to be near their hydraulic capacity, the Borough has performed a considerable amount of I/I reduction/sewer system rehabilitation recently. As such, the data accumulated during previous I/I studies may no longer be completely reliable. For example, previous studies indicate the stretch of the 10-inch diameter sewer on Bridge Street between Nutt Road and Church Street, draining Subbasin #19, needed replacement or a bypass.

- b. The FCI is subject to infiltration and inflow. Recent CCTV inspections revealed structural damage at several locations. Ensuring hydraulic capacity in this interceptor for future growth in the Borough is among the objectives for this Act 537 Plan. Therefore, detailed analyses were conducted for the FCI. A hydraulic analysis of the existing interceptor is presented in Appendix C.
- c. The Canal Interceptor is projected to drain all flow generated from the existing 110 homes and future homes (estimated at 450 dwelling units). With this development predicted in the Loop, a larger interceptor will be required. The following limiting conditions need to be addressed:
- The rocky terrain and the lack of adequate space in close proximity to the railroad tracks will impact the costs of any sewer replacement or rehabilitation at this site.
 - The sewers in the area between Oak Street to the north and Railroad Street to the south had documented manhole overflows during storm events.
 - At a minimum, one pump station to divert the wastewater flow from this area toward Dayton Street would be required.
 - Currently, access to clean and maintain the section between the Canal and the River is difficult.
- d. The Bridge Street Pump Station, located across from Columbia Station, has been in service for approximately 60 years and conveys 80 to 90 percent of the flow of the entire sewage collection system. A preliminary condition analysis determined that:
- The pump station does not have adequate capacity for existing and projected flows.
 - The pump station has inadequate ventilation.
 - The electrical panels are situated in close proximity to the pump motors and need to be evaluated for potential violations of the Electrical Code.

- * Standby power is available presently; however, the generator does not have adequate capacity for future flow conditions.
- * The pump station is located within the floodplain of French Creek.

3. Collection and Conveyance System Summary

- a. Canal Interceptor draining the Loop does not have adequate capacity to handle new development in the area.
- b. The alignment of the Vanderslice Street sewer causes hydraulic problems at the intersection with High Street, which had been exacerbated by the discharge of heavy solids and grease by Bachman Candies.
- c. The 10-inch diameter sewer on Bridge Street between Nutt Road and Church Street is at capacity and should be replaced or bypassed.
- d. New land developments in the western portion of the Borough have encountered capacity constraints.
- e. Bridge Street Pump Station requires corrective maintenance and/or replacement.

4.2 Wastewater Treatment Facilities

A. Description of Wastewater Treatment Plant

1. National Pollutant Discharge Elimination System (NPDES) Permit Requirements

The Borough owns and operates a wastewater treatment facility (permitted at 4 MGD) located on 2nd Avenue along the southern bank of the Schuylkill River as previously shown in Figure 1. A site plan is included as Figure SP-1 in Appendix A. The plant is based on the conventional activated sludge process preceded by trickling filters and is operated under the terms and conditions of NPDES Permit #PA0027154. The facility's current NPDES permit will expire on August 12, 2004.

The effluent is discharged into the Schuylkill River, a major tributary to the Delaware River. A summary of the NPDES permit effluent limits is shown in Table 6.

- The skimming equipment will also need modifications.
- Handrails and safety related equipment will also need to be repaired or modified.

b. Trickling Filters

A substantial amount of energy is expended in the operation of three (3) lift transfer pumps to pump the primary settling tank effluent to the top of the trickling filters. No data appears to be available to assess the performance of the existing trickling filters. Based on available unit process data, the filters should be capable of reducing a substantial portion of the carbonaceous biological oxygen demand (CBOD) if necessary repairs are undertaken. Should the Borough wish to retain the filters the following maintenance activities may be required:

- The rotating arms should be inspected and/or repaired.
- The supporting structure for the plastic media should be inspected for any deterioration and repaired or replaced as needed.
- Accumulated grit and debris should be removed.
- The orifices/nozzles need to be unclogged and replaced if needed.
- Any broken media should be replaced.
- The outer surface of the towers should be repaired and painted.
- The influent and effluent pipes to and from the towers should be flushed and cleaned.

c. Aeration Tanks

While two (2) of the three (3) tanks have been in service since the early 1950's, the third tank was constructed in the 1970's. Field observations indicate the following:

- Flow distribution between the tanks is not uniform, and the MLSS concentrations fluctuate in the three tanks.
- The air header from the blowers is reported to be leaking at several locations between the blower building and the tanks.
- Segments of handrail are missing or were never installed during the initial construction.

- The coarse bubble aeration system does not provide uniform dissolved oxygen concentrations in the aeration tanks; the coarse bubble aeration equipment has served its useful life and needs to be replaced with high-efficiency fine-bubble diffusers. Moreover, the existing aeration system is not capable of providing sufficient oxygen for nitrification which will be necessary upon the implementation of the effluent ammonia standard contemplated by the PADEP.
- The existing blowers have been in service from the early fifties and require fairly extensive repairs on an annual basis. The blowers, one (1) centrifugal and two (2) positive displacement type units, have different capacities but consume about the same amount of energy. One (1) of them outputs 750 standard cubic feet per minute (scfm) while the others produce 1,250 scfm and 1,800 scfm respectively.

d. Final Settling Tanks

Two (2) of the three (3) tanks have been in service for over 40 years, while the third one was installed in the 1970's. Operational condition observations include:

- The tanks are relatively shallow units (10 feet deep) and are not efficient; properly designed secondary settling tanks for activated sludge applications are at least 14 feet deep with 12 feet side water depth.
- Final settling tank solids loading rates are relatively high and consequently the sludge return rates are higher.
- The sludge collection and removal mechanisms were repaired or replaced a few years ago. The return activated sludge is pumped to the aeration tanks and also partially to the primary settling tanks as needed by the operators. Under peak hydraulic loading, the return activated sludge supply to the return pumps cannot be satisfied.
- Large segments of handrail are missing or were never installed during the initial construction.
- Overflow weirs are not evenly distributed in the clarifiers which results in the uneven overflow rates in the three clarifiers.
- The tanks have lateral and longitudinal launders at different locations, and field observations indicate that the settling sludge floc tends to rise and discharge into the launders in the segments closer to the influent channel.
- The effluent from the tanks is conveyed to the chlorine contact tanks via two separate pipes (20-inch diameter and a 16-inch diameter). During high flow conditions, the tank weirs are submerged.

e. Digesters

The four (4) anaerobic digesters currently in service consist of two (2) 35-foot diameter, one (1) 50-foot diameter and one (1) 70-foot diameter concrete tanks with floating covers. A replacement cover was recently installed on one (1) of the 35-foot diameter units. The larger units are used as primaries while the two (2) smaller units are used mainly for holding and transfer of solids to the belt filter press as and when needed. Other observations are:

- The digesters and associated equipment have been out of service frequently in the recent past. The 35-foot diameter digesters do not have necessary equipment including but not limited to mixers, pumps, and heating. The Borough has an on-going program to repair and replace valves, gas meters, and sludge heaters.
- Solids handling and stabilization facilities have deteriorated due to age.
- Though the original design called for mixing equipment, these were not installed.
- Inadequate mixing has resulted in longer detention times and the consequent forced storage of solids in settling tanks. Grease and scum removal has been difficult, and grit accumulation has reduced the effective volume of the digesters. The accumulated grit needs to be removed to restore the available volume for sludge stabilization.
- The tank interiors need to be repaired and epoxy coated.
- Structural modifications to permit the installation of mixers may be required.
- The covers need to be removed and painted.
- All existing pumps and piping may require repair or replacement. Electrical wiring and switches will be installed in accordance with code requirements.

f. Filter Press

- The single belt filter press is scheduled to operate a minimum of 16 hours per day five days per week. It operates periodically 24 hours per day.
- The layout of the solids handling building prohibits easy and efficient maintenance of the press.
- Logistics hamper the routine maintenance of the dewatered sludge conveyor system in the green house.

Electrical system.

The existing electrical system has grown with the plant since it operational in the early 1940's. Since then, the code governing electrical systems has changed rapidly over the years. The staffs at the plant have made sustained efforts to field locate buried utilities, including electrical systems, as they diligently carry out preventive maintenance throughout the plant. Numerous electrical upgrades will be required to meet current needs and National Electric Code requirements:

- A substantial portion of the cable network has been found to be installed without conduits.
- The main switch located outdoors at the entrance to the plant is obsolete and needs to be replaced.
- A separate electrical room will be needed.
- Explosion proof switches and ancillary equipment may be required in the digester and sludge handling areas.

3. Hydraulic Evaluation of WWTP Components

A simplified profile of the plant components is shown in Figure 7 identifying the water surface elevations under design conditions for the 4 MGD operation. The hydraulic analysis evaluates the hydraulic capacity of the channels or pipes connecting the major components of the treatment plant. The detailed calculations are summarized in Table 10. Figure 8 depicts a process piping schematic identifying the various piping components described in Table 10.

The major restriction in the plant which hinders the hydraulic conveyance of 10 MGD is at the headworks of the plant. The connecting 16-inch diameter pipe from the bar screen to the grit chamber is inadequate, as well as the 12-inch x 12-inch channel connecting the grit chamber to the primary tanks. The latter channel has a calculated capacity of about 4.85 MGD.

Subsequently, the next potential restriction downstream of the headworks occurs from the primary settling tanks to the primary effluent sump and further down to the aeration tanks. Although adequate at almost 12 MGD, the transfer pumps feeding the trickling filters can handle no more than 6.5 MGD.

Furthermore, the 10-inch diameter bypass pipe terminating at the influent channel of the aeration tanks is inadequate to pass even the average design flow rate of 4 MGD to the aeration tanks and beyond.

ATTACHMENT D - Department letter of September 17, 2001



Pennsylvania Department of Environmental Protection

Lee Park, Suite 6010
555 North Lane
Conshohocken, PA 19428
September 17, 2001

Southeast Regional Office

610-832-6130
Fax 610-832-6133

Mr. Donald T. Edwards
Public Works Director
Borough of Phoenixville
Borough Hall
140 Church Street
Phoenixville, PA 19460

Re: WQ/Operations
Borough of Phoenixville STP
NPDES Permit No. PA0027154
Phoenixville Borough
Chester County

Dear Mr. Edwards:

The Department has undertaken a review of your 2000 Chapter 94 report and your Discharge Monitoring Reports ("DMRs") from 1998 through the present. The Department commends Phoenixville Borough for maintaining a very good NPDES Permit compliance record over the years; however, we are concerned about wet weather flows and their effect on the treatment plant, in addition to two apparent sanitary sewer overflows to French Creek.

Attached to this letter is a summary of some wet weather events over the past three years, which indicate that varying rainfall amounts have a serious impact on the performance of the plant's primary clarifiers. While effluent compliance has generally been maintained during these periods, we are concerned about the primary clarifiers being overloaded and the possible use of your two in-plant bypasses. Since there was no discussion in the Chapter 94 report concerning ongoing Infiltration/Inflow ("I/I") work being performed by the Borough, we are unsure if you have any plans to correct this problem. Although we have previously approved connections to your treatment plant based upon work completed under your Corrective Action Plan, we believe that a significant I/I problem still exists. It is apparent from reviewing your DMR attachments and our inspection reports which document submerged weirs in both the primary and final clarifiers, that a severe wet weather I/I problem exists within the Borough's collection system.

We are also concerned about two sanitary sewer overflows ("SSOs") within your collection system. SSOs are strictly prohibited under the Department's regulations. The first SSO is located behind the Mansion House on Bridge Street. There appears to be a weir located in the sanitary sewer, which overflows into a storm sewer tributary to French Creek. This condition was first brought to our attention in the Borough's May 28, 1998 letter to the Department concerning an overflowing manhole at Ashland and Market Street. The other SSO that is of concern is in the Bridge Street pump station. This overflow, which is a standpipe in the pump station, may be utilized during wet weather, and its discharge location is apparently not known.

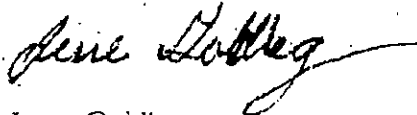
Mr. Donald T. Edwards

- 2 -

September 17, 2001

The Department believes that the Borough of Phoenixville needs to develop and implement a comprehensive I/I Abatement Program, which will allow for a systemic investigation and reduction in wet weather flows, which will in turn, enhance the effectiveness of the primary clarifiers, and not allow for the use of the in-plant bypasses. In order that we may discuss this issue, as well as the SSOs mentioned above, we request your presence at an administrative conference in our Conshohocken office on October 15, 2001 at 1:30 p.m. If this date and time are not convenient, please contact me at 610-832-6104.

Sincerely,



Jesse Goldberg
Compliance Specialist
Water Management

cc: Mr. O'Neil
Ms. Dolchak
Mr. Rehm
Mr. Stinson
Mr. Veneziale
Re: 30 (RN01)234-18

PHOENIXVILLE BOROUGH SEWAGE TREATMENT PLANT

<u>Date</u>	<u>Permit Parameter</u>	<u>Rainfall</u>	<u>Primary Clar. % Removal</u>	<u>Influent to Primary</u>	<u>Affluent</u>
2/17/98	tss	.75	1.4	148	146
3/8/98	tss	.96	(-)	32	78
3/9/98	tss	.73	(-)	218	356
3/20/98	tss	1.04	10	358	322
3/21/98	tss	.94	(-)	78	576
3/8/98	bod	.96	(-)	32	46
3/22/98	bod	.06	(-)	84	123
5/12/98	tss	.36	(-)	112	204
6/16/98	tss	.62	7.0	114	106
7/31/98	tss	.58	(-)	44	88
10/4/98	tss	.34	(-)	92	122
10/10/98	tss	.07	(-)	122	150
11/11/98	bod	.33	12.8	156	136
1/24/99	tss	.88	(-)	100	318
5/23/99	bod	.32	(-)	124	128
7/3/99	bod	.52	11.3	186	165
7/22/99	bod	.03	(-)	88	89
8/20/99	bod	.19	6.7	90	84
10/10/99	tss	.87	15.7	178	150
11/2/99	bod	1.25	(-)	14	35
12/5/99	bod	.85	21.7	83	65
12/5/99	bod	.85	4.3	92	83
2/18/00	tss	1.0	(-)	168	182
3/17/00	tss	.39	(-)	1030	2290
4/5/00	tss	.68	4.8	252	240
4/15/00	tss	.44	(-)	160	212
5/10/00	bod	.36	(-)	470	640
5/22/00	bod	.22	(-)	92	105
9/26/00	tss	.62	19.8	202	162
11/26/00	bod	.97	8.1	111	102
3/17/01	bod	.60	5.5	64	60
5/22/01	tss	.63	11.5	104	92
5/22/01	bod	.63	13.7	89	77
6/17/01	bod	.23	15.4	78	66

ATTACHMENT E - Department letter of May 30, 2002



Pennsylvania Department of Environmental Protection

Lee Park, Suite 6010
555 North Lane
Conshohocken, PA 19428
May 30, 2002

Southeast Regional Office

610-832-6130
Fax 610-832-6133

Mr. Donald T. Edwards
Public Works Director
Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460

Re: 2001 Chapter 94 Wasteload Management
Report
April 19, 2002 Corrective Action Plan
Phoenixville Borough WWTP & Collection
Phoenixville Borough, Chester County

Dear Mr. Edwards:

We have reviewed your April 19, 2002 Corrective Action Plan (CAP) relative to your Connection Management Plan (CMP). In order to approve the CAP/CMP, we will need to see your projected I/I removal, which justifies your annual connection of 15,000 GPD. Furthermore, authorization to connect will only be granted after the Department has reviewed and accepted your reports which documents extraneous flow abatement. Your Connection Management Plan will credit 10% of the removed flow toward capacity for new connections. Per your Chapter 94 Report, 1 EDU equals 250 GPD; therefore, you will have to demonstrate 2,500 GPD of I/I abatement for every connection credit.

As a monitoring tool of your corrective actions, you are required to submit on a calendar quarter your progress in both the I/I abatement and connection management. Your quarterly reports will include the following:

1. **Proposed inspection/evaluation** – Inspection/Evaluation activities previously proposed for implementation during the reporting quarter.
2. **Actual inspection/evaluation** – Inspection/Evaluation activities actually implemented during the reporting quarter.
3. **Proposed corrective work** – Corrective work (rehabilitation, illegal connection elimination, etc.) previously proposed for implementation during the reporting quarter.
4. **Actual corrective work** – Corrective work actually completed during the reporting quarter.
5. **Proposed connection credits** – Proposed flow credits on elimination of extraneous flow for use by new connections.
6. **Flow data** – data from flow monitors for the reporting quarter.
7. **Work plan for the next quarter** – Schedule of activities proposed for the next reporting quarter.


Mr. Donald T. Edwards

- 2 -

May 30, 2002

If you should have any questions regarding this letter, please call me at 610-832-6098.

Sincerely,


James M. McTish, Jr.
Project Manager
Water Management

cc: Mr. Sheridan, Borough of Phoenixville
Mr. Barford, Carroll Engineering Corporation
Mr. Mason, Carroll Engineering Corporation
Re 30

Attachment F

Facility Name.....Phoenixville Borough STP.
 NPDES Permit No. PA 0027154
 Stream Type.....Other
 Flow in MGD.....4.0

MONTHLY AVERAGE VIOLATIONS FOR

THE FOLLOWING PARAMETERS: Total Suspended Solids
 Carbonaceous Biochemical Oxygen Demand-5
 Total Residual Chlorine
 Ammonia Nitrogen

<u>Percent Over Permit Limits</u>	<u>Type of Limit</u>	<u>Penalty Amount</u>
> 0-25%	mg/l or lbs/day	\$ 130
> 25%-50%	mg/l or lbs/day	\$ 150
> 50%-75%	mg/l or lbs/day	\$ 180
> 75%-100%	mg/l or lbs/day	\$ 200
> 100%	mg/l or lbs/day	\$ 250

AVERAGE WEEKLY VIOLATIONS FOR

THE FOLLOWING PARAMETERS: Carbonaceous Biochemical Oxygen Demand -5
 Total Suspended Solids

<u>Percent Over Permit Limits</u>	<u>Type of Limit</u>	<u>Penalty Amount</u>
> 0 -25%	mg/l or lbs/day	\$ 130
> 25%-50%	mg/l or lbs/day	\$ 150
> 50%-75%	mg/l or lbs/day	\$ 180
> 75%-100%	mg/l or lbs/day	\$ 200
> 100%	mg/l or lbs/day	\$ 250

BERGER LAW FIRM, P.C.

ATTORNEYS AT LAW

2104 MARKET STREET
CAMP HILL, PA 17011

TELEPHONE: (717)920-8900

FACSIMILE: (717)920-8901

EMAIL: publicutilitylaw@bergerlawfirm.net

December 4, 2006

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Attn: Wm. David Shrader
Michael Metcalf

DOCUMENT
FOLDER

ORIGINAL

KJR

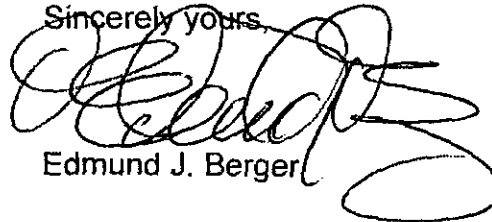
**RE: Borough of Phoenixville Sewer Fund
Docket No. R-00061625
Responses to Data Requests of the Bureau of Fixed Utility Services**

Dear Secretary McNulty:

Enclosed please find the original and three (3) copies of the responses to data requests of the Bureau of Fixed Utility Services, C-MISC-1, C-MISC-2, RB-3, RS-8, RS-9, and QS-3.

If you have any questions regarding this matter, please feel free to contact me.

Sincerely yours,



Edmund J. Berger

SECRETARY'S BUREAU
12-5-06-1 PM 3:11

12

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625

C-MISC1: A review of Commission records indicate that the Borough has not filed its 2005 Annual Report in accordance with 66 Pa.C.S. §504. Submit this document immediately.

Response: (Provided by Allen Mason)

See attached.

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625

RB-3 Provide the financial statements cited in Schedule 2 of the filing.

Response: (Provided by Allen Mason)

Please see the attached financial statements.

2005 DEC -7 AM 9:01

GENERAL SERVICES

BOROUGH OF PHOENIXVILLE
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

BOROUGH OF PHOENIXVILLE
PHOENIXVILLE, PENNSYLVANIA

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BOROUGH OF PHOENIXVILLE
PHOENIXVILLE, PENNSYLVANIA

DEC - 7 PM 9: 01

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SECRETARY'S OFFICE

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www.btcpa.com
info@btcpa.com

INDEPENDENT AUDITORS' REPORT

June 22, 2006

Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Phoenixville, Phoenixville, Pennsylvania, as of and for the year ended December 31, 2005, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Phoenixville, Phoenixville, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Phoenixville, Phoenixville, Pennsylvania, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and the solid waste fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2006 on our consideration of the Borough of Phoenixville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Phoenixville, Phoenixville, Pennsylvania's basic financial statements. The combining nonmajor fund financial statements and schedule of funding progress - pension funds are

Members of Council
Borough of Phoenixville

presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedule of funding progress - pension funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Borough of Phoenixville has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Barbacane, Thornton & Company
BARBACANE, THORNTON & COMPANY

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,443,396	\$ 2,141,832	\$ 3,585,228
Investments	1,748,505	5,053,288	6,801,793
Accounts receivable, net	380,326	1,119,442	1,499,768
Taxes Receivable, net	170,920	-	170,920
Grants receivable	1,008,888	-	1,008,888
Internal balances	(93,095)	93,095	-
Prepaid expenses and other deferred charges	53,473	40,047	93,520
Inventory	-	17,873	17,873
Total Current Assets	<u>4,712,413</u>	<u>8,465,577</u>	<u>13,177,990</u>
Noncurrent Assets:			
Land	1,777,289	118,230	1,895,519
Construction-in-progress	-	901,841	901,841
Capital assets, net	3,450,858	15,281,990	18,732,848
Total Noncurrent Assets	<u>5,228,147</u>	<u>16,302,061</u>	<u>21,530,208</u>
TOTAL ASSETS	<u>\$ 9,940,560</u>	<u>\$ 24,767,638</u>	<u>\$ 34,708,198</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 623,414	\$ 594,491	1,217,905
Compensated absences	16,095	8,841	24,936
Accrued interest payable	7,366	36,832	44,198
Current portion of long-term debt	171,688	619,871	791,559
Capital lease payable	61,821	-	61,821
Total Current Liabilities	<u>880,384</u>	<u>1,260,035</u>	<u>2,140,419</u>
Noncurrent Liabilities:			
Compensated absences	144,851	79,576	224,427
Long-term portion of long-term debt	2,906,571	12,544,788	15,451,359
Capital lease payable	198,630	-	198,630
Total Noncurrent Liabilities	<u>3,250,052</u>	<u>12,624,364</u>	<u>15,874,416</u>
TOTAL LIABILITIES	<u>4,130,436</u>	<u>13,884,399</u>	<u>18,014,835</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,889,437	6,518,378	8,407,815
Unrestricted	3,920,687	4,364,861	8,285,548
TOTAL NET ASSETS	<u>5,810,124</u>	<u>10,883,239</u>	<u>16,693,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,940,560</u>	<u>\$ 24,767,638</u>	<u>\$ 34,708,198</u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General government	\$ 530,552	\$ 50,441	\$ 231,054	\$ -	\$ (249,057)	\$ -	\$ (249,057)
Public safety	3,201,068	898,824	-	-	(2,302,244)	-	(2,302,244)
Public works - highways and streets	1,266,144	-	239,042	904,098	(123,004)	-	(123,004)
Public works - sanitation	1,235,365	903,281	-	-	(332,084)	-	(332,084)
Culture and recreation	547,071	79,807	-	-	(467,264)	-	(467,264)
Interest expense	164,779	-	-	-	(164,779)	-	(164,779)
Total Governmental Activities	<u>6,944,979</u>	<u>1,932,353</u>	<u>470,096</u>	<u>904,098</u>	<u>(3,638,432)</u>	<u>-</u>	<u>(3,638,432)</u>
Business-type Activities:							
Water	2,573,594	2,736,682	-	-	-	163,088	163,088
Sewer	2,760,550	2,518,428	-	-	-	(242,122)	(242,122)
Total Business-type Activities	<u>5,334,144</u>	<u>5,255,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,034)</u>	<u>(79,034)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$12,279,123</u>	<u>\$7,187,463</u>	<u>\$ 470,096</u>	<u>\$ 904,098</u>	<u>(3,638,432)</u>	<u>(79,034)</u>	<u>(3,717,466)</u>

GENERAL REVENUES

Taxes:

Real estate taxes	1,747,938	-	1,747,938
Real estate transfer taxes	637,293	-	637,293
Earned income	1,504,493	-	1,504,493
EMS	214,223	-	214,223
Per capita	654	-	654
Franchise fees	144,475	-	144,475
Fines and forfeits	123,599	-	123,599
Investment earnings	186,295	79,305	265,600
Miscellaneous	81,777	-	81,777
Gain on sale of capital assets	-	56,012	56,012
TOTAL GENERAL REVENUES	<u>4,640,747</u>	<u>135,317</u>	<u>4,776,064</u>

CHANGE IN NET ASSETS

CHANGE IN NET ASSETS	1,002,315	56,283	1,058,598
NET ASSETS, BEGINNING OF YEAR	<u>4,807,809</u>	<u>10,826,956</u>	<u>15,634,765</u>
NET ASSETS, END OF YEAR	<u>\$ 5,810,124</u>	<u>\$10,883,239</u>	<u>\$16,693,363</u>

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

BOROUGH OF PHOENIXVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Solid Waste</u>		
ASSETS:					
Cash and cash equivalents	\$ 328,238	\$ 493,785	\$ 55,759	\$ 565,614	\$ 1,443,396
Investments	1,748,505	-	-	-	1,748,505
Accounts receivable, net	324,733	-	55,593	-	380,326
Taxes receivable, net	170,920	-	-	-	170,920
Grants receivable	<u>468,453</u>	<u>540,435</u>	-	-	<u>1,008,888</u>
TOTAL ASSETS	<u>\$3,040,849</u>	<u>\$1,034,220</u>	<u>\$ 111,352</u>	<u>\$ 565,614</u>	<u>\$ 4,752,035</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable and other current liabilities	\$ 318,409	\$ 294,156	\$ 10,113	\$ 736	\$ 623,414
Due to other funds	4,308	88,787	-	-	93,095
Deferred revenue	<u>170,920</u>	-	-	-	<u>170,920</u>
Total liabilities	<u>493,637</u>	<u>382,943</u>	<u>10,113</u>	<u>736</u>	<u>887,429</u>
Fund balances:					
Reserved for:					
Capital projects	-	651,277	-	-	651,277
Fire protection	-	-	-	505,625	505,625
Streets	-	-	-	59,253	59,253
Unreserved	<u>2,547,212</u>	-	<u>101,239</u>	-	<u>2,648,451</u>
Total fund balances	<u>2,547,212</u>	<u>651,277</u>	<u>101,239</u>	<u>564,878</u>	<u>3,864,606</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$3,040,849</u>	<u>\$1,034,220</u>	<u>\$ 111,352</u>	<u>\$ 565,614</u>	<u>\$ 4,752,035</u>

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

BOROUGH OF PHOENIXVILLE
 RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
 DECEMBER 31, 2005

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 3,864,606

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Depreciable capital assets, net	3,450,858
Land	1,777,289

Other long-term assets such as bond issue costs are not available to pay for current period expenditures and, therefore, are deferred in the funds	53,473
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Some of the Borough's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	170,920
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Long-term debt (bonds and notes)	(3,078,259)
Compensated absences	(160,946)
Capital lease payable	(260,451)
Accrued interest payable	<u>17,366</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 5,810,124

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes:					
Real Estate	\$ 1,530,283	\$ -	\$ -	\$ 266,519	\$ 1,796,802
Real Estate Transfer	637,293	-	-	-	637,293
Earned Income	1,504,493	-	-	-	1,504,493
EMS	214,223	-	-	-	214,223
Per Capita	654	-	-	-	654
Franchise Fees	144,475	-	-	-	144,475
Licenses and permits	6,116	-	-	-	6,116
Fines, forfeits and costs	123,599	-	-	-	123,599
Interest, dividends and rents	175,264	-	1,977	9,054	186,295
Intergovernmental revenues	125,162	914,303	1,992	332,737	1,374,194
Charges for services/fees	1,022,956	-	903,281	-	1,926,237
Miscellaneous revenue	34,291	-	-	6,431	40,722
TOTAL REVENUES	<u>5,518,809</u>	<u>914,303</u>	<u>907,250</u>	<u>614,741</u>	<u>7,955,103</u>
EXPENDITURES:					
Current:					
General government	366,231	100,441	-	-	466,672
Public safety	2,391,866	92,562	-	363,512	2,847,940
Public works - highways and streets	685,411	1,160,115	-	393,091	2,238,617
Public works - sanitation	-	144,034	1,291,435	-	1,435,469
Culture and recreation	372,031	101,283	-	-	473,314
Debt service:					
Principal	105,582	-	59,745	-	165,327
Interest and other charges	162,015	-	11,112	-	173,127
Insurance and employee benefits	856,051	-	-	-	856,051
Miscellaneous expenditures	59,570	-	-	-	59,570
TOTAL EXPENDITURES	<u>4,998,757</u>	<u>1,598,435</u>	<u>1,362,292</u>	<u>756,603</u>	<u>8,716,087</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>520,052</u>	<u>(684,132)</u>	<u>(455,042)</u>	<u>(141,862)</u>	<u>(760,984)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	642,500	138,950	225,000	1,006,450
Transfers out	(1,006,450)	-	-	-	(1,006,450)
Proceeds from capital lease	-	-	320,196	-	320,196
Refund of prior year revenues	(3,161)	-	-	-	(3,161)
Refund of prior year expenditures	40,823	-	-	3,393	44,216
TOTAL OTHER FINANCING SOURCES (USES)	<u>(968,788)</u>	<u>642,500</u>	<u>459,146</u>	<u>228,393</u>	<u>361,251</u>
NET CHANGE IN FUND BALANCES	<u>(448,736)</u>	<u>(41,632)</u>	<u>4,104</u>	<u>86,531</u>	<u>(399,733)</u>
FUND BALANCES, BEGINNING OF YEAR,	<u>2,995,948</u>	<u>692,909</u>	<u>97,135</u>	<u>478,347</u>	<u>4,264,339</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,547,212</u>	<u>\$ 651,277</u>	<u>\$ 101,239</u>	<u>\$ 564,878</u>	<u>\$ 3,864,606</u>

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

BOROUGH OF PHOENIXVILLE
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2005

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (399,733)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,944,736) is allocated over their estimated useful lives as depreciation expense (\$361,371). This is the amount by which capital outlays exceeded depreciation in the current period. 1,583,365

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (51,647)

A capital lease is another financing source in the governmental funds. However, in the statement of activities, the amount of the lease is recorded as a liability with the principal portion of the lease payments applied against the liability. (260,451)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:
 Bond principal 105,582

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (2,431)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:
 Compensated absences 14,068
 Accrued interest payable 13,562

