

BOROUGH OF CONSHOHOCKEN AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

BOROUGH OF CONSHOHOCKEN AUTHORITY
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DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Borough of Conshohocken Authority

We have audited the accompanying financial statements of Borough of Conshohocken Authority (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Conshohocken Authority as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

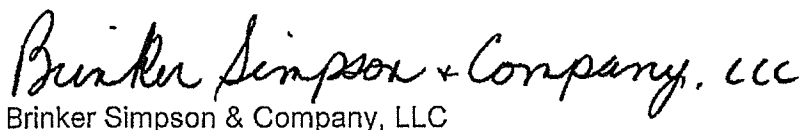
Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 7, the budgetary comparison information on pages 25 through 26, as well as the required supplementary information related to the Authority's net pension liability on pages 27 through 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted accounting principles, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The statements of operating expenses and general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements of operating expenses and general and administrative expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.


Brinker Simpson & Company, LLC

Springfield, Pennsylvania

June 28, 2016

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

The following discussion and analysis of the activities and financial performance of the Borough of Conshohocken Authority (the "Authority") provides an introduction and overview to the Authority's basic financial statements for the fiscal years ended December 31, 2015 and 2014. Please consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

The Borough of Conshohocken Authority is a municipal authority under the Commonwealth of Pennsylvania, which oversees the wastewater treatment facility of the Borough of Conshohocken. The Authority was established in 1946.

Authority Activities and Highlights

The Authority's net position increased by \$49,610 for the year ended December 31, 2015.

The Authority's operating revenues, which consist primarily of sewer rental income and operating expenses remained relatively unchanged in percentage terms from the prior year.

The Authority has continued its efforts to collect outstanding sewer charges from its customers within the Borough of Conshohocken through the use of quarterly mailings to owners and the filing of liens and judgments.

The Authority negotiated a settlement agreement and contract amendment with Plymouth Township pertaining to retroactive billing for the five-year period ended December 31, 2003. Under the settlement agreement, the Authority paid \$35,000 over a ten year period to pay back the agreed \$350,000 plus interest. The Authority paid two payments of \$35,000 in 2014 to pay the agreement in full. During May 2014, Plymouth Township and the Authority agreed to settle all interest and fees related to the 2003 agreement in the amount of \$15,849.82. As of May 31, 2014, all payments, fees and interest related to the 2003 agreement have been paid.

Overview of the Financial Statements

The Borough of Conshohocken Authority's basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

Statement of Net Position

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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the information reflecting how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 22 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information as listed in the table of contents.

Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Borough of Conshohocken Authority, assets exceeded liabilities by \$17,618,105 at the close of the most recent fiscal year.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

The following table summarizes the financial position of the Authority as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014 (Restated)</u>
Assets and Deferred Outflows of Resources		
Current assets	\$ 3,017,775	\$ 2,742,734
Cash, escrow funds - developers	88,449	101,352
Utility plant and equipment, net of accumulated depreciation	15,986,098	16,102,925
Net pension asset	<u>107,506</u>	<u>160,775</u>
Total Assets	<u>\$ 19,199,828</u>	<u>\$ 19,107,786</u>
Deferred Outflows of Resources	<u>\$ 46,375</u>	<u>\$ 598</u>
Current and Other Liabilities		
Current liabilities	\$ 231,863	\$ 291,294
Long term debt	1,390,416	1,248,595
Total Liabilities	<u>\$ 1,622,279</u>	<u>\$ 1,539,889</u>
Deferred Inflows of Resources	<u>\$ 5,819</u>	<u>\$ -</u>
Net Assets		
Invested in capital assets, net of related debt	14,536,932	14,796,695
Unrestricted	<u>3,081,173</u>	<u>2,771,800</u>
Total Net Assets	<u>17,618,105</u>	<u>17,568,495</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 19,246,203</u>	<u>\$ 19,108,384</u>

The Authority's net assets presented in the table reflect an investment in capital assets (sewer plant, sewer collection system, and equipment) net of related debt of \$14,536,932 as well as unrestricted net assets of \$3,081,173.

Changes in Net Position

The Authority's primary source of revenue is user fees. These fees are charged to all residential and commercial users of the sewer system. Operating expenses primarily include wages and benefits, utilities, debt service, and other costs associated with the operation and maintenance of the treatment plant and sewer system.

The following table summarizes the statement of revenue, expenses and changes in net position of the Authority for the fiscal years 2015 and 2014:

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

Statement of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Sewer Rental Income	\$ 2,083,251	\$ 2,084,457
Connection Fees	26,368	166,999
Miscellaneous Fees and Penalties	114,445	75,500
Total Operating Revenues	<u>2,224,064</u>	<u>2,326,956</u>
 Operating and Administrative Expenses	 <u>2,178,886</u>	 <u>2,215,593</u>
 Operating Income	 45,178	 111,363
 Interest Income	 <u>4,432</u>	 <u>4,039</u>
 Increase in Net Position	 <u><u>\$ 49,610</u></u>	 <u><u>\$ 115,402</u></u>

Capital Acquisitions

The Authority's investment in capital assets includes land, buildings, and equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by available reserves and debt.

