

BOROUGH OF CONSHOHOCKEN AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

BOROUGH OF CONSHOHOCKEN AUTHORITY
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DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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 Americas; 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, 2018 and 2017, 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 8, the budgetary comparison information on pages 27 and 28, as well as the required supplementary information related to the Authority's net pension liability on pages 29 through 33, 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 Schedules 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 Schedules 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
May 28, 2019

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017. 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 \$692,262 for the year ended December 31, 2018.

The Authority's operating revenues, which consist primarily of sewer rental income increased by \$166,848 or 5.4% over the prior year, while operating and general and administrative expenses increased \$58,400 or 3.3% 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 January 1, 2018, the Board of Directors of the Authority established the ability to shut-off water service as a result of delinquent past-due sewer charges of a customer.

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, 2018 AND 2017**

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 \$19,118,085, at the close of the most recent fiscal year.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018 AND 2017**

The following table summarizes the financial position of the Authority as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets and Deferred Outflows of Resources		
Current assets	\$ 6,360,392	\$ 5,070,944
Cash, escrow funds - developers	116,736	75,454
Utility plant and equipment, net of accumulated depreciation	<u>28,635,381</u>	<u>26,726,814</u>
Total Assets	<u>\$ 35,112,509</u>	<u>\$ 31,873,212</u>
Deferred Outflows of Resources	<u>\$ 63,497</u>	<u>\$ 159,727</u>
Current and Other Liabilities		
Current liabilities	\$ 694,942	\$ 620,116
Escrow deposits, developers	116,736	75,454
Long-term debt	15,112,092	12,810,649
Net pension liability	<u>-</u>	<u>26,260</u>
Total Liabilities	<u>15,923,770</u>	<u>13,532,479</u>
Deferred Inflows of Resources	<u>134,151</u>	<u>74,637</u>
Net Position		
Invested in capital assets, net of related debt	13,202,429	13,603,575
Unrestricted	<u>5,915,656</u>	<u>4,822,248</u>
Total Net Position	<u>19,118,085</u>	<u>18,425,823</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 35,176,006</u>	<u>\$ 32,032,939</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 \$13,202,429 as well as unrestricted net assets of \$5,915,656.

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, 2018 AND 2017**

The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position of the Authority for the fiscal years 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Sewer rental income	\$ 3,120,430	\$ 2,935,867
Connection fees	71,968	93,925
Miscellaneous fees and penalties	68,400	64,158
Total Operating Revenues	<u>3,260,798</u>	<u>3,093,950</u>
 Operating and General and Administrative Expenses	 <u>1,797,502</u>	 <u>1,739,102</u>
 Operating Income Before Depreciation and Nonoperating Revenues and Expense	 <u>1,463,296</u>	 <u>1,354,848</u>
 Depreciation	 (801,257)	 (657,237)
Interest income	28,976	7,057
Grant income	337,023	200,000
Interest expense	<u>(353,596)</u>	<u>(278,625)</u>
	<u>(788,854)</u>	<u>(728,805)</u>
 Income Before Capital Contributions	 674,442	 626,043
 Capital contributions	 <u>17,820</u>	 <u>-</u>
 Increase in Net Position	 <u>\$ 692,262</u>	 <u>\$ 626,043</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
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018 AND 2017**

Borough of Conshohocken Authority's investment in capital assets as of December 31, 2018 and 2017, net of accumulated depreciation, was as follows:

	2018	2017
Sewer plant	\$ 38,884,894	\$ 35,889,893
Maintenance equipment	228,508	228,508
Laboratory equipment	14,952	14,952
Trucks	169,044	169,044
Office furniture and equipment	85,952	108,872
Land	98,567	88,797
Construction in progress	2,242,447	2,537,394
	41,724,364	39,037,460
Less: Accumulated depreciation	(13,088,983)	(12,310,646)
Capital Assets, Net	\$ 28,635,381	\$ 26,726,814

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

Debt Administration

As of December 31, 2018, the Authority had total debt outstanding of \$15,432,952.

