

BOROUGH OF CONSHOHOCKEN AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

**BOROUGH OF CONSHOHOCKEN AUTHORITY
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DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Borough of Conshohocken Authority

We have audited the accompanying financial statements of the business-type activities of the Borough of Conshohocken Authority (the Authority) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Borough of Conshohocken Authority as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, the budgetary comparison information on pages 25 and 26, as well as the required supplementary information related to the Authority's net pension liability on pages 27 through 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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. 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. Such 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 auditing standards generally accepted in the United States of America. 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 27, 2018

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016. 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 \$626,043 for the year ended December 31, 2017.

The Authority's operating revenues, which consist primarily of sewer rental income increased by \$555,199 or 21.8% over the prior year, while operating and general and administrative expenses decreased \$17,432 or .99% over the prior year.

The Authority has continued its efforts to collect outstanding sewer charges from customers within the Borough of Conshohocken through the use of mailing delinquent notices and the filing of liens and judgments to these customers.

Effective June 30, 2017, the Authority acquired certain assets owned and used in connection with the sanitary wastewater collection and treatment system that provides wastewater service to its customers of the Borough of West Conshohocken for \$9,500,500. The Authority financed the acquisition with Sewer Revenue Note, Series of 2017 in the amount of \$9,583,000, which included the purchase price plus certain issuance costs with VIST Bank.

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 supplementary information in addition to the basic financial statements.

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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

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.

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.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,425,823 at the close of the most recent fiscal year.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

The following table summarizes the financial position of the Authority as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Assets and Deferred Outflows of Resources		
Current assets	\$ 5,070,944	\$ 3,768,657
Cash, escrow funds - developers	75,454	62,528
Utility plant and equipment, net of accumulated depreciation	<u>26,726,814</u>	<u>15,910,022</u>
Total Assets	<u>\$ 31,873,212</u>	<u>\$ 19,741,207</u>
Deferred Outflows of Resources	<u>\$ 159,727</u>	<u>\$ 171,300</u>
Current and Other Liabilities		
Current liabilities	\$ 620,116	\$ 232,574
Escrow deposits, developers	75,454	62,528
Long-term debt	12,810,649	1,745,806
Net pension liability	<u>26,260</u>	<u>41,183</u>
Total Liabilities	<u>13,532,479</u>	<u>2,082,091</u>
Deferred Inflows of Resources	<u>74,637</u>	<u>30,636</u>
Net Position		
Invested in capital assets, net of related debt	13,603,575	14,110,156
Unrestricted	<u>4,822,248</u>	<u>3,689,624</u>
Total Net Position	<u>18,425,823</u>	<u>17,799,780</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 32,032,939</u>	<u>\$ 19,912,507</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 \$13,603,575 as well as unrestricted net assets of \$4,822,248.

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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position of the Authority for the fiscal years 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Sewer rental income	\$ 2,935,867	\$ 2,381,925
Connection fees	93,925	78,275
Miscellaneous fees and penalties	64,158	78,551
Total Operating Revenues	<u>3,093,950</u>	<u>2,538,751</u>
Operating and General and Administrative Expenses	<u>1,739,102</u>	<u>1,756,534</u>
Operating Income Before Depreciation and Nonoperating Revenues and Expenses	<u>1,354,848</u>	<u>782,217</u>
Depreciation	(657,237)	(565,904)
Interest income	7,057	6,109
Grant income	200,000	-
Interest expense	(278,625)	(40,747)
	<u>(728,805)</u>	<u>(600,542)</u>
Increase in Net Position	<u>\$ 626,043</u>	<u>\$ 181,675</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, 2017 and 2016, net of accumulated depreciation, was as follows:

	<u>2017</u>	<u>2016</u>
Sewer plant	\$ 35,889,893	\$ 26,378,150
Maintenance equipment	228,508	228,508
Laboratory equipment	12,450	12,450
Trucks	171,546	169,044
Office furniture and equipment	108,872	108,872
Land	88,797	81,177
Construction in progress	2,537,394	585,230
	<u>39,037,460</u>	<u>27,563,431</u>
Less: Accumulated depreciation	<u>(12,310,646)</u>	<u>(11,653,409)</u>
Capital Assets, Net	<u>\$ 26,726,814</u>	<u>\$ 15,910,022</u>

Additional information on capital assets can be found in Note 5 to the financial statements.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

Debt Administration

As of December 31, 2017, the Authority had total debt outstanding of \$13,123,239.