Borough of Conshohocken Authority's investment in capital assets as of December 31, 2015 and 2014, net of accumulated depreciation, was as follows:

	<u>2015</u>	<u>2014</u>
Sewer Plant	\$ 26,338,791	\$ 25,406,762
Maintenance Equipment	228,508	228,508
Laboratory Equipment	12,450	12,450
Trucks	169,044	165,552
Office Furniture & Equipment	101,039	96,829
Land	81,177	81,177
Construction in Progress	142,594	642,265
	<u>27,073,603</u>	<u>26,633,543</u>
Less: Accumulated Depreciation	<u>(11,087,505)</u>	<u>(10,530,618)</u>
Capital Assets, Net of Depreciation	<u><u>\$ 15,986,098</u></u>	<u><u>\$ 16,102,925</u></u>

Additional information on capital assets can be found in Note 4 to the financial statements.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

Debt Administration

As of December 31, 2015, the Authority had total debt outstanding of \$1,449,166.

Additional information on the Authority's long-term debt can be found in Note 5 of the financial statements. The Authority's debt is essentially secured by the sewer receipts and revenues.

Economic Factors and Next Year's Budgets and Rates

The Borough of Conshohocken Authority continues to focus its efforts on increasing its revenues and containing, if not reducing, its expenses in order to improve its financial condition. The Authority noticed an increase in sewer revenues due to a rate restructuring effective September 2013. In an effort to accurately charge each resident their fair share for sewer service, the Authority changed the method of charging the base fee by account to an EDU based fee. With help from the Borough, the Authority obtained a listing of the number of units per household. The base fee was changed from \$67.00 per account to \$45.00 per unit.

The Authority has maintained an aggressive program of filing liens against property owners. The Authority continues to work with customers by setting up payment plans in an effort to mitigate the financial impact of repaying large delinquencies. In addition, the Authority actively pursues outstanding money by filing civil judgments against large balance accounts.

Finally, the Borough of Conshohocken Authority recognizes that the current economic climate, while slowly improving, may adversely impact its customers but it believes that the programs it has enacted will enable it to sustain its financial goals and objectives.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, creditors and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's staff at the Borough of Conshohocken Authority, 601 East Elm Street, Conshohocken, PA 19428.

Felix Raimondo
Authority Chairperson
Borough of Conshohocken Authority

Stephen Clark
Executive Director

BOROUGH OF CONSHOHOCKEN AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2015</u>	<u>2014 (Restated)</u>
Current		
Cash	\$ 2,365,009	\$ 2,108,931
Accounts receivable, less allowance for doubtful accounts of \$35,000 for both years	628,003	614,900
Prepaid expenses	<u>24,763</u>	<u>18,903</u>
Total current assets	3,017,775	2,742,734
Restricted assets		
Cash, escrow funds - developers	88,449	101,352
Utility plant and equipment, net of accumulated depreciation	15,986,098	16,102,925
Net pension asset	<u>107,506</u>	<u>160,775</u>
TOTAL ASSETS	<u><u>\$ 19,199,828</u></u>	<u><u>\$ 19,107,786</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions, differences between expected and actual experience	<u><u>\$ 46,375</u></u>	<u><u>\$ 598</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current		
Accounts payable and accrued expenses	\$ 56,532	\$ 83,967
Escrow payables	88,449	101,352
Current maturities of Sewer Revenue Note, Series of 2009	-	57,635
Current maturities of Sewer Revenue Note, Series of 2015	58,750	-
Payroll, payroll taxes and union dues payable	<u>28,132</u>	<u>48,340</u>
Total current liabilities	231,863	291,294
Sewer Revenue Note, Series of 2009, net of current maturities	-	1,248,595
Sewer Revenue Note, Series of 2015, net of current maturities	<u>1,390,416</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 1,622,279</u></u>	<u><u>\$ 1,539,889</u></u>
DEFERRED INFLOWS OF RESOURCES		
Pension contributions, differences between projected and actual earnings on plan investments	<u><u>\$ 5,819</u></u>	<u><u>\$ -</u></u>
Net position		
Invested in capital assets, net of Sewer Revenue Note	14,536,932	14,796,695
Unrestricted	<u>3,081,173</u>	<u>2,771,800</u>
Total net position	17,618,105	17,568,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 19,246,203</u></u>	<u><u>\$ 19,108,384</u></u>

See notes to financial statements.

BOROUGH OF CONSHOHOCKEN AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31

	<u>2015</u>	<u>2014 (Restated)</u>
Operating revenues		
Sewer rentals, net of discounts	\$ 2,083,251	\$ 2,084,457
Connection fees	26,368	166,999
Miscellaneous fees and penalties	<u>114,445</u>	<u>75,500</u>
Total operating revenues	<u>2,224,064</u>	<u>2,326,956</u>
Operating expenses	1,599,188	1,548,751
General and administrative expenses	<u>579,698</u>	<u>666,842</u>
Total expenses	<u>2,178,886</u>	<u>2,215,593</u>
Operating income	45,178	111,363
Interest income	<u>4,432</u>	<u>4,039</u>
Increase in net position	49,610	115,402
Net position, beginning	17,568,495	17,291,720
Restatement - To reflect implementation of GASB No. 68	<u>-</u>	<u>161,373</u>
Net position, ending	<u>\$ 17,618,105</u>	<u>\$ 17,568,495</u>

See notes to financial statements.