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 EDU 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. Effective January 1, 2018, the Authority initiated shut-off procedures for delinquent customer 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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018 AND 2017**

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.

Carol Smith
Authority Chairperson

Stephen Clark
Executive Director

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

	2018	2017
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current Assets		
Cash	\$ 4,848,600	\$ 4,136,906
Accounts receivable, less allowance for doubtful account of \$0 in 2018 and \$35,000 in 2017	1,031,563	913,739
Grant receivable	337,023	-
Prepaid expenses and other current assets	27,728	20,299
Net pension asset	115,478	-
Total Current Assets	6,360,392	5,070,944
Restricted Assets		
Cash, escrow funds - developers	116,736	75,454
Utility plant and equipment, net of accumulated depreciation	28,635,381	26,726,814
Total Assets	\$ 35,112,509	\$ 31,873,212
Deferred Outflows of Resources		
Pension contributions, difference between expected and actual experience	\$ 63,497	\$ 159,727
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 226,572	\$ 221,028
Current maturities of Sewer Revenue Note, Series of 2015	320,860	312,590
Payroll, payroll taxes and union dues payable	39,163	39,943
Accounts payable, retainage	108,347	46,555
Total Current Liabilities	694,942	620,116
Restricted Liabilities		
Escrow deposits, developers	116,736	75,454
Long-Term Liabilities		
Net pension liability	-	26,260
Sewer Revenue Note, Series of 2015, net of current maturities	5,529,092	3,227,649
Sewer Revenue Note, Series of 2017	9,583,000	9,583,000
Total Long-Term Liabilities	15,112,092	12,836,909
Total Liabilities	\$ 15,923,770	\$ 13,532,479
Deferred Inflows of Resources		
Pension contributions, differences between projected and actual earnings on plan investments	\$ 134,151	\$ 74,637
Net position		
Invested in capital assets, net of related debt	13,202,429	13,603,575
Unrestricted	5,915,656	4,822,248
Total Net Position	\$ 19,118,085	\$ 18,425,823
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 35,176,006	\$ 32,032,939

See notes to financial statements.

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

	2018	2017
Operating Revenues		
Sewer rentals, net of discounts	\$ 3,120,430	\$ 2,935,867
Connection fees	71,968	93,925
Miscellaneous fees and penalties	68,400	64,158
Total Operating Revenues	3,260,798	3,093,950
Operating expenses	1,085,763	1,073,929
General and administrative expenses	711,739	665,173
Total Expenses	1,797,502	1,739,102
Operating Income Before Depreciation	1,463,296	1,354,848
Depreciation	801,257	657,237
Operating Income	662,039	697,611
Nonoperating Revenues (Expense)		
Interest income	28,976	7,057
Grant revenue	337,023	200,000
Interest expense	(353,596)	(278,625)
Net Nonoperating Revenues (Expense)	12,403	(71,568)
Income Before Capital Contributions	674,442	626,043
Capital contributions	17,820	-
Increase in Net Position	692,262	626,043
Net Position, Beginning	18,425,823	17,799,780
Net Position, Ending	\$ 19,118,085	\$ 18,425,823

See notes to financial statements.