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,002,315

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

BOROUGH OF PHOENIXVILLE
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Real estate - current	\$ 1,356,000	\$ 1,401,078	\$ 45,078
Real estate - delinquent and interest	125,000	129,205	4,205
Real estate - transfer	225,000	637,293	412,293
Earned Income	1,400,000	1,504,493	104,493
EMS tax	207,000	214,223	7,223
Per capita	1,732	654	(1,078)
Franchise fees	143,000	144,475	1,475
Licenses and permits	6,100	6,116	16
Fines, forfeits and costs	115,100	123,599	8,499
Interest, dividends and rents	150,000	175,264	25,264
Intergovernmental revenues	97,578	125,162	27,584
Charges for services/fees	748,530	1,022,956	274,426
Miscellaneous revenue	205,400	34,291	(171,109)
TOTAL REVENUES	<u>4,780,440</u>	<u>5,518,809</u>	<u>738,369</u>
EXPENDITURES			
Current:			
General government:			
Legislative	11,700	10,834	866
Executive	84,557	75,836	8,721
Finance	83,524	80,206	3,318
Tax collection	48,947	49,652	(705)
Legal services	97,000	94,419	2,581
Engineering	15,000	17,617	(2,617)
General government buildings and plant	46,000	37,667	8,333
Total general government	<u>386,728</u>	<u>366,231</u>	<u>20,497</u>
Public safety:			
Police	1,875,712	2,005,910	(130,198)
Fire protection	57,800	36,592	21,208
Protective inspection	199,984	202,410	(2,426)
Planning and zoning	44,622	52,478	(7,856)
Other	102,689	94,476	8,213
Total public safety	<u>2,280,807</u>	<u>2,391,866</u>	<u>(111,059)</u>
Public works - highways and streets	645,808	685,411	(39,603)
Culture and recreation	358,402	372,031	(13,629)
Debt service:			
Principal	157,680	105,582	52,098
Interest	89,224	162,015	(72,791)
Insurance and employee benefits	982,376	856,051	126,325
Miscellaneous expenditures	30,200	59,570	(29,370)
TOTAL EXPENDITURES	<u>4,931,225</u>	<u>4,998,757</u>	<u>(67,532)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(150,785)</u>	<u>520,052</u>	<u>670,837</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(995,617)	(1,006,450)	(10,833)
Refund of prior year revenues	(6,244)	(3,161)	3,083
Refund of prior year expenditures	32,925	40,823	7,898
TOTAL OTHER FINANCING SOURCES (USES)	<u>(968,936)</u>	<u>(968,788)</u>	<u>148</u>
NET CHANGE IN FUND BALANCE	<u>(1,119,721)</u>	<u>(448,736)</u>	<u>670,985</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,995,948</u>	<u>2,995,948</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,876,227</u>	<u>\$ 2,547,212</u>	<u>\$ 670,985</u>

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

BOROUGH OF PHOENIXVILLE
 BUDGETARY COMPARISON STATEMENT - SOLID WASTE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Interest, dividends and rents	\$ -	\$ 1,977	\$ 1,977
Intergovernmental revenues	3,000	1,992	(1,008)
Charges for services	<u>758,050</u>	<u>903,281</u>	<u>145,231</u>
TOTAL REVENUES	<u>761,050</u>	<u>907,250</u>	<u>146,200</u>
EXPENDITURES			
Current:			
Public works - sanitation	900,000	1,291,435	(391,435)
Debt service:			
Principal	-	59,745	(59,745)
Interest	<u>-</u>	<u>11,112</u>	<u>(11,112)</u>
TOTAL EXPENDITURES	<u>900,000</u>	<u>1,362,292</u>	<u>(462,292)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(138,950)</u>	<u>(455,042)</u>	<u>(316,092)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	138,950	138,950	-
Proceeds from capital lease	<u>-</u>	<u>320,196</u>	<u>320,196</u>
TOTAL OTHER FINANCING SOURCES	<u>138,950</u>	<u>459,146</u>	<u>320,196</u>
NET CHANGE IN FUND BALANCE	-	4,104	4,104
FUND BALANCE, BEGINNING OF YEAR	<u>97,135</u>	<u>97,135</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 97,135</u>	<u>\$ 101,239</u>	<u>\$ 4,104</u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2005

	Enterprise Funds		Total
	Water	Sewer	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,117,025	\$ 1,024,807	\$ 2,141,832
Investments	593,527	4,459,761	5,053,288
Accounts receivable, net	643,037	476,405	1,119,442
Due from other funds	93,095	-	93,095
Prepaid expenses	25,941	14,106	40,047
Inventory	17,873	-	17,873
Total Current Assets	<u>2,490,498</u>	<u>5,975,079</u>	<u>8,465,577</u>
NONCURRENT ASSETS:			
Land	9,502	108,728	118,230
Construction-in-progress	-	901,841	901,841
Capital assets, net	7,920,582	7,361,408	15,281,990
Total Noncurrent Assets	<u>7,930,084</u>	<u>8,371,977</u>	<u>16,302,061</u>
TOTAL ASSETS	<u>\$10,420,582</u>	<u>\$14,347,056</u>	<u>\$24,767,638</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and other liabilities	\$ 80,944	\$ 513,547	\$ 594,491
Compensated absences	7,000	1,841	8,841
Accrued interest payable	7,366	29,466	36,832
Current portion of long-term debt	415,069	204,802	619,871
Total Current Liabilities	<u>510,379</u>	<u>749,656</u>	<u>1,260,035</u>
NONCURRENT LIABILITIES:			
Compensated absences	63,011	16,565	79,576
Long-term debt	3,804,104	8,740,684	12,544,788
Total Noncurrent Liabilities	<u>3,867,115</u>	<u>8,757,249</u>	<u>12,624,364</u>
TOTAL LIABILITIES	<u>4,377,494</u>	<u>9,506,905</u>	<u>13,884,399</u>
NET ASSETS:			
Invested in capital assets, net of related debt	4,097,453	2,420,925	6,518,378
Unrestricted	1,945,635	2,419,226	4,364,861
TOTAL NET ASSETS	<u>6,043,088</u>	<u>4,840,151</u>	<u>10,883,239</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$10,420,582</u>	<u>\$14,347,056</u>	<u>\$24,767,638</u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
OPERATING REVENUES			
Charge for services	<u>\$ 2,736,682</u>	<u>\$ 2,518,428</u>	<u>\$ 5,255,110</u>
TOTAL OPERATING REVENUES	<u>2,736,682</u>	<u>2,518,428</u>	<u>5,255,110</u>
OPERATING EXPENSES			
Administration	117,628	131,848	249,476
Salaries and wages	883,591	680,156	1,563,747
Employee benefits	374,900	401,625	776,525
Fuel and light	258,331	197,338	455,669
Contracted services	34,104	410,042	444,146
Insurance	85,299	100,706	186,005
Materials and supplies	176,539	96,922	273,461
Repairs and maintenance	43,432	48,735	92,167
Depreciation	369,790	278,119	647,909
TOTAL OPERATING EXPENSES	<u>2,343,614</u>	<u>2,345,491</u>	<u>4,689,105</u>
OPERATING INCOME	<u>393,068</u>	<u>172,937</u>	<u>566,005</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	26,447	52,858	79,305
Gain on sale of capital assets	56,012		56,012
Interest expense	<u>(229,980)</u>	<u>(415,059)</u>	<u>(645,039)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(147,521)</u>	<u>(362,201)</u>	<u>(509,722)</u>
CHANGE IN NET ASSETS	245,547	(189,264)	56,283
NET ASSETS, BEGINNING OF YEAR	<u>5,797,541</u>	<u>5,029,415</u>	<u>10,826,956</u>
NET ASSETS, END OF YEAR	<u>\$ 6,043,088</u>	<u>\$ 4,840,151</u>	<u>\$10,883,239</u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005.

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 2,670,662	\$ 2,608,151	\$ 5,278,813
Payments to suppliers for goods and services	(826,174)	(746,360)	(1,572,534)
Payments to employees for services	<u>(1,259,596)</u>	<u>(1,083,590)</u>	<u>(2,343,186)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>584,892</u>	<u>778,201</u>	<u>1,363,093</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	(575,585)	(2,082,571)	(2,658,156)
Proceeds from sale of capital assets	74,349	-	74,349
Principal paid on capital debt	(300,745)	(154,544)	(455,289)
Interest paid on capital debt	<u>(229,980)</u>	<u>(415,059)</u>	<u>(645,039)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,031,961)</u>	<u>(2,652,174)</u>	<u>(3,684,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	1,089,079	1,962,033	3,051,112
Interest received	25,714	50,808	76,522
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,114,793</u>	<u>2,012,841</u>	<u>3,127,634</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	667,724	138,868	806,592
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>449,301</u>	<u>885,939</u>	<u>1,335,240</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,117,025</u>	<u>\$ 1,024,807</u>	<u>\$ 2,141,832</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 393,068	\$ 172,937	\$ 566,005
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	369,790	278,119	647,909
(Increase) Decrease in assets:			
Receivables, net	(129,271)	89,723	(39,548)
Due from other funds	63,251	-	63,251
Inventory	(854)	-	(854)
Increase (Decrease) in liabilities:			
Accounts payable	(109,987)	239,231	129,244
Compensated absences	<u>(1,105)</u>	<u>(1,809)</u>	<u>(2,914)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 584,892</u>	<u>\$ 778,201</u>	<u>\$ 1,363,093</u>

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

BOROUGH OF PHOENIXVILLE
 STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
 DECEMBER 31, 2005

	<u>Pension Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 111,644	\$ 459,016
Investments:		
Mutual funds, at fair value	9,059,026	-
Unallocated insurance contract, at contract value	3,491,419	-
Accounts receivable	<u>115,913</u>	<u>-</u>
TOTAL ASSETS	<u>\$12,778,002</u>	<u>\$ 459,016</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 459,016
 NET ASSETS		
Held in trust for pension benefits	<u>12,778,002</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$12,778,002</u>	<u>\$ 459,016</u>

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

**BOROUGH OF PHOENIXVILLE
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Pension Funds
ADDITIONS:	
Contributions:	
State aid	\$ 286,824
Employer contributions	109,486
Employee contributions	<u>53,242</u>
Total Contributions	<u>449,552</u>
Investments:	
Investment earnings	587,250
Net appreciation in fair value of investments	<u>175,651</u>
Total Investments	<u>762,901</u>
TOTAL ADDITIONS	<u>1,212,453</u>
DEDUCTIONS:	
Benefits	502,137
Administrative expenses	<u>59,795</u>
TOTAL DEDUCTIONS	<u>561,932</u>
CHANGE IN NET ASSETS	650,521
NET ASSETS, BEGINNING OF YEAR	<u>12,127,481</u>
NET ASSETS, END OF YEAR	<u>\$12,778,002</u>

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

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Phoenixville complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB No. 39. The Borough is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. The Borough also may be financially accountable if an organization is fiscally dependent on the Borough regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

The Borough has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Borough's financial statements. In addition, the Borough is not aware of any entity which would exercise such oversight which would result in the Borough being considered a component unit of the entity.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Borough as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension and agency funds.

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

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Borough and for each governmental program. Expenses are those that are specifically associated with a service or program and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

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

as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Borough.

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

Fund Financial Statements

Fund financial statements report detailed information about the Borough. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The three major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

The Borough reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Projects Fund accounts for the resources to be used for the acquisition or construction of major capital assets.
- The Solid Waste Fund accumulates resources necessary for the payment of contracted trash pickup services.

The Borough reports the following proprietary funds:

- The Sewer Fund accumulates resources necessary for the operation of the sewage collection system.
- The Water Fund accumulates resources necessary for water supply to the Borough.

Governmental Fund

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

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

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

recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Borough include the general fund, the capital projects fund and the solid waste fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the fire fund, the fire capital projects fund and the liquid fuels fund.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Borough must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

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

Expenditure Recognition

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

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

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

management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Borough's only proprietary funds are enterprise funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise funds are user fees. Operating expenses for the Borough's enterprise funds include sewer disposal, salaries, recycling, supplies and administrative costs, and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Borough has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension Trust and Agency Funds. The Pension Trust Funds account for the activities of the Police Pension Fund and the non-Uniformed Pension Fund. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund accounts for the escrow account held by the Borough.

Budgets and Budgetary Accounting

The Borough is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to November 15 of the preceding fiscal year, the Borough prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Borough Council members is then called for the purpose of adopting the proposed budget.

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

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

- Prior to December 31, the budget is legally enacted through passage of a resolution by the Borough Council.
- The budget must be filed with the Pennsylvania Department of Community and Economic Development by January 31.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Borough Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year end as dictated by law.

The budget is controlled by the finance officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Borough Council. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year end.

Cash and Cash Equivalents

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

Investments

The Borough has adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement establishes fair value standards for investments held by governmental entities, except for certain money market investments, as defined, which are recorded at amortized cost. The statement also establishes reporting standards for investment income.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Borough as

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

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

assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment of the Borough is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15-40 years
Infrastructure	20-50 years
Vehicles	5-7 years
Machinery and equipment	5-30 years

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums. Upon leaving employment at the Borough, employees are paid for their unused vacation days at their current pay rate. Sick leave accrues to full-time, permanent employees and can be carried over from year to year. However, at retirement or upon leaving the Borough, employees with 10 years of service will be paid for a maximum of 300 days or 2,400 hours of unused sick leave, and employees with 25 or more years of service who are grandfathered in by a previous contract will be paid for all remaining sick leave at a rate of one day for every three days of unused sick time.

The liability for these compensated absences is recorded as long-term debt in the entity-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report a liability for compensated absences only if they have matured. Historically, the general fund has been responsible for liquidation of compensated absences associated with governmental activities. Compensated absences associated with business-type activities are liquidated from the fund in which the liability was generated.

Long-Term Obligations

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

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts are recorded as a decrease to debt payable and amortized over the life of the debt.

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

NOTE 2 TAXES

For 2005, the following tax was levied on assessed value of real estate:

- 2.288 mills for general purposes and .424 for fire protection, for a total of 2.712 mills.

The taxable assessed valuation of property as of December 31, 2005 was \$635,020,969.

The real estate tax collection calendar is as follows:

Initial billing	-	March 1
Discount period	-	March 1 - April 30
Face period	-	May 1 - June 30
Penalty period	-	July 1 and thereafter
Lien date	-	January 31

Other taxes levied in 2005:

Real estate transfer	-	1% of sale price
Earned income tax	-	1% of gross income

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. The Borough is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2005, the carrying amount of the Borough's deposits was \$4,044,244 and the bank balance was \$4,355,028. Of the bank balance, \$100,000 was covered by federal depository insurance; \$3,662,597 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name; and \$592,431 was with the Pennsylvania Local Government Investment Trust (PLGIT) and the Commonwealth of Pennsylvania Investment Program (INVEST). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT and INVEST act like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

See Footnotes 8 and 9 for pension deposit disclosures.

Investments

Statutes authorize the Borough to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund (NCUSIF). The Borough also is authorized to invest in obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

As of December 31, 2005, the Borough had \$3,397,542 invested in mutual funds. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 2005, the Borough had \$3,404,251 invested in certificates of deposit, all due within one year. Certificates of deposit are not subject to interest rate or credit risks.

See footnotes 8 and 9 for pension investment disclosures.

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Custodial Credit Risk

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 does not have a policy for custodial credit risk on deposits. As of December 31, 2005, \$3,304,251 of the Borough's investments in certificates of deposit were subject to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name.

Concentration Risk

The Borough does not have a policy that would limit the amount it may invest in any one issuer. As of December 31, 2005, all of the Borough's investments in certificates of deposit were with one bank.

NOTE 4 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The balance of short-term Interfund receivables/payables at December 31, 2005 was as follows:

<u>FUND</u>	<u>DUE FROM</u>	<u>DUE TO</u>
Water Fund	\$ 93,095	\$ -
General Fund	-	4,308
Capital Projects Fund	-	88,787
	<u>\$ 93,095</u>	<u>\$ 93,095</u>

Interfund balances represent temporary loans recorded at year end as a result of the proprietary fund billing cycle. The balances are repaid shortly after year end.

Interfund transfers:

<i>Transfers in:</i>		<i>Transfers out:</i>	
Capital projects fund	\$ 642,500	General fund	\$1,006,450
Solid waste fund	138,950		
Fire capital projects fund	<u>225,000</u>		
Total	<u>\$1,006,450</u>		<u>\$1,006,450</u>

Transfers represent funds set aside for the anticipation of future capital needs and to subsidize the operations of the solid waste fund.

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance</u> <u>01/01/05</u>	<u>Increases</u>	<u>Reclassi-</u> <u>fication</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/05</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,765,473	\$ 11,816	\$ -	\$ -	\$ 1,777,289
Total capital assets not being depreciated	<u>1,765,473</u>	<u>11,816</u>	<u>-</u>	<u>-</u>	<u>1,777,289</u>
Capital assets being depreciated:					
Buildings and Improvements	1,207,598	70,423	-	-	1,278,021
Infrastructure	2,233,632	1,050,324	-	-	3,283,956
Vehicles	1,096,923	576,599	-	-	1,673,522
Machinery and equipment	457,886	235,574	-	-	693,460
Total capital assets being depreciated	<u>4,996,039</u>	<u>1,932,920</u>	<u>-</u>	<u>-</u>	<u>6,928,959</u>
Less accumulated depreciation:					
Buildings and Improvements	928,424	34,259	-	-	962,683
Infrastructure	960,027	94,046	-	-	1,054,073
Vehicles	860,814	181,974	-	-	1,042,788
Machinery and equipment	367,465	51,092	-	-	418,557
Total accumulated depreciation	<u>3,116,730</u>	<u>361,371</u>	<u>-</u>	<u>-</u>	<u>3,478,101</u>
Total capital assets being depreciated, net	<u>1,879,309</u>	<u>1,571,549</u>	<u>-</u>	<u>-</u>	<u>3,450,858</u>
Governmental Activities, Net	<u>\$ 3,644,782</u>	<u>\$ 1,583,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,228,147</u>
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 136,567	\$ -	\$ -	\$ (18,337)	\$ 118,230
Construction-in-progress	3,771,940	901,843	(3,771,942)	-	901,841
Total capital assets not being depreciated	<u>3,908,507</u>	<u>901,843</u>	<u>(3,771,942)</u>	<u>(18,337)</u>	<u>1,020,071</u>
Capital assets being depreciated:					
Sewer collection system - Infrastructure	6,652,862	1,100,590	3,242,965	-	10,996,417
Water treatment plant - Infrastructure	13,312,295	537,412	528,977	-	14,378,684
Vehicles	348,244	32,814	-	-	381,058
Machinery and equipment	1,106,508	85,497	-	-	1,192,005
Total capital assets being depreciated	<u>21,419,909</u>	<u>1,756,313</u>	<u>3,771,942</u>	<u>-</u>	<u>26,948,164</u>
Less accumulated depreciation:					
Sewer collection system - Infrastructure	3,757,767	194,591	-	-	3,952,358
Water treatment plant - Infrastructure	6,336,981	328,993	-	-	6,665,974
Vehicles	294,217	24,847	-	-	319,064
Machinery and equipment	629,300	99,478	-	-	728,778
Total accumulated depreciation	<u>11,018,265</u>	<u>647,909</u>	<u>-</u>	<u>-</u>	<u>11,666,174</u>
Total capital assets being depreciated, net	<u>10,401,644</u>	<u>1,108,404</u>	<u>3,771,942</u>	<u>-</u>	<u>15,281,990</u>
Business-type Activities, Net	<u>\$ 14,310,151</u>	<u>\$ 2,010,247</u>	<u>\$ -</u>	<u>\$ (18,337)</u>	<u>\$ 16,302,061</u>

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 109,004
Public safety	37,528
Public works - highways and streets	122,800
Public works - sanitation	<u>92,039</u>
Total Governmental Activities	<u>\$ 361,371</u>
Business-type Activities:	
Sewer	\$ 278,119
Water	<u>369,790</u>
Total Business-type Activities	<u>\$ 647,909</u>

NOTE 6 CAPITAL LEASES - LESSEE

The Borough entered into a lease agreement as lessee for financing the acquisition of three trash trucks. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

Vehicles acquired through capital leases	\$ 320,196
Less: accumulated depreciation	<u>(64,039)</u>
TOTAL	<u>\$ 256,157</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005 are as follows:

Year Ending December 31,

2006	\$ 70,857
2007	70,857
2008	70,857
2009	<u>70,857</u>
Total minimum lease payments	283,428
Less: amount representing interest	<u>(22,977)</u>
Present value of minimum lease payments	<u>\$ 260,451</u>

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT

The General Obligation Bonds and Notes are allocated to both the business-type and governmental activities as follows:

General Obligation Bonds, Series of 2003, issued \$12,000,000 in May 2003 at interest rates ranging from 1.3% to 4.75%, interest and principal payable semi-annually from June 2003 through December 2027. \$11,990,000

Capital Appreciation Bonds, Series of 1990, originally issued at \$3,498,958 with a maturity value of \$6,860,000 in October 1990 at interest rates ranging from 6.0% to 7.3%, interest and principal payable annually from October 1991 through October 2010. 2,756,918

Delaware Valley Regional Finance Authority

General Obligation Note issued at \$745,000 in November 1994, with interest at variable rates not to exceed 25% per annum, payable annually. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. As of December 31, 2005, the interest rate is 2.33%. The maturity date is November 25, 2025. 556,000

Delaware Valley Regional Finance Authority

General Obligation Note issued at \$1,562,000 in March 2002, with a fixed interest rate of 3.7%, payable annually. Maturity date is February 25, 2009. 940,000

Total \$16,242,918

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations is as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 791,559	\$ 743,477	\$ 1,535,036
2007	768,675	767,047	1,535,722
2008	739,960	785,840	1,525,800
2009	889,713	861,357	1,751,070
2010	667,011	915,478	1,582,489
2011-2015	2,765,000	2,900,394	5,665,394
2016-2020	3,341,000	2,088,983	5,429,983
2021-2025	4,275,000	1,102,730	5,377,730
2026-2027	<u>2,005,000</u>	<u>143,924</u>	<u>2,148,924</u>
TOTAL	<u>\$16,242,918</u>	<u>\$10,309,230</u>	<u>\$26,552,148</u>

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 7 **LONG-TERM DEBT** (cont'd)

A schedule of changes in debt is as follows:

	<u>Outstanding</u> <u>01/01/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding</u> <u>12/31/05</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 2,905,921	-	\$ 94,542	\$ 2,811,379	\$ 53,608
General Obligation Notes	277,920	-	11,040	266,880	118,080
Capital Lease	-	320,196	59,745	260,451	61,821
Compensated Absences	<u>175,014</u>	-	<u>14,068</u>	<u>160,946</u>	<u>16,095</u>
Total Governmental Activities	<u>\$ 3,358,855</u>	<u>\$ 320,196</u>	<u>\$ 179,395</u>	<u>\$ 3,499,656</u>	<u>\$ 249,604</u>
Business-type Activities:					
General Obligation Bonds	\$12,163,775	\$ -	\$ 228,329	\$11,935,446	\$ 491,951
General Obligation Notes	1,456,173	-	226,960	1,229,213	127,920
Compensated Absences	<u>91,331</u>	-	<u>2,914</u>	<u>88,417</u>	<u>8,841</u>
Total Business-type Activities	<u>\$13,711,279</u>	<u>\$ -</u>	<u>\$ 458,203</u>	<u>\$13,253,076</u>	<u>\$ 628,712</u>

NOTE 8 **POLICE PENSION PLAN**

Plan description and provisions:

The Police Pension Fund is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 982, as amended, adopted pursuant to Act 600. The plan is governed by the Borough Council, which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to Principal Financial Group and SEI Private Trust Company.

Plan Membership

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2005, disclosed that pension plan membership consisted of the following:

Active employees	23
Retirees and beneficiaries currently receiving benefits	15
Vested terminated members	<u>1</u>
Total	<u>39</u>

Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2005, disclosed that the pension plan benefit provisions are as follows:

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

All full-time members of the Police Force join the plan upon employment. Employees who retire at or after age 50 with 25 years of continuous service are eligible for normal retirement. Participants are entitled to monthly pension payments equal to 50 percent of average monthly pay plus \$100 for service in excess of 25 years during their lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50 percent of the initial amount payable to the member. A member becomes 100 percent vested in the benefit accrued after 12 or more years of continued service.

Average monthly pay is based upon the last 36 months of employment. For participants hired on or before August 30, 1983, pay is defined as total W-2 compensation, excluding any lump sum payment for unused sick or vacation time. For participants hired after August 30, 1983, pay is defined as the salary rate.

If a member continues working after normal retirement date, the pension does not start until the member actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

A participant is eligible for early retirement after completion of 20 years of service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

An annual cost-of-living adjustment is made to retirees with a maximum total cost-of-living increase of 30 percent if employment terminates after January 1, 2002. Employees who retired prior to January 1, 2002 receive a maximum total cost-of-living increase of 15 percent.

An active member is eligible for disability benefit if the member is disabled in the line of duty. The disability pension is equal to 50 percent of the member's salary at the time disability occurs.

If an active member is killed in the line of duty, a monthly death benefit is payable to the surviving spouse, or eligible child, equal to 100 percent of the member's monthly salary at the time of death.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to the surviving spouse, or eligible child, equal to 50 percent of the monthly benefit the member would have been receiving had that member been retired at the time of death.

If an actuarial study shows the plan to have sufficient assets to fund plan benefits, member contributions may be suspended. Contributions are currently suspended.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2005, the carrying amount of the Police Pension Plan's deposits was \$13,722, which is equal to the deposits in a prime obligation money market account held by the trustee of the pension in the Borough's name. None of this balance was subject to custodial credit risk.

Investments

The investment objective of the Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2005, the Police Pension Plan had \$5,071,317 invested in domestic equity mutual funds and \$1,507,384 invested in an unallocated insurance contract. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from the general fund, which is reimbursed as pension investments are liquidated.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (M.M.O.). The M.M.O. is based upon the plan's biennial actuarial valuation. Employees were not required to contribute to the plan during 2005. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the M.M.O. which exceeds the state contribution must be funded by the employer in accordance with Act 205.

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION PLAN (cont'd)

Three-Year Trend Information:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contribution</u>
12/31/03	\$ 110,304	100%
12/31/04	164,162	100%
12/31/05	277,743	100%

Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2005
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	9 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.0% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	4.0% per year post-retirement

NOTE 9 NON-UNIFORMED PENSION PLAN

Plan descriptions and provisions:

The Non-Uniformed Pension Fund is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 983, as amended. The plan is governed by the Borough Council, which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to Principal Financial Group and SEI Private Trust Company.

Plan Membership

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2005, disclosed that pension plan membership consisted of the following:

Active employees	51
Retirees and beneficiaries currently receiving benefits	26
Vested terminated members	<u>8</u>
Total	<u>85</u>

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION PLAN (cont'd)

Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2005, disclosed that the pension plan benefit provisions are as follows:

All full-time employees (other than police officers) join the plan upon employment. A member is eligible for normal retirement on the first day of the month coincident or following attainment of age 65. The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon death. The amount of monthly pension is equal to 45 percent of average monthly salary, reduced by 1/20th for each year of service less than 20 years. Average monthly salary is based upon the last 60 months of employment. A member becomes 100 percent vested in the benefit accrued upon completion of five years of service.

A member is eligible for early retirement after attainment of age 55 and completion of five years or service. The early retirement benefit is the benefit accrued to the date of early retirement, reduced by 5/9 percent per month for the first 60 months before age 65 and by 5/18 percent for each of the next 60 months of early commencement.

If a member continues working after normal retirement date, that member's pension does not start until actual retirement. The late retirement benefit is the greater of the benefit accrued to the late retirement date, or the actuarial equivalent of the normal retirement benefit.

If a vested member dies before beginning to receive a retirement pension benefit, the surviving spouse will receive a 50 percent survivor benefit. Payment will begin on the date on which the participant first would have been eligible for retirement. The death benefit for a vested or a nonvested participant cannot be less than a return of contributions, with interest.

If a member is disabled and qualified for Social Security disability, that member is eligible for a disability pension. The disability pension is equal to the accrued pension, paid immediately without reduction, but not less than \$200 per month.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION PLAN (cont'd)

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2005, the carrying amount of the Non-Uniformed Pension Plan's deposits was \$97,922, which is equal to the deposits in a prime obligation money market account held by the trustee of the pension in the Borough's name. None of this balance was subject to custodial credit risk.

Investments

The investment objective of the Borough of Phoenixville Non-Uniformed Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2005, the Non-Uniformed Pension Plan had \$3,987,709 invested in domestic equity mutual funds and \$1,984,035 invested in an unallocated insurance contract. Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from the general fund, which is reimbursed as pension investments are liquidated.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (M.M.O.). The M.M.O. is based upon the plan's biennial actuarial valuation. Employees were required to contribute two percent to the plan during 2005. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the M.M.O. which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Three-Year Trend Information:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contribution</u>
12/31/03	\$ 70,017	100%
12/31/04	115,328	100%
12/31/05	118,567	100%

BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION PLAN (cont'd)

Actuarial Methods and Assumptions

Actuarial valuation date	January 1, 2005
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.0% per annum, compounded annually
Projected salary increases	5.0% per annum, compounded annually
Cost of living adjustments	None

NOTE 10 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2005:

General Fund:

Public safety	\$ 111,059
Public works - highways and streets	\$ 39,603
Culture and recreation	\$ 13,629
Debt service interest	\$ 75,574
Miscellaneous expenditures	\$ 29,370

Solid Waste:

Public works - sanitation	\$ 142,096 **
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** The expenditure recorded in the amount of \$320,196 to recognize the capital lease transaction was excluded.

The excess expenditures were covered by the available fund balance in the funds.

NOTE 11 CONTINGENT LIABILITIES

The Borough is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Borough's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Borough.

BOROUGH OF PHOENIXVILLE

NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENT LIABILITIES (cont'd)

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

NOTE 12 LITIGATION

There is no litigation of any nature now pending or threatened, seeking to restrain or enjoin the issuance or sale of the Bonds, or contesting or affecting the validity of the Bonds or any proceedings of the Borough with respect to the issuance or sale thereof, or the pledge of any security provided for the payment of the Bonds or existence or powers of the Borough.

NOTE 13 RESTATEMENT OF BEGINNING FUND BALANCE/NET ASSETS

The following prior period adjustments were made as of December 31, 2004:

General Fund

\$173,324 - Decrease to opening fund balance to write off an unidentified accounts receivable from a previous period.

Water Fund

\$ 7,366 - Decrease to opening net assets to accrue interest on long-term debt.
\$194,486 - Increase to opening net assets to correct the investment balance.

Sewer Fund

\$ 29,466 - Decrease to opening net assets to accrue interest on long-term debt.
\$ 65,680 - Decrease to opening net assets to write off an unidentified accounts receivable from a previous period.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**BOROUGH OF PHOENIXVILLE
SCHEDULE OF FUNDING PROGRESS - POLICE PENSION FUND**

REQUIRED SUPPLEMENTARY INFORMATION

Ten-year historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The ten-year historical information required to be disclosed, beginning as of January 1, 1996, is as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded (assets in excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded (assets in excess of) Accrued Liability as a % of Payroll (4)/(5)
1/1/96	*	*	*	*	*	*
1/1/97	\$4,708,456	\$ 4,315,132	109.1%	\$ (393,324)	\$ 854,191	(46.1%)
1/1/98	*	*	*	*	*	*
1/1/99	5,225,309	4,868,272	107.3%	(357,037)	975,952	(36.6%)
1/1/00	*	*	*	*	*	*
1/1/01	5,472,212	4,741,515	115.4%	(730,697)	1,071,084	(68.2%)
1/1/02	*	*	*	*	*	*
1/1/03	4,984,274	5,628,274	88.6%	644,000	1,188,986	54.2%
1/1/04	*	*	*	*	*	*
1/1/05	6,359,640	6,472,951	98.2%	113,311	1,305,356	8.7%

*Not available due to biennially required Act 205 report.

BOROUGH OF PHOENIXVILLE
SCHEDULE OF FUNDING PROGRESS - NON-UNIFORMED PENSION FUND

REQUIRED SUPPLEMENTARY INFORMATION

Ten-year historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The ten-year historical information required to be disclosed, beginning as of January 1, 1996, is as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded (assets in excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded (assets in excess of) Accrued Liability as a % of Payroll (4)/(5)
1/1/96	*	*	*	*	*	*
1/1/97	\$3,290,962	\$ 3,166,072	103.9%	\$ (124,890)	\$1,424,005	(8.8%)
1/1/98	*	*	*	*	*	*
1/1/99	3,708,797	3,438,750	107.9%	(270,047)	1,578,357	(17.1%)
1/1/00	*	*	*	*	*	*
1/1/01	4,167,196	3,559,254	117.1%	(607,942)	1,743,741	(34.9%)
1/1/02	*	*	*	*	*	*
1/1/03	4,553,563	4,102,619	111.0%	(450,944)	1,853,665	(24.3%)
1/1/04	*	*	*	*	*	*
1/1/05	5,785,060	4,691,384	123.3%	(1,093,676)	2,270,693	(48.2%)

*Not available due to biennially required Act 205 report.