BOROUGH OF CONSHOHOCKEN AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

Increase (Decrease) in Cash

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,210,961	\$ 2,470,826
Cash payments to suppliers for materials and services	(848,753)	(981,154)
Cash payments to employees and subcontractors for services	(813,438)	(720,334)
Net cash provided by operating activities	<u>548,770</u>	<u>769,338</u>
Cash flows from capital and related financial activities		
Acquisition of capital assets	(440,060)	(642,875)
Proceeds from Sewer Revenue Note, Series of 2015	1,449,166	-
Repayment of Sewer Revenue Note, Series of 2009	(1,306,230)	(62,605)
Net cash used by capital and related financial activities	<u>(297,124)</u>	<u>(705,480)</u>
Cash flows from investing activities		
Interest received	<u>4,432</u>	<u>4,039</u>
Net cash provided by investing activities	<u>4,432</u>	<u>4,039</u>
Net change in cash	256,078	67,897
Cash, beginning	<u>2,108,931</u>	<u>2,041,034</u>
Cash, ending	<u><u>\$ 2,365,009</u></u>	<u><u>\$ 2,108,931</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 45,178	\$ 111,363
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	556,887	557,556
Change in:		
Accounts receivable	(13,103)	143,870
Prepaid expenses	(5,860)	(1,002)
Net pension asset	13,311	-
Accounts payable and accrued expenses	(27,435)	(53,078)
Payroll, payroll taxes and union dues payable	(20,208)	10,629
Net cash provided by operating activities	<u><u>\$ 548,770</u></u>	<u><u>\$ 769,338</u></u>
Supplemental disclosure		
Interest paid	\$ 85,090	\$ 78,247

See notes to financial statements.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 1: Nature of operations and summary of significant accounting principles

Nature of operations

The Borough of Conshohocken Authority (the Authority) is a municipal authority under the Commonwealth of Pennsylvania, which oversees the wastewater treatment facility of the Borough of Conshohocken. Operating revenues are received from sewer rents, permits, certifications and connection fees.

Basis of accounting

The Authority is considered an enterprise fund, which is a proprietary fund-type used to account for operations that are financed and operated in a manner similar to private business enterprises.

Revenues and expenses are recognized on the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred and become measurable.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

New accounting pronouncements

The Authority has adopted Governmental Accounting Standards Board (GASB) Statements No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Both GASB Statement Nos. 62 and 63 are effective for years beginning after December 15, 2011. GASB Statements No. 65 is effective for years beginning after December 15, 2012, with restatement of prior years required.

GASB No. 62 codifies all FASB and AICPA pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements. As a result, proprietary funds will no longer have to consider pre-1989 FASB and AICPA pronouncements nor will they be permitted to apply FASB pronouncements issued after November 30, 1989.

GASB No. 63 provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of a reporting entity's net assets that is applicable to a future reporting period. Deferred inflows represent the acquisition of net assets that is applicable to a future reporting period. Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is changed to statement of net position.

GASB No. 65 requires that debt issue costs no longer be reported in the statement of net position because they do not meet the definition of assets, liabilities, deferred outflows of resources, or deferred inflows of resources. Rather, debt issue costs are expensed as incurred.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 1: Nature of operations and summary of significant accounting policies (continued)

New accounting pronouncements (continued)

As a result of implementing GASB No. 65, the Authority restated its 2012 financial statements to expense the unamortized portion of debt issue costs related to the Sewer Revenue Note. The effect of this restatement was to decrease in net position for 2012, and decrease total assets and net position as of December 31, 2012, by \$87,618.

GASB No. 67 replaces the requirements of statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts and equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of the statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective for reporting periods beginning after June 15, 2014, requires reporting deferred outflows of resources related to pensions for, among other items, employer contributions made directly by the employer to a defined benefit pension plan between the measurement date of the net pension liability and the employer's fiscal year end, actual plan investment earnings being less than projected for a particular year, and increases in total pension liabilities resulting from either changes in assumptions, or differences between expected and actual experience that result in experience losses.

As a result of implementation GASB No. 68 the Authority has restated its 2014 financial statements to record the net pension asset of \$160,775 as well as to record \$598 as deferred outflows of resources which represents employer contributions subsequent to the measurement date.

Utility plant and equipment

Depreciation of utility plant and equipment is computed using the straight-line method. Estimated useful lives are as follows:

	<u>Years</u>
Sewer plant	7 - 50
Fixtures and equipment	5 - 12
Building	31 ^{1/2} - 40

The minimum capitalization threshold is an individual item with a cost in excess of \$1,000 and a useful life exceeding one year.

Receivables

The Authority accounts for uncollectible accounts and other receivables using the allowance method. The Authority places a lien on properties for which balances outstanding are greater than \$250 and are more than 90 days outstanding. The Authority obtains a judgment on properties for which balances outstanding are greater than \$1,000 in excess of one year.

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 1: Nature of operations and summary of significant accounting policies (continued)

Use of estimates

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

Notes 2: Cash

The Authority's cash and cash investments consist of deposits with financial institutions.