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

Increase (Decrease) in Cash

	2018	2017
Cash Flows From Operating Activities		
Cash received from customers	\$ 3,177,974	\$ 3,095,774
Cash payments to suppliers for materials and services	(1,163,325)	(628,028)
Cash payments to employees	(933,067)	(982,623)
	1,081,582	1,485,123
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(2,692,004)	(11,474,029)
Grant revenue received	337,023	200,000
Proceeds from Sewer Revenue Note, Series of 2015	2,622,303	1,794,433
Principal payments on Sewer Revenue Note, Series of 2015	(312,590)	(54,060)
Proceeds from Sewer Revenue Note, Series of 2017	-	9,583,000
Interest paid	(353,596)	(216,311)
	(398,864)	(166,967)
Cash Flows From Investing Activities		
Interest received	28,976	7,057
	28,976	7,057
Net Increase in Cash	711,694	1,325,213
Cash, Beginning	4,136,906	2,811,693
Cash, Ending	\$ 4,848,600	\$ 4,136,906
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 662,039	\$ 697,611
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	801,257	657,237
Bad debt (recovery)	(35,000)	-
Change in:		
Accounts receivable	(82,824)	1,824
Grant receivable	(337,023)	-
Prepaid expenses	(7,429)	21,102
Net pension asset	(115,478)	-
Deferred outflows of resources	96,230	11,573
Accounts payable and accrued expenses	5,544	17,742
Accounts payable, retainage	61,792	46,555
Payroll, payroll taxes and union dues payable	(780)	2,401
Net pension liability	(26,260)	(14,923)
Deferred inflows of resources	59,514	44,001
	\$ 1,081,582	\$ 1,485,123
Supplemental Disclosure of NonCash Capital and Related Financing Activities		
Assets acquired through capital contributions	\$ 17,820	\$ -

See notes to financial statements.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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. Accounting policies are based on generally accepted accounting principles for self-reporting governmental enterprise funds, a proprietary fund-type which is 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

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This pronouncement does not impact the Authority for the year ending December 31, 2018.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017. This pronouncement does not impact the Authority for the year ending December 31, 2018.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017. This pronouncement does not impact the Authority for the year ending December 31, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods after December 15, 2019. The Authority has not determined the effect of this pronouncement.

Utility Plant and Equipment

Utility plant and equipment are stated at cost or fair market value at time of contribution to the Authority. Land and construction in progress is not depreciated. When construction projects are complete, the cost is transferred to the plant and equipment accounts. Plant additions and improvements are capitalized and depreciated. Replacements, maintenance and repairs, which do not improve or extend the life of the asset are expensed currently. Depreciation is provided for on a straight-line basis. Depreciation expense for 2018 and 2017 totaled \$801,257 and \$657,237, respectively.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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.

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 discount if paid within 15 days. 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.

Effective January 1, 2018, the Board of Directors of the Authority established the ability to shut-off water service as a result of delinquent past-due sewer charges of a customer. As a result, the Authority eliminated the allowance for doubtful accounts balance as all outstanding balances are deemed collectible in full. At December 31, 2017, the allowance for doubtful accounts was \$35,000.

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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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.

Comparative Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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, upon acceptance of the dedication. Capital contributions totaled \$17,820 during the year ended December 31, 2018. There were no capital contributions during the year ended December 31, 2017. Contributed capital is recorded as income in the year of dedication to the Authority.

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, 2018 AND 2017**

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 net 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.

Compensated Absences

Unpaid vacation and sick time is recorded as an expense in the period it is earned and considered payable from current financial resources. The Authority compensates unpaid sick time upon an employee's retirement. The estimated value of vacation time owed to employees who may be paid in subsequent years or upon termination or retirement and, therefore, payable from future resources is recorded in the current year.

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, 2018 and 2017, \$4,423,610 and \$3,732,188, respectively, was exposed to custodial credit risk and does not have a deposit policy for custodial credit risk.

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

	<u>2018</u>	<u>2017</u>
Uninsured and collateral held by the pledging bank's trust department, but not in the Authority's name	\$ 4,423,610	\$ 3,732,188
Plus: Insured amounts	612,124	501,540
Carrying amounts - bank balances	<u>5,035,734</u>	<u>4,233,728</u>
Plus: Petty cash	200	200
Less: Outstanding checks	(70,598)	(21,568)
Total Cash Per Financial Statements	<u>\$ 4,965,336</u>	<u>\$ 4,213,360</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2: CASH (continued)

Cash is comprised of:

	2018	2017
Operating accounts - unrestricted	\$ 4,848,600	\$ 4,136,906
Restricted accounts - developer escrow accounts	116,736	75,454
	\$ 4,965,336	\$ 4,212,360

