

BOROUGH OF CONSHOHOCKEN AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

BOROUGH OF CONSHOHOCKEN AUTHORITY
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DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

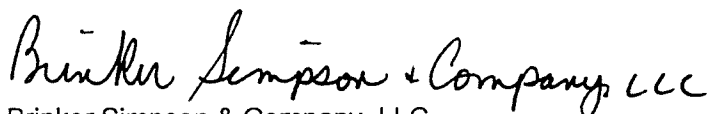
Other Matters

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 27 and 28, as well as the required supplementary information related to the Authority's net pension liability on pages 29 through 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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, 2017

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015. 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 \$181,675 for the year ended December 31, 2016.

The Authority's operating revenues, which consist primarily of sewer rental income increased by \$314,687 or 14.1% over the prior year, while operating and general and administrative expenses increased \$238,710 or 11.4% 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 March 28, 2017, the Authority entered into an agreement with the Borough of West Conshohocken to purchase all of the assets and assume certain ongoing obligations and liabilities of their sanitary wastewater collection system for \$9,500,500. The Authority intends to finance the transactions with VIST Bank with the proceeds from Sewer Revenue Note, Series of 2017 in the amount of \$9,600,000 which will be used for the acquisition as well as to pay the costs of issuance related to the Note. The transaction is expected to close on June 30, 2017. In conjunction with this transaction, the Authority amended its Articles of Incorporation to extend the terms of its existence to May 15, 2067.

Overview of the Financial Statements

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

The Authority's financial statements are prepared on 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, 2016 AND 2015**

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 \$17,799,780 at the close of the most recent fiscal year.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

The following table summarizes the financial position of the Authority as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources		
Current assets	\$ 3,768,657	\$ 3,017,775
Cash, escrow funds – developers	62,528	88,449
Utility plant and equipment, net of		
Accumulated depreciation	15,910,022	15,986,098
Net pension asset	<u>-</u>	<u>107,506</u>
Total Assets	<u>\$ 19,741,207</u>	<u>\$ 19,199,828</u>
Deferred Outflows of Resources	<u>\$ 171,300</u>	<u>\$ 46,375</u>
Current and Other Liabilities		
Current liabilities	\$ 232,574	\$ 143,414
Escrow deposits	62,528	88,449
Long term debt	1,745,806	1,390,416
Net pension liability	<u>41,183</u>	<u>-</u>
Total Liabilities	<u>\$ 2,082,091</u>	<u>\$ 1,622,279</u>
Deferred Inflows of Resources	<u>\$ 30,636</u>	<u>\$ 5,819</u>
Net Position		
Invested in capital assets, net of related debt	\$ 14,110,156	\$ 14,536,932
Unrestricted	<u>3,689,624</u>	<u>3,081,173</u>
Total Net Position	<u>17,799,780</u>	<u>17,618,105</u>
Total Liabilities, Deferred Inflows of Resources		
 And Net Position	<u>\$ 19,912,507</u>	<u>\$ 19,246,203</u>

The Authority's net assets presented in the table reflect an investment in capital assets (sewer plant, sewer collection system, and equipment) net of related debt of \$14,110,156 as well as unrestricted net assets of \$3,689,624.

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, 2016 AND 2015**

The following table summarizes the statement of revenue, expenses and changes in net position of the Authority for the fiscal years 2016 and 2015:

Statements of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Sewer Rental Income	\$ 2,381,925	\$ 2,083,251
Connection Fees	78,275	26,368
Miscellaneous Fees and Penalties	<u>78,551</u>	<u>114,445</u>
Total Operating Revenues	2,538,751	2,224,064
Operating and General and Administrative Expenses	<u>2,322,438</u>	<u>2,083,728</u>
Operating Income	216,313	140,336
Interest Income	6,109	4,432
Interest Expense	<u>(40,747)</u>	<u>(95,158)</u>
Increase in Net Position	<u>\$ 181,675</u>	<u>\$ 49,610</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, 2016 and 2015, net of accumulated depreciation, was as follows:

	<u>2016</u>	<u>2015</u>
Sewer Plant	\$ 26,378,150	\$ 26,338,791
Maintenance Equipment	228,508	228,508
Laboratory Equipment	12,450	12,450
Trucks	169,044	169,044
Office Furniture and Equipment	108,872	101,039
Land	81,177	81,177
Construction in Progress	<u>585,230</u>	<u>142,594</u>
	27,563,431	27,073,603
Less: Accumulated Depreciation	<u>(11,653,409)</u>	<u>(11,087,505)</u>
Capital Assets, Net	<u>\$ 15,910,022</u>	<u>\$ 15,986,098</u>

Additional information on capital assets can be found in Note 6 to the financial statements.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Debt Administration

As of December 31, 2016, the Authority had total debt outstanding of \$1,799,866.