Additional information on the Authority's long-term debt can be found in Note 6 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

Stephen Clark
Executive Director

**BOROUGH OF CONSHOHOCKEN AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31**

	2017	2016
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current Assets		
Cash	\$ 4,136,906	\$ 2,811,693
Accounts receivable, less allowance for doubtful account of \$35,000 for both years	913,739	915,563
Prepaid expenses	20,299	41,401
Total Current Assets	5,070,944	3,768,657
Restricted Assets		
Cash, escrow funds - developers	75,454	62,528
Utility plant and equipment, net of accumulated depreciation	26,726,814	15,910,022
Total Assets	\$ 31,873,212	\$ 19,741,207
Deferred Outflows of Resources		
Pension contributions, difference between expected and actual experience	\$ 159,727	\$ 171,300
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 221,028	\$ 140,972
Current maturities of Sewer Revenue Note, Series of 2015	312,590	54,060
Payroll, payroll taxes and union dues payable	39,943	37,542
Accounts payable, retainage	46,555	-
Total Current Liabilities	620,116	232,574
Restricted Liabilities		
Escrow deposits, developers	75,454	62,528
Long-Term Liabilities		
Net pension liability	26,260	41,183
Sewer Revenue Note, Series of 2015, net of current maturities	3,227,649	1,745,806
Sewer Revenue Note, Series of 2017	9,583,000	-
Total Long-Term Liabilities	12,836,909	1,786,989
Total Liabilities	\$ 13,532,479	\$ 2,082,091
Deferred Inflows of Resources		
Pension contributions, differences between projected and actual earnings on plan investments	\$ 74,637	\$ 30,636
Net position		
Invested in capital assets, net of related debt	13,603,575	14,110,156
Unrestricted	4,822,248	3,689,624
Total Net Position	\$ 18,425,823	\$ 17,799,780
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 32,032,939	\$ 19,912,507

See notes to financial statements.

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

	2017	2016
Operating Revenues		
Sewer rentals, net of discounts	\$ 2,935,867	\$ 2,381,925
Connection fees	93,925	78,275
Miscellaneous fees and penalties	64,158	78,551
Total Operating Revenues	3,093,950	2,538,751
Operating expenses	1,073,929	1,235,242
General and administrative expenses	665,173	521,292
Total Expenses	1,739,102	1,756,534
Operating Income Before Depreciation	1,354,848	782,217
Depreciation	657,237	565,904
Operating Income	697,611	216,313
Nonoperating Revenues (Expense)		
Interest income	7,057	6,109
Grant revenue	200,000	-
Interest expense	(278,625)	(40,747)
Net Nonoperating Revenues (Expense)	(71,568)	(34,638)
Increase in Net Position	626,043	181,675
Net Position, Beginning	17,799,780	17,618,105
Net Position, Ending	\$ 18,425,823	\$ 17,799,780

See notes to financial statements.

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

Increase (Decrease) in Cash

	2017	2016
Cash Flows From Operating Activities		
Cash received from customers	\$ 3,095,774	\$ 2,251,191
Cash payments to suppliers for materials and services	(628,028)	(653,224)
Cash payments to employees	(982,623)	(977,517)
Net Cash Provided by Operating Activities	1,485,123	620,450
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(11,474,029)	(489,828)
Grant revenue received	200,000	-
Proceeds from Sewer Revenue Note, Series of 2015	1,794,433	409,450
Principal payments on Sewer Revenue Note, Series of 2015	(54,060)	(58,750)
Proceeds from Sewer Revenue Note, Series of 2017	9,583,000	-
Interest paid	(216,311)	(40,747)
Net Cash Used in Capital and Related Financing Activities	(166,967)	(179,875)
Cash Flows From Investing Activities		
Interest received	7,057	6,109
Net Cash Provided by Investing Activities	7,057	6,109
Net Increase in Cash	1,325,213	446,684
Cash, Beginning	2,811,693	2,365,009
Cash, Ending	\$ 4,136,906	\$ 2,811,693
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 697,611	\$ 216,313
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	657,237	565,904
Change in:		
Accounts receivable	1,824	(287,560)
Prepaid expenses	21,102	(16,638)
Net pension asset	-	107,506
Deferred outflows of resources	11,573	(124,925)
Accounts payable and accrued expenses	17,742	84,440
Accounts payable, retainage	46,555	-
Payroll, payroll taxes and union dues payable	2,401	9,410
Net pension liability	(14,923)	41,183
Deferred inflows of resources	44,001	24,817
Net Cash Provided by Operating Activities	\$ 1,485,123	\$ 620,450

See notes to financial statements.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Effective June 30, 2017, the Authority acquired certain assets owned and used in connection with the sanitary wastewater collection and treatment system that provides wastewater service to its customers of the Borough of West Conshohocken for \$9,500,500. The Authority financed the acquisition with Sewer Revenue Note, Series of 2017 in the amount of \$9,583,000, which included the purchase price plus certain issuance costs with VIST Bank.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual 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.