NOTE 3: ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the accounts receivable allowance for doubtful accounts are:

	2018	2017
Balance, January 1	\$ 35,000	\$ 35,000
Bad debt recovery	(35,000)	-
Balance, December 31	\$ -	\$ 35,000

NOTE 4: ESCROWS

At December 31, 2018 and 2017, escrows include \$116,736 and \$75,454, respectively, of cash received from developers and other customers. As of December 31, 2018 and 2017, the Authority owed consultants \$21,631 and \$6,832, respectively, related to the escrow balances.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 5: UTILITY PLANT AND EQUIPMENT

	2018			Balance at December 31, 2018
	Balance at January 1, 2018	Additions	Transfers	
Nondepreciable property				
Land	\$ 88,797	\$ 9,770	\$ -	\$ 98,567
Construction in progress	2,537,394	2,565,497	(2,860,444)	2,242,447
Total Nondepreciable Property	2,626,191	2,575,267	(2,860,444)	2,341,014
Depreciable property				
Sewer plant and improvements	35,889,893	2,995,001	-	38,884,894
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	14,952	-	-	14,952
Trucks	169,044	-	-	169,044
Office furniture and equipment	108,872	-	(22,920)	85,952
Total Depreciable Property	36,411,269	2,995,001	(22,920)	39,383,350
Less: Accumulated depreciation	(12,310,646)	(801,257)	22,920	(13,088,983)
Total Depreciable Property, Net	24,100,623	2,193,744	-	26,294,367
Total Utility Plant and Equipment	\$ 26,726,814	\$ 4,769,011	\$ (2,860,444)	\$ 28,635,381
	2017			
	Balance at January 1, 2017	Additions	Transfers	Balance at December 31, 2017
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	2,502	-	14,952
Trucks	169,044	-	-	169,044
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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 Year</u>	<u>Minimum Interest Rate</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 4,181,175</u>	<u>\$ 13,764,175</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, 2018 AND 2017**

NOTE 6: SEWER REVENUE NOTES (continued)

Effective May 28, 2019, the Authority's Board of Directors authorized a partial prepayment of principal and accrued interest in the amount of \$4,600,000 to be applied against the outstanding balance of the Sewer Revenue Note, Series of 2017.

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 December 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.

Maturity Date Year	Minimum Interest Rate	Principal Amount	Interest	Total Debt Service
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
		6,458,100	\$ 2,803,776	\$ 9,261,876
Less: Current Maturities		(320,860)		
Total Long-Term Debt		6,137,240		
Less: Amounts Available to be Withdrawn		(608,148)		
Net Long-Term Debt		\$ 5,529,092		

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 6: SEWER REVENUE NOTES (continued)

Interest expense was \$353,596 and \$278,625 for the years ended December 31, 2018 and 2017, respectively.

Changes in Sewer Revenue Notes, Series of 2017 and 2015 for the years end December 31, 2018 and 2017 are:

	2018			
	Balance at January 1, 2018	Increase	Decrease	Balance at December 31, 2018
Series of 2017	\$ 9,583,000	\$ -	\$ -	\$ 9,583,000
Series of 2015	3,540,239	2,622,303	(312,590)	5,849,952
	\$ 13,123,239	\$ 2,622,303	\$ (312,590)	\$ 15,432,952
	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

In conjunction with the Series of 2017, 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 January 1, 2017 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$660,216
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, 2018 AND 2017**

NOTE 7: PENSION PLAN (continued)

The following table contains the number of active employees, 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	15

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)
	(a)	(b)	(a) - (b)
Balances at December 31, 2016	\$ 1,309,377	\$ 1,283,117	\$ 26,260
Changes for the year:			
Service cost	44,326	-	44,326
Interest	70,454	-	70,454
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	10,413	(10,413)
Contributions - PMRS assessment	-	-	-
Contributions - employee	-	23,105	(23,105)
PMRS investment income	-	70,981	(70,981)
Market value investment income *	-	155,603	(155,603)
Transfers	-	-	-
Benefit payments	(23,766)	(23,766)	-
PMRS administrative expense	-	(320)	320
Additional administrative expense	-	(3,264)	3,264
Net changes	91,014	232,752	(141,738)
Balances at December 31, 2017	\$ 1,400,391	\$ 1,515,869	\$ (115,478)