Additional information on the Authority's long-term debt can be found in Note 7 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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2016</u>	<u>2015</u>
Current		
Cash	\$ 2,811,693	\$ 2,365,009
Accounts receivable, less allowance for doubtful account of \$35,000 for both years	915,563	628,003
Prepaid expenses	41,401	24,763
Total current assets	<u>3,768,657</u>	<u>3,017,775</u>
Restricted assets		
Cash, escrow funds - developers	62,528	88,449
Utility plant and equipment, net of accumulated depreciation	15,910,022	15,986,098
Net pension asset	-	107,506
TOTAL ASSETS	<u><u>\$ 19,741,207</u></u>	<u><u>\$ 19,199,828</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions, differences between expected and actual experience	<u>\$ 171,300</u>	<u>\$ 46,375</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current		
Accounts payable and accrued expenses	\$ 140,972	\$ 56,532
Current maturities of Sewer Revenue Note, Series of 2015	54,060	58,750
Payroll, payroll taxes and union dues payable	37,542	28,132
Total current liabilities	<u>232,574</u>	<u>143,414</u>
Restricted liabilities		
Escrow deposits, developers	62,528	88,449
Net pension liability	41,183	-
Sewer Revenue Note, Series of 2015, net of current maturities	1,745,806	1,390,416
TOTAL LIABILITIES	<u><u>\$ 2,082,091</u></u>	<u><u>\$ 1,622,279</u></u>
DEFERRED INFLOWS OF RESOURCES		
Pension contributions, differences between projected and actual earnings on plan investments	<u>\$ 30,636</u>	<u>\$ 5,819</u>
Net position		
Invested in capital assets, net of related debt	14,110,156	14,536,932
Unrestricted	3,689,624	3,081,173
Total net position	<u>17,799,780</u>	<u>17,618,105</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 19,912,507</u></u>	<u><u>\$ 19,246,203</u></u>

See notes to financial statements.

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

	<u>2016</u>	<u>2015</u>
Operating revenues		
Sewer rentals, net of discounts	\$ 2,381,925	\$ 2,083,251
Connection fees	78,275	26,368
Miscellaneous fees and penalties	<u>78,551</u>	<u>114,445</u>
Total operating revenues	<u>2,538,751</u>	<u>2,224,064</u>
Operating expenses	1,797,777	1,599,188
General and administrative expenses	<u>524,661</u>	<u>484,540</u>
Total expenses	<u>2,322,438</u>	<u>2,083,728</u>
Operating income	<u>216,313</u>	<u>140,336</u>
Nonoperating revenue		
Interest income	6,109	4,432
Nonoperating expense		
Interest expense	<u>(40,747)</u>	<u>(95,158)</u>
Net nonoperating revenue (expense)	<u>(34,638)</u>	<u>(90,726)</u>
Increase in net position	181,675	49,610
Net position, beginning	<u>17,618,105</u>	<u>17,568,495</u>
Net position, ending	<u><u>\$ 17,799,780</u></u>	<u><u>\$ 17,618,105</u></u>

See notes to financial statements.