For expenses that could be paid by either restricted or unrestricted resources, it is the Authority's policy to use restricted revenues first, and then unrestricted revenues as they are needed.

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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

Utility Plant and Equipment

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

	Years
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.

Accounts Receivable

Residential customers are billed a flat rate on a quarterly basis. Commercial customers are billed quarterly based upon a flat rate plus consumption charges from the previous quarter. All bills are due and payable within 30 days from the invoice date, with a 5% discount if paid within 15 days. The Authority accounts for uncollectible accounts 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, 2017 AND 2016**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Restricted Assets

Restricted assets are comprised of developer escrows. Developer deposits held by the Authority are to be used to reimburse the Authority for certain engineering, legal and inspection costs. Upon receipt of the funds, the Authority records the cash and corresponding liability and when the Authority receives invoices for expenses on behalf of the developer, it disburses the funds and reduces the liability.

Budgetary Data

The Authority's management prepares the Authority's operating budget. The Authority follows these procedures in establishing the budgetary data included in the financial statements:

- A preliminary budget is presented to the Board of Directors during October.
- The operating budget includes proposed expenditures and the means of financing them.
- Budgetary control is maintained at the account level.
- Prior to December 31st, the Authority holds a public meeting, after which the budget is legally adopted through the passage of a resolution.
- All budget revisions require the approval of the Board of Directors.

Capital Contributions

Distribution and collection lines, wells and storage and treatment facilities constructed and installed by developers and dedicated to the Authority are recorded as capital contributions and depreciated over their estimated useful lives. There were no capital contributions during the years ended December 31, 2017 and 2016.

Net Position

Net position comprises the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following components: invested in capital assets, net of related debt; and unrestricted.

Net position invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

Unrestricted net position consists of all assets not included in the above categories.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenues) until that time.

Revenues and Rate Structure

Revenues from sewer services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay and debt coverage.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to conform to the current year presentation.

NOTE 2: CASH

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. Balances exceeding federal depository insurance limits are exposed to custodial credit risk. However, under Pennsylvania Act 72, all amounts in excess of insurance limits are collateralized by securities held by the pledging financial institution, but not in the Authority's name. As of December 31, 2017 and 2016, \$3,732,188 and \$2,524,425, respectively, was exposed to custodial credit risk and does not have a deposit policy for custodial credit risk.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 2: CASH (continued)

A reconciliation of amounts exposed to custodial credit risk to total cash held by the Authority is as follows:

	<u>2017</u>	<u>2016</u>
Uninsured and collateral held by the pledging bank's trust department, but not in the Authority's name	\$ 3,732,188	\$ 2,524,425
Plus: Insured amounts	501,540	393,050
Carrying amounts - bank balances	<u>4,233,728</u>	<u>2,917,475</u>
Plus: Petty cash	200	200
Plus: Deposits in transit	-	3,145
Less: Outstanding checks	(21,568)	(46,599)
Total Cash Per Financial Statements	<u><u>\$ 4,212,360</u></u>	<u><u>\$ 2,874,221</u></u>

Cash is comprised of:

	<u>2017</u>	<u>2016</u>
Operating accounts - unrestricted	\$ 4,136,906	\$ 2,811,693
Restricted accounts - developer escrow accounts	75,454	62,528
	<u><u>\$ 4,212,360</u></u>	<u><u>\$ 2,874,221</u></u>

NOTE 3: ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the accounts receivable allowance for doubtful accounts are:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 35,000	\$ 35,000
Provision for doubtful accounts	-	-
Balance, December 31	<u><u>\$ 35,000</u></u>	<u><u>\$ 35,000</u></u>

NOTE 4: ESCROWS

At December 31, 2017 and 2016, escrows include \$75,454 and \$62,528, respectively, of cash received from developers and other customers. As of December 31, 2017 and 2016, the Authority owed consultants \$6,832 and \$2,944, respectively, related to the escrow balances.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 5: UTILITY PLANT AND EQUIPMENT