*Reflects the net investment income (loss) of \$159,381 and the income (loss) due to the difference between expected and actual asset values of \$(3,778), 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, 2018 AND 2017**

NOTE 7: PENSION PLAN (continued)

This report does not reflect changes in benefits or assumptions after January 1, 2018. Because the beginning and end of year total pension liability (TPL) are based upon different actuarial valuation dates, there is no difference between expected and actual experience reported this year, per GASB 68 paragraph 22. The beginning of year TPL is based upon the January 1, 2017 actuarial valuation, with liabilities measured at December 31, 2016. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2017. Except as noted below, the TPL as of December 31, 2017 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	\$ 1,616,789	\$ 1,400,391	\$ 1,217,617
Plan Fiduciary Net Position	1,515,869	1,515,869	1,515,869
Net Pension Liability	\$ 100,920	\$ (115,478)	\$ (298,252)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.76%	108.25%	124.49%

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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: CONCENTRATIONS

The Authority participates in a Sewage Treatment Agreement with Plymouth Township whereby in exchange for the Authority's acceptance and treatment of its public sanitary sewage, Plymouth Township is responsible for a percentage of the costs related to the operation and maintenance of the Authority's treatment plant, including capital expenditures made for the plant. The Agreement provides for the cost of sewer services to be determined on an annual basis by the Authority. Plymouth Township remits a quarterly payment during the year based upon an estimate of the cost. Subsequent to year end, the Authority determines the actual cost and provides a retroactive billing or credit for the prior year.

For 2018 and 2017, revenues from Plymouth Township were \$888,228 and \$768,3464, respectively, including \$604,568 and \$438,986 in 2018 and 2017, respectively, for its capital share for plant improvements. At December 31, 2018 and 2017, accounts receivable due from Plymouth Township were \$303,509 and \$281,263, respectively, (including \$204,568 and \$216,823, respectively, for capital share).

Prior to June 30, 2017, and for the period January 1, 2017 through June 30, 2017, the Borough of West Conshohocken also was a party to the Agreement. As of June 30, 2017, the Authority assumed the Borough of West Conshohocken's obligations under the Agreement as a result of the Authority's acquisition of the Borough of West Conshohocken's sanitary wastewater collection and treatment system. For 2017, revenues from the Borough of West Conshohocken were \$346,126, including \$252,829 for its capital share for plant improvements.

NOTE 10: COLLECTIVE BARGAINING AGREEMENT

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

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 28, 2019, which is the date the financial statements were available to be issued.

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

	2018	2017
Operating Expenses		
Plant Expenses:		
Building maintenance	\$ 38,077	\$ 54,562
Engineering fees	13,985	15,039
Laboratory expenses	36,093	25,928
Miscellaneous	2,670	2,484
Payroll taxes and benefits	154,509	176,078
Plant security	1,635	952
Plant supplies and repair expense	22,753	24,327
Plant wages	333,467	309,594
Sludge removal	127,934	106,556
Treatment chemicals	14,023	11,873
Uniforms	7,136	6,849
Utilities	130,321	125,368
Vehicle maintenance and fuel	-	183
	882,603	859,793
 Collection Expenses:		
Engineering fees	13,626	5,937
Miscellaneous	1,462	1,097
Payroll taxes and benefits	37,563	56,283
Road crew wages	112,727	124,929
Sewer supplies and repair expense	20,569	8,259
Vehicle expenses	12,613	13,423
Uniforms	1,717	1,433
Utilities	2,883	2,775
	203,160	214,136
 Total Operating Expenses	\$ 1,085,763	\$ 1,073,929

See independent auditor's report.