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

Increase (Decrease) in Cash

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from customers	\$ 2,251,191	\$ 2,210,961
Cash payments to suppliers for materials and services	(653,224)	(753,595)
Cash payments to employees	(977,517)	(813,438)
Net cash provided by operating activities	<u>620,450</u>	<u>643,928</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(489,828)	(440,060)
Proceeds from Sewer Revenue Note, Series of 2015	409,450	1,449,166
Principal payments on Sewer Revenue Note, Series of 2015	(58,750)	-
Repayment of Sewer Revenue Note, Series of 2009	-	(1,306,230)
Interest paid	(40,747)	(95,158)
Net cash used by capital and related financing activities	<u>(179,875)</u>	<u>(392,282)</u>
Cash flows from investing activities		
Interest received	6,109	4,432
Net cash provided by investing activities	<u>6,109</u>	<u>4,432</u>
Net increase in cash	446,684	256,078
Cash, beginning	2,365,009	2,108,931
Cash, ending	<u>\$ 2,811,693</u>	<u>\$ 2,365,009</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 216,313	\$ 140,336
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	565,904	556,887
Change in:		
Accounts receivable	(287,560)	(13,103)
Prepaid expenses	(16,638)	(5,860)
Net pension asset	107,506	53,269
Deferred outflows of resources	(124,925)	(45,777)
Accounts payable and accrued expenses	84,440	(27,435)
Payroll, payroll taxes and union dues payable	9,410	(20,208)
Net pension liability	41,183	-
Deferred inflows of resources	24,817	5,819
Net cash provided by operating activities	<u>\$ 620,450</u>	<u>\$ 643,928</u>

See notes to financial statements.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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.

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, 2016 AND 2015**

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

New accounting pronouncements (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:

	<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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

Accounts receivables

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.

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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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, 2016 and 2015.

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.

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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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, 2016 and 2015, \$2,524,425 and \$1,940,768 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>2016</u>	<u>2015</u>
Uninsured and collateral held by the pledging bank's trust department, but not in the Authority's name	\$ 2,524,425	\$1,940,768
Plus: Insured amounts	393,050	513,513
Carrying amounts - bank balances	2,917,475	2,454,281
Plus: Petty cash	200	200
Plus: Deposits in transit	3,145	988
Less: Outstanding checks	(46,599)	(2,011)
Total cash per financial statements	<u>\$ 2,874,221</u>	<u>\$2,453,458</u>

Cash is comprised of:

	<u>2016</u>	<u>2015</u>
Operating accounts - unrestricted	\$ 2,811,693	\$2,365,009
Restricted accounts - developer escrow accounts	62,528	88,449
	<u>\$ 2,874,221</u>	<u>\$2,453,458</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 3: Allowance for doubtful accounts

Changes in the accounts receivable allowance for doubtful accounts are:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 35,000	\$ 35,000
Provision for doubtful accounts	<u>-</u>	<u>-</u>
Balance, December 31	<u>\$ 35,000</u>	<u>\$ 35,000</u>

Note 4: Other Receivable

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

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

Note 5: Escrows

At December 31, 2016 and 2015, escrows include \$62,528 and \$88,449, respectively, of cash received from developers and other customers. As of December 31, 2016 and 2015, respectively, the Authority owed consultants \$2,944 and \$1,665 related to the escrow balances.

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 6: Utility plant and equipment

	2016			
	Balance at Jan. 1 2016	Additions	Transfers	Balance at Dec. 31, 2016
Nondepreciable property				
Land	\$ 81,177	\$ -	\$ -	\$ 81,177
Construction in progress	142,594	442,636	-	585,230
Total nondepreciable property	<u>\$ 223,771</u>	<u>\$ 442,636</u>	<u>\$ -</u>	<u>\$ 666,407</u>
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	<u>26,849,832</u>	<u>47,192</u>	<u>-</u>	<u>26,897,024</u>
Less: accumulated depreciation	<u>(11,087,505)</u>	<u>(565,904)</u>	<u>-</u>	<u>(11,653,409)</u>
Total depreciable property, net	<u>\$ 15,762,327</u>	<u>\$ (518,712)</u>	<u>\$ -</u>	<u>\$ 15,243,615</u>
Total utility plant and equipment	<u>\$ 15,986,098</u>	<u>\$ (76,076)</u>	<u>\$ -</u>	<u>\$ 15,910,022</u>
2015				
	Balance at Jan. 1 2015	Additions	Transfers	Balance at Dec. 31, 2015
Nondepreciable property				
Land	\$ 81,177	\$ -	\$ -	\$ 81,177
Construction in progress	642,265	359,243	(858,914)	142,594
Total nondepreciable property	<u>\$ 723,442</u>	<u>\$ 359,243</u>	<u>\$ (858,914)</u>	<u>\$ 223,771</u>
Depreciable property				
Sewer plant and improvements	\$ 25,406,762	\$ 932,029	\$ -	\$ 26,338,791
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	12,450	-	-	12,450
Trucks	165,552	3,492	-	169,044
Office furniture and equipment	96,829	4,210	-	101,039
Total depreciable property	<u>25,910,101</u>	<u>939,731</u>	<u>-</u>	<u>26,849,832</u>
Less: accumulated depreciation	<u>(10,530,618)</u>	<u>(556,887)</u>	<u>-</u>	<u>(11,087,505)</u>
Total depreciable property, net	<u>\$ 15,379,483</u>	<u>\$ 382,844</u>	<u>\$ -</u>	<u>\$ 15,762,327</u>
Total utility plant and equipment	<u>\$ 16,102,925</u>	<u>\$ 742,087</u>	<u>\$ (858,914)</u>	<u>\$ 15,986,098</u>