BOROUGH OF PHOENIXVILLE
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES
 DECEMBER 31, 2005

	Special Revenue Funds			
	Fire Fund	Fire Capital Projects Fund	Liquid Fuels Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 281,361	\$ 225,000	\$ 59,253	\$ 565,614
TOTAL ASSETS	<u>\$ 281,361</u>	<u>\$ 225,000</u>	<u>\$ 59,253</u>	<u>\$ 565,614</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and other liabilities	\$ 736	\$ -	\$ -	\$ 736
Total Liabilities	<u>736</u>	<u>-</u>	<u>-</u>	<u>736</u>
FUND BALANCES:				
Reserved for fire protection	280,625	225,000	-	505,625
Reserved for streets	-	-	59,253	59,253
Total Fund Balances	<u>280,625</u>	<u>225,000</u>	<u>59,253</u>	<u>564,878</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 281,361</u>	<u>\$ 225,000</u>	<u>\$ 59,253</u>	<u>\$ 565,614</u>

BOROUGH OF PHOENIXVILLE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Special Revenue Funds</u>			<u>Totals</u>
	<u>Fire Fund</u>	<u>Fire Capital Projects Fund</u>	<u>Liquid Fuels Fund</u>	
REVENUES:				
Real estate taxes	\$ 266,519	\$ -	\$ -	\$ 266,519
Interest, dividends and rents	-	-	9,054	9,054
Intergovernmental revenues	93,695	-	239,042	332,737
Miscellaneous	6,431	-	-	6,431
TOTAL REVENUES	<u>366,645</u>	<u>-</u>	<u>248,096</u>	<u>614,741</u>
EXPENDITURES:				
Current:				
Public safety	363,512	-	-	363,512
Public works - highways and streets	-	-	393,091	393,091
TOTAL EXPENDITURES	<u>363,512</u>	<u>-</u>	<u>393,091</u>	<u>756,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,133</u>	<u>-</u>	<u>(144,995)</u>	<u>(141,862)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	225,000	-	225,000
Refund of prior year expenditures	-	-	3,393	3,393
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>225,000</u>	<u>3,393</u>	<u>228,393</u>
NET CHANGE IN FUND BALANCES	3,133	225,000	(141,602)	86,531
FUND BALANCES, BEGINNING OF YEAR	<u>277,492</u>	<u>-</u>	<u>200,855</u>	<u>478,347</u>
FUND BALANCES, END OF YEAR	<u>\$ 280,625</u>	<u>\$ 225,000</u>	<u>\$ 59,253</u>	<u>\$ 564,878</u>

BOROUGH OF PHOENIXVILLE
 COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
 DECEMBER 31, 2005

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 97,922	\$ 13,722	\$ 111,644
Investments:			
Mutual funds, at fair value	3,987,709	5,071,317	9,059,026
Unallocated insurance contract, at contract value	1,984,035	1,507,384	3,491,419
Accounts receivable	<u>6,427</u>	<u>109,486</u>	<u>115,913</u>
 TOTAL ASSETS	 <u>\$ 6,076,093</u>	 <u>\$ 6,701,909</u>	 <u>\$12,778,002</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES	\$ -	\$ -	\$ -
NET ASSETS:			
Held in trust for pension benefits and pool participants	<u>6,076,093</u>	<u>6,701,909</u>	<u>12,778,002</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,076,093</u>	 <u>\$ 6,701,909</u>	 <u>\$12,778,002</u>

BOROUGH OF PHOENIXVILLE
 COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
<u>ADDITIONS</u>			
Contributions:			
State aid	\$ 118,567	\$ 168,257	\$ 286,824
Employer contributions		109,486	109,486
Employee contributions	<u>53,242</u>	<u>-</u>	<u>53,242</u>
Total Contributions	<u>171,809</u>	<u>277,743</u>	<u>449,552</u>
Investments:			
Investment earnings	283,880	303,370	587,250
Net appreciation in fair value of investments	<u>79,177</u>	<u>96,474</u>	<u>175,651</u>
Net Investment Earnings	<u>363,057</u>	<u>399,844</u>	<u>762,901</u>
TOTAL ADDITIONS	<u>534,866</u>	<u>677,587</u>	<u>1,212,453</u>
<u>DEDUCTIONS</u>			
Benefits paid directly to participants	213,289	288,848	502,137
Administrative expenses	<u>29,127</u>	<u>30,668</u>	<u>59,795</u>
TOTAL DEDUCTIONS	<u>242,416</u>	<u>319,516</u>	<u>561,932</u>
CHANGE IN NET ASSETS	292,450	358,071	650,521
NET ASSETS, BEGINNING OF YEAR	<u>5,783,643</u>	<u>6,343,838</u>	<u>12,127,481</u>
NET ASSETS, END OF YEAR	<u>\$ 6,076,093</u>	<u>\$ 6,701,909</u>	<u>\$12,778,002</u>

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

June 22, 2006

Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Borough of Phoenixville, Phoenixville, Pennsylvania as of and for the year ended December 31, 2005, which collectively comprise the Borough of Phoenixville's basic financial statements, and have issued our report thereon dated June 22, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Phoenixville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Borough of Phoenixville's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items #05-1, #05-2, #05-3, #05-4, #05-5, #05-6 and #05-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described in the accompanying schedule of findings and recommendations is a material weakness.

Members of Council
Borough of Phoenixville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Phoenixville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items #05-5 and #05-6.

We also noted certain additional matters that we reported to management of the Borough of Phoenixville, Phoenixville, Pennsylvania in a separate letter dated June 22, 2006.

This report is intended solely for the information and use of management and the members of Council of the Borough of Phoenixville, and is not intended to be and should not be used by anyone other than these specified parties.

Barbacane, Thornton & Company
BARBACANE, THORNTON & COMPANY

BOROUGH OF PHOENIXVILLE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

CASH RECEIPTS - SEGREGATION OF DUTIES

05-1 Finding

During our current year audit, we noted that the same accounting clerk is accepting payments at the window, opening payments received in the mail, preparing the checks for deposit, writing the deposit ticket and posting the payments to the general ledger. Allowing these functions to be controlled by the same person increases the risk that errors or misappropriation could occur and go undetected.

Recommendation

We recommend that one person accept payments at the window, stamp the checks and prepare a list of money accepted. Another person would then prepare the deposit slips, comparing to the list of money accepted at the window. The payments then would be entered into the general ledger by a third person.

BANK RECONCILIATION APPROVAL

05-2 Finding

Currently, bank reconciliations are done monthly by the Borough. Bank reconciliations are prepared by an employee who is independent of the cash receipt and disbursement functions. However, there is no approval process. A treasurer's report, which is a summary report, is generated and reviewed by the Finance Director.

Recommendation

We recommend that bank reconciliations be reviewed by the Finance Director to ensure that they are being prepared properly.

BOROUGH OF PHOENIXVILLE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

PURCHASE ORDERS

05-3 Finding

During our review of internal controls, we noted that all expenditures over \$500 require a purchase order. During our review of expenditures, we noted several instances in which a purchase order was not prepared for expenditures over \$500.

Recommendation

We recommend that better controls be put in place over the purchase order function. All expenditures that require a purchase order should be processed only with a complete purchase order.

PETTY CASH RECONCILIATION

05-4 Finding

During our current year audit, we noted that petty cash is being reconciled by the custodian of petty cash. A fundamental concept in a good system of internal controls is proper segregation of duties. If the reconciliation is to serve as an effective control over the petty cash account, someone other than the custodian should be preparing the reconciliation.

Recommendation

We recommend that the Borough have another accounting employee prepare the reconciliation of the petty cash account.

NON-UNIFORMED PENSION

05-5 Finding

During our current year audit, we noted that the Borough did not deposit the entire amount of the actuarially determined M.M.O. into the Police Pension Plan as required by Act 205. The M.M.O. requirement was \$277,743, with the Borough depositing only \$168,257 into the plan. The unfunded portion of the M.M.O. in the amount of \$109,486 has been recorded as an accounts receivable as of December 31, 2005. This condition was a result of management oversight and resulted in the Borough not complying with Act 205.

Recommendation

We recommend that the Borough immediately deposit the remaining \$109,486 into the plan so that the 2005 M.M.O. is fully funded. We further recommend that the Borough start to reconcile the pension investments on a monthly basis. Implementing this procedure will assure that errors are caught in a timely manner.

BOROUGH OF PHOENIXVILLE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

POLICE PENSION

05-6 Finding

During our current year audit, we noted that a pension plan participant was paid twice for a lump sum payout in the amount of \$6,427. We further noted upon review of the participant's 1099 that he had been taxed on only one payment.

Recommendation

We recommend that the Borough make an effort to be reimbursed for the duplicate payment made to the former participant. We further recommend that the Borough monitor the activity of the Non-Uniformed Pension Plan on a monthly basis. This can be accomplished by reconciling the plan at the end of every month. Completing monthly reconciliations will avoid duplicate payments being made in the future.

GRANTS MANAGEMENT

05-7 Finding

In order to achieve stated grant objectives in an efficient manner and to assure that these transactions are properly recorded in the general ledger, it is imperative that there be increased communication between grant program administrators and the Finance Office. During our current year audit, we noted that the Finance Office was not fully aware of the funding sources, whether funds had been received and whether grants had been fully spent. This was due to a lack of communication and led to misunderstandings related to grant guidelines and the accounting treatment for these transactions.

Recommendation

We recommend that there be increased communication between grant administrators and the Finance Office as to the grants awarded to the Borough, the funds actually received and funds spent.

Card Index _____ By _____
Acknowledged _____
(Do not fill in this space.)

ANNUAL REPORT

~~WATER~~ SEWERAGE
Municipal Operation

OF
BOROUGH OF PHOENIXVILLE

(Name of Reporting Municipality)

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

FOR THE YEAR ENDED

DEC 31 2005

APR 30 2006

This report must be filed not later than _____

1. Name and title of official in charge of utility department: BRIAN A. Watson, PUBLIC WORKS DIRECTOR
2. List of communities served outside limits of reporting municipality: PARTS OF EAST PIKELAND AND SCHUYLKILL TOWNSHIPS
3. Explain briefly any essential difference existing between service inside limits of reporting municipality and service furnished outside: NONE
4. If the property is operated by the municipality and leased from an authority, state name of the authority: N/A
5. Is the system gravity, pumping, or a combination of both? If combination, set forth areas requiring pumping: COMBINATION; PUMPING STATIONS INCLUDING ASHLAND STREET, WINDING RIVER, CITY LINE AVE, ELAND DOWNE, COLUMBIA AVE & WESTRIDGE
6. State the sources from which water is obtained: N/A
7. Average daily yield from municipality's own source of supply (Gallons): N/A
8. If water is purchased, give (a) Name of vendor, (b) Point of delivery, and (c) Gallons purchased during the year: N/A
9. Description, location and capacity of each storage reservoir, tank and standpipes: N/A
10. If water is purified, state process used: N/A
11. Average daily consumption of water during the period (Gallons): N/A
12. Number of public fire hydrants outside limits of reporting municipality at end of period: N/A

SECRETARY'S OFFICE
DEC 31 2005
APR 30 2006

Income Statement for the period:

OPERATING REVENUES:

From Customers Outside Municipal Limits:

Domestic
 Commercial and Industrial - Institutional
 Sales for Resale (give names of Purchasers)

Total-Outside

From Customers Within Municipal Limits

Total Operating Revenues

OPERATING EXPENSES:

Source of Supply Or Collection Expense Pipe System

Water Purchased

Purification or Treatment Expense

Pumping Expense

Transmission and Distribution Expense Disposal

General Office Expense

General Office Salaries

Taxes

Depreciation

Other Expense (Specify) Debt Service
 Miscellaneous

Total Operating Expenses

Other Revenue

Net Profit

Income from Operations

WATER		SEWERAGE
M. Gallons	\$	\$
		16,319
		56,512
		72,831
		1,484,609
		1,557,440
		111,278
		492,267
		96,290
		265,242
		197,893
		611,839
		278,119
		415,059
		47,854
		2,515,841
		1,018,012
		59,611

14 Investment in Plant at end at Period Asset Cost 12,974,843
 Acc. Depr. 4,602,866

15 Number of customers at end of Period - (inside Municipality)
 Number of customers at end of Period - (outside Municipality) Metered
 Number of customers at end of Period - (outside Municipality) Unmetered

	8,371,977
	5,027
	54
	12


 (Signature of official responsible for filing this report.)

PUBLIC WORKS DIRECTOR
 (Official title)

Card Index _____ By _____
Acknowledged _____
(Do not fill in this space.)

ANNUAL REPORT

WATER _____
Municipal Operation

OF
BOROUGH OF PHOENIXVILLE

(Name of Reporting Municipality)

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

FOR THE YEAR ENDED

DEC 31 2005

This report must be filed not later than APR 30 2006

1. Name and title of official in charge of utility department: BRIAN A. WATSON, PUBLIC WORKS DIRECTOR
2. List of communities served outside limits of reporting municipality: PARTS OF UPPER PROVIDENCE, SCHUYLKILL & EAST PIKELAND TOWNSHIPS
3. Explain briefly any essential difference existing between service inside limits of reporting municipality and service furnished outside: _____
4. If the property is operated by the municipality and leased from an authority, state name of the authority: N/A
5. Is the system gravity, pumping, or a combination of both? If combination, set forth areas requiring pumping: PUMPING
6. State the sources from which water is obtained: SCHUYLKILL RIVER
7. Average daily yield from municipality's own source of supply (Gallons): 3.0 mgd (APPROX)
8. If water is purchased, give (a) Name of vendor, (b) Point of delivery, and (c) Gallons purchased during the year: NONE
9. Description, location and capacity of each storage reservoir, tank and standpipes: BOROUGH RESERVOIR AT FILLMORE STREET AND FRANKLIN AVENUE (9 MILLION GALLONS) AND THE LANE AVENUE STANDPIPE (1.3 GALLONS)
CONVENTIONAL - CHEMICAL TREATMENT, FLOCCULATION, SEDIMENTATION, FILTRATION,
10. If water is purified, state process used: CHLORINATION, CORROSION CONTROL AND FLUORIDATION
11. Average daily consumption of water during the period (Gallons): 3.0 mgd (APPROX)
12. Number of public fire hydrants outside limits of reporting municipality at end of period: 44

Income Statement for the period:

OPERATING REVENUES:

From Customers Outside Municipal Limits:

Domestic
 Commercial and Industrial Inst & Public
 Sales for Resale (give names of Purchasers)
 Aqua PA (PSW)
 PA American (Citizens)

Total-Outside

From Customers Within Municipal Limits

Total Operating Revenues

OPERATING EXPENSES:

Source of Supply Or Collection Expense STORAGE
 Water Purchased
 Purification or Treatment Expense
 Pumping Expense
 Transmission and Distribution Expense
 General Office Expense
 General Office Salaries
 Taxes
 Depreciation
 Other Expense (Specify) DEBT SERVICE
 MISCELLANEOUS

Total Operating Expenses

Income from Operations

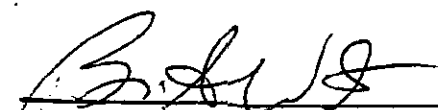
OTHER REVENUE
 NET PROFIT

ASSET COST - 14,905,023

14 Investment in Plant at end at Period DEPRECIATION 6,974,939

15 Number of customers at end of Period - (inside Municipality)
 Number of customers at end of Period - (outside Municipality) Metered
 Number of customers at end of Period - (outside Municipality) Unmetered

WATER - 2005		SEWERAGE
M. Gallons	\$	\$
25	96,695	
13	195,870	
1	1,740	
118	274,064	
157	568,369	
388	1,924,231	
545	2,492,600	
	913	
	783,649	
	62,945	
	392,746	
	140,167	
	531,378	
	369,790	
	229,980	
	36,837	
	2,548,405	
	326,958	
	271,153	
	7,930,084	
	5,057	
	538	


 (Signature of official responsible for filing this report.)

Public Works Director
 (Official title)

THE BOROUGH OF PHOENIXVILLE
FINANCIAL STATEMENTS
DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

Maulo & Company, Ltd.

Certified Public Accountants

THE BOROUGH OF PHOENIXVILLE

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 PHOENIXVILLE BOROUGH

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Maulo & Company, Ltd.

Certified Public Accountants

27 South High Street
West Chester, PA 19382-3224

voice: 610.692.0910

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e-mail: mcl@maulo.com

Independent Auditor's Report

Members of Council
The Borough of Phoenixville
Chester County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparison information, and the aggregate remaining fund information of The Borough of Phoenixville, Chester County, Pennsylvania, as of and for the year ended December 31, 2004, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Borough of Phoenixville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, budgetary comparison information, and the aggregate remaining fund information of The Borough of Phoenixville, Chester County, Pennsylvania, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2005, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages MD&A 1 through MD&A 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The balance sheets, the statements of revenues, expenditures, and changes in fund balances, and the schedule of expenditures of federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The balance sheets, the statements of revenues, expenditures, and changes in fund balances, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Marks & Company, LLP.

West Chester, Pennsylvania
March 4, 2005

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004

This discussion and analysis of the Borough of Phoenixville's financial performance provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements, and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the new 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 trends from the last couple of years have changed and started to turn back up in Fiscal Year 2004. The Borough of Phoenixville experienced two significant increases to revenue for the Fiscal Year 2004. The largest by far is the one-time recognition of prior year Earned Income Taxes of almost 1.7 million dollars. Second, the Borough experienced a significant increase in "Impact Fee" for new neighborhoods of about \$473,000. Meanwhile at the same time costs stayed very close to budgeted amounts.

General Fund

The revenues ended the year significantly above budget and expectation, thanks to increases in unusual circumstances of prior year Earned Income Taxes and Impact Fees. In addition, the permit fees and intergovernmental grants and other revenues were also above expectations. All of these issues allowed the Borough to have revenues \$2,927,596 over budget.

Expenditures were over budget by \$80,821. The General Fund finished the year "in the black".

Other Funds

The Water and the Sewer Funds both finished the year with less revenue than expected. However, due to past performance both funds are still financially stable.

The other funds closed the year within expectations.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and represent both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Government-Wide Financial Statements

The first two statements are government-wide financial statements – the Statement of Net Assets 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 Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Borough's net assets and how they have changed. Net assets, the difference between the Borough's assets 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 assets are an indication of whether its financial health is improving or deteriorating, respectively.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)

To assess the overall health of the Borough, consideration must be made to additional non-financial factors, such as changes in the Borough's property tax base and the adequacy of Borough services.

Regarding the Borough's tax base, the Borough is experiencing new development and redevelopment of properties. Such development of a well-established Pennsylvania borough is quite unusual and bodes well for the economic and fiscal base of the Borough.

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

- **Governmental Activities** – All of the Borough's basic services are included here, such as public safety, public works, and administration. Property taxes and state grants and charges for services finance most of these activities.
- **Business-type Activities** – The Borough runs a sewer operation and a water operation and charges fees to the 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 Sewer Fund and Water 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 the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the 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 Assets 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 Sewer Fund and the Water Fund are the Borough's proprietary funds and are the same as the business-type activities we report in the government-wide statements.

Fiduciary Funds – The Borough is the trustee, or fiduciary, for the Uniform (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 Assets. We exclude these activities from the Borough's other financial statements because the Borough cannot use these assets to finance its operations.

**BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)**

FINANCIAL ANALYSIS OF THE BOROUGH – GOVERNMENT-WIDE STATEMENTS

The Borough's total net assets were \$13,093,719 and \$15,645,927 on December 31, 2003 and 2004 respectively. The following table presents condensed financial information for the net assets of the Borough for December 31, 2003 and 2004:

Schedule of Net Assets
Year Ended December 31, 2003 and 2004

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
<u>Assets:</u>						
Current and Other Assets	\$ 5,370,419	\$ 5,307,102	\$ 13,665,502	\$ 10,542,656	\$ 19,035,921	\$ 15,849,758
Capital Assets, Net	4,439,436	3,644,782	10,241,809	14,310,151	14,681,245	17,954,933
Total Assets	<u>\$ 9,809,855</u>	<u>\$ 8,951,884</u>	<u>\$ 23,907,311</u>	<u>\$ 24,852,807</u>	<u>\$ 33,717,166</u>	<u>\$ 33,804,691</u>
<u>Liabilities:</u>						
Current and Other Liabilities	\$ 2,855,116	\$ 717,811	\$ 717,498	\$ 930,764	\$ 3,572,614	\$ 1,648,575
Long-Term Liabilities	3,337,386	3,252,940	13,713,447	13,257,249	17,050,833	16,510,189
Total Liabilities	<u>6,192,502</u>	<u>3,970,751</u>	<u>14,430,945</u>	<u>14,188,013</u>	<u>20,623,447</u>	<u>18,158,764</u>
<u>Net Assets:</u>						
Invested in Capital Assets						
Net of Related Debt	1,420,738	480,022	5,440,352	6,610,159	6,861,090	7,090,181
Restricted	1,525,084	1,268,391			1,525,084	1,268,391
Unrestricted (Deficit)	671,531	3,232,720	4,036,014	4,054,635	4,707,545	7,287,355
Total Net Assets	<u>3,617,353</u>	<u>4,981,133</u>	<u>9,476,366</u>	<u>10,664,794</u>	<u>13,093,719</u>	<u>15,645,927</u>
Total Liabilities and Net Assets	<u>\$ 9,809,855</u>	<u>\$ 8,951,884</u>	<u>\$ 23,907,311</u>	<u>\$ 24,852,807</u>	<u>\$ 33,717,166</u>	<u>\$ 33,804,691</u>

**BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)**

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 revenues. The largest revenues typically are property taxes and earned income taxes. The trash collection fee pays for approximately 67% of the total cost of the trash/recycling program and is reflected in line items in the General Fund. Other charges include building permit and subdivision application fees, as well as police citations.

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

**Changes in Net Assets/Activities Expenses
For the Years Ended December 31, 2003 and 2004**

	Governmental Activities		Business Type Activities		Total	
	2003	2004	2003	2004	2003	2004
REVENUES:						
Program Services:						
Charges for Services	\$ 1,603,404	\$ 1,644,080	\$ 6,135,830	\$ 5,047,951	\$ 7,739,234	\$ 6,692,031
Operating Grants and Contributions	864,531	1,061,848	292,403	771,890	1,156,934	1,833,738
General Revenues:						
Property Taxes	2,012,994	2,163,541			2,437,313	2,163,541
Other Taxes	1,788,995	1,825,715			1,364,676	1,825,715
Grants, Subsidies, and						
Contributions Not Restricted	850,000	628,126		275,000	850,000	903,126
Other Revenue	296,718	769,492	117,533	329,120	414,251	1,098,612
TOTAL REVENUES	7,416,642	8,092,802	6,545,766	6,423,961	13,962,408	14,516,763
EXPENSES:						
General Government	\$ 526,334	\$ 776,702	\$ 0	\$ 0	\$ 526,334	\$ 776,702
Public Safety	2,534,118	2,945,843			2,534,118	2,945,843
Codes	328,303	341,156			328,303	341,156
Public Works - Sanitation	814,560	767,208			814,560	767,208
Public Works - Highways	743,747	770,520			743,747	770,520
Other Public Works	257,176	325,590			257,176	325,590
Culture and Recreation	407,326	438,592			407,326	438,592
Interest on Long-Term Debt	141,209	163,437			141,209	163,437
Unallocated Depreciation	209,329	199,974			209,329	199,974
Water Funds			2,270,876	2,425,411	2,270,876	2,425,411
Sewer Funds			1,886,400	2,378,201	1,886,400	2,378,201
TOTAL EXPENSES	5,962,102	6,729,022	4,157,276	4,803,612	10,119,378	11,532,634
CHANGE IN NET ASSETS	\$ 1,454,540	\$ 1,363,780	\$ 2,388,490	\$ 1,620,349	\$ 3,843,030	\$ 2,984,129

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)

GOVERNMENTAL FUNDS

Most of the Borough's activities are reported in governmental funds. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund, Solid Waste Fund, Fire Protection Fund, Liquid Fuels Fund and the Capital Projects Fund. By far, the most prominent fund is the General Fund.

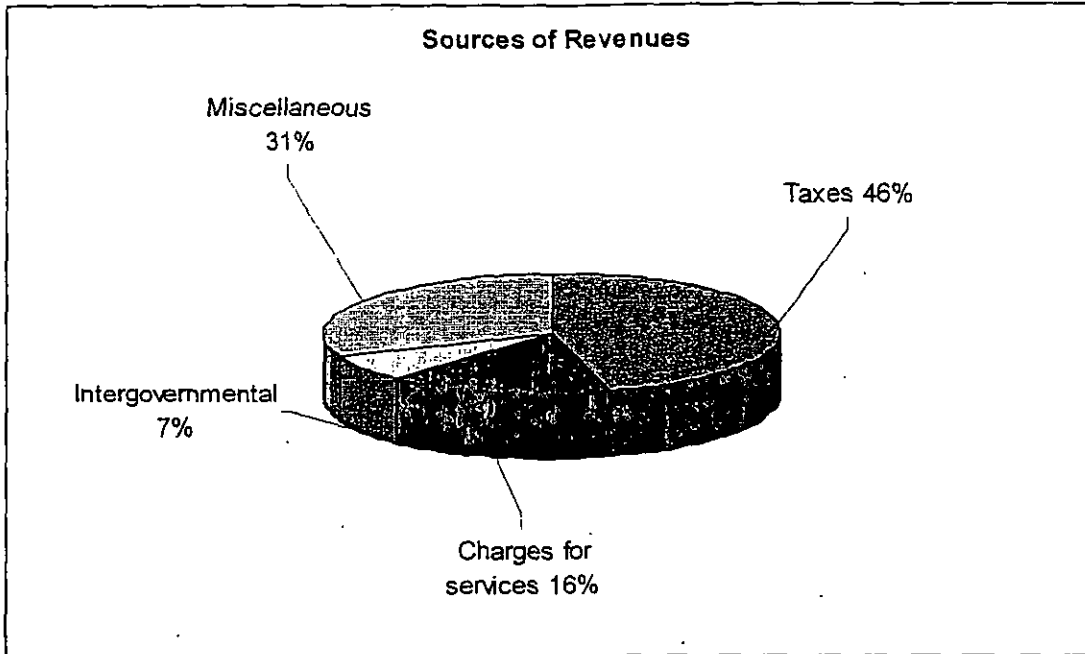
General Fund

The General Fund is the principal operating fund of the Borough. Revenues between 2003 and 2004 have increased 44.4%. This was primarily due to one-time recognition of prior year EIT Tax and unusually high new development fees. The Borough also had some increased expenses over the 2003 fiscal year. This includes additional costs for the employee pension fund and other employee benefits. The end of the year fund balance has gone from \$835,825 at December 31, 2003 to \$3,169,272 at December 31, 2004. The following table compares the actual revenues and expenditures for the two budgetary time periods:

General Fund 2003 -- 2004

	<u>2003</u>	<u>2004</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 3,552,713	\$ 3,611,395	\$ 58,682
Licenses and permits	139,388	150,213	10,825
Fines and forfeits	118,794	104,262	(14,532)
Interest earned	66,126	101,049	34,923
Intergovernmental revenues	531,111	551,965	20,854
Charges for services	826,694	1,022,795	196,101
Miscellaneous revenues	210,634	644,482	433,848
Refund of prior year expenditures		1,697,947	1,697,947
Transfers in	15,000		(15,000)
	<hr/>	<hr/>	<hr/>
Total revenues	5,460,460	7,884,108	2,423,648
EXPENDITURES			
General government	442,720	374,736	(67,984)
Public safety	2,092,125	1,794,547	(297,578)
Codes	328,303	341,156	12,853
Public works – highways	743,747	623,695	(120,052)
Culture and recreation	407,326	340,166	(67,160)
Miscellaneous expenditures	657,924	1,277,285	619,361
Refund of prior year revenues		46,260	46,260
Transfers out	374,077	492,511	118,434
Debt service (principal & interest)	224,233	260,305	36,072
	<hr/>	<hr/>	<hr/>
Total expenditures	5,270,455	5,550,661	280,206
Excess (deficiency) of revenues over expenditures	<hr/> <u>190,005</u>	<hr/> <u>\$ 2,333,447</u>	<hr/> <u>\$ 2,143,442</u>

**BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)**



The Borough balanced its General Fund budget with funds from four kinds of sources:

- Real Estate Taxes, Earned Income Taxes and the Real Estate Transfer Taxes provide approximately 46% of the General Fund Revenues.
- Approximately 16% of the funds are generated by charges for services including building permits, fees, and other charges.
- 7% of the funds come from the State and Local Governments.
- The remaining 31% comes from miscellaneous sources including interest earnings, interfund transfers, and fines. This percentage is up this year due to the one-time recognition of prior year earned income taxes.

Real estate transfer taxes collected continued at an increased rate in 2004. As interest rates continue to inch back up, the Borough experienced a 52% increase above the 2003 investment revenue. The earned income taxes continue to be down compared to prior years. Building permits and subdivision application fees once again increased significantly from the year before. In 2004, the Borough received \$472,726 in "Impact Fees". Impact Fees are charged to developers who develop a subdivision to help cover the cost of the new signs, lights etc. The net result was a 13.6% increase in revenues in 2004.

The tax millage rate of 3.401 mills remained the same for the Taxpayers in 2004. The trash fee continued in 2004 and remained at \$100 per household.

**BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)**

GENERAL FUND BUDGET

	Final	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 3,472,800	\$ 3,611,395	\$ 138,595
Licenses and permits	131,100	150,213	19,113
Fines and forfeits	117,600	104,262	(13,338)
Interest earned	102,500	101,049	(1,451)
Intergovernmental revenues	271,966	551,965	279,999
Charges for services	615,945	1,022,795	406,850
Miscellaneous revenues	177,000	644,482	467,482
Total revenues	4,888,911	6,186,161	1,297,250
EXPENDITURES			
General government	368,263	374,736	(6,473)
Codes	324,056	341,156	(17,100)
Public safety	1,834,395	1,794,547	39,848
Public works	624,020	623,695	325
Culture and recreation	345,583	340,166	5,417
Debt service	265,993	260,305	5,688
Miscellaneous expenditures	1,124,457	1,277,285	(152,828)
Total expenditures	4,886,767	5,011,890	(125,123)
Excess (deficiency) of revenues over expenditures	2,144	1,174,271	1,172,127
OTHER FINANCING SOURCES (USES)			
Refund of prior year expenditures	67,600	1,697,947	1,630,347
Fund transfers	(562,634)	(46,260)	516,374
Refund of prior year revenues		(492,511)	(492,511)
Total other financing sources (uses)	(495,034)	1,159,176	1,654,210
Net change in fund balances	(492,890)	2,333,447	2,826,337
Fund balance—January 1, 2004	492,890	835,825	342,935
Fund balance—December 31, 2004	<u>\$ 0</u>	<u>\$ 3,169,272</u>	<u>\$ 3,169,272</u>

EXPENDITURES

During 2004, the Borough continued to experience the increased cost in employee benefits, much like many other organizations, increasing 8.3%. Even if the revenue was reduced by the unusual revenue circumstances for 2004, the Borough General Fund would have ended the year "in the black".

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)

Sewer and Water Fund

The Sewer Fund is a proprietary or business fund. It had \$5,047,951 of operating revenue, \$4,806,387 of operating expenses and \$1,235,699 of nonoperating revenue. The result was a \$1,477,263 increase in net assets. This increase in net assets along with the proceeds of the 2003 bond issue will be used for capital projects and future debt service.

	<u>2003</u>	<u>2004</u>
OPERATING REVENUES:		
Charges for services	\$ 4,385,425	\$ 4,375,951
Tapping Fees and contributions	1,757,000	672,000
	<u>6,142,425</u>	<u>5,047,951</u>
OPERATING EXPENSES:		
Operating expenses	2,447,364	2,949,213
General and administrative	673,104	678,472
Depreciation expense	481,489	520,169
Debt service	812,233	658,533
	<u>4,414,190</u>	<u>4,806,387</u>
Total operating expenses	4,414,190	4,806,387
Operating income/(loss)	1,728,235	241,564
NONOPERATING REVENUES (EXPENSES):		
Earnings on investments	110,938	224,221
Refund of prior year expenditures	76,338	32,901
State sources	292,403	771,890
Miscellaneous revenue		378,848
Transfers in (out)		1,051
Refund of prior year revenues	(107,382)	(173,212)
	<u>372,297</u>	<u>1,235,699</u>
Total nonoperating revenue/(expenses)	372,297	1,235,699
Change in net assets	2,100,532	1,477,263
Total net assets—beginning	<u>7,157,187</u>	<u>9,257,719</u>
Total net assets—ending	<u>\$ 9,257,719</u>	<u>\$ 10,734,982</u>

**BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)**

CAPITAL ASSETS

On December 31, 2004, the Borough had \$17,954,933 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$3,273,688 or 23% from last year.