	2017			Balance at December 31, 2017
	Balance at January 1, 2017	Additions	Transfers	
Nondepreciable property				
Land	\$ 81,177	\$ 7,620	\$ -	\$ 88,797
Construction in progress	585,230	1,952,164	-	2,537,394
Total Nondepreciable Property	666,407	1,959,784	-	2,626,191
Depreciable property				
Sewer plant and improvements	26,378,150	9,511,743	-	35,889,893
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	12,450	-	-	12,450
Trucks	169,044	2,502	-	171,546
Office furniture and equipment	108,872	-	-	108,872
Total Depreciable Property	26,897,024	9,514,245	-	36,411,269
Less: Accumulated depreciation	(11,653,409)	(657,237)	-	(12,310,646)
Total Depreciable Property, Net	15,243,615	8,857,008	-	24,100,623
Total Utility Plant and Equipment	\$ 15,910,022	\$ 10,816,792	\$ -	\$ 26,726,814
	2016			
	Balance at January 1, 2016	Additions	Transfers	Balance at December 31, 2016
Nondepreciable property				
Land	\$ 81,177	\$ -	\$ -	\$ 81,177
Construction in progress	142,594	442,636	-	585,230
Total Nondepreciable Property	223,771	442,636	-	666,407
Depreciable property				
Sewer plant and improvements	26,338,791	39,359	-	26,378,150
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	12,450	-	-	12,450
Trucks	169,044	-	-	169,044
Office furniture and equipment	101,039	7,833	-	108,872
Total Depreciable Property	26,849,832	47,192	-	26,897,024
Less: Accumulated depreciation	(11,087,505)	(565,904)	-	(11,653,409)
Total Depreciable Property, Net	15,762,327	(518,712)	-	15,243,615
Total Utility Plant and Equipment	\$ 15,986,098	\$ (76,076)	\$ -	\$ 15,910,022

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6: SEWER REVENUE NOTES

Sewer Revenue Note, Series of 2017

Effective June 30, 2017, the Authority financed its acquisition of the Borough of West Conshohocken's sanitary conveyance facilities plus closing costs with the proceeds from Sewer Revenue Note, Series of 2017 in the amount of \$9,583,000 with VIST Bank. Interest shall be payable semiannually on May 1st and November 1st of each year, commencing November 1, 2017, at 2.50% through November 1, 2027, and thereafter through November 1, 2040, the interest rate shall be calculated at the then-applicable bank-qualified tax-exempt variable rate equal to the 30 Day LIBOR Rate as of the first day of each month, multiplied by 65%, plus 175 basis points, but in no event shall the interest rate be greater than 5.00%, until the maturity date of November 1, 2040. The Authority has pledged all of its rights, title and interest in and to the revenues and receipts derived from its water and sewer system to the bank.

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>
2018	2.50%	\$ -	\$ 239,575	\$ 239,575
2019	2.50%	-	239,575	239,575
2020	2.50%	404,000	239,575	643,575
2021	2.50%	415,000	229,475	644,475
2022	2.50%	425,000	219,100	644,100
2023	2.50%	435,000	208,475	643,475
2024	2.50%	446,000	197,600	643,600
2025	2.50%	458,000	186,450	644,450
2026	2.50%	469,000	175,000	644,000
2027	2.50%	481,000	163,275	644,275
2028	5.00%	341,000	302,500	643,500
2029	5.00%	359,000	285,450	644,450
2030	5.00%	377,000	267,500	644,500
2031	5.00%	395,000	248,650	643,650
2032	5.00%	415,000	228,900	643,900
2033	5.00%	436,000	208,150	644,150
2034	5.00%	458,000	186,350	644,350
2035	5.00%	481,000	163,450	644,450
2036	5.00%	505,000	139,400	644,400
2037	5.00%	530,000	114,150	644,150
2038	5.00%	556,000	87,650	643,650
2039	5.00%	584,000	59,850	643,850
2040	5.00%	613,000	30,650	643,650
		<u>9,583,000</u>	<u>\$ 4,420,750</u>	<u>\$ 14,003,750</u>
Less: Current Maturities		-		
Net Long-Term Debt		<u>\$ 9,583,000</u>		

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6: SEWER REVENUE NOTES (continued)

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 15th and July 15th 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 January 31, 2019. 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.

<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>
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
		6,770,690	<u>\$ 2,983,200</u>	<u>\$ 9,753,890</u>
Less: Current Maturities		(312,590)		
Total Long-Term Debt		6,458,100		
Less: Amounts Available to be Withdrawn		(3,230,451)		
Net Long-Term Debt		<u>\$ 3,227,649</u>		

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6: SEWER REVENUE NOTES (continued)

Interest expense was \$278,625 and \$40,747 for the years ended December 31, 2017 and 2016, respectively.