Custodial credit risk

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

As of December 31, 2015, \$1,940,768 of the Authority's cash balance of \$2,454,281 was exposed to custodial credit risk, as follows:

Uninsured and uncollateralized but covered under Act 72	<u>\$ 1,940,768</u>
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Note 3: Allowance for doubtful accounts

Changes in the accounts receivable allowance for doubtful accounts are:

	<u>2015</u>	<u>2014</u>
Balance, January 1	\$ 35,000	\$ 35,000
Provision for doubtful accounts	<u>-</u>	<u>-</u>
Balance, December 31	<u>\$ 35,000</u>	<u>\$ 35,000</u>

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 4: *Utility plant and equipment*

2015				
	Balance at Jan. 1, 2015	Additions	Disposals Reclassifications	Balance at Dec. 31, 2015
Nondepreciable property				
Land	\$ 81,177	\$ -	\$ -	\$ 81,177
Contruction in progress	642,265	359,243	(858,914)	142,594
Total nondepreciable property	<u>\$ 723,442</u>	<u>\$ 359,243</u>	<u>\$ (858,914)</u>	<u>\$ 223,771</u>
Depreciable property				
Sewer plant and improvements	\$ 25,406,762	\$ 932,029	\$ -	\$ 26,338,791
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	12,450	-	-	12,450
Trucks	165,552	3,492	-	169,044
Office furniture and equipment	96,829	4,210	-	101,039
Total depreciable property	25,910,101	939,731	-	26,849,832
Less: Accumulated depreciation	<u>(10,530,618)</u>	<u>(556,887)</u>	<u>-</u>	<u>(11,087,505)</u>
Total depreciable property, net	<u>\$ 15,379,483</u>	<u>\$ 382,844</u>	<u>\$ -</u>	<u>\$ 15,762,327</u>
Total utility plant and equipment	<u>\$ 16,102,925</u>	<u>\$ 742,087</u>	<u>\$ (858,914)</u>	<u>\$ 15,986,098</u>
2014				
	Balance at Jan. 1, 2014	Additions	Disposals Reclassifications	Balance at Dec. 31, 2014
Nondepreciable property				
Land	\$ 81,177	\$ -	\$ -	\$ 81,177
Contruction in progress	114,735	563,946	(36,416)	642,265
Total nondepreciable property	<u>\$ 195,912</u>	<u>\$ 563,946</u>	<u>\$ (36,416)</u>	<u>\$ 723,442</u>
Depreciable property				
Sewer plant and improvements	\$ 25,316,675	\$ 90,087	\$ -	\$ 25,406,762
Maintenance equipment	207,169	21,339	-	228,508
Laboratory equipment	12,450	-	-	12,450
Trucks	165,552	-	-	165,552
Office furniture and equipment	92,910	3,919	-	96,829
Total depreciable property	25,794,756	115,345	-	25,910,101
Less: Accumulated depreciation	<u>(9,973,062)</u>	<u>(557,556)</u>	<u>-</u>	<u>(10,530,618)</u>
Total depreciable property, net	<u>\$ 15,821,694</u>	<u>\$ (442,211)</u>	<u>\$ -</u>	<u>\$ 15,379,483</u>
Total utility plant and equipment	<u>\$ 16,017,606</u>	<u>\$ 121,735</u>	<u>\$ (36,416)</u>	<u>\$ 16,102,925</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 5: Sewer Revenue Notes

Sewer Revenue Note, Series of 2009

On December 23, 2009, the Authority issued a Sewer Revenue Note, Series of 2009, in the principal amount of \$5,780,000 payable to VIST Bank.

The proceeds of the Note, which were drawn at the discretion of the Authority through December 15, 2012, were used to finance various improvements and upgrades to the Authority's sewage treatment and collection facilities and to pay costs associated with the issuance of the Note.

Interest was payable semiannually on amounts advanced on January 15th and July 15th of each year. Effective February 8, 2012, the interest rate charged for the period through January 15, 2017 was reset to 4% from 4.3%. As a result of the 2013 amendment, the interest rate was reset from September 20, 2013 through January 15, 2019 to 2.75%.

The Note was subject to repayment in amounts ranging from \$57,635 in 2015 to \$88,675 in 2036. The Note required the Authority to charge and collect from its customers sanitary sewer rates and other charges, including assessments and connection fees, that provided the Authority with funds to annually pay its administrative expenses, 110% of the annual debt service requirements on the Note, and any other debt service requirements of the Authority. The Authority had pledged its future revenues as security for the Note.

Sewer Revenue Note, Series of 2015

Effective September 22, 2015, the Authority refinanced its Sewer Revenue Note, Series of 2009 (2009 Note) with a Sewer Revenue Note, Series of 2015 with VIST Bank in the amount of \$6,883,500 (the 2015 Note). Proceeds from the 2015 Note were used to pay the principal and accrued interest through the payoff date of the 2009 Note, fund closing costs of the 2015 Note, and to provide funds for the construction of various improvements and upgrades to the sanitary conveyance and treatment facilities as well as to fund any other future capital expenditures. Under the 2015 Note, interest accrues semiannually on January 15 and July 15 of each year at 2.65% through January 15, 2023, and thereafter the 2015 Note will be reset annually at the floating rate equal to 100% of the then current 30-day LIBOR Rate on January 15, 2023, multiplied by 70% plus 167 basis points, but in no event shall the interest rate be greater than 5.00%, until the maturity date of July 15, 2037. The Authority may request and receive advances on the Note through September 20, 2018. The Authority has pledged all of its rights, title and interest in and to the revenues derived from its water and sewer system to the bank.

Plymouth Township and West Conshohocken Municipal Authority are responsible for 26.2% and 20.2% as their respective capital shares in the Authority's sewage treatment and collection facilities (see Note 11).