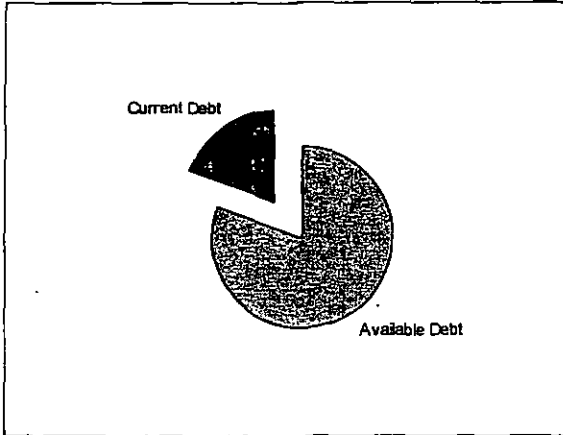
The following schedule depicts the changes in capital assets for the periods January 1 through December 31, 2003 and January 1 through December 31, 2004:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets:				
Land	\$ 1,765,473	\$ 0	\$ 0	\$ 1,765,473
Buildings & Improvements	1,159,140	88,426	0	1,247,566
Construction-in-Process	1,068,536	0	(1,068,536)	0
Infrastructure	1,864,935	328,729	0	2,193,664
Vehicles	1,043,723	53,200	0	1,096,923
Machinery & Equipment	454,385	3,501	0	457,886
Total Capital Assets	<u>7,356,192</u>	<u>473,856</u>	<u>(1,068,536)</u>	<u>6,761,512</u>
Accumulated Depreciation for:				
Buildings & Improvements	899,973	28,451	0	928,424
Infrastructure	889,653	70,374	0	960,027
Vehicles	782,183	78,631	0	860,814
Machinery & Equipment	344,947	22,518	0	367,465
Total Accumulated Depreciation	<u>2,916,756</u>	<u>199,974</u>	<u>0</u>	<u>3,116,730</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 4,439,436</u>	<u>\$ 273,882</u>	<u>\$ (1,068,536)</u>	<u>\$ 3,644,782</u>
<u>Business-Type Activities:</u>				
Capital Assets:				
Land	\$ 136,567	\$ 0	\$ 0	\$ 136,567
Buildings & Improvements	10,138,931	0	0	10,138,931
Construction-in-Process	718,542	3,053,398	0	3,771,940
Infrastructure	8,573,420	1,252,806	0	9,826,226
Vehicles	334,095	14,149	0	348,244
Machinery & Equipment	838,350	268,158	0	1,106,508
Total Capital Assets	<u>20,739,905</u>	<u>4,588,511</u>	<u>0</u>	<u>25,328,416</u>
Accumulated Depreciation for:				
Buildings & Improvements	6,502,529	224,739	0	6,727,268
Infrastructure	3,189,318	178,162	0	3,367,480
Vehicles	277,651	16,566	0	294,217
Machinery & Equipment	528,598	100,702	0	629,300
Total Accumulated Depreciation	<u>10,498,096</u>	<u>520,169</u>	<u>0</u>	<u>11,018,265</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 10,241,809</u>	<u>\$ 4,068,342</u>	<u>\$ 0</u>	<u>\$ 14,310,151</u>

**BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Continued)**

DEBT ADMINISTRATION

As of December 31, 2003, the Borough had total outstanding bond principal of \$17,325,125; \$10,000,000 is self-liquidating debt, leaving \$7,325,125 of regular debt. During the year, the Borough made payments against principal in



the amount of \$763,000. The ending outstanding debt as of December 31, 2004 is \$16,803,789; \$9,995,850 is self-liquidating debt, leaving \$6,807,939 of regular debt, which is measured against the debt limit. This amount represents 24% of our debt limit as determined by the formula included in the Local Government Unit Act. The total non self-liquidating debt limit for the Borough as of December 31, 2004 is \$28,371,920.

Other obligations include accrued vacation pay and severance for specific employees of the Borough. More detailed information about our long-term liabilities is included in the Notes to the Financial Statements.

THE BOROUGH'S FUTURE

2004 was another unique financial year for the Borough. Revenues were significantly higher because of one-time and unusual circumstances from various sources along with continued large increases in the employee benefits expenditure accounts provided for an unusual financial year. The Borough finished the year clearly "in the black".

Future budgets should consider a number of important issues including:

- Consistent revenue streams for all funds
- Charges for services such as trash, which better reflect the actual costs of the service
- Multi-year budgeting and/or projections
- Capital project funding and an acceptable debt service strategy
- Further development of funding sources other than the local real estate taxes
- Expectations that the future economic and fiscal base will continue to grow from new development and from redevelopment.

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 Board'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.

**BOROUGH OF PHOENIXVILLE
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

ASSETS

Current assets:	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,543,231	\$ 1,274,081	\$ 2,817,312
Investments	2,789,602	7,909,914	10,699,516
Taxes receivable (net)	147,857		147,857
Due from other governments	255,837	65,680	321,517
Other receivables	670,692	1,079,894	1,750,586
Internal balances	(156,021)	156,021	
Inventories		17,019	17,019
Prepaid expenses	55,904	40,047	95,951
Total current assets	5,307,102	10,542,656	15,849,758
Noncurrent Assets:			
Land	1,765,473	136,567	1,902,040
Building & building improvements	319,142	3,610,285	3,929,427
Furniture & equipment	326,529	531,236	857,765
Infrastructure assets	1,233,638	6,260,124	7,493,762
Construction in progress		3,771,939	3,771,939
Total noncurrent assets	3,644,782	14,310,151	17,954,933
Total assets	\$ 8,951,884	\$ 24,852,807	\$ 33,804,691
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 119,661	\$ 342,512	\$ 462,173
Interest payable	20,928	70,188	91,116
Current portion of long-term debt	103,132	456,813	559,945
Escrow deposits	474,090	21,651	495,741
Deferred revenues		39,600	39,600
Total current liabilities	717,811	930,764	1,648,575
Noncurrent liabilities:			
Notes payable	266,880	301,080	567,960
Bonds payable	2,811,046	12,864,838	15,675,884
Compensated absences	175,014	91,331	266,345
Total noncurrent liabilities	3,252,940	13,257,249	16,510,189
Total liabilities	3,970,751	14,188,013	18,158,764
Net assets			
Invested in capital assets net of related debt	480,022	6,610,159	7,090,181
Restricted for:			
Capital projects	692,909		692,909
Liquid fuels	200,855		200,855
Solid waste	97,135		97,135
Fire protection	277,492		277,492
Unrestricted (deficit)	3,232,720	4,054,635	7,287,355
Total net assets	4,981,133	10,664,794	15,645,927
Total liabilities and net assets	\$ 8,951,884	\$ 24,852,807	\$ 33,804,691

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

**BOROUGH OF PHOENIXVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
General government	\$ 776,702			475,745		\$ (300,957)	\$	\$ (300,957)
Public safety	2,945,843		231,226	307,669		(2,408,948)		(2,408,948)
Codes	341,158		811,137			469,981		469,981
Public works - sanitation	767,208		517,023	45,771		(204,414)		(204,414)
Public Works - highways	770,520					(770,520)		(770,520)
Other public works	325,590			232,663		(92,927)		(92,927)
Culture and recreation	438,592		84,694			(353,898)		(353,898)
Interest on long-term debt	163,437					(163,437)		(163,437)
Unallocated depreciation expense	199,974					(199,974)		(199,974)
Total Governmental Activities	6,729,022	0	1,644,080	1,061,848	0	(4,023,094)	0	(4,023,094)
Business-type activities:								
Water fund	2,425,411		2,490,572				65,161	65,161
Sewer fund	2,378,201		2,557,379	771,890			951,068	951,068
Total business-type government	\$ 4,803,612	\$ 0	\$ 5,047,951	\$ 771,890	\$ 0	0	1,016,229	1,016,229
General revenues:								
Taxes:								
Property taxes, levied for general purposes (net)								
						2,163,641		2,163,641
Taxes levied for specific purposes								
						1,825,715		1,825,715
Grants, subsidies, & contributions not restricted								
						828,126	275,000	903,126
Investment earnings								
						105,595	224,221	329,816
Miscellaneous income								
						664,948	103,848	
Transfers								
						(1,051)	1,051	0
Total general revenues, special items, extraordinary items and transfers								
						5,386,874	604,120	5,222,198
Change in net assets								
						1,363,780	1,820,349	2,984,129
Net assets—beginning								
						3,617,353	9,044,445	12,661,798
Net assets—ending								
						\$ 4,981,133	\$ 10,664,794	\$ 15,645,927

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

BOROUGH OF PHOENIXVILLE
BALANCE SHEET—GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General Fund	Solid Waste	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	\$ 2,146,020	\$ 0	\$ 12,013	\$ 210,055	\$ 2,388,088
Investments	2,685,317		4,285	100,000	2,789,602
Taxes receivable (net)	214,273				214,273
Due from other funds	325	550,000	920,425	166,088	1,636,838
Due from other governments	173,324		82,513		255,837
Other receivables	586,184	82,136		2,372	670,692
Prepaid expenses/expenditures					
Total assets	\$ 5,805,443	\$ 632,136	\$ 1,019,236	\$ 478,515	\$ 7,935,330
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ 1,770,434	\$ 0	\$ 22,425	\$ 0	\$ 1,792,859
Bank overdraft		529,964	294,893		824,857
Accounts payable	105,447	5,037	9,009	168	119,661
Current portion of long-term debt	17,501				17,501
Escrow deposits	474,090				474,090
Deferred revenues	268,699				268,699
Total liabilities	2,636,171	535,001	326,327	168	3,497,667
FUND BALANCES					
Unreserved-undesignated					
General fund	3,169,272				3,169,272
Special revenue funds		97,135		478,347	575,482
Capital projects funds			692,909		692,909
Total fund balance	3,169,272	97,135	692,909	478,347	4,437,663
Total liabilities and fund balance	\$ 5,805,443	\$ 632,136	\$ 1,019,236	\$ 478,515	\$ 7,935,330

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

**BOROUGH OF PHOENIXVILLE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Total Fund Balances - Governmental Funds **\$ 4,437,663**

Amounts reported for governmental activities in the statement of net assets 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 \$6,761,513, and the accumulated depreciation is \$3,116,731. 3,644,782

Property taxes and earned income taxes receivable will be collected in this year, but are not available soon enough to pay for the current year's expenditures and, therefore, are deferred in the funds. 202,283

Bond issue costs need to be amortized over the life of the bond instead of being expensed in the year paid. 55,904

Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	(2,903,138)	
Notes payable	(277,920)	
Accrued interest	(20,928)	
Compensated absences	(157,513)	
	(3,359,499)	(3,359,499)

Total net assets - governmental activities **\$ 4,981,133**

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Solid Waste	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,611,395	\$ 0	\$ 0	\$ 255,582	\$ 3,866,987
Licenses and permits	150,213				150,213
Fines and forfeits	104,262				104,262
Interest earned	101,049	389	59	4,098	105,595
Intergovernmental revenues	551,965		277,221	232,663	1,061,849
Charges for services	1,022,795	517,023			1,539,818
Miscellaneous revenues	644,482	930		21,273	666,685
Total Revenues	6,186,161	518,342	277,280	513,626	7,495,409
EXPENDITURES					
General government	374,736				374,736
Capital expenditures			720,083		720,083
Public safety	1,794,547			244,520	2,039,067
Codes	341,156				341,156
Public works—sanitation		767,208			767,208
Public works—highways	623,695			325,590	949,285
Culture and recreation	340,166				340,166
Miscellaneous expenditures	1,277,285				1,277,285
Debt service (principal & interest)	260,305				260,305
Total expenditures	5,011,890	767,208	720,083	570,110	7,069,291
Excess (deficiency) of revenues over expenditures	1,174,271	(248,866)	(442,803)	(56,484)	426,118
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenses (Note 8)	1,697,947				1,697,947
Operating transfers in		340,000	13,602	151,460	505,062
Refund of prior year revenues	(46,260)				(46,260)
Operating transfers out	(492,511)		(13,602)		(506,113)
Total other financing sources (uses)	1,159,176	340,000	0	151,460	1,650,636
Net change in fund balances	2,333,447	91,134	(442,803)	94,976	2,076,754
Fund balance—January 1, 2004	835,825	6,001	1,135,712	383,371	2,360,909
Fund balance—December 31, 2004	\$ 3,169,272	\$ 97,135	\$ 692,909	\$ 478,347	\$ 4,437,663

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

BOROUGH OF PHOENIXVILLE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Total net change in fund balances - governmental funds **\$ 2,076,754**

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

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

	Depreciation expense	(199,974)		
	Capital outlays	<u>443,375</u>		243,401

Interest on long-term debt is accrued under full accrual accounting. Also, bond issue costs are amortized over the life of the bond, not expensed in the year of issue. (1,477)

Because some property and earned income taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 122,268

Refund of prior year expenditures and revenues is a revenue under the modified accrual basis of accounting. Under full accrual all revenue and expenditures are accounted for so the entry for prior year money will go through the balance sheet. (1,172,557)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 95,391

Change in net assets of governmental activities		\$		<u>1,363,780</u>
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The accompanying notes are an integral part of the financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE--BUDGET AND ACTUAL--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,472,800	\$ 3,472,800	\$ 3,611,395	\$ 138,595
Licenses and permits	131,100	131,100	150,213	19,113
Fines and forfeits	117,600	117,600	104,262	(13,338)
Interest earned	102,500	102,500	101,049	(1,451)
Intergovernmental revenues	271,966	271,966	551,965	279,999
Charges for services	615,945	615,945	1,022,795	406,850
Miscellaneous revenues	177,000	177,000	644,482	467,482
Total revenues	<u>4,888,911</u>	<u>4,888,911</u>	<u>6,186,161</u>	<u>1,297,250</u>
EXPENDITURES				
General government	368,263	368,263	374,736	(6,473)
Codes	324,056	324,056	341,156	(17,100)
Public safety	1,834,395	1,834,395	1,794,547	39,848
Public works	624,020	624,020	623,695	325
Culture and recreation	345,583	345,583	340,166	5,417
Debt service	265,993	265,993	260,305	5,688
Miscellaneous expenditures	1,124,457	1,124,457	1,277,285	(152,828)
Total expenditures	<u>4,886,767</u>	<u>4,886,767</u>	<u>5,011,890</u>	<u>(125,123)</u>
Excess (deficiency) of revenues over expenditures	<u>2,144</u>	<u>2,144</u>	<u>1,174,271</u>	<u>1,172,127</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers				-
Refund of prior year expenses	67,600	67,600	1,697,947	1,630,347
Fund transfers	(562,634)	(562,634)	(46,260)	516,374
Refund of prior year revenues			(492,511)	(492,511)
Total other financing sources (uses)	<u>(495,034)</u>	<u>(495,034)</u>	<u>1,159,176</u>	<u>1,654,210</u>
Net change in fund balances	<u>(492,890)</u>	<u>(492,890)</u>	<u>2,333,447</u>	<u>2,826,337</u>
Fund balance—January 1, 2004	<u>492,890</u>	<u>492,890</u>	<u>835,825</u>	<u>342,935</u>
Fund balance—December 31, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,169,272</u>	<u>\$ 3,169,272</u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET ASSETS—PROPRIETARY FUND
DECEMBER 31, 2004

	<u>Water & Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,335,240
Investments	7,909,914
Due from other funds	156,346
Due from other governments	65,680
Sales receivables	1,032,710
Other receivables	47,184
Inventories	17,019
Deferred charges	40,047
Total current assets	10,604,140
Noncurrent assets:	
Land	136,567
Infrastructure (net)	6,260,124
Building & building improvements (net)	3,610,285
Machinery & equipment (net)	531,236
Construction in progress	3,771,939
Total noncurrent assets	14,310,151
Total assets	\$ 24,914,291
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 403,671
Due from other funds	325
Deferred revenues	39,600
Escrow deposits	21,651
Current portion of long-term debt	91,331
Total current liabilities	556,578
Noncurrent liabilities:	
Bonds payable	13,321,651
Notes payable	301,080
Total noncurrent liabilities	13,622,731
Total liabilities	14,179,309
NET ASSETS	
Unrestricted	10,734,982
Total net assets	10,734,982
Total liabilities and net assets	\$ 24,914,291

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

**BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS--PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Water and Sewer</u>
OPERATING REVENUES:	
Charges for services	\$ 4,375,951
Main connection fees	672,000
	<u>5,047,951</u>
Total operating revenues	
OPERATING EXPENSES:	
Operating expenses	2,949,213
General and administrative	678,472
Debt service	658,533
Depreciation expense	520,169
	<u>4,806,387</u>
Total operating expenses	
Operating income/(loss)	241,564
NONOPERATING REVENUES (EXPENSES):	
Earnings on investments	224,221
Refunds of prior year expenditures	32,901
State sources	771,890
Miscellaneous revenue	378,848
Transfers in	5,201
Refunds of prior year revenues	(173,212)
Transfers out	(4,150)
	<u>1,235,699</u>
Total nonoperating revenue/(expenses)	
Change in net assets	1,477,263
Total net assets-January 1, 2004	<u>9,257,719</u>
Total net assets-December 31, 2004	<u>\$ 10,734,982</u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS—PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Water & Sewer</u>
Cash Flows From Operating Activities	
Cash received from users	\$ 5,258,524
Cash payments to employees for services	
Cash payments to suppliers for goods and services	(3,510,948)
Cash payments for other operating expenses	<u>(678,472)</u>
Net cash provided by (used for) operating activities	<u>1,069,104</u>
Cash Flows From Non-Capital Financing Activities	
State sources	771,890
Operating transfers in (out)/ residual equity	(139,260)
Refunds of prior year expenditures	
Net cash provided by (used for) non-capital financing activities	<u>632,630</u>
Cash Flows From Capital and Related Financing Activities	
Facilities acquisition/construction/improvement service	(4,588,511)
Proceeds from extended term financing	
Principal paid on financing agreements	<u>(425,945)</u>
Net cash provided by (used for) capital and related financing activities	<u>(5,014,456)</u>
Cash Flows From Investing Activities	
Earnings on investments	224,221
Purchase of investment securities/deposits to investment pools	<u>3,349,989</u>
Net cash provided by (used for) investing activities	<u>3,574,210</u>
Net increase (Decrease) in cash and cash flows	261,488
Cash and cash equivalents beginning of year	<u>1,073,752</u>
Cash and cash equivalents at year end	<u><u>\$ 1,335,240</u></u>
<hr/>	
Cash Flows From Operating Activities	
Operating Income (loss)	<u>\$ 620,412</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for):	
Depreciation and net amortization	520,169
(Increase) Decrease in accounts receivable	(190,561)
(Increase) Decrease in inventories and prepaids	28,158
(Increase) Decrease in other current assets	
Increase (Decrease) in accounts payable	89,568
Increase (Decrease) in advances from other funds	325
Increase (Decrease) in other current liabilities	<u>1,033</u>
Total adjustments	<u>448,692</u>
Cash provided by (used for) operating activities	<u><u>\$ 1,069,104</u></u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004

ASSETS	Police Pension Trust	Non-uniform Pension Trust
	<u>Trust</u>	<u>Trust</u>
Cash and cash equivalents	\$ 55,883	\$ 76,562
Investments	4,716,623	3,670,121
Insurance contracts	<u>1,571,332</u>	<u>2,036,960</u>
 Total assets	 <u>\$ 6,343,838</u>	 <u>\$ 5,783,643</u>
 LIABILITIES		
Accounts payable	<u>\$ 0</u>	<u>\$ 0</u>
 Total liabilities	 <u>0</u>	 <u>0</u>
 NET ASSETS		
Net assets held in trust for pension benefits	<u>6,343,838</u>	<u>5,783,643</u>
 Total net assets	 <u>\$ 6,343,838</u>	 <u>\$ 5,783,643</u>

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

BOROUGH OF PHOENIXVILLE
STATEMENT OF CHANGES IN NET ASSETS--FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

ADDITIONS	<u>Police Pension Trust</u>	<u>Non-uniform Pension Trust</u>
Contributions		
State aid	\$ 164,162	\$ 115,328
Employee		45,719
<i>Total contributions</i>	<u>164,162</u>	<u>161,047</u>
Investment and other income		
Unrealized gain (loss) on investments	464,284	340,297
Investment income	220,635	212,306
<i>Total additions</i>	<u>849,081</u>	<u>713,650</u>
 DEDUCTIONS		
Benefits paid directly to participants	260,919	192,917
Administrative expenses	39,887	18,060
<i>Total deductions</i>	<u>300,806</u>	<u>210,977</u>
Net increase (decrease)	548,275	502,673
Net assets available for benefits--beginning of year	<u>5,795,563</u>	<u>5,280,970</u>
Net assets available for benefits--end of year	<u>\$ 6,343,838</u>	<u>\$ 5,783,643</u>

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

**THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. Summary of Significant Accounting Policies

The accounting policies of The Borough of Phoenixville conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Borough also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant accounting policies:

A. Organization

The Borough is the basic level of government that has oversight responsibility and control over all activities related to the local government in The Borough of Phoenixville. The Borough receives funding from local and Commonwealth government sources and must comply with the requirements of these funding source entities. However, the Borough is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the Borough council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The Borough does not have a corresponding Municipal Authority. Based on component unit evaluation, no other organization is included as a component unit of the Borough's reporting entity.

B. Implementation of Governmental Accounting Standards Board Pronouncements

GASB Statements Nos. 34 and 37

In June 1999 and in June 2001, the GASB issued Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, respectively. These statements provide for the most significant change in governmental financial reporting in over twenty years, providing for a new reporting model. As part of these statements, governments are required to report and depreciate infrastructure (bridges, roads, etc.).

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds, and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable rate debt, receivables and payable balances, interfund transfers and balances, and short-term debt.

GASB Interpretation No. 6

In March 2000, the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

As required, the Borough has adopted GASB Statement Nos. 34, 37, and 38 and Interpretation No. 6 for the fiscal year ended December 31, 2003.

C. Basis of Presentation

Government-Wide Financial Statements

The statements of net assets and the statements 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 activity of the internal service funds is eliminated to avoid double-counting of revenues and expenses. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Borough at 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 for the single business-type activity of the Borough. 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, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support 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 business segment or governmental function is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements

During the fiscal year, the Borough segregates transactions related to certain Borough functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Fund Accounting

The Borough uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Borough are financed. Governmental fund 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 will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, Solid Waste, and the Capital Projects Funds are the Borough's only major governmental funds:

General Fund

The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

Special Revenue Funds

Special Revenue Funds generally account for the expenditure of revenues that have been restricted to specific programs or projects.

Capital Project Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Proprietary Funds

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

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund

The Trust and Agency Fund is used to account for assets held by the Borough in a trustee capacity or as an agent for individuals. Fiduciary Funds are custodial in nature and do not involve measurement of results of operations.

E. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred regardless of the timing of the related cash flows. All assets and all liabilities associated with the operation of the Borough are included on the statement of net assets while excluding fiduciary activities such as student accounts.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

Like the government-wide financial statements, the Enterprise Fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the Borough finances and meets the cash flow needs of its enterprise fund.

The Private Purpose Trust Fund is accounted for using the flow of economic resources measurement focus.

F. Basis of Accounting

The basis of accounting that is used determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues—Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Borough, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Borough receives value without directly giving equal in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied.

Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Borough must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (*expenditures*) rather than *expenses*. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

G. Budgets

The Borough is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to November 15 of the preceding fiscal year, the Borough prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Borough council members is then called for the purpose of adopting the proposed budget.
3. Prior to December 31, the budget is legally enacted through passage of a resolution by the Borough Council.
4. The budget must be filed with the Pennsylvania Department of Community and Economic Development by January 31.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Borough Council. Amendments are presented to the Council at their regular meetings. Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end as dictated by law.

The budget is controlled by the finance officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Borough Council. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year end.

H. Cash and Cash Equivalents and Investments

Investments with an original maturity of three months or less at the time they are purchased by the Borough are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which the services are consumed.

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

J. Interfund Receivables/Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-type activities are eliminated on the government-wide statement of net assets.

K. Property Tax

Property Taxes are attached as an enforceable lien on property as of January 15. Taxes are levied on following periods:

Discount Period	March 1 to April 30 - 2% of Gross Levy
Flat Period	May 1 to June 30
Penalty Period	July 1 to Collection - 10% of Gross Levy

L. Compensated Absences

It is the Borough's policy to permit employees to accumulate sick days as well as earned, but unused, vacation benefits. Upon termination employees will only be paid for unused vacation days at their current pay rate. As of December 31, 2004, the Borough has accrued \$266,345 for compensated absences.

M. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Enterprise Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the Enterprise Fund are reported in both the business-type activities column on the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Borough maintains a capitalization threshold of \$5,000.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-40 years
Buildings and Building Improvements	15-40 years
Furniture and Fixtures	5-20 years
Vehicles	5-15 years
Equipment	5-20 years

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the Enterprise Fund are reported on the business-type financial statements. In general, governmental fund payables

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets represent the costs of fixed assets net of related debt and net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Borough's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Borough, these revenues are billing for sewer and water services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

Q. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

R. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Fund Balance Reserves

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. Current Year Regular Real Estate Property Tax

Assessed valuation, adjusted by authorized revisions		\$	591,197,721
Approved tax rate in mills			.003401
			2,010,663
Gross levy			2,010,663
Plus: Penalties applied			9,544
			2,020,207
Deductions: Discounts			(31,822)
Tax liened with county			(122,268)
			1,866,117
Net current year regular real estate taxes collected		\$	1,866,117

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

3. Cash and Investments

Cash – At year end, the total carrying amount of the Borough's checking and savings was \$2,817,312, and the bank balance was \$3,216,697. Of the bank balance, \$100,484 was covered by federal insurance, and \$3,116,213 was collateralized through pools of securities held by the respective depository institutions.

Cash Equivalents (Investments) – The Borough's investments are categorized under GASB Statement No. 3 as either (1) insured and registered or securities are held by the Borough or its agent in the Borough's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Borough's name, or (3) uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in the Borough's name.

All funds in the Borough's Pennsylvania Local Government Investment Trust are invested in accordance with Section 440.1 of the Borough Code. These funds operate and are authorized under the Intergovernmental Cooperation Act of 1972. Each borough owns a prorata share of each investment or deposit which is held in the name of the Fund. Since the Fund has the characteristics of a mutual fund, it would not be reported by risk category in accordance with Governmental Accounting Standards Board Statement #3. Certificates of deposit or other fixed-term investments purchases by the Borough through the Fund's administrator are purchased in the name of the Borough. Certificates of deposit purchased are federally insured up to \$100,000, collateralized with U.S. Government Securities at 100% market value, or 100% collateralized (principal and interest) by irrevocable letters of credit issued by the Federal Home Loan Bank.

The Borough's investments at December 31, 2004, consisted of the following:

Pooled Investments:	
National Penn Bank	
Federal Home Loan Bank Bonds	\$ 5,965,108
Certificates of Deposit	<u>4,798,000</u>
 Total Pooled Investments	 <u>\$ 10,763,108</u>

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

4. Fixed Assets

Fixed asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets:				
Land	\$ 1,765,473	\$ 0	\$ 0	\$ 1,765,473
Buildings & Improvements	1,159,140	88,426		1,247,566
Construction-in-Process	1,068,536		1,068,536	
Infrastructure	1,864,935	328,729		2,193,664
Vehicles	1,043,723	53,200		1,096,923
Machinery & Equipment	454,385	3,501		457,886
Total Capital Assets	7,356,192	473,856	1,068,536	6,761,512
Accumulated Depreciation for:				
Buildings & Improvements	899,973	28,451		928,424
Infrastructure	889,653	70,374		960,027
Vehicles	782,183	78,631		860,814
Machinery & Equipment	344,947	22,518		367,465
Total Accumulated Depreciation	2,916,756	199,974		3,116,730
Governmental Activities Capital Assets, Net	\$ 4,439,436	\$ 273,882	\$ 1,068,536	\$ 3,644,782
Business-Type Activities:				
Capital Assets:				
Land	\$ 136,567	\$ 0	\$ 0	\$ 136,567
Buildings & Improvements	10,138,931			10,138,931
Construction-in-Process	718,542	3,053,398		3,771,940
Infrastructure	8,573,420	1,252,806		9,826,226
Vehicles	334,095	14,149		348,244
Machinery & Equipment	838,350	268,158		1,106,508
Total Capital Assets	20,739,905	4,588,511		25,328,416
Accumulated Depreciation for:				
Buildings & Improvements	6,502,529	224,739		6,727,268
Infrastructure	3,189,318	178,162		3,367,480
Vehicles	277,651	16,566		294,217
Machinery & Equipment	528,598	100,702		629,300
Total Accumulated Depreciation	10,498,096	520,169		11,018,265
Business-Type Activities Capital Assets, Net	\$ 10,241,809	\$ 4,068,342	\$ 0	\$ 14,310,151

Depreciation expense was charged to the functions/programs of the Borough as follows:

Governmental Activities – Unallocated	\$ 273,882
Business-Type Activities	520,169
Total Depreciation	\$ 794,051

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

5. Sale of Water System

On December 21, 1995, the Borough sold its assets, properties, and rights of the Schuylkill Water System to the Aqua-Pennsylvania, Inc. The purchase price was \$500,000 in cash at closing; \$190,000 payable over five years in annual installments of \$38,000 on December 31st of each year beginning in 1995; and \$234,500 of "in-kind" services to be provided in the amount of \$46,850 per year for five years, beginning in 1996. "In-kind" services of \$6,664 and \$37,751 were provided in 2004 and 2003, respectively. The unused balance of "in-kind" services as of December 31, 2004, is \$0.

6. Long-term Debt Obligations

The changes in long-term debt obligations during 2004 are as follows:

	Balance 1/1/04	Additions	Payments	Balance 12/31/04
General Obligation Bonds:				
Series B of 1990				
Capital Appreciation Bonds				
\$3,498,958 originally				
issued, maturity value				
\$6,860,000 with interest				
rates from 6.0 to 7.3%	\$ 3,363,125	\$ 0	\$ 288,336	\$ 3,074,789
Series 2003				
\$6,500,000 originally				
issued with interest rates				
from 1.3 to 4.6 %	12,000,000		5,000	11,995,000
General Obligation Note:				
Series 1994				
\$745,000 originally issued				
with variable interest rate				
maximum of 25%	600,000		21,000	579,000
Series of 2002				
\$1,562,000 originally				
issued with fixed interest				
rate of 3.7%	1,362,000		207,000	1,155,000
Totals	\$ 17,325,125	\$ 0	\$ 521,336	\$ 16,803,789
Enterprise Funds				\$ 13,622,731
General Long-term Debt				3,181,058
Total				\$ 16,803,789

**THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

The following is a summary of bond maturities and interest requirements:

<u>Year Ending December 31</u>	<u>Amount</u>
2005	\$ 1,500,829
2006	1,535,036
2007	1,535,722
2008	1,525,800
2009	1,751,070
2009-2013	6,131,074
2014-2018	5,471,561
2019-2023	5,378,310
2024-2027	3,223,575
Total	<u>28,052,977</u>
Less: Interest requirements	<u>(11,249,188)</u>
Outstanding principal	<u>\$ 16,803,789</u>

As security for this indebtedness, the Borough has pledged its full faith, credit, and taxing power.

8. Commitments and Contingencies

The Borough is the defendant in a number of lawsuits principally arising in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

The Borough in 2000 received a notice from the Tax Bureau that it had over paid the Borough \$1,674,161 for the years 1996, 1997, and 1998. Borough Management believes the Municipal Tax Bureau's assertions to be inaccurate and expects that when this matter is resolved, it will have a minimal impact on the Borough's financial statements. However, the Borough has set aside a reserve of \$1,674,161 to cover the possible loss that may be attributed to this claim. It is unlikely that the Tax Bureau will or could sustain an action against the Borough. The Borough at December 31, 2004, has reduced the reserve to zero and has made the funds available for expenditure in the General Fund.