Changes in Sewer Revenue Notes, Series of 2017 and 2015 for the years end December 31, 2017 and 2016 are:

	2017			
	Balance at January 1, 2017	Increase	Decrease	Balance at December 31, 2017
Series of 2017	\$ -	\$ 9,583,000	\$ -	\$ 9,583,000
Series of 2015	1,799,866	1,794,433	(54,060)	3,540,239
	\$ 1,799,866	\$ 11,377,433	\$ (54,060)	\$ 13,123,239
	2016			
	Balance at January 1, 2016	Increase	Decrease	Balance at December 31, 2016
Series of 2015	\$ 1,449,166	\$ 409,450	\$ (58,750)	\$ 1,799,866

In conjunction with the Note, the Authority amended its Articles of Incorporation to extend the term of its existence to May 15, 2067.

NOTE 7: 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 December 31, 2016 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$635,183
Benefit vesting	100% after ten years
Normal retirement date	After 65 th 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 or retirement
Required employee contributions	3.5% of monthly earnings

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7: PENSION PLAN (continued)

The following table contains the number of active participants, inactive employees entitled to but not yet receiving benefits, and inactive employees or beneficiaries currently receiving benefits from the Plan based upon the most recent actuarial valuation date January 1, 2017:

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	1
Active employees	10
Total Participant Count	<u><u>15</u></u>

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, 2015	\$ 1,236,883	\$ 1,195,700	\$ 41,183
Changes for the year:			
Service cost	39,425	-	39,425
Interest	69,505	-	69,505
Changes of benefits	-	-	-
Changes of assumptions *	45,498	-	45,498
Differences between expected and actual experience	(56,441)	-	(56,441)
Contributions - employer	-	2,179	(2,179)
Contributions - PMRS assessment	-	-	-
Contributions - employee	-	22,230	(22,230)
PMRS investment income	-	70,817	(70,817)
Market value investment income **	-	21,493	(21,493)
Transfers	-	-	-
Benefit payments	(25,493)	(25,493)	-
PMRS administrative expense	-	(340)	340
Additional administrative expense	-	(3,469)	3,469
Net changes	<u>72,494</u>	<u>87,417</u>	<u>(14,923)</u>
Balances at December 31, 2016	<u>\$ 1,309,377</u>	<u>\$ 1,283,117</u>	<u>\$ 26,260</u>

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2016.

**Reflects the net investment income (loss) of \$28,354 and the income (loss) due to the difference between expected and actual asset values of \$(6,861), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7: PENSION PLAN (continued)

This report does not reflect changes in benefits or assumptions after January 1, 2017. Because the beginning and end of year total pension liability (TPL) are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2015 actuarial valuation, with liabilities measured at December 31, 2014, rolled forward to December 31, 2015 and reflecting the impact of assumption changes and plan changes, if applicable. The end of year TPL is based upon the January 1, 2017 actuarial valuation with liabilities measured at December 31, 2016. Except as noted below, the TPL as of December 31, 2016 was based upon the data, actuarial methods and assumptions, and plan provisions.

According to GASB Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position."

PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional Administrative Expenses" are the expenses in excess of the "PMRS Administrative Expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS Investment Income" is based upon the regular and excess interest used to credit accounts annually. The "Market Value Investment Income" reflects the investment income/(loss) during the year net of PMRS investment income and the income/(loss) due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

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

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

	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total Pension Liability	\$ 1,511,711	\$ 1,309,377	\$ 1,138,482
Plan Fiduciary Net Position	1,283,117	1,283,117	1,283,117
Net Pension Liability	\$ 228,594	\$ 26,260	\$ (144,635)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.88%	97.99%	112.70%

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8: 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.

NOTE 9: 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.

NOTE 10: CONCENTRATIONS

The Authority participates in a sewage treatment agreement with Plymouth Township and the Borough of West Conshohocken whereby in exchange for the Authority's acceptance and treatment of those municipalities' public sanitary sewage, Plymouth Township is responsible for 26.17% and West Conshohocken is responsible for 20.22% of the costs related to the operation and maintenance of the Authority's treatment plant, including capital expenditures made for the plant. As of June 30, 2017, the Authority assumed the Borough of West Conshohocken's obligations under the Agreement.

For 2017 and 2016, revenues from Plymouth Township were \$768,346 and \$531,604, respectively, including \$438,986 and \$177,837 in 2017 and 2016, respectively, for its capital share for plant improvements. At December 31, 2017 and 2016, accounts receivable due from Plymouth Township were \$281,263 and \$271,565, respectively, (including \$216,823 and \$196,042, respectively, for capital share).