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 5: Sewer Revenue Notes (continued)

Sewer Revenue Note, Series of 2015 (continued)

Interest is payable semi-annually on January 15th and July 15th of each year until maturity or earlier redemption. The maximum annual requirements to amortize principal and interest are:

<u>Maturity Date</u> <u>Year</u>	<u>Minimum</u> <u>Interest Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2016	2.65%	\$ 58,750	\$ 148,463	\$ 207,213
2017	2.65%	54,060	180,856	234,916
2018	2.65%	312,590	179,424	492,014
2019	2.65%	320,860	171,140	492,000
2020	2.65%	329,370	162,636	492,006
2021	2.65%	338,120	153,908	492,028
2022	2.65%	347,110	144,948	492,058
2023	2.65%	296,020	195,941	491,961
2024	5.00%	250,650	241,332	491,982
2025	5.00%	263,240	228,798	492,038
2026	5.00%	276,430	215,636	492,066
2027	5.00%	290,150	201,816	491,966
2028	5.00%	304,690	187,308	491,998
2029	5.00%	319,960	172,073	492,033
2030	5.00%	335,880	156,075	491,955
2031	5.00%	352,730	139,281	492,011
2032	5.00%	370,350	121,644	491,994
2033	5.00%	388,920	103,127	492,047
2034	5.00%	408,260	83,681	491,941
2035	5.00%	428,680	63,268	491,948
2036	5.00%	450,080	41,834	491,914
2037	5.00%	386,600	19,330	405,930
		6,883,500	\$ 3,312,519	\$ 10,196,019
Less: Current Maturities		(58,750)		
Long-Term Portion		6,824,750		
Less: Amounts Available to be Withdrawn		(5,434,334)		
Net Long-Term Debt		\$ 1,390,416		

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 5: Sewer Revenue Notes (continued)

Sewer Revenue Note, Series of 2015 (continued)

Changes in Sewer Revenue Notes 2015 and 2009 for the years end December 31, 2015 and 2014 are:

		2015		
		Balance at Jan. 1, 2015	Increase	Balance at Dec. 31, 2015
Series of 2015		\$ -	\$ 1,449,166	\$ -
Series of 2009		1,306,230	-	1,449,166
	Total	\$ 1,306,230	\$ 1,449,166	\$ 1,449,166

		2014		
		Balance at Jan. 1, 2014	Increase	Balance at Dec. 31, 2014
Series of 2015		\$ -	\$ -	\$ -
Series of 2009		1,368,835	-	1,306,230
	Total	\$ 1,368,835	\$ -	\$ 1,306,230

Interest expense was \$95,158 and \$49,992 for 2015 and 2014, respectively.

Note 6: Pension Plan

Plan description

The Authority has a contributory defined benefit pension plan. The plan is administered by the Pennsylvania Municipal Retirement System (PMRS). The following table provides information concerning the Authority's pension plan as of January 1, 2015 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$465,633
Benefit vesting	100% after ten years
Normal retirement date	After 65th birthday or completion of 20 years of service
Annual retirement benefit	1.25% times years of credited service times final average salary
Final salary	Average annual compensation during three years prior to effective date of retirement
Required employee contributions	3.5% of monthly earnings

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 6: Pension plan (continued)

The following table contains the number of active participants, deferred vested participants, and participants currently receiving a benefit from the Plan based upon the most recent actuarial valuation date:

Employees Covered by Benefit Terms	
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	1
Active employees	9
Total Participant Count	16

Change in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2013	\$ 1,099,951	\$ 1,260,726	\$ (160,775)
Service Cost	30,985	-	30,985
Interest	61,070	-	61,070
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	53,000	-	53,000
Contributions - employer	-	598	(598)
Contributions - member	-	17,525	(17,525)
PMRS investment income	-	69,328	(69,328)
Market value investment income *	-	7,274	(7,274)
Transfers	-	-	-
Benefit payments	(41,690)	(41,690)	-
PMRS administrative expense	-	(280)	280
Additional administrative expense	-	(2,659)	2,659
Net changes	103,365	50,096	53,269
Balances at December 31, 2014	\$ 1,203,316	\$ 1,310,822	\$ (107,506)

* Reflects the net investment income (loss) of (\$4,225) and the income (loss) due to the difference between expected and actual asset values of \$11,499, which includes the impact from allocation of assets in support of the underlying retired liabilities.

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

Note 6: Pension plan (continued)

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Total Pension Liability	\$ 1,370,520	\$ 1,203,316	\$ 1,061,298
Plan Fiduciary Net Position	1,310,822	1,310,822	1,310,822
Net Pension Liability	<u>\$ 59,698</u>	<u>\$ (107,506)</u>	<u>\$ (249,524)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.6%	108.9%	123.5%

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 6: Pension plan (continued)

The table below provides a summary of the key results upon adopting GASB 68 during the measurement period.

	Summary of Results	
	Measurement Date	
	12/31/2014	12/31/2013
Net Pension Liability	\$ (107,506)	\$ (160,775)
Deferred Inflows	5,819	-
Deferred Outflows	(46,375)	-
Net Impact on Statement of Net Position	\$ (148,062)	\$ (160,775)
Total Pension Expense (\$ Amount)	\$ 13,311	N/A
Total Pension Expense (% of Payroll)	2.86%	N/A

Net Pension Liability

The net pension liability was measured as of December 31, 2014, which is no earlier than the end of the employer's prior fiscal year as allowed by Paragraph 20 of GASB 68. Any contributions between the Measurement Date and the Reporting Date would be reported as deferred outflows to offset the cash outflow reported. The final Total Pension Liability for the employer is measured as of December 31, 2014 based upon the actuarial valuation of the same date. The beginning of year Total Pension Liability as of December 31, 2013 is based upon the actuarial valuation one year prior and then projected to this date. No significant events or changes in assumptions occurred during this projection period. In alternating years, the beginning of year Total Pension Liability will be based upon the actuarial valuation on the same date, and the end of year Total Pension Liability will be based upon the actuarial valuation date one year prior and then projected to the measurement date.