Note 7: Sewer Revenue Note

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 September 20, 2018. The Authority has pledged all of its rights, title and interest in and to the revenues derived from its water and sewer system to the bank.

	2016			
	Balance at Jan. 1 2016	Increase	Decrease	Balance at Dec. 31, 2016
Series of 2015	\$ 1,449,166	\$ 409,450	\$ (58,750)	\$ 1,799,866
	2015			
	Balance at Jan. 1 2015	Increase	Decrease	Balance at Dec. 31, 2015
Series of 2015	\$ -	\$ 1,449,166	\$ -	\$ 1,449,166
Series of 2009	1,306,230	-	(1,306,230)	-
	\$ 1,306,230	\$ 1,449,166	\$ (1,306,230)	\$ 1,449,166

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**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 7: Sewer Revenue Note (continued)

Sewer Revenue Note, Series of 2015 (continued)

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

<u>Maturity Date Year</u>	<u>Minimum Interest Rate</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	2.65%	\$ 54,060	\$ 180,856	\$ 234,916
2018	2.65%	312,590	179,424	492,014
2019	2.65%	320,860	171,140	492,000
2020	2.65%	329,370	162,636	492,006
2021	2.65%	338,120	153,908	492,028
2022	2.65%	347,110	144,948	492,058
2023	2.65%	296,020	195,941	491,961
2024	5.00%	250,650	241,332	491,982
2025	5.00%	263,240	228,798	492,038
2026	5.00%	276,430	215,636	492,066
2027	5.00%	290,150	201,816	491,966
2028	5.00%	304,690	187,308	491,998
2029	5.00%	319,960	172,073	492,033
2030	5.00%	335,880	156,075	491,955
2031	5.00%	352,730	139,281	492,011
2032	5.00%	370,350	121,644	491,994
2033	5.00%	388,920	103,127	492,047
2034	5.00%	408,260	83,681	491,941
2035	5.00%	428,680	63,268	491,948
2036	5.00%	450,080	41,834	491,914
2037	5.00%	386,600	19,330	405,930
		<u>6,824,750</u>	<u>\$ 3,164,056</u>	<u>\$ 9,988,806</u>
Less: Current Maturities		<u>(54,060)</u>		
Total Long-Term Debt		<u>6,770,690</u>		
Less: Amounts Available to be Withdrawn		<u>(5,024,884)</u>		
Net Long-Term Debt		<u>\$ 1,745,806</u>		

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 8: 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, 2014 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$598,226
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

The following table contains the number of active participants, deferred vested participants, and participants currently receiving a benefit from the Plan based upon the most recent actuarial valuation date of December 31, 2014:

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	1
Active employees	9
Total Participant Count	<u>16</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 8: Pension Plan (continued)

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.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at December 31, 2014	<u>\$ 1,203,316</u>	<u>\$ 1,310,822</u>	<u>\$ (107,506)</u>
Adjustments	(19,325)	-	(19,325)
Changes for the year:			
Service Cost	40,389	-	40,389
Interest	66,307	-	66,307
Changes of benefits	-	-	-
Changes of assumptions *	(15,688)	-	(15,688)
Differences between expected and actual experience	-	-	-
Contributions - employer	-	20	(20)
Contributions - member	-	20,937	(20,937)
PMRS investment income	-	72,597	(72,597)
Market value investment income **	-	(167,194)	167,194
Transfers	-	-	-
Benefit payments	(38,116)	(38,116)	-
PMRS administrative expense	-	(340)	340
Additional administrative expense	-	(3,026)	3,026
Net changes	<u>33,567</u>	<u>(115,122)</u>	<u>148,689</u>
Balances at December 31, 2015	<u>\$ 1,236,883</u>	<u>\$ 1,195,700</u>	<u>\$ 41,183</u>

*Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

**Reflects the net investment income (loss) of (\$75,966) and the income (loss) due to the difference between expected and actual asset values of \$(91,228), which includes the impact from allocation of assets in support of the underlying retired liabilities.