For 2017 and 2016, revenues from the Borough of West Conshohocken were \$346,126 and \$300,646, respectively, including \$252,829 and \$131,290 in 2017 and 2016, respectively, for its capital share for plant improvements. At December 31, 2016, accounts receivable due from the Borough of West Conshohocken were \$185,580 (including \$138,053 for capital share).

NOTE 11: COLLECTIVE BARGAINING AGREEMENT

The Authority's collective bargaining agreement with its union employees expires on December 31, 2019.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 27, 2018, which is the date the financial statements were available to be issued.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31**

	2017	2016
Operating Expenses		
Plant Expenses:		
Building maintenance	\$ 54,562	\$ 54,403
Engineering fees	15,039	20,558
Equipment rental	-	1,699
Laboratory expenses	25,928	20,916
Miscellaneous	2,484	3,086
Payroll taxes and benefits	176,078	210,240
Plant security	952	1,220
Plant supplies and repair expense	24,327	15,639
Plant wages	309,594	398,794
Sludge removal	106,556	117,322
Treatment chemicals	11,873	16,428
Uniforms	6,849	5,450
Utilities	125,368	124,026
Vehicle maintenance and fuel	183	368
	859,793	990,149
Total Plant Expenses		
Collection Expenses:		
Engineering fees	5,937	24,934
Miscellaneous	1,097	212
Payroll taxes and benefits	56,283	58,905
Road crew wages	124,929	130,406
Sewer supplies and repair expense	8,259	11,601
Vehicle expenses	13,423	17,524
Uniforms	1,433	1,511
Utilities	2,775	-
	214,136	245,093
Total Collection Expenses		
Total Operating Expenses	\$ 1,073,929	\$ 1,235,242

See independent auditor's report.

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

	<u>2017</u>	<u>2016</u>
General and Administrative Expenses		
Advertising	\$ 3,337	\$ 3,149
Bank fees	5,334	5,214
Board expense	7,500	1,500
Collection expense	6,557	5,533
Computer expense and supplies	5,694	2,387
Consulting fees	32,660	39,889
Directors' fee	-	6,000
Dues and conferences	9,387	12,775
Insurance	55,555	56,950
Miscellaneous	9,319	4,983
Office and management salaries	232,752	121,180
Office supplies and expense	20,278	19,890
Payroll processing fees	3,663	4,055
Payroll taxes and benefits	77,888	48,582
Postage	6,898	8,281
Professional fees	183,525	175,633
Telephone	4,826	5,291
	<u>4,826</u>	<u>5,291</u>
Total General and Administrative Expenses	\$ 665,173	\$ 521,292

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer service	\$ 1,540,305	\$ 1,821,395	\$ 281,090
Connection fees	-	93,925	93,925
Penalties	27,000	28,301	1,301
Certifications	6,000	7,895	1,895
NSF fees	200	100	(100)
MIPP fees	7,550	9,268	1,718
Miscellaneous fees and permits	3,500	4,571	1,071
Energy curtailment program	-	963	963
Lien fees	5,000	3,196	(1,804)
Legal fees	20,000	9,864	(10,136)
Contract revenues - Plymouth Township	458,168	329,360	(128,808)
Contract revenues - Plymouth Township, capital	34,065	438,986	404,921
Contract revenues - Borough of West Conshohocken	172,000	93,297	(78,703)
Contract revenues - Borough of West Conshohocken, capital	26,264	252,829	226,565
Interest income	2,500	7,057	4,557
Total Operating Revenues	\$ 2,302,552	\$ 3,101,007	\$ 798,455
Operating Expenses			
Plant Expenses:			
Wages	\$ 407,630	\$ 309,594	\$ 98,036
Payroll taxes	32,610	26,577	6,033
Worker's compensation insurance	-	16,952	(16,952)
EE contribution benefits	124,968	115,677	9,291
TASC medical copay	24,200	16,872	7,328
Utilities - gas and electric	120,000	121,680	(1,680)
Utilities - water	2,500	3,688	(1,188)
Plant security	2,000	952	1,048
Vehicle maintenance	500	183	317
Plant maintenance	20,000	19,884	116
Plant supplies	2,500	365	2,135
Repairs/maintenance - building	1,000	3,013	(2,013)
Repairs/maintenance - plant	140,000	51,549	88,451
Small tools - minor repairs	3,000	2,869	131
Employee drug testing	350	196	154
Engineering fees	15,000	10,938	4,062
Engineering - wasteload management	5,000	4,101	899
Uniforms/safety supplies	7,000	6,849	151
Inside lab costs	5,000	2,523	2,477
Outside lab costs	25,000	23,405	1,595
Sludge removal	85,000	106,556	(21,556)
Chlorine	9,000	3,840	5,160
Sodium hypochlorite	500	-	500
Sodium bisulfite	3,000	1,128	1,872
Lime	500	968	(468)
Polymer	5,000	5,937	(937)
Equipment rentals and lease expense	2,000	-	2,000
Miscellaneous operating expenses	500	68	432
DEP permit fee	1,400	2,220	(820)
Plant mats, deodorizers, gloves	1,200	1,209	(9)
Total Plant Expenses	\$ 1,046,358	\$ 859,793	\$ 186,565