Note 7: Litigation

In the normal course of business there are various relatively minor claims and suits pending against the Authority, none of which materially effect its financial position.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 8: Contingencies

The Authority contracts to provide sewer services to Plymouth Township and the Borough of West Conshohocken through a Sewage Treatment Agreement (the Agreement). The Agreement provides for the cost of sewer services to be determined on an annual basis by the Authority. The local municipalities remit quarterly payments based upon an estimate of the cost. Subsequent to year end, the Authority determines the actual cost by municipality and provides a retroactive billing or credit for the prior year.

The Authority negotiated a settlement agreement and contract amendment with Plymouth Township pertaining to retroactive billing for the five-year period ended December 31, 2003, totaling \$350,000. Under the settlement agreement, the Authority paid \$350,000 over a ten-year period at an amount of \$35,000 per year. The annual payment was netted against amounts paid by Plymouth Township (see Note 11). During October 2013, the Authority paid Plymouth Township \$70,000 which represented the remaining outstanding balance. During April 2014, The Authority paid an additional \$15,849 for interest charges under the settlement agreement.

Note 9: Other receivable

During 2008, an employee was dismissed after unauthorized transactions were discovered. Although a receivable was recorded for the amounts due from the former employee, the Authority provided a 100% allowance, since the ultimate recovery of this receivable was uncertain. During 2011, the Authority was reimbursed by its insurance carrier for \$100,000 in settlement of an insurance claim related to the unauthorized transactions. In addition, the Authority was reimbursed \$457 in restitution payments and an additional \$7,414 representing a refund of the former employee's vested pension account balance.

As a result, the remaining balance of the other receivable, and related 100% allowance, was reduced from \$223,953 at December 31, 2010 to \$116,082 at December 31, 2011. The Authority filed a claim against its former bank seeking additional recovery. During the year ended December 31, 2015 this claim was settled. Included in miscellaneous fees and penalties in the statements of revenues, expenses and changes in net position is \$45,065 which was received from the bank.

Note 10: Escrows

At December 31, 2015 and 2014, escrows include \$88,449 and \$101,352, respectively, of cash received from developers and other customers. As of December 31, 2015 and 2014, respectively, the Authority owed consultants \$1,665 and \$5,276 related to the escrow balances.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 11: Concentrations

For 2015 and 2014, revenues from Plymouth Township were \$347,003 and \$430,614, respectively, including \$30,397 and \$0 in 2015 and 2014, respectively, for its capital share for plant improvements. At December 31, 2015 and 2014, respectively, accounts receivable due from Plymouth Township were \$82,230 and \$180,924 (including \$30,397 and \$0 for capital share). In 2014, Plymouth Township paid \$844 relating to its obligation for capital share.

For 2015 and 2014, revenues from the Borough of West Conshohocken were \$175,735 and \$169,656, respectively, including \$23,436 and \$0 in 2015 and 2014, respectively, for its capital share for plant improvements. At December 31, 2015 and 2014, respectively, accounts receivable due from the Borough of West Conshohocken were \$60,910 and \$29,389 (including \$23,436 and \$0 for capital share).

Amounts charged to Plymouth Township and the Borough of West Conshohocken for capital share are recorded as sewer rental revenues. Plymouth Township and the Borough of West Conshohocken own a portion of the Authority's plant capacity, not the underlying plant. Accordingly, their respective charges for capital share, representing their share of plant capacity, are recorded as revenue and not a reduction of plant costs (see Note 5).

Note 12: Collective bargaining agreement

The Authority's collective bargaining agreement with its union employees expires on June 30, 2016. The Authority is currently negotiating a new contract.

Note 13: Subsequent events

Subsequent events have been evaluated through June 28, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BOROUGH OF CONSHOHOCKEN AUTHORITY
OPERATING EXPENSES
YEARS ENDED DECEMBER 31

	<u>2015</u>	<u>2014</u>
Operating expenses		
Plant expenses:		
Building maintenance	\$ 36,371	\$ 11,218
Depreciation	537,928	546,531
Engineering fees	22,640	29,777
Equipment rental	77	600
Laboratory expenses	21,318	29,260
Miscellaneous	3,885	2,590
Payroll taxes and benefits	172,879	119,325
Plant security	1,610	2,884
Plant supplies and repair expenses	16,620	13,937
Plant wages	359,039	364,324
Sludge removal	92,606	82,031
Treatment chemicals	16,786	28,675
Uniforms	3,720	5,083
Utilities	122,759	131,934
Vehicle maintenance and fuel	149	251
	<u>1,408,387</u>	<u>1,368,420</u>
Total plant expenses		
	<u>1,408,387</u>	<u>1,368,420</u>
Collection expenses		
Depreciation	15,757	8,262
Engineering fees	-	1,605
Miscellaneous	364	11,380
Payroll taxes and benefits	45,113	30,980
Road crew wages	108,900	103,934
Sewer supplies and repair expenses	9,077	15,214
Vehicle expenses	10,279	7,352
Uniforms	1,311	1,604
	<u>190,801</u>	<u>180,331</u>
Total collection expenses		
	<u>190,801</u>	<u>180,331</u>
Total operating expenses	<u>\$ 1,599,188</u>	<u>\$ 1,548,751</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31**