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

	2018	2017
General and Administrative Expenses		
Advertising	\$ 1,425	\$ 3,337
Bad debt (recovery)	(35,000)	-
Bank fees	5,157	5,334
Board expense	7,500	7,500
Collection expense	8,806	6,557
Computer expense and supplies	23,827	5,694
Consulting fees	15,218	32,660
Dues and conferences	6,211	9,387
Insurance	59,568	55,555
Miscellaneous	8,311	9,319
Office and management salaries	223,833	232,752
Office supplies and expense	21,947	20,278
Payroll processing fees	4,387	3,663
Payroll taxes and benefits	62,688	77,888
Postage	8,980	6,898
Professional fees	283,667	183,525
Telephone	5,214	4,826
	\$ 711,739	\$ 665,173
Total General and Administrative Expenses		

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer service	\$ 2,150,676	\$ 2,232,202	\$ 81,526
Connection fees	-	71,968	71,968
Penalties	27,000	30,646	3,646
Certifications	6,000	12,205	6,205
NSF fees	200	100	(100)
MIPP fees	7,550	9,350	1,800
Miscellaneous fees and permits	3,500	6,291	2,791
Energy curtailment program	1,000	162	(838)
Lien fees	5,000	2,723	(2,277)
Legal fees	20,000	6,923	(13,077)
Contract revenues - Plymouth Township	340,000	283,660	(56,340)
Contract revenues - Plymouth Township, capital	400,000	604,568	204,568
Total Operating Revenues	\$ 2,960,926	\$ 3,260,798	\$ 299,872
Operating Expenses			
Plant Expenses:			
Wages	\$ 336,016	\$ 333,467	\$ 2,549
Payroll taxes	30,241	25,801	4,440
Worker's compensation insurance	18,224	14,975	3,249
EE contribution benefits	65,453	85,905	(20,452)
TASC medical copay	58,950	27,828	31,122
Utilities - gas and electric	120,000	126,246	(6,246)
Utilities - water	2,500	4,075	(1,575)
Plant security	2,000	1,635	365
Vehicle maintenance	500	-	500
Plant maintenance	20,000	18,626	1,374
Plant supplies	2,500	1,485	1,015
Repairs/maintenance - building	2,000	6,736	(4,736)
Repairs/maintenance - plant	65,000	31,341	33,659
Small tools - minor repairs	3,000	1,167	1,833
Employee drug testing	350	440	(90)
Engineering fees	15,000	9,991	5,009
Engineering - wasteload management	5,000	3,994	1,006
Uniforms/safety supplies	7,000	7,136	(136)
Inside lab costs	4,000	2,613	1,387
Outside lab costs	25,000	33,480	(8,480)
Sludge removal	95,000	127,934	(32,934)
Chlorine	9,000	3,200	5,800
Sodium hypochlorite	500	-	500
Sodium bisulfite	3,000	1,692	1,308
Lime	3,000	-	3,000
Polymer	5,000	9,131	(4,131)
Equipment rentals and lease expense	2,000	-	2,000
Miscellaneous operating expenses	500	1,250	(750)
DEP permit fee	2,370	980	1,390
Plant mats, deodorizers, gloves	1,200	1,475	(275)
Total Plant Expenses	\$ 904,304	\$ 882,603	\$ 21,701