9. Delaware Valley Workers' Compensation Trust

The Borough is a member of the Delaware Valley Workers' Compensation Trust (the "Trust"). The Trust is a tax-exempt organization under Section 115 of the Internal Revenue Code.

The Trust is comprised of approximately 35 member municipalities who have joined together for the purpose of jointly self-insuring their workers' compensation liabilities. Each member is required to make an annual contribution to the Trust and is responsible for its own losses up to a predetermined retention level. The Trust pays claims above the retention level up to the level of coverage provided by excess insurance. Claims above the maximum coverage of the excess insurance are paid by members of the Trust through their portion of the Trust's fund equity or special assessments. Both the annual contribution to the Trust and the retention level are based on certain formulas set forth in the membership contract.

For the year ended December 31, 2004, the Borough paid \$238,224 in contributions to the Trust. A history of claims was not available.

THE BOROUGH OF PHOENIXVILLE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

Selected audited financial information with respect to the Trust's most recent year end is as follows:

ASSETS	<u>December 31, 2003</u>
Cash	\$ 1,948,916
Investments	15,488,321
Accounts receivable	44,664
Other assets	<u>714,113</u>
 Total	 <u>\$ 18,196,014</u>
 LIABILITIES AND SURPLUS	
Accounts payable	\$ 1,260,572
Provision for insurance claims	7,010,277
Members surplus	<u>9,925,165</u>
 Total liabilities and surplus	 <u>\$ 18,196,014</u>

SUPPLEMENTAL INFORMATION

BOROUGH OF PHOENIXVILLE
COMBINED BALANCE SHEET--ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2004
(with comparative totals for 2003)

ASSETS	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		ACCOUNT GROUPS		2004 TOTALS (MEMORANDUM ONLY)	2003 TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	ENTERPRISE FUNDS		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT		
				WATER FUNDS	SEWER FUNDS				
Cash and cash equivalents	\$ 2,146,020	\$ 210,055	\$ 12,013	\$ 449,301	\$ 885,939	\$ 0	\$ 0	\$ 3,703,328	\$ 2,780,572
Investments	2,685,317	100,000	4,285	1,488,120	6,421,794			10,699,516	12,994,971
Due from other funds	325	716,088	920,425	156,348				1,793,184	423,516
Due from other governments	173,324		82,513		65,680			321,517	1,334,785
Receivables (net)	800,457	84,508		513,766	569,128			1,964,859	1,449,840
Inventories				17,019				17,019	22,891
Prepaid expenses				25,941	14,108			40,047	44,873
Deferred charges (net)								-	48,044
Fixed assets (net)				7,742,626	6,587,525	3,644,782		17,954,933	13,612,709
Amount to be provided for: Retirement of long-term debt							3,338,571	3,338,571	3,433,195
Total assets	\$ 5,805,443	\$ 1,110,651	\$ 1,019,236	\$ 10,393,119	\$ 14,521,172	\$ 3,644,782	\$ 3,338,571	\$ 39,832,974	\$ 36,155,396
LIABILITIES AND FUND EQUITY									
Liabilities									
Accounts payable and accrued expenses	\$ 105,447	\$ 5,205	\$ 9,009	\$ 107,021	\$ 235,491	\$ 0	\$ 0	\$ 462,173	\$ 2,449,737
Bank overdraft		529,964	294,893	81,159				886,016	281,017
Compensated absences payable	17,501			71,117	20,214		157,513	266,345	284,460
Judgments payable								0	
Due to other funds	1,770,434		22,425		325			1,793,184	423,516
Deferred revenue	268,699			1,100	38,500			308,299	279,781
Escrow deposits	474,090			21,651				495,741	142,252
Bonds payable				4,520,651	9,102,080		3,181,058	16,803,789	17,325,125
Total liabilities	2,636,171	535,169	326,327	4,782,699	9,396,610	0	3,338,571	21,015,547	21,165,868
Fund Equity									
Investment in general fixed assets						3,644,782		3,644,782	3,370,900
Fund balances:									
Reserve for escrows								0	0
Reserve for encumbrances								0	0
Unappropriated	3,189,272	575,482	692,909	5,610,420	5,124,562			15,172,845	11,618,628
Total fund equity	3,189,272	575,482	692,909	5,610,420	5,124,562	3,644,782	0	18,817,427	14,989,528
Total liabilities & fund equity	\$ 5,805,443	\$ 1,110,651	\$ 1,019,236	\$ 10,393,119	\$ 14,521,172	\$ 3,644,782	\$ 3,338,571	\$ 39,832,974	\$ 36,155,396

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

BOROUGH OF PHOENIXVILLE
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004
(wlth comparative totals for 2003)

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>2004 TOTALS (MEMORANDUM ONLY)</u>	<u>2003 TOTALS (MEMORANDUM ONLY)</u>
Revenues					
Taxes	\$ 3,611,395	\$ 255,592	\$ 0	\$ 3,866,987	\$ 3,801,989
Licenses and permits	150,213			150,213	139,388
Fines and forfeits	104,262			104,262	118,794
Interest earned	101,049	4,487	59	105,595	81,297
Rent of equipment				0	180
Intergovernmental revenues	551,965	232,663	277,221	1,061,849	1,714,351
Charges for services	1,022,795	517,023		1,539,818	1,345,222
Miscellaneous revenues	644,482	22,203		666,685	218,883
Other financing sources	1,697,947	491,460	13,602	2,203,009	2,564,077
Total revenues	<u>7,884,108</u>	<u>1,523,428</u>	<u>290,882</u>	<u>9,698,418</u>	<u>9,984,181</u>
Expenditures					
General government	374,736			374,736	442,720
Capital expenditures			720,083	720,083	2,096,281
Public safety	1,794,547	244,520		2,039,067	2,644,371
Public works	964,851	1,092,798		2,057,649	1,815,483
Culture and recreation	340,166			340,166	407,326
Debt service	260,305			260,305	284,999
Miscellaneous	1,277,285			1,277,285	317,285
Other financing uses	538,771		13,602	552,373	564,077
Total expenditures	<u>5,550,661</u>	<u>1,337,318</u>	<u>733,685</u>	<u>7,621,664</u>	<u>8,572,542</u>
Excess of revenues over (under) expenditures	2,333,447	186,110	(442,803)	2,076,754	1,411,639
Fund balances - January 1	<u>835,825</u>	<u>389,372</u>	<u>1,135,712</u>	<u>2,360,909</u>	<u>949,270</u>
Fund balances - December 31	<u>\$ 3,169,272</u>	<u>\$ 575,482</u>	<u>\$ 692,909</u>	<u>\$ 4,437,663</u>	<u>\$ 2,360,909</u>

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

**BOROUGH OF PHOENIXVILLE
COMBINED BALANCE SHEET--ENTERPRISE FUNDS
DECEMBER 31, 2004**

ASSETS	SEWER FUND	SEWER CAPITAL	WATER FUND	WATER CAPITAL	ENTERPRISE TOTALS
Cash and cash equivalents	\$ 860,430	\$ 25,509	\$ 449,301	\$ 0	\$ 1,335,240
Investments	1,739,559	4,682,235	273,125	1,214,995	7,909,914
Due from other funds				156,346	156,346
Due from other governments		65,680			65,680
Receivables (net)	566,128		513,766		1,079,894
Inventories			17,019		17,019
Prepaid expenses	14,106		25,941		40,047
Deferred charges (net)					0
Fixed assets (net) (Note 4)	2,115,021	4,452,504	6,864,414	878,212	14,310,151
Total assets	\$ 5,295,244	\$ 9,225,928	\$ 8,143,566	\$ 2,249,553	\$ 24,914,291
LIABILITIES AND RETAINED EARNINGS					
Liabilities					
Accounts payable and accrued expenses	\$ 89,214	\$ 184,777	\$ 61,331	\$ 129,600	464,922
Compensated absences payable	20,214		71,117		91,331
Due to other funds	325				325
Notes payable			301,080		301,080
Bonds payable	1,105,380	7,996,700	2,220,421	1,999,150	13,321,651
Total liabilities	1,215,133	8,181,477	2,653,949	2,128,750	14,179,309
Retained earnings					
Retained earnings	4,080,111	1,044,451	5,489,617	120,803	10,734,982
Total retained earnings	4,080,111	1,044,451	5,489,617	120,803	10,734,982
Total liabilities & retained earnings	\$ 5,295,244	\$ 9,225,928	\$ 8,143,566	\$ 2,249,553	\$ 24,914,291

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

**BOROUGH OF PHOENIXVILLE
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET ASSETS--ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>SEWER FUND</u>	<u>SEWER CAPITAL</u>	<u>WATER FUND</u>	<u>WATER CAPITAL</u>	<u>ENTERPRISE TOTALS</u>
Operating revenue					
Charges for services	\$ 2,557,379	\$ 0	\$ 2,490,572	\$ 0	\$ 5,047,951
Interest earned	42,788	133,644	16,502	31,287	224,221
State and county grants		771,890			771,890
Miscellaneous revenue	32,153	275,000	71,695		378,848
Other financing sources	29,321	3,300	4,631	850	38,102
Total operating revenue	<u>2,661,641</u>	<u>1,183,834</u>	<u>2,583,400</u>	<u>32,137</u>	<u>6,461,012</u>
Operating expenses					
Operating expenses	1,358,663	6,957	1,583,594		2,949,214
General and administrative	414,690		263,781		678,471
Depreciation expense	136,510	45,448	316,760	21,451	520,169
Debt service	418,708		239,825		658,533
Other financing uses	65,341	20,535	88,317	3,169	177,362
Total operating expenses	<u>2,393,912</u>	<u>72,940</u>	<u>2,492,277</u>	<u>24,620</u>	<u>4,983,749</u>
Net income (loss)	267,729	1,110,894	91,123	7,517	1,477,263
Retained earnings - January 1, 2004	<u>3,812,382</u>	<u>(66,443)</u>	<u>5,398,494</u>	<u>113,286</u>	<u>9,257,719</u>
Retained earnings - December 31, 2004	<u>\$ 4,080,111</u>	<u>\$ 1,044,451</u>	<u>\$ 5,489,617</u>	<u>\$ 120,803</u>	<u>\$ 10,734,982</u>

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

Maulo & Company, Ltd.

Certified Public Accountants

27 South High Street
West Chester, PA 19382-3224

voice: 610.692.0910
fax: 610.692.7260
e-mail: mcl@maulo.com

**Independent Auditor's Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of Council
The Borough of Phoenixville
Chester County, Pennsylvania

We have audited the financial statements of The Borough of Phoenixville, Chester County, Pennsylvania, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Borough's management and the Members of Council.



March 4, 2005
West Chester, Pennsylvania

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625

RS-8 Provide the numerical calculations to determine the proposed Quarterly Minimum Charges increase.

Response: (Provided by Allen Mason)

The present quarterly minimum charges were increased by the average increase to customers. Thus, the quarterly minimum charges at present and proposed rates are as follows:

Metered Customers

Present rates	Increase	Proposed	% Increase
\$32.00	\$31.66	\$63.66	98.95%

Flat Rate Customers (Residential and Commercial)

Present rates	Increase	Proposed	% Increase
\$46.49	\$46.00	\$92.49	98.95%
\$69.73	\$69.00	\$ 138.73	98.95%

The proposed rates were determined simply by multiplying the existing rates x 1.9895. Thus, $\$32.00 \times 1.9895 = \63.66 , $\$46.49 \times 1.9895 = \92.49 , $\$69.73 \times 1.9895 = \138.73 .

SECRETARY'S OFFICE
2006 DEC -7 PM 9:01

BOROUGH OF PHOENIXVILLE

WATER RATES								SEWER RATES							
DATE EFFECTIVE	QTR BLOCKS	METERED BORO	METERED FRANCHISE	FLAT RATE BORO/RES	FLAT RATE BORO/COM	FLAT RATE FRANCHISE RESIDENTIAL	FLAT RATE FRANCHISE COMMERCIAL	METERED BORO	METERED FRANCHISE	PER UNIT BORO/RES PER UNIT	FLAT RATE BORO/COM PER UNIT	FLAT RATE FRANCHISE RES/PER UNI	FLAT RATE FRANCHISE COM/PER UNIT		
08/10/82	1ST 1,000,000 NXT 4,000,000 OVR 5,000,000							1.84	1.64	20.55	24.89	20.55	24.89		
12/19/83	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	1.54 1.22 0.91	1.54 1.22 0.91	PER FIXTURE	PER FIXTURE	PER FIXTURE	PER FIXTURE								
01/01/87	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	1.59 1.26 0.94		PER FIXTURE	PER FIXTURE			1.69 1.52 1.28		21.17	26.46				
07/17/87	1ST 1,000,000 NXT 4,000,000 OVR 5,000,000		1.58 1.25 0.93			PER FIXTURE	PER FIXTURE		1.60 1.52 1.27			21.06	25.51		
01/01/88	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	1.64 1.30 0.97		PER FIXTURE	PER FIXTURE			1.74 1.57 1.32		21.81	27.26				
01/11/90	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	1.90 1.50 1.12	2.21 1.75 1.31	42.55	62.10	51.57	61.54	1.90 1.71 1.44	2.23 2.01 1.69	34.50	51.75	36.62	58.72		
04/01/91	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	2.38 1.88 1.41		53.40	77.94										
01/01/92	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	3.15 2.49 1.87		70.65	103.11			2.56 2.30 1.94		46.49	69.73				
03/05/92	1ST 1,000,000 NXT 4,000,000 OVR 5,000,000		3.00 2.43 1.80			69.98	83.51								
01/01/93	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	3.53 2.79 2.09		79.13	115.48	51.57	61.54								
06/04/93	1ST 1,000,000 NXT 4,000,000 OVR 5,000,000								2.46 2.22 1.86			40.35	64.70		
01/01/94	1ST 1,000,00 NXT 4,000,00 OVR 5,000,00	3.76 3.02 2.32		eliminated minimum use & SCD new \$5.18 admin chg also \$10.00 minimum charge					2.56 2.30 1.94			46.49	69.73		
02/08/94	1ST 1,000,000 NXT 4,000,000 OVR 5,000,000		3.00 2.45 2.00	eliminate minimum use new cust chg varies by mtr size		flat rate-cust chg x4									
08/01/94	1ST 1,000,000 NXT 4,000,000 OVR 5,000,000							2.56 2.30 1.94	new \$5.18 admin chg eliminate min use eliminate SCD						
12/01/94	ALL GALLONS	3.76		eliminate sliding scale				2.56	eliminate sliding scale						
03/01/03	ALL GALLONS	4.22	12% increase	88.63	129.34			3.20	25% increase	58.11	87.16				
01/01/04	ALL GALLONS	4.30	2% increase	90.40	131.93			3.26	2% increase	59.27	88.90				

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625

QS-3 Your response to QS-1 was the submittal of a draft NPDES Permit.
Provide a copy of your valid NPDES Permit.

Response: (Provided by Allen Mason)

See attached. Please note that

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625

RS-9 The Utility's response to RS-6 was not attached with your November 13, 2006 submittal. Submit this documentation.

Response: (Provided by Allen Mason)

See attached.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
WATER MANAGEMENT PROGRAM

**AUTHORIZATION TO DISCHARGE UNDER THE
NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM**

NPDES PERMIT NO. PA 0027154

In compliance with the provisions of the Clean Water Act, 33 U.S.C. Section 1251 et seq. (the "Act") and Pennsylvania's Clean Streams Law, as amended, 35 P.S. Section 691.1 et seq.,

Borough of Phoenixville - Client ID No. 87513

is authorized to discharge from a facility located at

Borough of Phoenixville Wastewater Treatment Plant - Site ID No. 270409

South Second Avenue

Phoenixville, PA 19460

Municipality Borough of Phoenixville County Chester

to receiving waters named Schuylkill River

In accordance with effluent limitations, monitoring requirements and other conditions set forth in Parts A, B, and C hereof.

THIS PERMIT SHALL EXPIRE AT MIDNIGHT, August 12, 2004

The authority granted by this permit is subject to the following further qualifications:

1. If there is a conflict between the application, its supporting documents and/or amendments and the terms and conditions of this permit, the terms and conditions shall apply.
2. Failure to comply with the terms, conditions, or effluent limitations of this permit is grounds for enforcement action; for permit termination, revocation and reissuance, or modification; or for denial of a permit renewal application.
3. Complete application for renewal of this permit, or notification of intent to cease discharging by the expiration date, must be submitted to the Department at least 180 days prior to the above expiration date (unless permission has been granted by the Department for submission at a later date), using the appropriate NPDES permit application form.

In the event that a timely and complete application for renewal has been submitted and the Department is unable, through no fault of the permittee, to reissue the permit before the above expiration date, the terms and conditions of this permit, including submission of the Discharge Monitoring Reports, will be automatically continued and will remain fully effective and enforceable pending the grant or denial of the application for permit renewal.

4. This NPDES permit does not constitute authorization to construct or make modifications to wastewater treatment facilities necessary to meet the terms and conditions of this permit.

DATE PERMIT ISSUED

8/12/99

ISSUED BY

James Faulkner

DATE PERMIT AMENDMENT ISSUED

TITLE:

Regional Manager
Water Management

DATE EFFECTIVE

9/01/99

REC'D DEC -7 PM 9:01
- CHESTER COUNTY RECORDS

DISCHARGE REQUIREMENTS FOR PUBLICLY OWNED TREATMENT WORKS (POTWs)
PART A - EFFLUENT LIMITATIONS, MONITORING, RECORDKEEPING, AND REPORTING REQUIREMENTS

Permit No. PA0027154

1. For Outfall 001, Latitude 40°7'47", Longitude 75°30'10", River Mile Index 35.07, Stream Code 00833

- a. The permittee is authorized to discharge during the period from issuance through expiration
- b. Based on the anticipated wastewater characteristics and flows described in the permit application and its supporting documents and/or amendments, the following effluent limitations and monitoring requirements apply (see also Additional Requirements, Footnotes and Supplemental Information on page 2a).

Discharge Parameter	Effluent Limitations							Monitoring Requirements		
	Mass Units (lbs/day) ⁽¹⁾			Concentrations (mg/l)				Minimum Measurement Frequency	Required Sample Type	24 Hour Report Under A3.C(4)
	Average Monthly	Average Weekly	Max. Daily	Inst. Min.	Average Monthly	Average Weekly	Inst. Max. ⁽²⁾			
FLOW (MGD)	Monitor/Report	Monitor/Report						Continuous	Recorded	
CBOD ₅	834	1,330			25	40	50	2/Week	24 Hour Comp	
TOTAL SUSPENDED SOLIDS	1,000	1,500			30	45	60	2/Week	24 Hour Comp	
AMMONIA as N	666				20		40	2/Week	24 Hour Comp	
FECAL COLIFORM					200 #/100 ml			2/Week	Grab	
DISSOLVED OXYGEN				Monitor/Report	Monitor/Report			Daily	Grab	
pH				6.0 STD			9.0 STD	Daily	Grab	
TOTAL RESIDUAL CHLORINE * (1 st year thru 3 rd year)				Monitor/Report	1.0		2.0	Daily	Grab	
TOTAL RESIDUAL CHLORINE * (4 th year & 5 th year)				Monitor/Report	0.5		1.6	Daily	Grab	

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location(s): Outfall 001

* See Other Requirement No. 7 in Part C.

DISCHARGE REQUIREMENTS FOR PUBLICLY OWNED TREATMENT WORKS**PART A - EFFLUENT LIMITATIONS, MONITORING, RECORDKEEPING, AND REPORTING REQUIREMENTS**

- c. The permittee shall provide for effective disinfection of this discharge to control disease-producing organisms during the swimming season (May 1 through September 30) by achieving a fecal coliform concentration not greater than 200/100 ml as a geometric average (mean), and not greater than 1,000/100 ml in more than 10% of the samples tested. During the period October 1 through April 30 the fecal coliform concentration shall not exceed 200/100 ml as a geometric average (mean).
- d. All discharges of floating materials, oil, grease, scum and substances which produce tastes, odors, turbidity or settle to form deposits shall be controlled to levels which will not be inimical or harmful to the water uses to be protected or to human, animal, plant or aquatic life (93.6)(b).
- e. Except as otherwise specified in this permit, the 30-day average percent removal for carbonaceous biochemical oxygen demand and total suspended solids shall not be less than 85 percent.
- f. For discharges in the Delaware River Basin only - the permittee shall provide for effective disinfection of this discharge to control disease producing organisms by continuously achieving a fecal coliform concentration of not greater than 200/100 ml as a geometric average.

Footnotes (Refer to Page 2)

- (1) When sampling to determine compliance with the mass discharge limitations, discharge flow at the time of sampling must be measured, recorded, and reported on the Discharge Monitoring Report Form.
- (2) The instantaneous maximum discharge limitations are for compliance use by the Department only. Do not report instantaneous maximums on the Discharge Monitoring Report (DMR) or Supplemental DMR unless specifically required on those forms to do so.

Supplemental Information

- (1) The effluent limitations for Outfall 001 were determined using an effluent discharge rate of 4 million gallons per day.

Re 30 (jd98)320-7g

2. DEFINITIONS

- a. "Bypass" means the intentional diversion of waste streams from any portion of a treatment facility.
- b. "Severe property damage" means substantial physical damage to property, damage to the treatment facilities which causes them to become inoperable, or substantial and permanent loss of natural resources which can reasonably be expected to occur in the absence of a bypass. Severe property damage does not mean economic loss caused by delays in production.
- c. "Daily discharge" means the discharge of a pollutant measured during a calendar day or any 24-hour period that reasonably represents the calendar day for purposes of sampling. For pollutants with limitations expressed in units of mass, the "daily discharge" is calculated as the total mass of the pollutant discharged over the day. For pollutants with limitations expressed in other units of measurement, the "daily discharge" is calculated as the average measurement of the pollutant over the day.
- d. "Average" refers to the use of an arithmetic mean, unless otherwise specified in this permit.
- e. "Geometric Average (mean)" means the average of a set of n sample results given by the n^{th} root of their product.
- f. "Average monthly" discharge limitation means the highest allowable average of "daily values" over a calendar month, calculated as the sum of all "daily values" measured during a calendar month divided by the number of "daily values" measured during that month.
- g. "Average weekly" discharge limitation means the highest allowable average of "daily values" over a calendar week, calculated as the sum of all "daily values" measured during a calendar week divided by the number of "daily values" measured during that week.
- h. "Maximum daily" discharge limitation means the highest allowable "daily discharge."
- i. "Maximum any time" (or instantaneous maximum) means the level not to be exceeded at any time in any grab sample.
- j. "Composite Sample" (for all except GC/MS volatile organic analysis) means a combination of at least 8 individual samples of at least 100 milliliters each obtained at periodic intervals during the operating hours of a facility over a 24 hour period. The composite must be flow proportional, either the volume of each individual sample is proportional to discharge flow rates, or the sampling interval (for constant volume samples) is proportional to the flow rates, over the time period used to produce the composite.

"Composite Sample for GC/MS volatile organic analysis" consists of at least four (rather than eight) aliquots or grab samples collected during actual hours of discharge over a 24 hour period and need not be flow proportioned. The four samples are composited in the laboratory immediately before analysis, and only one analysis performed.

The maximum time period between individual samples used for any "composite sample" shall not exceed two hours, except that for wastes of a uniform nature the samples may be collected on a frequency of at least twice per working shift and shall be equally spaced over a 24-hour period (or over the operating day if flows are of a shorter duration).
- k. "Grab Sample" means an individual sample of at least 100 milliliters collected at a randomly-selected time over a period not to exceed 15 minutes.

- l. "i-s" means immersion stabilization - in which a calibrated device is immersed in the wastewater until the reading is stabilized.
- m. The "Daily Average" temperature means the average of all temperature measurements made, or the mean value plot of the record of a continuous automated temperature recording instrument, either during a calendar day or during the operating day if flows are of a shorter duration.
- n. "Measured Flow" means any method of liquid volume measurement, the accuracy of which has been previously demonstrated in engineering practice, or for which a relationship to absolute volume has been obtained.
- o. "At outfall XXX" means a sampling location in outfall line XXX below the last point at which wastes are added to outfall line XXX, or where otherwise specified.
- p. "Estimate" means to be based on a technical evaluation of the sources contributing to the discharge including, but not limited to, pump capabilities, water meters and batch discharge volumes.
- q. "Non-contact cooling water" means water used to reduce temperature which does not come in direct contact with any raw material, intermediate product, waste product (other than heat), or finished product.

Such water may on occasion, as a result of corrosion, cooling system leakage or similar cooling system failures contain small amounts of process chemicals: provided, that all reasonable measures have been taken to prevent, reduce, eliminate and control the maximum extent feasible such contamination: and provided further, that all reasonable measures have been taken that will mitigate the effects of such contamination once it has occurred.

- r. "Toxic Pollutant"- Those pollutants, or combinations of pollutants, including disease-causing agents, which after discharge and upon exposure, ingestion, inhalation, or assimilation into any organism, either directly from the environment or indirectly by ingestion through food chains, will, on the basis of information available to the Department, cause death, disease, behavioral abnormalities, cancer, genetic mutations, physiological malfunctions, including malfunctions in reproduction, or physical deformations in such organisms or their offspring.
- s. "Hazardous substance" means any substance designated under 40 CFR Part 116 pursuant to Section 311 of the Clean Water Act.
- t. "Publicly Owned Treatment Works" or "POTW" means a facility as defined by Section 212 of the Clean Water Act which is owned by a State or Municipality, as defined by Section 502(4) of the Clean Water Act, including any sewers that convey wastewater to such a treatment works, but not including pipes, sewers or other conveyances not connected to a facility providing treatment. The term also means the municipality as defined in Section 502(4) of the Clean Water Act which has jurisdiction over the indirect discharges to and the discharges from such a treatment works.
- u. "Industrial User" means an establishment which discharges or introduces industrial wastes into a Publicly Owned Treatment Works (POTW).
- v. "Total Dissolved Solids" means the total dissolved (filterable) solids as determined by use of the method specified in 40 CFR Part 136.
- w. "Storm water associated with industrial activity" means the discharge from any conveyance which is used for collecting and conveying storm water and which is directly related to manufacturing, processing, or raw materials storage areas as defined at 40 CFR Part 122.26(b)(14).
- x. "Storm water" means storm water runoff, snow melt runoff, and surface runoff and drainage.

- y. "Best Management practices ("BMPs")" means schedules of activities, prohibitions of practices, maintenance procedures, and other management practices to prevent or reduce the pollution of "waters of the United States." BMPs also include treatment requirements, operating procedures, and practices to control plant site runoff, spillage or leaks, sludge or waste disposal, or drainage from raw material storage.

3. SELF-MONITORING, REPORTING, AND RECORDS KEEPING

a. Representative Sampling

- (1) Samples and measurements taken for the purpose of monitoring shall be representative of the monitored activity.

(2) Records Retention

Except for records of monitoring information required by this permit related to the permittee's sewage sludge use and disposal activities which shall be retained for a period of at least 5 years, all records of monitoring activities and results (including all original strip chart recordings for continuous monitoring instrumentation and calibration and maintenance records), copies of all reports required by this permit, and records of all data used to complete the application for this permit shall be retained by the permittee for three (3) years from the date of the sample measurement, report, or application. The three year period shall be extended as requested by the Department or the EPA Regional Administrator.

(3) Recording of Results

For each measurement or sample taken pursuant to the requirements of this permit, the permittee shall record the following information:

- (i) The exact place, date, and time of sampling or measurements;
- (ii) The person(s) who performed the sampling or measurements;
- (iii) The date(s) the analyses were performed;
- (iv) The person(s) who performed the analyses;
- (v) The analytical techniques or methods used; and the associated detection level; and
- (vi) The results of such analyses.

(4) Test Procedures

Unless otherwise specified in this permit, the test procedures for the analysis of pollutants shall be those contained in 40 CFR Part 136 (or in the case of sludge use or disposal, approved under 40 CFR Part 136 unless otherwise specified in 40 CFR Part 503), or alternate test procedures approved pursuant to those parts, unless other test procedures have been specified in the permit.

(5) Quality Assurance/Control

In an effort to assure accurate self-monitoring analyses results:

- (a) Permittee or its designated laboratory shall participate in the periodic scheduled quality assurance inspections conducted by the Department and EPA.

- (b) The permittee or its designated laboratory shall develop and implement a program to assure the quality and accuracy of the analyses performed to satisfy the requirements of this permit in accordance with 40 CFR Part 136, Appendix A.

b. Reporting of Monitoring Results

- (1) The permittee shall effectively monitor the operation and efficiency of all wastewater treatment and control facilities, and the quantity and quality of the discharge(s) as specified in this permit.
- (2) Unless instructed otherwise in Part C of this permit, monitoring results obtained each month shall be summarized for that month and reported on a Discharge Monitoring Report (DMR).
- (3) The completed DMR Form shall be signed and certified either by the following applicable person (as defined in 40 CFR 122.22(a)) or by that person's duly authorized representative (as defined in 40 CFR 122.22(b)):
- for a corporation - by a responsible corporate officer
 - for a Partnership or Sole Proprietorship - by a general partner or the proprietor, respectively
 - for a Municipality, State, Federal or other public agency - by a principle executive officer or ranking elected official.

If signed by other than the above, written notification of delegation of DMR signatory authority must be submitted to the Department.

- (4) If the permittee monitors any pollutant, using analytical methods described in A.3.a(4) above, more frequently than the permit requires, the results of this monitoring shall be incorporated, as appropriate, into the calculations used to report self-monitoring data on the DMR.

c. Reporting Requirements

- (1) Planned Changes - The permittee shall give notice to the Department as soon as possible of any planned physical alterations or additions to the permitted facility. Notice is required only when:
- (a) The alteration or addition to a permitted facility may meet one of the criteria for determining whether a facility is a new source in §122.29(b); or
 - (b) The alteration or addition could significantly change the nature or increase the quantity of pollutants discharged. This notification applies to pollutants which are subject neither to effluent limitations in the permit, nor to notification requirements under §122.42(a)(1).
 - (c) The alteration or addition results in a significant change in the permittee's sludge use or disposal practices, and such alteration, addition, or change may justify the application of permit conditions that are different from or absent in the existing permit, including notification of additional use or disposal sites not reported during the permit application process or not reported pursuant to an approved land application plan;
- (2) Anticipated Non-Compliance

The permittee shall give advance notice to the Department of any planned changes in the permitted facility or activity which may result in noncompliance with permit requirements.

(3) Compliance Schedules

Reports of compliance or noncompliance with, or any progress reports on, interim and final requirements contained in any compliance schedule of this permit shall be submitted no later than 14 days following each schedule date.

(4) Twenty-Four Hour Reporting

- (a) The permittee shall report any noncompliance which may endanger health or the environment. Any information shall be provided orally within 24 hours from the time the permittee becomes aware of the circumstances. A written submission shall also be provided within 5 days of the time the permittee becomes aware of the circumstances. The written submission shall contain a description of the noncompliance and its cause; the period of noncompliance, including exact dates and times; and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent reoccurrence of the noncompliance.
- (b) The following shall be included as information which must be reported within 24 hours under this paragraph.
 - (i) Any unanticipated bypass which exceeds any effluent limitation in the permit.
 - (ii) Any catastrophic event which causes the discharge to exceed effluent limitations in this permit.
 - (iii) Violation of a maximum daily discharge limitation for any of the pollutants listed by the Department in the permit to be reported within 24 hours.
- (c) The Department may waive the written report on a case-by-case basis for reports under paragraph c (4)(a) of this section if the oral report has been received within 24 hours.

(5) Other Noncompliance

The permittee shall report all instances of noncompliance not reported under paragraphs c (3), (4) of this section, at the time monitoring reports are submitted. The reports shall contain the information listed in paragraph c (4) of this section.