	<u>2015</u>	<u>2014</u>
General and administrative expenses		
Advertising	\$ 10,623	\$ 10,623
Bank fees	4,749	4,001
Board expense	1,450	1,150
Collection expenses	4,516	4,153
Computer expense and supplies	3,773	16,698
Consulting fees	3,430	138,351
Depreciation	3,202	2,763
Directors' fee	2,500	5,000
Dues and conferences	17,404	5,770
Insurance	69,445	89,216
Interest and penalties	95,158	49,992
Miscellaneous	2,370	2,298
Office salaries	114,084	42,256
Office supplies and expenses	20,310	22,407
Payroll processing fees	3,785	2,614
Payroll taxes and benefits	33,631	48,886
Postage	7,364	4,947
Professional fees	177,037	207,009
Telephone	4,867	8,708
	<u> </u>	<u> </u>
Total general and administrative expenses	<u>\$ 579,698</u>	<u>\$ 666,842</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
REVENUES AND EXPENSES -
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Sewer service	\$ 1,529,905	\$ 1,560,514	\$ 30,609
Connection fees	-	26,368	26,368
Penalties	32,000	26,326	(5,674)
Certifications	6,000	8,220	2,220
NSF fees	200	340	140
MIPP fees	7,900	8,200	300
Miscellaneous fees and permits	3,500	11,027	7,527
Lien fees	5,000	3,483	(1,517)
Legal fees	20,000	11,783	(8,217)
Contract revenues - Plymouth Township	458,168	347,003	(111,165)
Contract revenues - Borough of West Conshohocken	180,000	175,735	(4,265)
Settlement recovery	-	45,065	45,065
Interest income	5,000	4,432	(568)
Total operating revenues	<u>\$ 2,247,673</u>	<u>\$ 2,228,496</u>	<u>\$ (19,177)</u>
Operating expenses			
Plant expenses			
Wages	\$ 334,572	\$ 386,416	\$ (51,844)
Sick pay	-	(27,377)	27,377
Payroll taxes	25,459	34,905	(9,446)
Utilities - gas and electric	160,000	120,462	39,538
Utilities - water	2,500	2,297	203
Plant security	2,000	1,610	390
Vehicle maintenance	500	149	351
Depreciation		537,928	(537,928)
Plant maintenance	15,000	13,707	1,293
Plant supplies	2,500	405	2,095
Repairs/maintenance - building	1,000	137	863
Repairs/maintenance - plant	40,000	36,234	3,766
Small tools - minor repairs	3,000	2,508	492
Employee benefits	107,024	137,974	(30,950)
Employee drug testing	300	423	(123)
Engineering fees	15,000	17,651	(2,651)
Engineering - wasteload management	5,000	4,989	11
Uniforms/safety supplies	7,000	3,720	3,280
Inside lab costs	2,500	1,865	635
Outside lab costs	25,000	19,453	5,547
Sludge removal	100,000	92,606	7,394
Treatment chemical		439	(439)
Chlorine	9,000	4,550	4,450
Sodium hypochlorite	500	-	500
Sodium bisulfite	3,000	2,354	646
Lime	500	-	500
Polymer	3,500	5,788	(2,288)
Hydrogen peroxide	10,120	2,880	7,240
Odor control	3,700	776	2,924
Equipment rentals and lease expense	1,500	77	1,423
Miscellaneous operating expenses	500	-	500
DEP permit fee	1,400	1,914	(514)
Plant mats, deodorizers, gloves	1,200	1,547	(347)
Total plant expenses	<u>\$ 883,275</u>	<u>\$ 1,408,387</u>	<u>\$ (525,112)</u>