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, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance Expenses:			
Wages - road crew	\$ 113,108	\$ 112,727	\$ 381
Payroll taxes	10,180	9,174	1,006
Employee benefits	22,010	19,396	2,614
Worker's compensation insurance	6,075	5,054	1,021
TASC medical copay	26,200	3,939	22,261
Maintenance - sewer	16,763	5,282	11,481
Maintenance - supplies	2,600	1,165	1,435
Pump station - maintenance	4,300	10,621	(6,321)
Pump station - utilities	5,250	2,883	2,367
Small tools and minor equipment	6,588	3,334	3,254
Equipment rentals and lease expense	500	167	333
Vehicle expenses	6,000	5,805	195
Jet truck expenses	3,225	5,168	(1,943)
Camera and vacuum trailer	4,335	1,640	2,695
Uniforms - road crew	1,600	1,717	(117)
Engineering fees - collection system	12,500	13,626	(1,126)
Miscellaneous operating expenses - collection system	600	1,462	(862)
Total Maintenance Expenses	\$ 241,834	\$ 203,160	\$ 38,674
Administrative Expenses:			
Wages	\$ 226,000	\$ 223,833	\$ 2,167
Payroll taxes	20,340	17,932	2,408
EE contribution benefits	37,227	36,887	340
Workers compensation insurance	2,112	804	1,308
TASC medical copay	32,750	7,065	25,685
Insurance	59,722	59,568	154
Legal	75,000	153,390	(78,390)
Legal - plant	6,000	4,275	1,725
Legal - collections and liens	38,000	39,873	(1,873)
Auditing and accounting	65,000	67,468	(2,468)
Engineering fees	5,000	18,661	(13,661)
Board expense payment	7,500	7,500	-
Consulting fees	6,000	15,218	(9,218)
Dues, subscriptions and conferences	8,500	6,211	2,289
Office supplies and expense	18,000	21,947	(3,947)
Computer expense	5,000	23,827	(18,827)
Maintenance	1,500	468	1,032
Telephone	5,000	5,214	(214)
Advertising	4,000	1,425	2,575
Postage - billing and general	11,010	8,980	2,030
Collection expense	8,420	8,806	(386)
Miscellaneous	6,000	7,843	(1,843)
Bank fees	6,000	5,157	843
Bad debt (recovery)	-	(35,000)	35,000
Payroll processing fees	4,500	4,387	113
Total Administrative Expenses	\$ 658,581	\$ 711,739	\$ (53,158)
Total Operating and General and Administrative Expenses	\$ 1,804,719	\$ 1,797,502	\$ 7,217
Operating Income Before Depreciation	\$ 1,156,207	\$ 1,463,296	\$ 307,089
Depreciation	-	801,257	(801,257)
Operating Income	1,156,207	662,039	494,168
Nonoperating Revenues (Expense)			
Interest income	6,000	28,976	(22,976)
Grant revenue	-	337,023	(337,023)
Interest expense	(644,400)	(353,596)	(290,804)
Net Nonoperating Revenues (Expense)	(638,400)	12,403	(650,803)
Income Before Capital Contributions	517,807	674,442	(156,635)
Capital contributions	-	17,820	(17,820)
Increase in Net Position	\$ 517,807	\$ 692,262	\$ (174,455)

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2017**

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			
	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<u>Total Pension Liability</u>				
Service cost (beginning of year)	\$ 44,326	\$ 39,425	\$ 40,389	\$ 30,985
Interest (includes interest on service cost)	70,454	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	(23,766)	(25,493)	(38,116)	(41,690)
Net Change in Total Pension Liability	91,014	72,494	33,567	103,365
Total Pension Liability - Beginning	1,309,377	1,236,883	1,203,316	1,099,951
Total Pension Liability - Ending	\$ 1,400,391	\$ 1,309,377	\$ 1,236,883	\$ 1,203,316
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	\$ 10,413	\$ 2,179	\$ -	\$ 598
Contributions - PMRS assessment	-	-	20	-
Contributions - employee	23,105	22,230	20,937	17,525
PMRS investment income	70,981	70,817	72,597	69,328
Market value investment income	155,603	21,493	(167,194)	7,274
Transfers	-	-	-	-
Benefit payments, including refunds of employee contributions	(23,766)	(25,493)	(38,116)	(41,690)
PMRS administrative expense	(320)	(340)	(340)	(280)
Additional administrative expense	(3,264)	(3,469)	(3,026)	(2,659)
Net Change in Plan Fiduciary Net Position	232,752	87,417	(115,122)	50,096
Plan Fiduciary Net Position - Beginning	1,283,117	1,195,700	1,310,822	1,260,726
Plan Fiduciary Net Position - Ending	\$ 1,515,869	\$ 1,283,117	\$ 1,195,700	\$ 1,310,822
Net Pension Liability - Ending	\$ (115,478)	\$ 26,260	\$ 41,183	\$ (107,506)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	108.25%	97.99%	96.67%	108.93%
Covered Employee Payroll	\$ 660,216	\$ 635,183	\$ 598,226	\$ 465,633
Net Pension Liability as a Percentage of Covered Employee Payroll	-17.49%	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, 2017**