Compliance with reporting requirements under A.3.c. above shall not excuse a person from immediate notification of incidents causing or threatening pollution pursuant to 25 PA Code 101.2.

d. Specific Toxic Substance Notification Levels (for Manufacturing, Commercial, Mining, and Silvicultural Dischargers) - The permittee shall notify the Department as soon as it knows or has reason to believe the following:

- (1) That any activity has occurred, or will occur, which would result in the discharge of any toxic pollutant which is not limited in the permit, if that discharge on a routine or frequent basis will exceed the highest of the following "notification levels":
 - (a) One hundred micrograms per liter;
 - (b) Two hundred micrograms per liter for acrolein and acrylonitrile;
 - (c) Five hundred micrograms per liter for 2, 4-dinitrophenol and 2-methyl -4, 6-dinitrophenol;
 - (d) One milligram per liter for antimony;

- (e) Five (5) times the maximum concentration value reported for that pollutant in the permit application;
 - (f) Any other notification level established by the Department.
- (2) That any activity has occurred or will occur which would result in any discharge, on a non-routine or infrequent basis, of a toxic pollutant which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":
- (a) Five hundred micrograms per liter;
 - (b) One milligram per liter for antimony;
 - (c) Ten (10) times the maximum concentration value reported for that pollutant in the permit application;
 - (d) Any other notification level established by the Department.

PART B

1. MANAGEMENT REQUIREMENTS

a. Compliance Schedules

- (1) The permittee shall achieve compliance with the terms and conditions of this permit within the time frames specified in Part C of this permit.
- (2) The permittee shall submit reports of compliance or noncompliance with, or progress reports as applicable, any interim and final requirements contained in this permit. Such reports shall be submitted no later than 14 days following the applicable schedule date or compliance deadline.

b. Permit Modification, Termination, or Revocation and Reissuance

- (1) This permit may be modified, suspended, or revoked in whole or in part during its term for causes including, not limited to, any of the causes specified in 25 Pa. Code, Chapter 92.
- (2) The filing of a request by the permittee for a permit modification, revocation and reissuance, or termination, or a notification of planned changes or anticipated non-compliance, does not stay any permit condition.
- (3) In the absence of a Departmental action to modify or revoke and reissue this permit, the permittee shall comply with effluent standards or prohibitions established under Section 307(a) of the Clean Water Act for toxic pollutants within the time specified in the regulations that establish those standards or prohibitions.

c. Duty to Provide Information

- (1) The permittee shall furnish to the Department, within a reasonable time, any information which the Department may request to determine whether cause exists for modifying, revoking and reissuing, or terminating this permit, or to determine compliance with this permit.
- (2) The permittee shall furnish to the Department, upon request, copies of records required to be kept by this permit.
- (3) Other Information - Where the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in a permit application or in any report to the Department, it shall promptly submit such facts or information to the Department.
- (4) Where the permittee is a POTW, the permittee shall provide adequate notice to the Department of the following:
 - (a) Any new introduction of pollutants into the POTW from an indirect discharger which would be subject to Sections 301 and 306 of the Clean Water Act if it were otherwise discharging those pollutants.
 - (b) Any substantial change in the volume or character of pollutants being introduced into the POTW by an Industrial User which was discharging into the POTW at the time of issuance of this permit.

- (c) Adequate notice shall include information on (i) the quality and quantity of effluent introduced into the POTW, and (ii) any anticipated impact of the change on the quantity or quality of effluent to be discharged from the POTW. The submission of the above information in the POTW's annual Wasteload Management Report, required under the provisions of 25 Pa. Code Chapter 94, will normally be considered as providing adequate notice to the Department, unless a more stringent time period is required by law, regulation, or permit condition in which case the more stringent submission date shall apply.
- (d) The identity of Industrial Users served by the POTW which are subject to pretreatment standards adopted under Section 307(b) of the Clean Water Act; the POTW shall also specify the total volume of discharge and estimated concentration of each pollutant discharged into the POTW by the Industrial Users.
- (e) The POTW shall require all Industrial Users to comply with the reporting requirements of Sections 204(b), 307, and 308 of the Clean Water Act and any regulations adopted thereunder, and the Clean Streams Law and any regulations adopted thereunder.

d. Facilities Operation

The permittee shall at all times maintain in good working order and properly operate and maintain all facilities and systems which are installed or used by the permittee to achieve compliance with the terms and conditions of this permit. Proper operation and maintenance includes, but is not limited to, adequate laboratory controls including appropriate quality assurance procedures. This provision also includes the operation of backup or auxiliary facilities or similar systems which are installed by the permittee, only when necessary to achieve compliance with the terms and conditions of this permit.

The permittee shall develop, install, and maintain Best Management Practices to control or abate the discharge of pollutants when the practices are reasonably necessary to achieve the effluent limitations and standards in this permit or to carry out the purposes and intent of the Clean Water Act, or when required to do so by the Department.

e. Adverse Impact

The permittee shall take all reasonable steps to minimize or prevent any discharge or sludge use or disposal in violation of this permit which has a reasonable likelihood of adversely affecting human health or the environment.

f. Bypassing

- (1) Bypassing Not Exceeding Permit Limitations - The permittee may allow a bypass to occur which does not cause effluent limitations to be violated, but only if the bypass is essential for maintenance to assure efficient operation. This type of bypassing is not subject to the reporting and notification requirements of Part A.3.c.

- (2) Other Bypassing - In all other situations bypassing is prohibited unless all of the following conditions are met:
- (a) A bypass is unavoidable to prevent loss of life, personal injury or "severe property damage";
 - (b) There are no feasible alternatives to the bypass, such as the use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition is not satisfied if adequate backup equipment should have been installed (in the exercise of reasonable engineering judgement) to prevent a bypass which occurred during normal periods of equipment downtime or preventive maintenance;
 - (c) The permittee submitted the necessary reports required under Part A.3.c.
- (3) The Department may approve an anticipated bypass, after considering its adverse effects, if the Department determines that it will meet the three conditions (a through c) listed above.

2. PENALTIES AND LIABILITY

a. Violations of Permit Conditions

Any person violating Sections 301, 302, 306, 307, 308, 318, or 405 of the Clean Water Act or any permit condition or limitation implementing such sections in a permit issued under Section 402 of the Act is subject to civil, administrative, and/or criminal penalties as set forth in 40 CFR 122.41(a)(2).

Any person or municipality who violates any provision of this permit, any rule, regulation, or order of the Department, or any condition or limitation of any permit issued pursuant to the Clean Streams Law is subject to criminal and/or civil penalties as set forth in Sections 602, 603 and 605 of the Clean Streams Law.

b. Falsifying Information

Any person who does any of the following:

Falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required to be maintained under this permit; or

Knowingly makes any false statement, representation, or certification in any record or other document submitted or required to be maintained under this permit (including monitoring reports or reports of compliance or non-compliance);

shall, upon conviction, be punished by a fine and/or imprisonment as set forth in 18 P.S. §4904 and 40 CFR 122.41(j)(5) and (k)(2).

c. Liability

Nothing in this permit shall be construed to relieve the permittee from civil or criminal penalties for noncompliance pursuant to Section 309 of the Clean Water Act or Sections 602, 603 or 605 of the Clean Streams Law.

Nothing in this permit shall be construed to preclude the institution of any legal action or to relieve the permittee from any responsibilities, liabilities, or penalties to which the permittee is or may be subject to under the Clean Water Act and the Clean Streams Law.

d. Enforcement Proceedings

- (1) It shall not be a defense for the permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

3. OTHER RESPONSIBILITIES

a. Right of Entry

Pursuant to Sections 5(b) and 305 of Pennsylvania's Clean Streams Law and 25 Pa. Code, Chapter 92, the permittee shall allow the head of the Department, the EPA Regional Administrator, and/or their authorized representatives, upon the presentation of credentials and other documents as may be required by law:

- (1) To enter upon the permittee's premises where a regulated facility or activity is located or conducted, or where records must be kept under the conditions of this permit;
- (2) To have access to and copy at reasonable times any records that must be kept under the conditions of this permit;
- (3) To inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices or operations regulated or required under this permit;
- (4) To sample or monitor at reasonable times, for the purposes of assuring permit compliance or as otherwise authorized by the Clean Water Act, any substances or parameters at any location.

b. Transfer of Permits

- (1) *Transfers by modification.* Except as provided in paragraph (2) of this section, a permit may be transferred by the permittee to a new owner or operator only if the permit has been modified or revoked and reissued, or a minor modification made to identify the new permittee and incorporate such other requirements as may be necessary under CWA.
- (2) *Automatic transfers.* As an alternative to transfers under paragraph (1) of this section, any NPDES permit may be automatically transferred to a new permittee if:
 - (a) The current permittee notifies the Department at least 30 days in advance of the proposed transfer date in paragraph (2)(b) of this section;
 - (b) The notice includes the appropriate Department transfer form signed by the existing and new permittees containing a specific date for transfer of permit responsibility, coverage, and liability between them; and
 - (c) The Department does not notify the existing permittee and the proposed new permittee of its intent to modify or revoke and reissue the permit. A modification under this subparagraph may also be a minor modification. If this notice is not received, the transfer is effective on the date specified in the agreement mentioned in paragraph (2)(b) of this section.

(5) In the event the Department does not approve transfer of the permit, the new owner or controller must submit a new permit application.

c. Property Rights

The issuance of this permit does not convey any property rights of any sort, or any exclusive privilege.

d. Other Laws

The issuance of a permit does not authorize any injury to persons or property or invasion of other private rights, or any infringement of State or local law or regulations.

PART C

OTHER REQUIREMENTS

1. Monitoring data required by this permit shall be submitted monthly. A Discharge Monitoring Report (DMR) properly completed and signed in accordance with Part A, Section 3.b.(3) of this permit, must be submitted within 28 days after the end of each monthly report period. Notification of the designation of the responsible operator must be submitted to the permitting agency by the permittee within 60 days after the effective date of the permit and from time to time thereafter as the operator is replaced. The DMR must be sent to:

Regional Manager
Water Management
Department of Environmental Protection
Lee Park, Suite 6010
555 North Lane
Conshohocken, PA 19428

and

NPDES DMR (3WP50)
Water Protection Division
U.S. Environmental Protection Agency
Region III
1650 Arch Street
Philadelphia, PA 19103-2029

2. For reporting purposes on the Discharge Monitoring Report, the term "average weekly" shall mean the highest average weekly value observed during the monthly monitoring period.
3. If, at anytime, the Department determines that the discharge permitted herein creates a public nuisance or causes environmental harm to the receiving water of the Commonwealth, the Department may require the permittee to adopt such remedial measures as will produce a satisfactory effluent. If the permittee fails to adopt such remedial measures within the time specified by the Department, the right to discharge herein granted shall, upon notice by the Department, cease and become null and void.
4. No storm water from pavements, area ways, roofs, foundation drains or other sources shall be admitted to the sanitary sewers associated with the herein approved discharge.
5. The approval herein given is specifically made contingent upon the permittee acquiring all necessary property rights by easement or otherwise, providing for the satisfactory construction, operation, maintenance and replacement of all sewers or sewerage structures associated with the herein approved discharge in, along, or across private property, with full rights of ingress, egress and regress.

PART C

OTHER REQUIREMENTS

6. Requirements for Total Residual Chlorine (TRC)

A. Source Reduction and Chlorine Minimization

To reduce or eliminate the amount of chlorine discharged into water bodies, the permittee must: (1) implement source reduction activities, (2) improve operation/maintenance practices and, (3) improve/adjust process controls.

The permittee will ensure that applied chlorine dosages, used for disinfection or other purposes, are optimized to the degree necessary such that the total residual chlorine in the discharge does not cause an adverse stream impact. In doing so, the permittee shall consider relevant factors affecting chlorine dosage, such as wastewater characteristics, mixing and contact times, desired result of chlorination, and expected impact on the receiving water body.

If the Department determines or receives documented evidence that levels of TRC in the permittee's effluent are causing adverse water quality impacts in the receiving water, the permittee shall be required to institute necessary additional steps to reduce or eliminate such impact.

B. Compliance Schedule

The permittee shall achieve compliance with the water quality based effluent limitations (WQBELs) for TRC on page 2 in accordance with the following schedule. The schedule will vary depending on the permittee's choice of whether to conduct site-specific studies as discussed below.

PART C

OTHER REQUIREMENTS

1. If the permittee decides to conduct site-specific studies:

ACTION	DATE
a. Permittee notifies the Department in writing if site specific studies will be conducted.	PID + 60 days
b. Permittee submits report of site-specific study results.	PID + 18 months
c. Achieve compliance with limits on page 2. If the TRC limits on page 2 have been adjusted as a result of an approved site-specific study, the adjusted limits shall supersede the limits on page 2 and compliance with the adjusted limit shall be achieved.	PID + 59 months

2. If the permittee decides not to conduct site-specific studies.

ACTION	DATE
a. Achieve compliance with the limits on page 2.	PID + 36 months

PID = Permit Issuance Date

C. Site Specific Data Collection

The permittee may choose to conduct studies to collect site specific data for in-stream chlorine demand determinations and/or discharge mixing characteristics.

The amount of in-stream chlorine loss is related to the chlorine demand of the discharge and receiving waters. Chlorine demand can vary due to the wide variation in organic and bacterial characteristics of effluents and receiving streams. The WQBELs for TRC in this permit were calculated using the minimum chlorine demand of 0.3 mg/l. The Department estimates most streams should have a minimum demand of 0.3 mg/l based on recent studies.

PART C

OTHER REQUIREMENTS

The permittee has the option to conduct site-specific chlorine demand studies to refine the TRC limits. The demand study must be conducted in accordance with the Department's "Discharger Determination of Site-Specific Chlorine Demand" document. A copy is included with this permit. The results of any chlorine demand study must be submitted to the Department and will be used to adjust the TRC WQBEL. The adjustment could result in either a higher or lower final adjusted TRC limit.

The WQBELs for TRC in Part A of this permit were based on the assumption that there was incomplete mix occurring between the discharge and the receiving stream in the first fifteen minutes of travel time (calculated Acute criteria partial mix factor was 0.107). If the permittee chooses to do a site-specific mixing study to establish an alternative 15 minute acute criteria partial mix factor, the results of the mixing study must be submitted to the Department following the same schedule as shown above.

7. Collected screenings, slurries, sludges, and other solids shall be handled and disposed of in compliance with 25 Pa. Code, Chapters 271, 273, 275, 283, and 285 (relating to permits and requirements for landfilling, land application, incineration, and storage of sewage sludge), Chapters 262, 263 and 264 (related to permits and requirements for landfilling and storage of hazardous sludge) and applicable Federal Regulations, the Federal Clean Water Act, RCRA and their amendments.
8. The Department may identify and require certain discharge specific data to be submitted before the expiration date of this permit. Upon notification by the Department, the permittee will have 12 months from the date of the notice to provide the required data. These data, along with any other data available to the Department, will be used in completing the Watershed TMDL/WLA Analysis and in establishing discharge effluent limits.
9. The permittee shall submit the results of whole effluent toxicity testing with their next NPDES application, according to Federal Regulation 122.21(j)(1)-(3). The permittee shall obtain the appropriate biomonitoring protocol for the testing from the DEP Regional Office.
10. Instantaneous maximum limitations are imposed to allow for a grab sample to be collected by the appropriate regulatory agency to determine compliance. The permittee does not have to monitor for the instantaneous maximum limitation except for the parameters temperature, oil and grease, pH and total residual chlorine. However, if grab samples are collected for parameters normally monitored through composite sampling, the results must be reported.

PART C

OTHER REQUIREMENTS

11. The Borough shall develop a plan detailing the procedure for accepting outside septage at the sewage treatment plant. The plan must include a description of a septage sampling procedure to include: parameters to be sampled, frequency and location of sampling, type of sampling and recordkeeping and reporting procedures. It must also address septage hauler registration requirements, the septage unloading area and details of the primary treatment of septage loads. The plan must be submitted to the Department within six months of the permit issuance date. No septage shall be accepted until the septage plan is approved by the Department. A copy of the approved plan must be maintained at the site.

12. Acute Whole Effluent Toxicity Test (WETT) Procedure and Protocol

A. General Requirements

The permittee shall conduct acute whole effluent toxicity (WET) tests in accordance with the appropriate test protocols and guidance as described in Section E, Test Conditions and Methods. The permittee must collect discharge samples and perform WET tests to generate acute survival data for cladoceran, Ceriodaphnia dubia, and the fathead minnow, Pimephales promelas. (Note that the permittee may request substitution of an equally sensitive species indigenous to the receiving stream such as the rainbow trout, Oncorhynchus mykiss or brook trout, Salvelinus fontinalis.) The results will be reported as a lethal concentration or LC50 with a 95% confidence interval. The mortality data from the acute toxicity tests shall be plotted on semi-log graph paper with the logarithmic axis (y-axis) used for effluent concentration (expressed as a percentage) and the linear axis (x-axis) used for observed mortality (expressed as a percentage).

B. Test Frequency

1. Acute WET testing shall be conducted on a quarterly basis starting within three (3) months of the permit's effective date and continue until four (4) tests have been completed. If all four (4) acute tests demonstrate an LC50 greater than 100%, there shall be no further testing required in the permit cycle.

PART C

OTHER REQUIREMENTS

2. If any of the quarterly acute tests generate an LC50 below 100%, testing shall continue until the permittee demonstrates to the satisfaction of the Department, that the source of toxicity has been identified and controlled to an acceptable level at which point WET testing shall no longer be necessary. Completion of four (4) acute toxicity tests with an LC50 of 100% or greater will constitute demonstration that toxicity has been adequately addressed.

C. Sample Collection

For each acute testing event, a 24-hour flow proportioned composite sample shall be collected for effluents that demonstrate fluctuations in effluent toxicity. The samples must be collected at a frequency of not greater than every two (2) hours and flow proportioned. The samples must be collected at the NPDES permit sampling point. A flow-through test can be substituted for a flow proportioned sampling event. Sample collection for the exposure to the same test solution (static non-renewal tests) are not acceptable.

The permittee shall collect chemical and physical data on the acute effluent samples specified in the NPDES permit. The static renewal or flow through tests shall include pH, conductivity, total alkalinity, total hardness, total residual chlorine, total ammonia (unionized ammonia), dissolved oxygen and temperature. The permittee shall follow the procedures established in Standard Operating Procedures, which have received DEP concurrence.

D. Dilution Water

The dilution water must consist of standard synthetic dilution water prepared with deionized water and reagent grade chemicals or mineral water. The hardness of the dilution water must be comparable to the receiving water at the 15-minute Q1-10 travel time. The use of dechlorinated tap water is unacceptable in acute toxicity tests. A given batch of dilution water shall not be used for more than 14 days and each dilution water batch shall have the proper QA/QC documentation submitted with each WET report.

PART C

OTHER REQUIREMENTS

E. Test Conditions and Methods

The acute test conditions, protocol and method shall conform to those developed by EPA as specified and cited in 40 CFR Part 136, October 16, 1995 "Methods for Measuring the Acute Toxicity of Effluents and Receiving Waters to Freshwater and Marine Organisms," Fourth Edition. EPA/600/4-90/027F August 1993. If the Department determines that the proper acute test acceptability criteria are not met or the proper QA/QC conditions were not followed, the permittee must perform a re-test within 30 days.

Where the acute test can be applied, the permittee, shall follow the Special QA/QC Requirements under the "Biomonitoring WETT Data QA/QC Guidelines for Chronic Toxicity Testing, amended March 20, 1995." This is for the monitoring, documentation and reporting for any acute testing data. If the permittee discharges to a stocked or native trout stream or high quality watershed then the permittee may request substitution of rainbow (Oncorhynchus mykiss) or brook (Salvelinus fontinalis) trout as the organism in the acute fish test.

F. Chemical Analyses

Chemical analyses as described in the EPA Protocol shall be performed for each sampling event, including each new batch of dilution water and each testing event. The acute toxicity tests for C. dubia and P. promelas shall be performed at the same temperature and water hardness as the chronic toxicity tests. These toxicity tests shall be performed consistent with the present water hardness of the receiving stream or body of water at Q1-10 stream flow in the 15-minute compliance time. The acute toxicity tests for trout streams or water bodies must perform tests at 12.0 degrees C and the same water body hardness.

In addition to the chemical analyses required above, those parameters listed in PART A and PART C of the NPDES permit for the outfall(s) tested will be analyzed concurrently with the WET Test by using the method specified in the NPDES permit or, if not specified, by using EPA and DEP (Chapter 16, Water Quality Toxics Management Strategy) approved methods.

The proper internal QA/QC procedures shall be indexed to the specific WET Testing laboratory event and the supporting documentation provided in each WET Test.

PART C

OTHER REQUIREMENTS

G. Toxicity Test Report Elements

1. General acute test description and other information on the test conditions as listed in Section E, Test Conditions.
2. Description of sample collection procedures and sample location.
3. Analyses of acute water body 15-minute compliance time at Q1-10 flow for water hardness.
4. Names of individuals collecting and transporting samples, times and dates of sample collections.
5. Description times and date of sample renewals.
6. All chemical and physical data generated including method detection limits and observations made on the species. The water body hardness and the acute WET test hardness shall be reported with each test.
7. Copies of raw data sheets and/or bench sheets with data entries and signature confirmations.
8. Any dechlorination procedures with accompanying test statistical comparisons and an explanation for group differences.
9. Any other observations or test conditions affecting the test outcome and account for any Type I or Type II errors.

The following acute WET test data is required in any acute test:

1. The statistical comparison of performance of controls and evaluation of the acute test acceptability criteria.
2. The calculation of the LC50 value with confidence limits with regression line equation.
3. The NOAEC calculated for the multi-concentration test is required if the survival group in the single treatment group is significantly different from the control survival group.

PART C

OTHER REQUIREMENTS

4. Report water chemistry parameters for controls and effluent test. The acute test temperature and water hardness are similar to any chronic test and the water hardness is similar (+/-10%) to the stream flow at Q1-10.
 5. Provide control charts for the species as to age, temperature test range, mortality data and the reference toxicant test.
- H. One (1) copy of each acute test report shall be submitted to DEP at the addresses listed below within 30 days of the test completion:

Department of Environmental Protection
Bureau of Water Quality Management
Division of Permits and Compliance
Rachel Carson State Office Building
P.O. Box 8465, 10th Floor
Harrisburg, PA 17105-8465

Department of Environmental Protection
Regional Office
Lee Park, Suite 6010
555 North Lane
Conshohocken, PA 19428

I. Toxicity Identification Evaluation (TIE)

If the permittee has completed a series of chronic WET Tests in this permit cycle and the effluent toxicity has not changed through a plant design change, or an increase or decrease in additional influent flows to the plant, then the permittee shall attach the results of the chronic test results.

If the acute test indicates an LC50 below 100% the permittee shall undertake an investigative inquiry to provide the possible cause(s) of the toxicity, and a plan to reduce or eliminate the effluent toxicity.

If the permittee is unable to provide information with the acute test report, a separate written report, detailing how and when the permittee intends to take corrective action on the toxicity problem, and the plan shall be submitted within 30 days of the acute test report.

BERGER LAW FIRM, P.C.

ATTORNEYS AT LAW

2104 MARKET STREET
CAMP HILL, PA 17011

TELEPHONE: (717) 920-8900

FACSIMILE: (717) 920-8901

EMAIL: publicutilitylaw@bergerlawfirm.net

December 7, 2006

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Attn: Wm. David Shrader
Michael Metcalf

**RE: Borough of Phoenixville Sewer Fund
Docket No. R-00061625
Responses to Data Requests of the Bureau of Fixed Utility Services**

Dear Secretary McNulty:

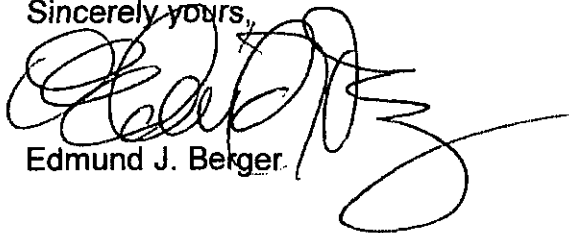
Enclosed please find the original and three (3) copies of the responses to data requests of the Bureau of Fixed Utility Services, RS-10, QS-1 (Supplemental), and A-RE-4.

Please also find enclosed a copy of the Curriculum Vitae of Allen Mason, who has sponsored all of the discovery responses to date.

If you have any questions regarding this matter, please feel free to contact me.

**DOCUMENT
FOLDER**

Sincerely yours,



Edmund J. Berger

ORIGINAL

2006 DEC -0 AM 8:56
SECRETARY'S BUREAU

2

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625

RS-10: At R-00922415, the Utility indicated that there were 104 outside customers. In the Utility's Annual Report for the period ending December 31, 1994, it is reported that there were 90 metered and 12 flat rate outside customers. In this filing, you indicate that there are 54 metered and 12 flat rate outside customers. Explain these discrepancies.

Response: (Provided by Allen Mason)

In 1995, the Borough of Phoenixville sold the facilities used to serve most of the Schuylkill Township customers then served by the Borough. The customers remaining are the ones contained in the rate filing.

DOCUMENT
FOLDER

DOCKETED
DEC 11 2006

RECEIVED
2006 DEC -8 AM 8:56
P.A.P.U.C.
SECRETARY'S BUREAU

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625 -

QS-1 Provide a valid copy of your NPDES Permit.

Supplemental Response: (Provided by Allen Mason)

Please see attached recently issued NPDES Permit that is now effective.



Pennsylvania Department of Environmental Protection

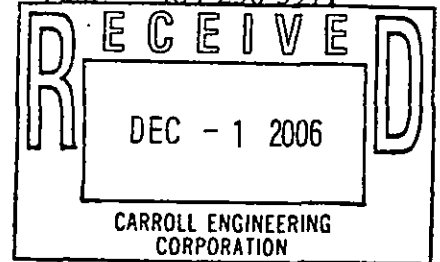
2 East Main Street
Norristown, PA 19401
November 29, 2006

Southeast Regional Office

Phone: 484-250-5970
Fax: 484-250-5971

CERTIFIED MAIL NO. 7001 2510 0005 8144 5959

Mr. Brian Watson
Public Works Director
Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460



Re: Phoenixville Borough STP
SEW PA0027154
File Type: NPDES
Phoenixville Borough
Chester County

Dear Mr. Watson:

Your permit is enclosed.

A Discharge Monitoring Report (DMR) is included. The master DMR will be prepared and distributed by the U.S. Environmental Protection Agency (EPA) in the near future. Use the enclosed DMR Form until you receive a master from EPA. The reporting forms must be submitted to the Department and the EPA Regional Office as instructed in the permit and the enclosed Instruction Sheet.

Any person aggrieved by this action may appeal, pursuant to Section 4 of the Environmental Hearing Board Act, 35 P.S. Section 7514, and the Administrative Agency Law, 2 Pa.C.S. Chapter 5A, to the Environmental Hearing Board, Second Floor, Rachel Carson State Office Building, 400 Market Street, P.O. Box 8457, Harrisburg, PA 17105-8457, 717-787-3483. TDD users may contact the Board through the Pennsylvania Relay Service, 800-654-5984. Appeals must be filed with the Environmental Hearing Board within 30 days of receipt of written notice of this action unless the appropriate statute provides a different time period. Copies of the appeal form and the Board's rules of practice and procedure may be obtained from the Board. The appeal form and the Board's rules of practice and procedure are also available in braille or on audiotape from the Secretary to the Board at 717-787-3483. This paragraph does not, in and of itself, create any right of appeal beyond that permitted by applicable statutes and decisional law.



IF YOU WANT TO CHALLENGE THIS ACTION, YOUR APPEAL MUST REACH THE BOARD WITHIN 30 DAYS. YOU DO NOT NEED A LAWYER TO FILE AN APPEAL WITH THE BOARD.

IMPORTANT LEGAL RIGHTS ARE AT STAKE, HOWEVER, SO YOU SHOULD SHOW THIS DOCUMENT TO A LAWYER AT ONCE. IF YOU CANNOT AFFORD A LAWYER, YOU MAY QUALIFY FOR FREE PRO BONO REPRESENTATION. CALL THE SECRETARY TO THE BOARD (717-787-3483) FOR MORE INFORMATION.

If you have any questions, please call Mr. Ketan Thaker at 484-250-5193.

Sincerely,



Jenifer Fields, P.E.
Regional Manager
Water Management

Enclosures: Permit
Discharge Monitoring Report
Bypass Report Form

cc: Mr. Mason – Carroll Engineering Corporation
Phoenixville Borough
EPA3WP41
Delaware River Basin Commission
Majors File
Operations Section
Permits and Compliance Section
File
Re (GJE04)225-1A



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF WATER SUPPLY AND WASTEWATER MANAGEMENT

**AUTHORIZATION TO DISCHARGE UNDER THE
NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
DISCHARGE REQUIREMENTS FOR PUBLICLY OWNED
TREATMENT WORKS (POTWs)**

NPDES PERMIT NO: PA0027154

In compliance with the provisions of the Clean Water Act, 33 U.S.C. Section 1251 *et seq.* ("the Act") and Pennsylvania's Clean Streams Law, *as amended*, 35 P.S. Section 691.1 *et seq.*,

Borough of Phoenixville

South Second Avenue

Phoenixville, PA 19460

is authorized to discharge from a facility known as **Phoenixville Borough STP**, located at

is authorized to discharge from a facility known as **Phoenixville Borough STP**, located at **Phoenixville Borough, Chester** to the **Schuylkill River** in Watershed **3D - Manatawny** in accordance with effluent limitations, monitoring requirements and other conditions set forth in Parts A, B and C hereof.

THIS PERMIT SHALL BECOME EFFECTIVE ON December 1, 2006

THIS PERMIT SHALL EXPIRE AT MIDNIGHT ON November 30, 2011

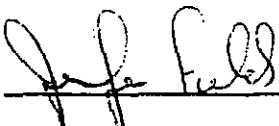
The authority granted by this permit is subject to the following further qualifications:

1. If there is a conflict between the application, its supporting documents and/or amendments and the terms and conditions of this permit, the terms and conditions shall apply.
2. Failure to comply with the terms, conditions or effluent limitations of this permit is grounds for enforcement action; for permit termination, revocation and reissuance, or modification; or for denial of a permit renewal application.
3. A complete application for renewal of this permit, or notice of intent to cease discharging by the expiration date, must be submitted to DEP at least 180 days prior to the above expiration date (unless permission has been granted by DEP for submission at a later date), using the appropriate NPDES permit application form.

In the event that a timely and complete application for renewal has been submitted and DEP is unable, through no fault of the permittee, to reissue the permit before the above expiration date, the terms and conditions of this permit, including submission of the Discharge Monitoring Reports (DMRs), will be automatically continued and will remain fully effective and enforceable against the discharger until DEP takes final action on the pending permit application.

4. This NPDES permit does not constitute authorization to construct or make modifications to wastewater treatment facilities necessary to meet the terms and conditions of this permit.

DATE PERMIT ISSUED November 29, 2006

ISSUED BY 

DATE PERMIT AMENDMENT ISSUED _____

TITLE: Water Management Program Manager

PART A: EFFLUENT LIMITATIONS, MONITORING, RECORDKEEPING AND REPORTING REQUIREMENTS

I. For Outfall 001, Latitude 40°7'47", Longitude 75°30'10", River Mile Index 35.07, Stream Code 00833

which receives wastewater from Wastewater treatment plant

- a. The permittee is authorized to discharge during the period from issuance through expiration.
- b. Based on the anticipated wastewater characteristics and flows described in the permit application and its supporting documents and/or amendments, the following effluent limitations and monitoring requirements apply (see also Additional Requirements, Footnotes and Supplemental Information).

Discharge Parameter	Effluent Limitations						Monitoring Requirements	
	Mass Units (lbs/day) ⁽¹⁾		Concentrations (mg/L)				Minimum ⁽³⁾ Measurement Frequency	Required Sample Type
	Average Monthly	Average Weekly	Minimum	Average Monthly	Average Weekly	Instantaneous Maximum ⁽²⁾		
FLOW (MGD)	Monitor/Report	Monitor/Report					Continuous	Recorded
CBOD ₅ (05/01 – 10/31)	667	1,000		20	30	40	2/Week	24 H C
CBOD ₅ (11/01 – 04/30)	834	1,334		25	40	50	2/Week	24 H C
TOTAL SUSPENDED SOLIDS	1,000	1,500		30	45	60	2/Week	24 H C
AMMONIA as N (05/01 – 10/31)	267			8		16	2/Week	24 H C
AMMONIA as N (11/01 – 04/30)	400			12		24	2/Week	24 H C
FECAL COLIFORM				200 #/ 100 ml		1,000 #/ 100 ml *	2/Week	Grab
DISSOLVED OXYGEN			5.0	Monitor/Report			Daily	Grab
pH (STD)			6.0			9.0	Daily	Grab
COPPER				Monitor/Report	Monitor/Report	Monitor/Report	Quarterly	24 H C

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location(s): Outfall 001

* Shall not exceed in more than 10 percent of samples.