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance Expenses:			
Wages - road crew	\$ 128,412	\$ 124,929	\$ 3,483
Payroll taxes	10,273	11,335	(1,062)
Employee benefits	28,905	36,248	(7,343)
Worker's compensation insurance	-	5,651	(5,651)
TASC medical copay	8,800	3,049	5,751
Maintenance - sewer	5,000	2,116	2,884
Maintenance - supplies	2,000	1,970	30
Pump station - maintenance	-	3,192	(3,192)
Pump station - utilities	-	2,775	(2,775)
Small tools and minor equipment	2,000	981	1,019
Equipment rentals and lease expense	500	-	500
Vehicle expenses	6,000	6,196	(196)
Jet truck expenses	7,500	7,087	413
Camera and vacuum trailer	4,500	140	4,360
Uniforms - road crew	1,600	1,433	167
Engineering fees - collection system	5,000	5,937	(937)
Miscellaneous operating expenses - collection system	600	1,097	(497)
Total Maintenance Expenses	\$ 211,090	\$ 214,136	\$ (3,046)
Administrative Expenses:			
Wages	\$ 120,250	\$ 232,752	\$ (112,502)
Payroll taxes	9,620	20,420	(10,800)
EE contribution benefits	17,408	45,168	(27,760)
Workers compensation insurance	25,431	1,966	23,465
TASC medical copay	4,400	10,334	(5,934)
Insurance	71,162	55,555	15,607
Legal	70,000	91,446	(21,446)
Legal - plant	6,000	21,841	(15,841)
Legal - collections and liens	33,000	13,599	19,401
Auditing and accounting	65,000	53,269	11,731
Engineering fees	5,000	3,370	1,630
Board expense payment	7,500	7,500	-
Consulting fees	5,000	32,660	(27,660)
Dues, subscriptions and conferences	8,500	9,387	(887)
Office supplies and expense	18,000	20,278	(2,278)
Computer expense	7,500	5,694	1,806
Maintenance	1,000	-	1,000
Telephone	5,000	4,826	174
Advertising	4,000	3,337	663
Postage - billing	8,500	6,898	1,602
Collection expense	7,500	6,557	943
Miscellaneous	1,000	9,319	(8,319)
Bank fees	6,000	5,334	666
Payroll processing fees	4,500	3,663	837
Interest expense	216,101	278,625	(62,524)
Total Administrative Expenses	\$ 727,372	\$ 943,798	\$ (216,426)
Total Operating and General and Administrative Expenses	\$ 1,984,820	\$ 2,017,727	\$ (32,907)
Increase in Net Position	\$ 317,732	\$ 1,083,280	\$ 765,548

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2016**

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.

	Measurement Year Ending		
	12/31/2016	12/31/2015	12/31/2014
<u>Total Pension Liability</u>			
Service cost (beginning of year)	\$ 39,425	\$ 40,389	\$ 30,985
Interest (includes interest on service cost)	69,505	66,307	61,070
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(56,441)	(19,325)	53,000
Changes of assumptions	45,498	(15,688)	-
Transfers	-	-	-
Benefit payments, including refunds of employee contributions	(25,493)	(38,116)	(41,690)
Net Change in Total Pension Liability	72,494	33,567	103,365
Total Pension Liability - Beginning	1,236,883	1,203,316	1,099,951
Total Pension Liability - Ending	\$ 1,309,377	\$ 1,236,883	\$ 1,203,316
<u>Plan Fiduciary Net Position</u>			
Contributions - employer	\$ 2,179	\$ -	\$ 598
Contributions - PMRS assessment	-	20	-
Contributions - employee	22,230	20,937	17,525
PMRS investment income	70,817	72,597	69,328
Market value investment income	21,493	(167,194)	7,274
Transfers	-	-	-
Benefit payments, including refunds of employee contributions	(25,493)	(38,116)	(41,690)
PMRS administrative expense	(340)	(340)	(280)
Additional administrative expense	(3,469)	(3,026)	(2,659)
Net Change in Plan Fiduciary Net Position	87,417	(115,122)	50,096
Plan Fiduciary Net Position - Beginning	1,195,700	1,310,822	1,260,726
Plan Fiduciary Net Position - Ending	\$ 1,283,117	\$ 1,195,700	\$ 1,310,822
Net Pension Liability - Ending	\$ 26,260	\$ 41,183	\$ (107,506)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	97.99%	96.67%	108.93%
Covered Employee Payroll	\$ 635,183	\$ 598,226	\$ 465,633
Net Pension Liability as a Percentage of Covered Employee Payroll	4.13%	6.88%	-23.09%