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 8,235	\$ 2,179	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	<u>10,413</u>	<u>2,179</u>	<u>20</u>	<u>598</u>
Contribution Deficiency/(Excess)	<u>\$ (2,178)</u>	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ (598)</u>
Covered Employee Payroll **	\$ 660,216	\$ 635,183	\$ 598,226	\$ 465,633
Contributions as a Percentage of Covered Employee Payroll	1.58%	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. These amounts may not match the MMO payroll.

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 2017 is based upon the January 1, 2015 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2017 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 prior Act 205 filing and/or GASB 68 reports for prior year plan changes.

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF ASSETS, LIABILITIES AND FUNDED RATIOS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2017**

<u>Measurement Year Ending</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1. Total Pension Liability	\$ 1,099,951	\$ 1,203,316	\$ 1,236,883	\$ 1,309,377	\$ 1,400,391
2. Actuarial Value of Assets*	\$ 1,279,209	\$ 1,336,201	\$ 1,293,959	\$ 1,358,444	\$ 1,438,874
3. AVA Funded Ratio [2./1.]	116.3%	111.0%	104.6%	103.7%	102.7%
4. Market Value of Assets *	\$ 1,260,726	\$ 1,310,822	\$ 1,195,700	\$ 1,283,117	\$ 1,515,869
5. MVA Funded Ratio [4.1/1.]	114.6%	108.9%	96.7%	98.0%	108.2%

* Amounts may not match the Act 205 Forms due to unpaid MMOs. Prior to January 1, 2018, 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, 2017**

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	\$ 52,392	\$ 26,500
Changes in assumptions	9,805	32,498
Net difference between projected and actual earnings on pension plan investments	71,954	-
Total	\$ 134,151	\$ 58,998

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>
2018	\$ (2,750)
2019	(1,297)
2020	(34,733)
2021	(30,434)
2022	(5,939)
Thereafter	-

The recognition period for experience and assumptions change gains (losses) is 9.00 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, 2017**

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 Date as of	
	12/31/2017	12/31/2016
Change in Net Pension Liability	\$ (141,738)	\$ (14,923)
Change in Deferred Outflows	93,338	16,805
Change in Deferred Inflows	59,514	44,001
Employer Contributions	10,413	2,179
Pension Expense	\$ 21,527	\$ 48,062
Pension Expense as % of Payroll	3.26%	7.57%
<u>Operating Expenses</u>		
Service Cost	\$ 44,326	\$ 39,425
Employee Contributions	(23,105)	(22,230)
PMRS Administrative Expense	320	340
Additional Administrative Expense	3,264	3,469
Total	<u>\$ 24,805</u>	<u>\$ 21,004</u>
<u>Financing Expenses</u>		
Interest Cost	\$ 70,454	\$ 69,505
Expected Return on Assets	(70,981)	(70,817)
Total	<u>\$ (527)</u>	<u>\$ (1,312)</u>
<u>Changes</u>		
Benefit Changes	\$ -	\$ -
Recognition of Assumption Changes	4,539	4,539
Recognition of Liability Gains and Losses	(3,854)	(3,854)
Recognition of Investment Gains and Losses	(3,436)	27,685
Total	<u>\$ (2,751)</u>	<u>\$ 28,370</u>
Pension Expense	<u>\$ 21,527</u>	<u>\$ 48,062</u>

See independent auditor's report.