PART A: EFFLUENT LIMITATIONS, MONITORING, RECORDKEEPING AND REPORTING REQUIREMENTS (Cont)

- c. All discharges of floating materials, oil, grease, scum, sheen and substances which produce color, tastes, odors, turbidity or settle to form deposits shall be controlled to levels which will not be inimical or harmful to the water uses to be protected or to human, animal, plant or aquatic life.
- d. Except as otherwise specified in this permit, the 30-day average percent removal for carbonaceous biochemical oxygen demand and total suspended solids shall not be less than 85 percent.

Footnotes

- (1) When sampling to determine compliance with mass effluent limitations, the discharge flow at the time of sampling must be measured and recorded.
- (2) The Instantaneous Maximum Discharge Limitations are for compliance use by DEP only. Do not report instantaneous maximums on DMRs or supplemental DMRs unless specifically required on those forms to do so.
- (3) This is the minimum number of sampling events required. Permittees are encouraged, and it may be advantageous in demonstrating compliance, to perform more than the minimum number of sampling events.

Supplemental Information

- (1) The hydraulic design capacity of 4.0 million gallons per day for the treatment facility is used to prepare the annual Municipal Wasteload Management Report to help determine whether a "hydraulic overload" situation exists, as defined in Title 25 Pa. Code Chapter 94.
- (2) The effluent limitations for this outfall were determined using an effluent discharge rate of 4.0 million gallons per day.

II. DEFINITIONS

At Outfall (XXX) means a sampling location in outfall line XXX below the last point at which wastes are added to outfall line (XXX), or where otherwise specified.

Average refers to the use of an arithmetic mean, unless otherwise specified in this permit.

Best Management Practices (BMPs) means schedules of activities, prohibitions of practices, maintenance procedures and other management practices to prevent or reduce the pollution to surface waters of the Commonwealth. BMPs also include treatment requirements, operating procedures and practices to control plant site runoff, spillage or leaks, sludge or waste disposal, or drainage from raw material storage.

Bypass means the intentional diversion of waste streams from any portion of a treatment facility.

Clean Water Act means the Federal Water Pollution Control Act, as amended. (33 U.S.C.A. §§1251 to 1387).

Composite Sample (for all except GC/MS volatile organic analysis) means a combination of individual samples (at least eight for a 24-hour period or four for an 8-hour period) of at least 100 milliliters (mL) each obtained at spaced time intervals during the compositing period. The composite must be flow-proportional; either the volume of each individual sample is proportional to discharge flow rates, or the sampling interval is proportional to the flow rates over the time period used to produce the composite.

Composite Sample (for GC/MS volatile organic analysis) consists of at least four aliquots or grab samples collected during the sampling event (not necessarily flow proportioned). The samples must be combined in the laboratory immediately before analysis and then one analysis is performed.

Daily Average Temperature means the average of all temperature measurements made, or the mean value plot of the record of a continuous automated temperature recording instrument, either during a calendar day or during the operating day if flows are of a shorter duration.

Daily Discharge means the discharge of a pollutant measured during a calendar day or any 24-hour period that reasonably represents the calendar day for purposes of sampling. For pollutants with limitations expressed in units of mass, the "daily discharge" is calculated as the total mass of the pollutant discharged over the day. For pollutants with limitations expressed in other units of measurement, the "daily discharge" is calculated as the average measurement of the pollutant over the day.

Daily Maximum Discharge Limitation means the highest allowable "daily discharge."

Discharge Monitoring Report (DMR) means the DEP or EPA supplied form(s) for the reporting of self-monitoring results by the permittee.

Estimated Flow means any method of liquid volume measurement based on a technical evaluation of the sources contributing to the discharge including, but not limited to, pump capabilities, water meters and batch discharge volumes.

Geometric Mean means the average of a set of n sample results given by the nth root of their product.

Grab Sample means an individual sample of at least 100 mL collected at a randomly selected time over a period not to exceed 15 minutes.

Hazardous Substance means any substance designated under 40 CFR Part 116 pursuant to Section 311 of the Clean Water Act.

Immersion Stabilization (i-s) means a calibrated device is immersed in the wastewater until the reading is stabilized.

Industrial User or Indirect Discharger means a non-domestic discharger introducing pollutants to a Publicly Owned Treatment Works (POTW).

Maximum Any Time or Instantaneous Maximum means the level not to be exceeded at any time in any grab sample.

Measured Flow means any method of liquid volume measurement, the accuracy of which has been previously demonstrated in engineering practice, or for which a relationship to absolute volume has been obtained.

Monthly Average Discharge Limitation means the highest allowable average of "daily discharges" over a calendar month, calculated as the sum of all "daily discharges" measured during a calendar month divided by the number of "daily discharges" measured during that month.

Municipality means a city, town, borough, country, parish, district, association or other public body created by or pursuant to State law and having jurisdiction over disposal of sewage, industrial wastes, or other wastes, or an Indian tribe or an authorized Indian tribal organization, or a designated and approved management agency under §1288 of the Clean Water Act.

Publicly Owned Treatment Works (POTW) means a treatment works as defined by §1292. of the Clean Water Act, owned by a municipality. The definition includes any devices and systems used in the storage, treatment, recycling and reclamation of municipal sewage or industrial wastes of a liquid nature. It also includes sewers, pipes or other conveyances if they convey wastewater to a POTW providing treatment.

Severe Property Damage means substantial physical damage to property, damage to the treatment facilities that causes them to become inoperable, or substantial and permanent loss of natural resources that can reasonably be expected to occur in the absence of a bypass. Severe property damage does not mean economic loss caused by delays in production.

Stormwater means the runoff from precipitation, snow melt runoff, and surface runoff and drainage.

Stormwater Associated With Industrial Activity means the discharge from any conveyance which is used for collecting and conveying stormwater and which is directly related to manufacturing, processing or raw materials storage areas as defined at 40 CFR §122.26(b)(14).

Toxic Pollutant means those pollutants, or combinations of pollutants, including disease-causing agents, which after discharge and upon exposure, ingestion, inhalation or assimilation into any organism, either directly from the environment or indirectly by ingestion through food chains may, on the basis of information available to DEP cause death, disease, behavioral abnormalities, cancer, genetic mutations, physiological malfunctions, including malfunctions in reproduction, or physical deformations in these organisms or their offspring.

Weekly Average Discharge Limitation means the highest allowable average of "daily discharges" over a calendar week, calculated as the sum of all "daily discharges" measured during a calendar week divided by the number of "daily discharges" measured during that week.

III. SELF-MONITORING, REPORTING AND RECORDKEEPING

A. Representative Sampling

1. Samples and measurements taken for the purpose of monitoring shall be representative of the monitored activity.
2. Records Retention

Except for records of monitoring information required by this permit related to the permittee's sludge use and disposal activities which shall be retained for a period of at least 5 years, all records of monitoring activities and results (including all original strip chart recordings for continuous monitoring instrumentation and calibration and maintenance records), copies of all reports required by this permit, and records of all data used to complete the application for this permit shall be retained by the permittee for 3 years from the date of the sample measurement, report or application. The 3-year period shall be extended as requested by DEP or the EPA Regional Administrator.

3. Recording of Results

For each measurement or sample taken pursuant to the requirements of this permit, the permittee shall record the following information:

- a. The exact place, date and time of sampling or measurements.
- b. The person(s) who performed the sampling or measurements.
- c. The date(s) the analyses were performed.
- d. The person(s) who performed the analyses.
- e. The analytical techniques or methods used; and the associated detection level.
- f. The results of such analyses.

4. Test Procedures

Facilities that test or analyze environmental samples used to demonstrate compliance with this permit shall be in compliance with laboratory accreditation requirements of Act 90 of 2002 (27 Pa. C.S. §§4101-4113), relating to environmental laboratory accreditation. Unless otherwise specified in this permit, the test procedures for the analysis of pollutants shall be those approved under 40 CFR Part 136 (or in the case of sludge use or disposal, approved under 40 CFR Part 136, unless otherwise specified in 40 CFR Part 503), or alternate test procedures approved pursuant to those parts; unless other test procedures have been specified in this permit.

5. Quality/Assurance/Control

In an effort to assure accurate self-monitoring analyses results:

- a. The permittee, or its designated laboratory, shall participate in the periodic scheduled quality assurance inspections conducted by DEP and EPA.
- b. The permittee, or its designated laboratory, shall develop and implement a program to assure the quality and accurateness of the analyses performed to satisfy the requirements of this permit, in accordance with 40 CFR Part 136.

B. Reporting of Monitoring Results

1. The permittee shall effectively monitor the operation and efficiency of all wastewater treatment and control facilities, and the quantity and quality of the discharge(s) as specified in this permit.
2. Unless instructed otherwise in PART C of this permit, a properly completed DMR must be received by the following address within 28 days after the end of each monthly report period:

Department of Environmental Protection
Water Management Program
2 East Main Street
Norristown, PA 19401

NPDES Enforcement Branch (3WP42)
Office of Permits & Enforcement
Water Protection Division
U.S. Environmental Protection Agency
Region III
1650 Arch Street
Philadelphia, PA 19103-2029

3. The completed DMR Form shall be signed and certified either by the following applicable person, as defined in 40 CFR 122.22(a), or by that person's duly authorized representative, as defined in 40 CFR §122.22(b):
 - For a corporation - by a principal executive officer of at least the level of vice president, or an authorized representative, if the representative is responsible for the overall operation of the facility from which the discharge described in the NPDES form originates.
 - For a partnership or sole proprietorship - by a general partner or the proprietor, respectively.

- For a municipality, state, federal or other public agency - by a principal executive officer or ranking elected official.

If signed by a person other than the above, written notification of delegation of DMR signatory authority must be submitted to DEP in advance of or along with the relevant DMR form.

4. If the permittee monitors any pollutant, using analytical methods described in PART A III.A.4. herein, more frequently than the permit requires, the results of this monitoring shall be incorporated, as appropriate, into the calculations used to report self-monitoring data on the DMR.

C. Reporting Requirements

1. Planned Changes - The permittee shall give notice to DEP as soon as possible of any planned physical alterations or additions to the permitted facility. Notice is required only when:
 - a. The alteration or addition to a permitted facility may meet one of the criteria for determining whether a facility is a new source in 40 CFR §122.29(b).
 - b. The alteration or addition could significantly change the nature or increase the quantity of pollutants discharged. This notification applies to pollutants which are subject neither to effluent limitations in this permit, nor to notification requirements under 40 CFR §122.42(a)(1).
 - c. The alteration or addition results in a significant change in the permittee's sludge use or disposal practices, and such alteration, addition, or change may justify the application of permit conditions that are different from or absent in the existing permit, including notification of additional use or disposal sites not reported during the permit application process or not reported pursuant to an approved land application plan.

2. Anticipated Noncompliance

The permittee shall give advance notice to DEP of any planned changes in the permitted facility or activity that may result in noncompliance with permit requirements.

3. Unanticipated Noncompliance or Potential Pollution Reporting

- a. The permittee shall report any noncompliance, accident or incidents causing or threatening pollution pursuant to Title 25 Pa. Code §91.33 to DEP by telephone immediately giving the location and nature of the danger and, if reasonably possible to do so, to notify known downstream users of the waters.
- b. The permittee shall immediately take or cause to be taken steps necessary to prevent injury to property and downstream users of the waters from pollution or a danger of pollution and, in addition, within 15 days from the incident, shall remove any residual substances from the ground and affected waters to the extent required as stated in Title 25 Pa. Code §91.33.
- c. A written submission shall also be provided within 5 days of the time the permittee becomes aware of any noncompliance or incident causing or threatening pollution. The written submission shall contain a description of the noncompliance and its cause; the period of noncompliance, including the exact dates and times, and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate and prevent reoccurrence of the noncompliance.
- d. DEP may waive the written report on a case-by-case basis for reports under paragraph C.3.c. of this section if the oral report was received immediately and no adverse impact has been reported.

4. Other Noncompliance

The permittee shall report all instances of noncompliance not reported under paragraph C.3.a of this section, at the time DMRs are submitted. The reports shall contain the information listed in paragraph C.3.c. of this section.

PART B

I. MANAGEMENT REQUIREMENTS

A. Compliance Schedules

1. The permittee shall achieve compliance with the terms and conditions of this permit within the time frames specified in this permit.
2. The permittee shall submit reports of compliance or noncompliance, or progress reports as applicable, for any interim and final requirements contained in this permit. Such reports shall be submitted no later than 14 days following the applicable schedule date or compliance deadline.

B. Permit Modification, Termination, or Revocation and Reissuance

1. This permit may be modified, terminated, or revoked and reissued during its term in accordance with Title 25 Pa. Code Chapter 92.
2. The filing of a request by the permittee for a permit modification, revocation and reissuance, or termination, or a notification of planned changes or anticipated noncompliance, does not stay any permit condition.
3. In the absence of DEP action to modify or revoke and reissue this permit, the permittee shall comply with effluent standards or prohibitions established under Section 307(a) of the Clean Water Act for toxic pollutants within the time specified in the regulations that establish those standards or prohibitions.

C. Duty to Provide Information

1. The permittee shall furnish to DEP, within a reasonable time, any information which DEP may request to determine whether cause exists for modifying, revoking and reissuing, or terminating this permit, or to determine compliance with this permit.
2. The permittee shall furnish to DEP, upon request, copies of records required to be kept by this permit.
3. Other Information - Where the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in a permit application or in any report to DEP, it shall promptly submit the correct and complete facts or information.
4. The permittee shall provide the following information in the annual Municipal Wasteload Management Report, required under the provisions of Title 25 Pa. Code Chapter 94.
 - a. A new introduction of pollutants into the POTW from an indirect discharger which would be subject to Sections 301 and 306 of the Clean Water Act if it were directly discharging pollutants.
 - b. A substantial change in the volume or character of pollutants being introduced into the POTW by an indirect discharger introducing pollutants into the POTW at the time of issuance of this permit.
 - c. Information on the quality and quantity of the effluent introduced into the POTW by an industrial user or an indirect discharger and the anticipated impact of the change in the quality and quantity of effluent to be discharged from the POTW.
 - d. The identity of the industrial users served by the POTW which are subject to pretreatment standards adopted under Section 307(b) of the Clean Water Act; the POTW shall also specify the total volume of discharge and estimate concentration of each pollutant discharged into the POTW by the industrial user.

- e. The POTW shall require all industrial users subject to pretreatment standards adopted under Section 307(b) of the Clean Water Act to comply with the reporting requirements of Sections 204(b), 307, and 308 of the Clean Water Act and regulations thereunder.

D. Proper Operation and Maintenance

1. The permittee shall employ operator's certified in compliance the Water and Wastewater Systems Operators Certification Act (63 P.S. §§1001-1015.1).
2. The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by the permittee to achieve compliance with the terms and conditions of this permit. Proper operation and maintenance includes, but is not limited to, adequate laboratory controls including appropriate quality assurance procedures. This provision also includes the operation of backup or auxiliary facilities or similar systems that are installed by the permittee, only when necessary to achieve compliance with the terms and conditions of this permit.

E. Duty to Mitigate

The permittee shall take all reasonable steps to minimize or prevent any discharge, sludge use or disposal in violation of this permit that has a reasonable likelihood of adversely affecting human health or the environment.

F. Bypassing

1. Bypassing Not Exceeding Permit Limitations - The permittee may allow a bypass to occur which does not cause effluent limitations to be exceeded, but only if it also is for essential maintenance to assure efficient operation. These bypasses are subject to the reporting and notification requirements of Part A.III.C.4. (Other Noncompliance).
2. Other Bypassing - In all other situations, bypassing is prohibited and DEP may take enforcement action against the permittee for bypass unless:
 - a. A bypass is unavoidable to prevent loss of life, personal injury or "severe property damage."
 - b. There are no feasible alternatives to the bypass, such as the use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition is not satisfied if adequate backup equipment should have been installed in the exercise of reasonable engineering judgment to prevent a bypass which occurred during normal periods of equipment downtime or preventive maintenance.
 - c. The permittee submitted the necessary notice required in F.4.a. and b. below.
3. DEP may approve an anticipated bypass, after considering its adverse effects, if DEP determines that it will meet the conditions listed in F.2. above.
4. Notice
 - a. Anticipated Bypass - If the permittee knows in advance of the need for a bypass, it shall submit prior notice, if possible, at least 10 days before the bypass.
 - b. Unanticipated Bypass - The permittee shall submit notice of an unanticipated bypass causing or threatening pollution as required in PART A III.C.3. (Unanticipated Noncompliance or Potential Pollution Reporting) and other bypass as required in C.4. (Other Noncompliance).

II. PENALTIES AND LIABILITY

A. Violations of Permit Conditions

Any person violating Sections 301, 302, 306, 307, 308, 318 or 405 of the Clean Water Act or any permit condition or limitation implementing such sections in a permit issued under Section 402 of the Act is subject to civil, administrative and/or criminal penalties as set forth in 40 CFR §122.41(a)(2).

Any person or municipality who violates any provision of this permit; any rule, regulation or order of DEP; or any condition or limitation of any permit issued pursuant to the Clean Streams Law, is subject to criminal and/or civil penalties as set forth in Sections 602, 603 and 605 of the Clean Streams Law.

B. Falsifying Information

The Clean Water Act provides that any person who does any of the following:

- Falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required to be maintained under this permit, or
- Knowingly makes any false statement, representation, or certification in any record or other document submitted or required to be maintained under this permit (including monitoring reports or reports of compliance or noncompliance), shall, upon conviction, be punished by a fine and/or imprisonment as set forth in 18 P.S. §4904 and 40 CFR §122.41(j)(5) and (k)(2).

C. Liability

Nothing in this permit shall be construed to relieve the permittee from civil or criminal penalties for noncompliance pursuant to Section 309 of the Clean Water Act or Sections 602, 603 or 605 of the Clean Streams Law.

Nothing in this permit shall be construed to preclude the institution of any legal action or to relieve the permittee from any responsibilities, liabilities or penalties to which the permittee is or may be subject to under the Clean Water Act and the Clean Streams Law.

D. Need to Halt or Reduce Activity Not a Defense

It shall not be a defense for the permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

III. OTHER RESPONSIBILITIES

A. Right of Entry

Pursuant to Sections 5(b) and 305 of Pennsylvania's Clean Streams Law, and Title 25 Pa. Code Chapter 92 and 40 CFR §122.41(i), the permittee shall allow authorized representatives of DEP and EPA, upon the presentation of credentials and other documents as may be required by law:

1. To enter upon the permittee's premises where a regulated facility or activity is located or conducted, or where records must be kept under the conditions of this permit;
2. To have access to and copy, at reasonable times, any records that must be kept under the conditions of this permit;
3. To inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices or operations regulated or required under this permit; and

4. To sample or monitor at reasonable times, for the purposes of assuring permit compliance or as otherwise authorized by the Clean Water Act or the Clean Streams Law, any substances or parameters at any location.

B. Transfer of Permits

1. Transfers by modification. Except as provided in paragraph 2 of this section, a permit may be transferred by the permittee to a new owner or operator only if this permit has been modified or revoked and reissued, or a minor modification made to identify the new permittee and incorporate such other requirements as may be necessary under the Clean Water Act.
2. Automatic transfers. As an alternative to transfers under paragraph 1 of this section, any NPDES permit may be automatically transferred to a new permittee if:
 - a. The current permittee notifies DEP at least 30 days in advance of the proposed transfer date in paragraph 2.b. of this section;
 - b. The notice includes the appropriate DEP transfer form signed by the existing and new permittees containing a specific date for transfer of permit responsibility, coverage and liability between them; and
 - c. If DEP does not notify the existing permittee and the proposed new permittee of its intent to modify or revoke and reissue this permit, the transfer is effective on the date specified in the agreement mentioned in paragraph 2.b. of this section.
3. *In the event DEP does not approve transfer of this permit, the new owner or controller must submit a new permit application.*

C. Property Rights

The issuance of this permit does not convey any property rights of any sort, or any exclusive privilege.

D. Duty to Reapply

If the permittee wishes to continue an activity regulated by this permit after the expiration date of this permit, the permittee must apply for and obtain a new permit.

E. Other Laws

The issuance of this permit does not authorize any injury to persons or property or invasion of other private rights, or any infringement of state or local law or regulations.

PART C

I. OTHER REQUIREMENTS

1. Notification of the designation of the responsible operator must be submitted to the permitting agency by the permittee within 60 days after the effective date of the permit and from time to time thereafter as the operator is replaced.
2. For reporting purposes on the Discharge Monitoring Report, the term "average weekly" shall mean the highest average weekly value observed during the monthly monitoring period.
3. If, at anytime, the DEP determines that the discharge permitted herein creates a public nuisance or causes environmental harm to the receiving water of the Commonwealth, the DEP may require the permittee to adopt such remedial measures as will produce a satisfactory effluent. If the permittee fails to adopt such remedial measures within the time specified by the DEP, the right to discharge herein granted shall, upon notice by the DEP, cease and become null and void.
4. No storm water from pavements, area ways, roofs, foundation drains or other sources shall be admitted to the sanitary sewers associated with the herein approved discharge.
5. The approval herein given is specifically made contingent upon the permittee acquiring all necessary property rights by easement or otherwise, providing for the satisfactory construction, operation, maintenance and replacement of all sewers or sewerage structures associated with the herein approved discharge in, along, or across private property, with full rights of ingress, egress and regress.
6. If there is a change in ownership of this facility or in permittee name, an application for transfer of permit must be submitted to the DEP.
7. The DEP may identify and require certain discharge specific data to be submitted before the expiration date of this permit. Upon notification by the DEP, the permittee will have 12 months from the date of the notice to provide the required data. These data, along with any other data available to the DEP, will be used in completing the Watershed TMDL/WLA Analysis and in establishing discharge effluent limits.
8. The permittee shall submit the results of whole effluent toxicity testing with their next NPDES application, according to Federal Regulation 122.21(j). The permittee shall obtain the appropriate biomonitoring protocol for the testing from the DEP's Regional Office.
9. Instantaneous maximum limitations are imposed to allow for a grab sample to be collected by the appropriate regulatory agency to determine compliance. The permittee does not have to monitor for the instantaneous maximum limitation except for the parameters temperature, oil and grease, pH, and total residual chlorine. However, if grab samples are collected for parameters normally monitored through composite sampling, the results must be reported.

10. Operations and Maintenance Plan

The facility operator shall develop and update yearly a treatment facility operations and maintenance plan. Said plan shall be in writing or in an electronic format. Upon request, this plan shall be submitted to DEP for review. For the purpose of this section, a key wastewater process includes equipment or process that if it fails could cause the discharge of raw wastewater, wastewater that fails to meet NPDES permit conditions, or a failure that could threaten human or environmental health. Included in this definition shall also be any piece of equipment or process that if it should fail, would cause the destruction of wastewater treatment process or equipment that would ultimately lead to the discharge of raw wastewater or wastewater that fails to meet NPDES permit conditions or any condition that may threaten human or environmental health. Said plan shall include:

- Process control strategy that includes a schedule for process control sampling, monitoring, testing, and recordkeeping. The process control strategy shall take into account the specific type of treatment system and shall monitor the efficiency of all biological and physical treatment units.
- A monitoring and compliance plan that details how key wastewater processes shall be monitored and adjusted while the facility is staffed. This plan should include standard operating procedures for any staff members that may not be properly certified.
- A monitoring plan that identifies key processes and equipment that indicates how key processes will be monitored while the treatment facility is not staffed.
- For treatment plants that are impacted by wet weather flows, the operator shall develop and implement a wet weather operations strategy that minimizes or eliminates the wash out of solids from the treatment system while maximizing the flow through the treatment plant.
- An emergency operations plan that identifies how the facility will be operated during times of emergency. The plan should define the potential threats to the facility and how those threats are to be dealt with. The plan should be designed to minimize loss of life and property damage to the facility and should include preventative measures where appropriate. This plan shall also include emergency contact numbers for local emergency response, plant personnel, critical suppliers, vendors and DEP contacts at a minimum. In the development of this plan, a vulnerability assessment of the facility should be conducted and security issues should be addressed as a part of the overall plan. The operator must make the owner aware of potential threats and vulnerabilities.
- A preventative maintenance plan that includes a schedule for preventative maintenance for all equipment within the treatment system. A spare parts inventory shall be included as a part of this plan.
- An emergency maintenance plan that details how key processes will be repaired or replaced in the event of a failure.
- A solids management plan that details how solids produced by the facility will be wasted, treated, and ultimately disposed of.

12. Phoenixville Borough shall operate and maintain the sewage treatment plant and sewage collection system in a manner which minimizes bypasses from the influent headworks to the aeration tanks at the plant. When bypassing is initiated, the operator in responsible charge to the treatment plant operations shall start the effluent composite sampler, and samples shall be taken of the treatment plant effluent as per details given below:

Sample Location

Treatment Plant Effluent

Parameters (* Composite Samples during bypass)

CBOD5, Total Suspended Solids,
Ammonia.

Parameters (Grab Sampling)

Dissolved Oxygen, Fecal Coliform,
pH, Total Residual Chlorine

*If bypass is for a period of less than 24 hours, a composite sample shall be collected for that period. If bypass is for a period longer than 24 hours, a composite sample shall be collected for each 24-hour period and one composite sample for the remaining period.

- The time, date, duration, and flow for each sampling event shall be reported on a monthly basis using the attached Bypass Report Form, which shall be submitted each month with the DMR.
- This permit requirement does not authorize violation of the NPDES permit, nor does it constitute approval of any bypass.

Grab samples of the treatment plant effluent shall be taken while bypassing is occurring. All sample results shall be incorporated into the monthly DMR sampling results

12. The DEP acknowledges that there may be occasions when the sample holding times might be exceeded with respect to the sampling which is performed during a bypass event. However, all data should be used in completion of the DMR and a note placed in the comment section that one or more samples have exceeded the holding time. These holding time exceedances may possibly contribute to an effluent limit exceedance being noted on the monthly DMR. For compliance purposes, the DEP will only consider the samples which achieved the appropriate holding times for determining compliance with the effluent limits contained in this permit.
13. Collected screenings, slurries, sludges, and other solids shall be handled and disposed of in compliance with 25 Pa. Code, Chapters 271, 273, 275, 283, and 285 (relating to permits and requirements for landfilling, land application, incineration, and storage of sewage sludge), Chapters 262, 263, and 264 (related to permits and requirements for landfilling and storage of hazardous sludge) and applicable Federal Regulations, the Federal Clean Water Act, RCRA and their amendments.

Re 30 (GJE04)225-1D

PERMITTEE NAME ADDRESS (include Facility Name / Location if different)

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES)
DISCHARGE MONITORING REPORT (DMR)

PRIMARY FACILITY: PHOENIXVILLE BOROUGH STP

Southeast Region
Facsimile

CLIENT: BOROUGH OF PHOENIXVILLE	PA0027154				001		
ADDRESS 140 CHURCH STRET	PERMIT NUMBER				DISCHARGE NUMBER		
PHOENIXVILLE, PA 19460	MONITORING PERIOD						
MUNICIPALITY: BOROUGH OF PHOENIXVILLE	YEAR	MO	DAY	TO	YEAR	MO	DAY
COUNTY: CHESTER							

NOTE: Read instructions before completing this form

Parameter		QUANTITY OR LOADING			QUALITY OR CONCENTRATION				NO. EX	FREQUENCY OF ANALYSIS	SAMPLE TYPE
		MONTHLY AVERAGE	WEEKLY AVERAGE	UNITS	INST. MINIMUM	MONTHLY AVERAGE	INST. MAXIMUM	UNITS			
FLOW	Sample Measurement				XXXX	XXXX	XXXX				
	Permit Requirement	REPORT MONTHLY AVERAGE	REPORT DAILY MAXIMUM	MGD	XXXX	XXXX	XXXX	XXXX		CONTINUOUS	REPORTED
pH	Sample Measurement	XXXX	XXXX	XXXX		XXXX					
	Permit Requirement	XXXX	XXXX	XXXX	6.0	XXXX	9.0	STD UNITS		DAILY	GRAB
CBOD ₅ (05/01-10/31)	Sample Measurement				XXXX						
	Permit Requirement	667	1,000	LB/DAY	XXXX	20	WEEKLY 30 AVERAGE	MG/L		2/WEEK	24 HC
CBOD ₅ (11/01-04/30)	Sample Measurement										
	Permit Requirement	834	1,334	LB/DAY	XXXX	25	WEEKLY 40 AVERAGE	MG/L		2/WEEK	24 HC
TOTAL SUSPENDED SOLIDS	Sample Measurement				XXXX						
	Permit Requirement	1,000	1,500	LB/DAY	XXXX	30	WEEKLY 45 AVERAGE	MG/L		2/WEEK	24 HC
FECAL COLIFORM	Sample Measurement	XXXX	XXXX	XXXX	XXXX						
	Permit Requirement	XXXX	XXXX	XXXX	XXXX	200 GEOMETRIC MEAN	1,000 *	# COL/100ML		2/WEEK	GRAB
DISSOLVED OXYGEN	Sample Measurement	XXXX	XXXX	XXXX			XXXX				
	Permit Requirement	XXXX	XXXX	XXXX	5.0	MONITOR/REPORT	XXXX	MG/L		DAILY	GRAB
	Sample Measurement										
	Permit Requirement										

NAME/TITLE PRINCIPAL EXECUTIVE OFFICER	I CERTIFY UNDER PENALTY OF LAW THAT I HAVE PERSONALLY EXAMINED AND AM FAMILIAR WITH THE INFORMATION SUBMITTED HEREIN AND BASED ON MY INQUIRY OF THOSE INDIVIDUALS IMMEDIATELY RESPONSIBLE FOR OBTAINING THE INFORMATION, I BELIEVE THE SUBMITTED INFORMATION IS TRUE, ACCURATE AND COMPLETE. I AM AWARE THAT THERE ARE SIGNIFICANT PENALTIES FOR SUBMITTING FALSE INFORMATION, INCLUDING THE POSSIBILITY OF FINE AND IMPRISONMENT SEE 18 U.S.C. §1001 AND 33 U.S.C. §1319. (Penalties under these statutes may include fines up to \$10,000 and or maximum imprisonment of between 6 months and 5 years)	TELEPHONE	DATE	
				SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT

COMMENT AND EXPLANATION OF ANY VIOLATIONS (Reference all attachments here) PERMIT EXPIRES 11/30/2011 SUBMIT RENEWAL BY 05/31/2011

* Shall not exceed in more than 10 percent of samples.