BOROUGH OF CONSHOHOCKEN AUTHORITY
REVENUES AND EXPENSES -
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance expenses			
Wages - road crew	\$ 116,911	\$ 108,900	\$ 8,011
Payroll taxes	8,896	10,182	(1,286)
Employee benefits	33,575	34,931	(1,356)
Depreciation	-	15,757	(15,757)
Maintenance - sewer	15,000	7,946	7,054
Maintenance - supplies	3,000	555	2,445
Small tools and minor equipment	500	576	(76)
Equipment rentals and lease expense	500	-	500
Vehicle expenses	8,500	2,076	6,424
Jet truck expenses	20,000	8,206	11,794
Uniforms - road crew	1,600	1,310	290
Engineering fees - collection system	5,000	-	5,000
Miscellaneous operating expenses - collection system	600	362	238
Total maintenance expenses	<u>\$ 214,082</u>	<u>\$ 190,801</u>	<u>\$ 23,281</u>
Administrative expenses			
Wages	\$ 118,315	\$ 114,084	\$ 4,231
Payroll taxes	9,789	10,584	(795)
Employee benefits	95,790	23,047	72,743
Workers compensation	31,000	15,063	15,937
Medical expense reimbursement	4,000	-	4,000
Insurance	64,545	54,382	10,163
Legal	90,000	97,028	(7,028)
Legal - plant	2,500	10,806	(8,306)
Legal - collections	500	13,882	(13,382)
Auditing and accounting	35,000	55,321	(20,321)
Engineering fees	5,000	-	5,000
Director fees	6,000	2,500	3,500
Board expense payment	1,500	1,450	50
Consulting fees	25,000	3,430	21,570
Dues, subscriptions and conferences	7,000	17,404	(10,404)
Office supplies and expenses	15,000	20,310	(5,310)
Computer expenses	7,000	3,773	3,227
Maintenance	500	-	500
Telephone	9,500	4,867	4,633
Advertising expense	8,000	10,623	(2,623)
Postage - general	-	-	-
Postage - billing	6,000	7,364	(1,364)
Collection expenses	4,000	4,516	(516)
Miscellaneous expenses	1,000	2,370	(1,370)
Bank fees	10,000	4,749	5,251
Depreciation expense	-	3,202	(3,202)
Payroll processing fees	2,500	3,785	(1,285)
Interest Expense	100,000	95,158	4,842
Total administrative expenses	<u>\$ 659,439</u>	<u>\$ 579,698</u>	<u>\$ 79,741</u>
Total operating and general and administrative expenses	<u>\$ 1,756,796</u>	<u>\$ 2,178,886</u>	<u>\$ (422,090)</u>
Operating income	<u>\$ 490,877</u>	<u>\$ 49,610</u>	<u>\$ 402,913</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AS OF DECEMBER 31, 2015**

The schedules of Required Supplementary Information will eventually build up to 10 years of information. The schedule below shows the changes in Net Pension Liability and related ratios required by GASB.

	<u>Measurement Year Ending 12/31/2014</u>
<u>Total Pension Liability</u>	
Service cost (beginning of year)	\$ 30,985
Interest (includes interest on service cost)	61,070
Changes of benefit terms	-
Differences between expected and actual experience	53,000
Changes of assumptions	-
Transfers	-
Benefit payments, including refunds of member contributions	(41,690)
Net Change in Total Pension Liability	103,365
Total Pension Liability - Beginning	1,099,951
Total Pension Liability - Ending	\$ 1,203,316
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	\$ 598
Contributions - member	17,525
PMRS investment income	69,328
Market value investment income	7,274
Transfers	-
Benefit payments, including refunds of member contributions	(41,690)
PMRS administrative expense	(280)
Additional administrative expense	(2,659)
Net Change in Plan Fiduciary Net Position	50,096
Plan Fiduciary Net Position - Beginning	1,260,726
Plan Fiduciary Net Position - Ending	\$ 1,310,822
Net Pension Liability - Ending	\$ (107,506)

Notes to Schedule:

Plan Changes: None

Assumption Changes: None

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2015**

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which conforms to these standards.

Last 10 Measurement Years (if available)

	<u>2014</u>
Actuarially Determined Contribution	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	<u>598</u>
Contribution Deficiency/(Excess)	<u>\$ (598)</u>
Covered-Employee Payroll	\$ 465,633
Contributions as a Percentage of Covered-Employee Payroll	0.13%

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

Notes to Schedule:

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

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

Actuarial Cost Method	Entry Age
Amortization Period	Level dollar based upon the amortization period in Act 205
Asset Valuation Method	Based upon the municipal reserves
Discount Rate	5.50%
Inflation	3.00%
Salary Increases	Age related scale with merit and inflation component
COLA increases	3%, for those eligible for COLA
Pre-Retirement Mortality	Males - RP 2000 with 1 year setback; Females - RP 2000 with 5 year setback
Post-Retirement Mortality	Sex distinct RP 2000 Combined Healthy Mortality

Other Information: Plan Changes - please refer to the plan's Act 205 filing.

See independent auditor's report.

BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER REPORTING AMOUNTS
YEAR ENDED DECEMBER 31, 2015

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

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

Schedule of Collective Deferred Inflows and Outflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,375	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,819
Total	\$ 46,375	\$ 5,819

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in

<u>Year Ended December 31:</u>	<u>Amount</u>
2015	\$ 5,170
2016	5,170
2017	5,170
2018	5,171
2019	6,625
Thereafter	13,250

The recognition period for experience and assumptions change gains (losses) is 8.00 years.

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in Net Pension Liability plus the changes in deferred outflows and deferred inflows plus employer contributions.

See independent auditor's report.

BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER REPORTING AMOUNTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

Calculation of Collective Pension Expense	
Change in Net Pension Liability	\$ 53,269
Change in Deferred Outflows	(46,375)
Change in Deferred Inflows	5,819
Employer Contributions	598
Pension Expense	\$ 13,311
 Pension Expense as % of Payroll	 2.86%
 <u>Operating Expenses</u>	
Service Cost	\$ 30,985
Employee Contributions	(17,525)
PMRS Administrative Expense	280
Additional Administrative Expense	2,659
Total	\$ 16,399
 <u>Financing Expenses</u>	
Interest Cost	\$ 61,070
Expected Return on Assets	(69,328)
Total	\$ (8,258)
 <u>Changes</u>	
Benefit Changes	\$ -
Recognition of Assumption Changes	-
Recognition of Liability Gains and Losses	6,625
Recognition of Investment Gains and Losses	(1,455)
Total	\$ 5,170
Pension Expense	\$ 13,311

See independent auditor's report.