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2016**

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>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 2,179	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	<u>2,179</u>	<u>20</u>	<u>598</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ (598)</u>
Covered Employee Payroll **	\$ 635,183	\$ 598,226	\$ 465,633
Contributions as a Percentage of Covered Employee Payroll	0.34%	0.00%	0.13%

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

** Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation.

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 2016 is based upon the January 1, 2013 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2016 contribution rates:

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	3.0%, for those eligible for a COLA
Pre-Retirement Mortality	Males - RP 2000 with 1 year set back; Females - RP 2000 with 5 year set back
Post-Retirement Mortality	Sex distinct RP 2000 Combined Healthy Mortality

Other Information:

Plan Changes: Please refer to the plan's Act 205 filing for prior year plan changes.

Assumption Changes: The Board approved new assumptions effective for the December 31, 2016 measurement date.

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF ASSETS, LIABILITIES AND FUNDED RATIOS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2016**

Measurement Year Ending	2013	2014	2015	2016
1. Total Pension Liability	\$ 1,099,951	\$ 1,203,316	\$ 1,236,883	\$ 1,309,377
2. Actuarial Value of Assets*	\$ 1,279,209	\$ 1,336,201	\$ 1,293,959	\$ 1,358,444
3. AVA Funded Ratio [2./1.]	116.3%	111.0%	104.6%	103.7%
4. Market Value of Assets *	\$ 1,260,726	\$ 1,310,822	\$ 1,195,700	\$ 1,283,117
5. MVA Funded Ratio [4.1/1.]	114.6%	108.9%	96.7%	98.0%

* Amounts may not match the Act 205 Forms due to unpaid MMOs. Prior to January 1, 2017, the Market Value of Assets equaled the Actuarial Value of Assets on the Act 205 Forms.

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER REPORTING AMOUNTS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2016**

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

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. Also, assumption changes as of the Measurement Date have been reflected.

Schedule of Collective Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,125	\$ 62,871
Changes in assumptions	38,998	11,766
Net difference between projected and actual earnings on pension plan investments	80,213	-
Total	\$ 152,336	\$ 74,637

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

<u>Year Ended December 31:</u>	<u>Amount</u>
2017	\$ 28,370
2018	28,371
2019	29,824
2020	(3,612)
2021	685
Thereafter	(5,939)

The recognition period for experience and assumptions change gains (losses) is 7.00 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)
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2016**

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		
	Measurement Year Ending	
	12/31/2016	12/31/2015
Change in Net Pension Liability	\$ (14,923)	\$ 148,689
Change in Deferred Outflows	16,805	(122,766)
Change in Deferred Inflows	44,001	24,817
Employer Contributions	2,179	20
Pension Expense	\$ 48,062	\$ 50,760
Pension Expense as % of Payroll	7.57%	8.49%
<u>Operating Expenses</u>		
Service Cost	\$ 39,425	\$ 40,389
Employee Contributions	(22,230)	(20,937)
PMRS Administrative Expense	340	340
Additional Administrative Expense	3,469	3,026
Total	\$ 21,004	\$ 22,818
<u>Financing Expenses</u>		
Interest Cost	\$ 69,505	\$ 66,307
Expected Return on Assets	(70,817)	(72,597)
Total	\$ (1,312)	\$ (6,290)
<u>Changes</u>		
Benefit Changes	\$ -	\$ -
Recognition of Assumption Changes	4,539	(1,961)
Recognition of Liability Gains and Losses	(3,854)	4,209
Recognition of Investment Gains and Losses	27,685	31,984
Total	\$ 28,370	\$ 34,232
Pension Expense	\$ 48,062	\$ 50,760

See independent auditor's report.