PERMITTEE NAME ADDRESS (include Facility Name / Location if different)

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES)
DISCHARGE MONITORING REPORT (DMR)

PRIMARY FACILITY: PHOENIXVILLE BOROUGH STP

Southeast Region
Facsimile

CLIENT: BOROUGH OF PHOENIXVILLE		PA0027154		001				
ADDRESS 140 CHURCH STRET		PERMIT NUMBER		DISCHARGE NUMBER				
PHOENIXVILLE, PA 19460		MONITORING PERIOD						
MUNICIPALITY: BOROUGH OF PHOENIXVILLE		YEAR	MO	DAY	TO	YEAR	MO	DAY
COUNTY: CHESTER								

NOTE: Read instructions before completing this form

Parameter		QUANTITY OR LOADING			QUALITY OR CONCENTRATION			NO. EX	FREQUENCY OF ANALYSIS	SAMPLE TYPE
		MONTHLY AVERAGE	WEEKLY AVERAGE	UNITS	INST. MINIMUM	MONTHLY AVERAGE	INST. MAXIMUM			
COPPER	Sample Measurement	XXXX	XXXX	XXXX	XXXX			MG/L	QUARTERLY	
	Permit Requirement	XXXX	XXXX		XXXX	MONITOR/REPORT	MONITOR/REPORT			
AMMONIA as N (05/01-10/31)	Sample Measurement		XXXX	LB/DAY	XXXX	8.0	XXXX	MG/L	2/WEEK	24 HC
	Permit Requirement	267	XXXX		XXXX					
AMMONIA as N (11/01-04/30)	Sample Measurement		XXXX	LB/DAY	XXXX	12.0	XXXX	MG/L	2/WEEK	24 HC
	Permit Requirement	400	XXXX		XXXX					
	Sample Measurement									
	Permit Requirement									
	Sample Measurement									
	Permit Requirement									
	Sample Measurement									
	Permit Requirement									
	Sample Measurement									
	Permit Requirement									

NAME/TITLE PRINCIPAL EXECUTIVE OFFICER	I CERTIFY UNDER PENALTY OF LAW THAT I HAVE PERSONALLY EXAMINED AND AM FAMILIAR WITH THE INFORMATION SUBMITTED HEREIN AND BASED ON MY INQUIRY OF THOSE INDIVIDUALS IMMEDIATELY RESPONSIBLE FOR OBTAINING THE INFORMATION, I BELIEVE THE SUBMITTED INFORMATION IS TRUE, ACCURATE AND COMPLETE. I AM AWARE THAT THERE ARE SIGNIFICANT PENALTIES FOR SUBMITTING FALSE INFORMATION, INCLUDING THE POSSIBILITY OF FINE AND IMPRISONMENT SEE 18 U.S.C. §1001 AND 33 U.S.C. §1319. (Penalties under these statutes may include fines up to \$10,000 and or maximum imprisonment of between 6 months and 5 years)	SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT	TELEPHONE	DATE
			AREA CODE NUMBER	YEAR MO DAY

COMMENT AND EXPLANATION OF ANY VIOLATIONS (Reference all attachments here) PERMIT EXPIRES 11/30/2011 SUBMIT RENEWAL BY 05/31/2011

PERMITTEE NAME ADDRESS (include Facility Name / Location if different)

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES) DISCHARGE MONITORING REPORT (DMR)

PRIMARY FACILITY: PHOENIXVILLE BOROUGH STP

CLIENT: BOROUGH OF PHOENIXVILLE	PA0027154	001
ADDRESS 140 CHURCH STRET PHOENIXVILLE, PA 19460	PERMIT NUMBER	DISCHARGE NUMBER
MUNICIPALITY: BOROUGH OF PHOENIXVILLE	MONITORING PERIOD	
COUNTY: CHESTER	YEAR	MO
	DAY	TO
	YEAR	MO
	DAY	DAY

Southeast Region
Facsimile

NOTE: Read instructions before completing this form

Parameter		QUANTITY OR LOADING			QUALITY OR CONCENTRATION			NO. EX	FREQUENCY OF ANALYSIS	SAMPLE TYPE
		MONTHLY AVERAGE	WEEKLY AVERAGE	UNITS	INST. MINIMUM	MONTHLY AVERAGE	INST. MAXIMUM			
COPPER	Sample Measurement	XXXX	XXXX		XXXX					
	Permit Requirement	XXXX	XXXX	XXXX	XXXX	MONITOR/REPORT	MONITOR/REPORT	MG/L	QUARTERLY	24 HC
AMMONIA as N (05/01-10/31)	Sample Measurement		XXXX		XXXX		XXXX			
	Permit Requirement	267	XXXX	LB/DAY	XXXX	8.0	XXXX	MG/L	2/WEEK	24 HC
AMMONIA as N (11/01-04/30)	Sample Measurement		XXXX		XXXX		XXXX			
	Permit Requirement	400	XXXX	LB/DAY	XXXX	12.0	XXXX	MG/L	2/WEEK	24 HC
	Sample Measurement									
	Permit Requirement									
	Sample Measurement									
	Permit Requirement									
	Sample Measurement									
	Permit Requirement									
	Sample Measurement									
	Permit Requirement									

NAME/TITLE PRINCIPAL EXECUTIVE OFFICER	I CERTIFY UNDER PENALTY OF LAW THAT I HAVE PERSONALLY EXAMINED AND AM FAMILIAR WITH THE INFORMATION SUBMITTED HEREIN AND BASED ON MY INQUIRY OF THOSE INDIVIDUALS IMMEDIATELY RESPONSIBLE FOR OBTAINING THE INFORMATION, I BELIEVE THE SUBMITTED INFORMATION IS TRUE, ACCURATE AND COMPLETE. I AM AWARE THAT THERE ARE SIGNIFICANT PENALTIES FOR SUBMITTING FALSE INFORMATION, INCLUDING THE POSSIBILITY OF FINE AND IMPRISONMENT SEE 18 U.S.C. §1001 AND 33 U.S.C. §1319. (Penalties under these statutes may include fines up to \$10,000 and or maximum imprisonment of between 6 months and 5 years)	SIGNATURE OF PRINCIPAL EXECUTIVE OFFICER OR AUTHORIZED AGENT	TELEPHONE	DATE
			AREA CODE	NUMBER

COMMENT AND EXPLANATION OF ANY VIOLATIONS (Reference all attachments here) PERMIT EXPIRES 11/30/2011 SUBMIT RENEWAL BY 05/31/2011

Responses of Borough of Phoenixville Sewer Fund
To Bureau of Fixed Utility Services Data Requests
Docket No. R-00061625

A-RE-4: Provide a schedule of the rates currently being charged to Inside Borough customers.

Response: (Provided by Allen Mason)

Please see attached schedule of Inside Borough rates. This information was also provided in response to Data Request RS-5.

BOROUGH OF PHOENIXVILLE

**QUARTERLY METERED SEWER RATES
BLOCK RATES**

INSIDE BORO QUARTERLY & MONTHLY PER 1,000 GALS
\$3.45

ADMINISTRATIVE CHARGE INSIDE BORO - PER BILLING \$5.18

	OUTSIDE BORO	PER UNIT	PER 1,000 GALS
FOR FIRST ONE MILLION (1,000,000) GALS		\$32.00	\$2.56
FOR NEXT FOUR MILLION (4,000,000) GALS		\$32.00	\$2.30
FOR ALL OVER FIVE MILLION (5,000,000) GALS		\$32.00	\$1.94

QUARTERLY SEWER FLAT RATE

	INSIDE BORO	OUTSIDE BORO
RESIDENTIAL PER DWELLING UNIT	\$62.63	\$46.49
COMMERCIAL PER DWELLING UNIT	\$93.94	\$69.73

INSIDE BORO	WTR EFFECTIVE 1/1/05	SWR EFFECTIVE 1/1/06	2% increase
OUTSIDE BORO	WTR EFFECTIVE 2/8/94	SWR EFFECTIVE 1/01/94	

ORIGINAL
CERTIFICATE OF SERVICE

**DOCUMENT
FOLDER**

Re: Pennsylvania Public Utility Commission
v.
Borough of Phoenixville Sewer Fund
Docket No. R-00061625

I hereby certify that I have this day served a true copy of the foregoing document, Office of Consumer Advocate's Interrogatories, Set I, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

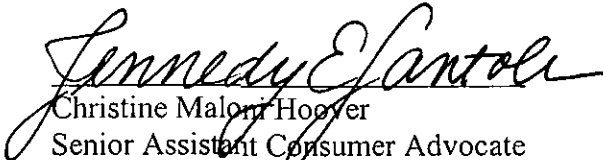
Dated this 14th day of December, 2006.

SERVICE BY E-MAIL AND FIRST CLASS MAIL

Edmund J. Berger, Esq.
Berger Law Firm, P.C.
2104 Market Street
Camp Hill, PA 17011

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Borough of Phoenixville
Borough Manager
140 Church Street
Phoenixville, PA 19460


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(717) 783-5048

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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
December 21, 2006

IN REPLY PLEASE
REFER TO OUR FILE

In Re: **R-00061625;**
R-00061625C0001

(SEE ATTACHED LIST)

Pennsylvania Public Utility Commission
v.
Borough of Phoenixville

NOTICE

It appears that the above-captioned matter could be processed by mediation between or among the parties. Mediation is an informal, non-adjudicatory process. The mediator does not give advice, represent any party, evaluate or make a decision. Instead, the mediator serves as an impartial facilitator who helps the parties resolve their disputes. In other words, mediation is a process which allows the parties to control the outcome of their dispute, as opposed to a hearing where the Administrative Law Judge and the Commission control the outcome.

Moreover, mediation is different from a settlement conference which is based on competitive negotiations. In mediation, the parties agree to work together toward a final resolution of their differences considering how any solution must address the interests of all parties.

There is no court reporter at a mediation session and discussions are **confidential**, unless otherwise provided for by law. The mediation is not binding (except for an agreement reached) and any party may withdraw from the mediation at any time. Mediation is ordinarily an efficient and economical procedure compared to a hearing which is often expensive and time-consuming.

There can be no mediation unless the party with the burden of proof, and all other necessary parties, consent to mediate. If the party with the burden of proof consents, in proceedings subject to a statutory deadline for adjudication, that party must also agree, in writing, to extend the statutory deadline by, at least, 60 days.

The Commission's file will reflect that you consent to use the mediation process, unless the mediator named below hears from you to the contrary, in writing, within 10 days of the date of this letter. The mediator's name and address are as follows:

**Bruce Bigelow, Mediator
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
Telephone: (717) 783-5413
Fax: (717) 787-0481
Email: bbigelow@state.pa.us**

By consenting to mediate, the Commission understands that you have made a commitment to act in good faith toward resolving the dispute in this matter. (See "Good Faith Factors for Mediation Sessions" enclosed.) If you cannot make this commitment, you should not consent to use the mediation process.

If the parties agree to mediation, you will receive notification by mail of the date, time and place set for the mediation conference. If you have any questions regarding mediation, please call the mediator at the number provided above.

Enclosure

pc: ALJ Rainey
Bruce Bigelow, Mediator
Linda Salome
Beth Plantz
Docket Section

GOOD FAITH FACTORS FOR MEDIATION SESSIONS

GOOD FAITH INCLUDES, AMONG OTHER THINGS:

1. GIVING THE PARTICIPANTS, PRIOR TO THE FIRST SESSION, ALL THE INFORMATION THEY NEED TO KNOW IN ORDER TO RESOLVE THE CASE. (The Commission believes "that formal discovery procedures are not appropriate in the informal [mediation] process." *Pa. Bul., Vol. 25, No. 20*, May 20, 1995, p. 1996. Therefore, discoverable information should be discovered informally.)

2. BEING FULLY PREPARED WITH FULL KNOWLEDGE OF THE CASE AND WITH POSSIBLE SOLUTIONS FOR RESOLVING THE CASE.

3. BEING WILLING TO CREATE OPTIONS TO RESOLVE A MATTER, CONSIDERING HOW THE SOLUTION MUST ADDRESS THE INTERESTS OF ALL THE PARTIES, AS OPPOSED TO TAKING AN UNYIELDING POSITION.

4. HAVING THE PERSON WITH THE AUTHORITY TO APPROVE THE TERMS FOR RESOLUTION ATTEND THE MEDIATION SESSION, OR, AT LEAST, BE AVAILABLE TO CONFER WITH THE PARTY'S REPRESENTATIVE DURING THE MEDIATION REGARDING APPROVAL OF TERMS.

5. DEMONSTRATING A WILLINGNESS TO LISTEN AND TO UNDERSTAND THE PERSPECTIVES OF THE OTHER PARTIES.

6. BEING WILLING TO SPEND THE ENTIRE DAY, IF NECESSARY, AT THE SESSION.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

RECEIVED
2006 DEC 22 AM 11:54
PA PUC
SECRETARY'S BUREAU

Pennsylvania Public Utility Commission :
v. : Docket No. R-00061625
Borough of Phoenixville - Sewer :

NOTICE OF APPEARANCE

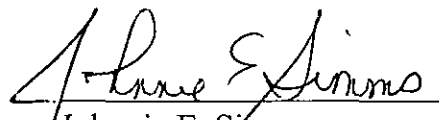
TO THE SECRETARY:

Please enter the appearance of the Office of Trial Staff of the Pennsylvania Public Utility Commission in the above-captioned proceeding. Prosecutor(s) for the Office of Trial Staff, in addition to the undersigned will be:

ROBERT V. ECKENROD, ESQUIRE
Pa. Public Utility Commission
Office of Trial Staff
P.O. Box 3265
Harrisburg, PA 17105-3265
roeckenrod@state.pa.us
(717) 787-1976

On the basis of this notice, I request a copy of each document hereafter issued by the Commission in this matter.

**DOCUMENT
FOLDER**


Johnnie E. Simms
Chief Prosecutor
PA Attorney I.D. #33911

DOCKETED
DEC 26 2006

Robert V. Eckenrod
PA Attorney I.D. #84889
Prosecutor for: Johnnie E. Simms
Office of Trial Staff.

December 22, 2006

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-00061625
Borough of Phoenixville - Sewer :

CERTIFICATE OF SERVICE

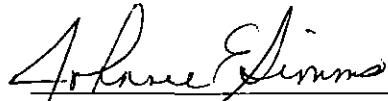
I hereby certify that I am serving the foregoing **Notice of Appearance**, dated December 22, 2006, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below:

Edmund J. Berger
Berger Law Firm, PC
2104 Market Street
Camp Hill, PA 17011

Borough of Phoenixville
Borough Manager
140 Church Street
Phoenixville, PA 19460

Irwin A. Popowski Esquire
Office of Consumer Advocate
555 Walnut Street
5th Fl Forum Place
Harrisburg, PA 17101-1923

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Johnnie E. Simms
Chief Prosecutor
Office of Trial Staff
PA Attorney I.D. #33911

Dated: December 22, 2006
Docket No. R-00061625

BERGER LAW FIRM, P.C.
ATTORNEYS AT LAW

ORIGINAL

2104 MARKET STREET
CAMP HILL, PA 17011

TELEPHONE: (717) 920-8900
FACSIMILE: (717) 920-8901

EMAIL: publicutilitylaw@bergerlawfirm.net

January 4, 2007

**DOCUMENT
FOLDER**

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

R-00061625

**RE: Borough of Phoenixville Sewer Fund
Docket No. R-00061625**

Dear Secretary McNulty:

Enclosed please find the original and eight (8) copies of Tariff Supplement No. 14 and Tariff Supplement No. 15 to Borough of Phoenixville Sewer Fund's Tariff Sewer – Pa. P.U.C. No. 1.

These tariff supplements, respectively, suspend and further postpone the application of rates set forth in Tariff Supplement No. 13 until October 1, 2007, unless otherwise directed by the Commission, in accordance with the Commission's Order of December 21, 2006 and the Commission's procedures for mediation.

If you have any questions about this matter, please feel free to contact me.

Sincerely yours,


Edmund J. Berger

cc: Certificate of Service

RECEIVED
2007 JAN -5 AM 11:12
PA.P.U.C.
SECRETARY'S BUREAU

41

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing documents, **Supplement No. 14 to Tariff Sewer- Pa.P.U.C. No. 1 of Borough of Phoenixville** and **Supplement No. 14 to Tariff Sewer- Pa.P.U.C. No. 1 of Borough of Phoenixville**, upon the participants, listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

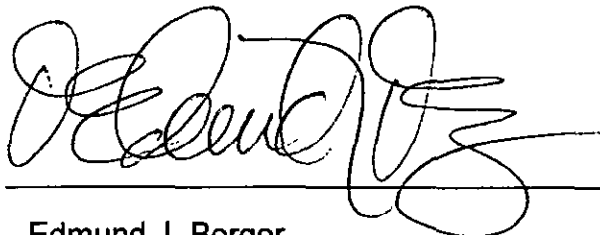
BY FIRST CLASS MAIL

Jennedy E. Santolla, Esq.,
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Robert V. Eckenrod, Esq.
Prosecutor
Office of Trial Staff
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
2007 JAN -5 AM 11:12
PA.P.U.C.
SECRETARY'S BUREAU

Dated this 4th day of January, 2007.



Edmund J. Berger

BERGER LAW FIRM, P.C.
2104 Market Street
Camp Hill, PA 17011

Phone: (717) 920-8900
Fax: (717) 920-8901
E-Mail: tberger@bergerlawfirm.net

ORIGINAL

DOCUMENT FOLDER

BOROUGH OF PHOENIXVILLE

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHING OF SEWAGE SERVICE

IN

EAST PIKELAND TOWNSHIP, CHESTER COUNTY

AND

SCHUYLKILL TOWNSHIP, CHESTER COUNTY

PENNSYLVANIA

DOCKETED
FEB 21 2007

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PA.P.U.C.
SECRETARY'S BUREAU

The application of rates proposed in Supplement No. 13 to Tariff Sewer – Pa. P.U.C. No. 1 filed to become effective January 1, 2007, is hereby suspended until August 1, 2007, in accordance with the Commission's Order of December 21, 2006 and by operation of law at Docket No. R-00061625. Presently effective rates contained in Tariff Sewer – Pa. P.U.C. No. 1 and supplements thereto, will continue in effect until otherwise amended.

Issued: January 4, 2007

Effective: January 1, 2007

Issued in compliance with Title 66 Pa.C.S. § 1308(d)

By:

Borough Manager
Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460

ORIGINAL

BOROUGH OF PHOENIXVILLE
RATES, RULES AND REGULATIONS
GOVERNING THE FURNISHING OF SEWAGE SERVICE
IN
EAST PIKELAND TOWNSHIP, CHESTER COUNTY
AND
SCHUYLKILL TOWNSHIP, CHESTER COUNTY
PENNSYLVANIA

This tariff supplement voluntarily postpones the application of rates set forth in Tariff Supplement No. 13 at Docket No. R-00061625 by sixty (60) days in accordance with the Commission's procedures for mediation. Presently effective rates contained in Tariff Sewer – Pa. P.U.C. No. 1 and supplements thereto, will continue in effect until otherwise amended.

Issued: January 4, 2007

Effective: October 1, 2007

By:
Borough Manager
Borough of Phoenixville
140 Church Street
Phoenixville, PA 19460

PA.P.U.C.
SECRETARY'S BUREAU

2007 JAN -5 AM 11:12

RECEIVED



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
January 23, 2007

IN REPLY PLEASE
REFER TO OUR FILE

In Re: R-00061625 et al.

(SEE ATTACHED LIST)

Pennsylvania Public Utility Commission
v.
Borough of Phoenixville

DOCUMENT
FOLDER

PRE-HEARING CONFERENCE/MEDIATION NOTICE

Parties have consented to use the mediation process in the above-captioned matter.

A pre-hearing conference, immediately followed by a mediation session, will be held as follows:

Date: Friday, February 2, 2007
Time: 10:00 a.m.
Location: HR 2
Plaza Level
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania
Mediator: Bruce Bigelow
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
Telephone: (717) 783-5413
Fax: (717) 787-0481
Email: bbigelow@state.pa.us

DOCKETED
FEB 13 2007

RECEIVED

JAN 24 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**R-00061625 et al. Pennsylvania Public Utility Commission v. Borough of
Phoenixville (continued)**

Page 2

Presiding ALJ: **Administrative Law Judge Charles E. Rainey, Jr.**
1302 Philadelphia State Office Building
1400 West Spring Garden Street
Philadelphia, PA 19130
Telephone: (215) 560-2105
Fax: (215) 560-3133

ALJ Rainey will preside for the purpose of setting hearing dates and dealing with matters that the parties would like to have on record. A court reporter will be present to record these matters. Thereafter, ALJ Rainey and the court reporter will leave the session so that the mediation process can commence. With regard to the process, please review what follows.

Mediation is an informal, non-adjudicatory process. The mediator does not give advice, represent any party, evaluate or make a decision. Instead, the mediator serves as an impartial facilitator who helps the parties resolve their disputes. In other words, mediation is a process which allows the parties to control the outcome of their dispute, as opposed to a hearing where an Administrative Law Judge and the Commission control the outcome.

Moreover, mediation is different from a settlement conference which is based on competitive negotiations. In mediation, the parties agree to work together toward a final resolution of their differences considering how any solution must address the interests of all parties. The focus is not to determine fault, assign blame, or deal with past issues. Rather, the focus is on the future and on a consensual resolution that the parties can live with.

Because mediation is not an on-the-record proceeding, there will be no court reporter. Everything that takes place at the mediation session is, and must remain, confidential, unless otherwise provided for by law. This applies to everyone who is in the room. An agreement reached between or among the parties becomes public upon submission of the mediator's brief procedural report to a judge (or Commission) when the agreement is attached to the report.

The parties must act in good faith. A page entitled "Good Faith Factors for Mediation Sessions" is enclosed. If you feel that you cannot comply with these factors, please let the mediator know well in advance of the mediation session, because it may be that the case will not be suitable for mediation at the scheduled time.

R-00061625 et al. Pennsylvania Public Utility Commission v. Borough of Phoenixville (continued)

Page 3

Additionally, the parties must follow the Pennsylvania Bar Association Working Rules for Professionalism regarding their conduct. A copy of the Rules is also enclosed.

Mr. Bigelow has noted that the Office of Trial Staff ("OTS") is an office of the Pennsylvania Public Utility Commission and that he is an employee of the Commission. He has also noted that the Office of Consumer Advocate ("OCA") is an Office of the Commonwealth of Pennsylvania and that he is an employee of an agency of the Commonwealth. In addition, Mr. Bigelow noted that he has been a mediator in other cases where Mr. Burger, Mr. Eckenrod, and Ms. Hoover have participated as counsel. *The mediator has indicated that these factors will have no effect on his ability to be fair and impartial in this case.* Nevertheless, if you object to having him serve as the mediator, or if you are aware of any other factors which could affect his ability to be impartial, please let him know promptly.

In the meantime, please attempt to resolve the issues involved prior to the mediation session.

Any questions regarding the mediation should be directed to the mediator at the telephone number provided above.

If you are a person with a disability, and you wish to attend the mediation session, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission at least (2) two business days prior to the mediation:

- Scheduling Office: (717) 787-1399.
- For persons who are deaf or hearing-impaired, contact the AT&T Relay Service: 1-800-654-5988.

Enclosures

pc: Judge Rainey
Mediator Bigelow
Beth Plantz
Linda Salome
Docket Section
Calendar File

GOOD FAITH FACTORS FOR MEDIATION SESSIONS

GOOD FAITH INCLUDES, AMONG OTHER THINGS:

1. GIVING THE PARTICIPANTS, PRIOR TO THE FIRST SESSION, ALL THE INFORMATION THEY NEED TO KNOW IN ORDER TO RESOLVE THE CASE. (The Commission believes "that formal discovery procedures are not appropriate in the informal [mediation] process." *Pa. Bul., Vol. 25, No. 20, May 20, 1995, p. 1996.* Therefore, discoverable information should be discovered informally.)

2. BEING FULLY PREPARED WITH FULL KNOWLEDGE OF THE CASE AND WITH POSSIBLE SOLUTIONS FOR RESOLVING THE CASE.

3. BEING WILLING TO CREATE OPTIONS TO RESOLVE A MATTER, CONSIDERING HOW THE SOLUTION MUST ADDRESS THE INTERESTS OF ALL THE PARTIES, AS OPPOSED TO TAKING AN UNYIELDING POSITION.

4. HAVING THE PERSON WITH THE AUTHORITY TO APPROVE THE TERMS FOR RESOLUTION ATTEND THE MEDIATION SESSION, OR, AT LEAST, BE AVAILABLE TO CONFER WITH THE PARTY'S REPRESENTATIVE DURING THE MEDIATION REGARDING APPROVAL OF TERMS.

5. DEMONSTRATING A WILLINGNESS TO LISTEN AND TO UNDERSTAND THE PERSPECTIVES OF THE OTHER PARTIES.

6. BEING WILLING TO SPEND THE ENTIRE DAY, IF NECESSARY, AT THE SESSION.

PBA Working Rules for Professionalism

The practice of law is a profession, a genuine calling inspired with service to the system of justice, not a common business enterprise. The quality of the profession is only as worthy as the character of the people who practice it.

Self-esteem, shared respect for each other, the clients we serve, the judges and the officers with whom we work, are essential to it.

Civility is a virtue, not a shortcoming. Willingness to temper zeal with respect for society's interest in preserving responsible judicial process will help to preserve it.

Unwritten rules of professional courtesy have long sustained us. Since they are sometimes forgotten, or sometimes ignored, we should set them down again and conscientiously observe them.

1. Treat with civility the lawyers, clients, opposing parties, the Court, and all the officials with whom we work. Professional courtesy is compatible with vigorous advocacy and zealous representation.
2. Communications are lifelines. Keep the lines open. Telephone calls and correspondence are a two-way channel; respond to them promptly.
3. Respect other lawyers' schedules as your own. Seek agreement on meetings, depositions, hearings and trial dates. A reasonable request for a scheduling accommodation should never be unreasonably refused.
4. Be punctual in appointments, communications and in honoring scheduled appearances. Neglect and tardiness are demeaning to others and to the judicial system.
5. Procedural rules are necessary to judicial order and decorum. Be mindful that pleadings, discovery processes and motions cost time and money. They should not be heedlessly used. If an adversary is entitled to something, provide it without unnecessary formalities.
6. Grant extensions of time when they are reasonable and when they will not have a material, adverse effect on your client's interest.
7. Resolve differences through negotiation, expeditiously and without needless expense.
8. Enjoy what you are doing and the company you keep. You and the world will be better for it.

Beyond all this, the respect of our peers and the society which we serve is the ultimate measure of responsible professional conduct.

R-00061625 ET AL. PENNSYLVANIA PUBLIC UTILITY COMMISSION v.
BOROUGH OF PHOENIXVILLE

(REVISED 1/23/07)

EDMUND J BERGER ESQUIRE
BERGER LAW FIRM PC
2104 MARKET STREET
CAMP HILL PA 17011

BOROUGH MANAGER
BOROUGH OF PHOENIXVILLE
140 CHURCH STREET
PHOENIXVILLE PA 19460

JOHNNIE E SIMMS CHIEF PROSECUTOR
ROBERT V ECKENROD ESQUIRE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET
PO BOX 3265
HARRISBURG PA 17105-3265

CHRISTINE MELONI HOOVER
ASSISTANT CONSUMER ADVOCATE
555 WALNUT STREET
5TH FLOOR FORUM PLACE
HARRISBURG PA 17101-1923
C0001

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

January 31, 2007

DOCUMENT
FOLDER

Honorable Charles E. Rainey, Jr.
PA. Public Utility Commission
Administrative Law Judge
1400 West Spring Garden St.
1302 Philadelphia State Office Bldg.
Philadelphia, PA 19130

DOCKETED
FEB 23 2007

Re: Pennsylvania Public Utility Commission
v.
Borough of Phoenixville Sewer Fund
Docket No. R-00061625

Dear Judge Rainey:

Enclosed please find the Office of Consumer Advocate's Prehearing Memorandum in the above-captioned proceeding.

Copies have been served upon all parties of record this date as evidenced by the attached Certificate of Service.

Very truly yours,

A handwritten signature in cursive script that reads "Jennedy E. Santolla".

Jennedy E. Santolla
Assistant Consumer Advocate
PA Attorney I.D. # 203098

Enclosure

cc: All parties of record
James McNulty, Secretary
92495

On December 6, 2006, the OCA filed a Formal Complaint against the proposed rate increase. In that Formal Complaint, the OCA submitted that a preliminary examination of the Borough's rate increase request indicated that the Borough's present rates and proposed charges, increases and changes in rates, rules and regulations contained within the request may be unjust, unreasonable, and in violation of law; may allow the Borough an opportunity to recover an excessive rate of return in violation of the Public Utility Code; will or may compensate the Borough for providing inadequate service to some or all of its customers; may discriminate against certain customers; and otherwise may be contrary to sound ratemaking principles and public policy.

II. SERVICE ON THE OCA

The OCA will be represented in this proceeding by Senior Assistant Consumer Advocate Christine Maloni Hoover and Assistant Consumer Advocate Jennedy E. Santolla. Two copies of all documents should be served in the OCA as follows:

Christine Maloni Hoover
Senior Assistant Consumer Advocate
Office of Consumer Advocate
Jennedy E. Santolla
Assistant Consumer Advocate
555 Walnut Street, Forum Place 5th Floor
Harrisburg PA 17101-1923

Telephone (717) 783-5048
Telecopier (717) 783-7152
Email: choover@paoca.org
jsantolla@paoca.org

III. DISCOVERY

The OCA proposes no changes to the Commission's discovery regulations.

IV. PROPOSED SCHEDULE

The OCA's proposed Procedural Schedule is attached hereto as Appendix A. The OCA proposes that the schedule dates be "in-hand" and that electronic service or fax service on the due date will satisfy the "in-hand" requirement, where a hard copy is sent by first-class mail. The proposed Procedural Schedule has been agreed to by OTS; the OCA continues to await a response from the counsel for the Borough of Phoenixville.

V. WITNESSES

The OCA intends to present the direct testimony of Marilyn J. Kraus, CPA, Senior Regulatory Analyst at the Office of Consumer Advocate. Her contact information is as follows:

Marilyn J. Kraus, Senior Regulatory Analyst
Office of Consumer Advocate
555 Walnut Street, Forum Place 5th Floor
Harrisburg PA 17101-1923
Telephone (717) 783-5048
Telecopier (717) 783-7152
Email: mkraus@paoca.org

To the extent necessary, Ms. Kraus will present testimony regarding the issues described below. The OCA specifically reserves the right to call additional witnesses and to expand the issues addressed in testimony, as necessary. If the OCA determines that an additional witness or witnesses is necessary for any portion of its case, it will notify all parties of record immediately.

VI. ISSUES AND EVIDENCE

Regarding issues that may be developed and subsequently contested, the OCA questions a number of the Borough's test year expenses, pro forma expense increases, the Borough's rate base claim, the Borough's rate of return claim, aspects of the Borough's net operating income

and the Borough's proposed rate design. In addition, the OCA is investigating the quality of service provided by the Borough.

Should it be necessary to proceed to litigation, the OCA will be able to set forth and quantify its specific recommendations in its direct testimony, after it has reviewed the Borough's discovery responses and informally discussed issues of concern with the Borough, and reviewed the Borough's direct testimony. All testimony will be supported by exhibits and explanatory schedules.

VII. PUBLIC INPUT HEARINGS

There have been no formal complaints nor any rate protests filed with the Commission in this matter. If the OCA becomes aware of substantial public interest, the OCA will promptly notify ALJ Rainey and the parties and request that a public input hearing be scheduled.

Respectfully submitted,

Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA I.D. #50026
choover@paoca.org
Jennedy E. Santolla
Assistant Consumer Advocate
PA I.D. #203098
jsantolla@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street, Forum Place 5th Floor
Harrisburg PA 17101-1923
(717) 783-5048
(717) 783-7152(fax)
DATED: January 31, 2007

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
	:	
v.	:	Docket No. R-00061625
	:	
BOROUGH OF PHOENIXVILLE	:	
SEWER FUND	:	

PROPOSED PROCEDURAL SCHEDULE
OF THE
OFFICE OF CONSUMER ADVOCATE

Prehearing Conference and Mediation	February 2, 2007
Due Date for the filing and in-hand service of Borough's prepared Direct Testimony ¹	March 16, 2007
Due Date for the filing and in-hand service Of the prepared Direct Testimony of other Parties	April 6, 2007
Due Date for the filing and in-hand service Of Borough's Rebuttal Testimony	April 27, 2007
Due Date for the filing and in-hand service Of other Parties' Surrebuttal Testimony	May 11, 2007
Evidentiary Hearings in Harrisburg	May 21-22, 2007
Close of Record	May 22, 2007
Due Date for the filing and in-hand service of Main Briefs	June 12, 2007
Due Date for the filing of Reply Briefs	June 26, 2007
End of Suspension Period	October 1, 2007

¹ The OCA proposes that the schedule dates be "in-hand" and that electronic service or fax service on the due date will satisfy the "in-hand" requirement, where a hard copy is sent by first-class mail.

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission
v.
Borough of Phoenixville Sewer Fund
Docket No. R-00061625

I hereby certify that I have this day served a true copy of the foregoing document, Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 31st day of January, 2007.

SERVICE BY INTEROFFICE MAIL

Robert V. Eckenrod, Esq.
Office of Trial Staff
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

SERVICE BY E-MAIL AND/OR FIRST CLASS MAIL

Edmund J. Berger, Esq.
Berger Law Firm, P.C.
2104 Market Street
Camp Hill, PA 17011

Borough of Phoenixville
Borough Manager
140 Church Street
Phoenixville, PA 19460

Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-Mail: CHoover@paoca.org

Jennedy E. Santolla
Assistant Consumer Advocate
PA Attorney I.D. # 203098
E-Mail: JSantolla@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048