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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 8: Pension Plan (continued)

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

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

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.

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Total Pension Liability	\$ 1,414,625	\$ 1,236,883	\$ 1,087,092
Plan Fiduciary Net Position	(1,195,700)	(1,195,700)	(1,195,700)
Net Pension Liability	<u>\$ 218,925</u>	<u>\$ 41,183</u>	<u>\$ (108,608)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.5%	96.7%	110.0%

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 9: 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 10: 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 11: Concentrations

For 2016 and 2015, revenues from Plymouth Township were \$531,604 and \$347,003, respectively, including \$177,837 and \$30,397 in 2016 and 2015, respectively, for its capital share for plant improvements. At December 31, 2016 and 2015, respectively, accounts receivable due from Plymouth Township were \$271,565 and \$82,230 (including \$196,042 and \$30,397 for capital share).

For 2016 and 2015, revenues from the Borough of West Conshohocken were \$300,646 and \$175,735, respectively, including \$131,290 and \$23,436 in 2016 and 2015, respectively, for its capital share for plant improvements. At December 31, 2016 and 2015, respectively, accounts receivable due from the Borough of West Conshohocken were \$185,580 and \$60,910 (including \$138,053 and \$23,436 for capital share).

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

Note 12: Collective bargaining agreement

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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 13: Subsequent events

Effective March 28, 2017, the Authority entered into an agreement with the Borough of West Conshohocken to purchase all of the assets and assume certain ongoing obligations and liabilities of their sanitary wastewater collection system for \$9,500,500. The Authority intends to finance the transaction with VIST Bank with the proceeds from Sewer Revenue Note, Series of 2017 in the amount of approximately \$9,600,000, which will be used to acquire the sewer system as well as pay issuance costs related to the Note. The transaction is expected to close on June 30, 2017. Interest on the Note will be calculated on the basis of a 360-day year comprised on twelve and thirty months and will be payable on May 1st and November 1st of each year. Interest payments will commence November 2017. The Note will have an initial ten-year fixed rate of 2.5% per annum; thereafter the interest rate will be reset at 67% of the 30-day LIBOR plus 1.75%. In no event shall the interest exceed 5.0%. The Authority is required to maintain a full depository relationship with the Bank under the terms of the Note. The Note is secured by all rates, rents, fees and charges established, levied and collected in connection with the Authority's operations. The Note matures November 1, 2040.

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

Subsequent events have been evaluated through June 27, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

	<u>2016</u>	<u>2015</u>
Operating expenses		
Plant expenses:		
Building maintenance	\$ 54,403	\$ 36,371
Depreciation	538,697	537,928
Engineering fees	20,558	22,640
Equipment rental	1,699	77
Laboratory expenses	20,916	21,318
Miscellaneous	3,086	3,885
Payroll taxes and benefits	210,240	172,879
Plant security	1,220	1,610
Plant supplies and repair expense	15,639	16,620
Plant wages	398,794	359,039
Sludge removal	117,322	92,606
Treatment chemicals	16,428	16,786
Uniforms	5,450	3,720
Utilities	124,026	122,759
Vehicle maintenance and fuel	368	149
Total plant expenses	<u>1,528,846</u>	<u>1,408,387</u>
Collection expenses		
Depreciation	23,838	15,757
Engineering fees	24,934	-
Miscellaneous	212	364
Payroll taxes and benefits	58,905	45,113
Road crew wages	130,406	108,900
Sewer supplies and repair expense	11,601	9,077
Vehicle expenses	17,524	10,279
Uniforms	1,511	1,311
Total collection expenses	<u>268,931</u>	<u>190,801</u>
Total operating expenses	<u><u>\$ 1,797,777</u></u>	<u><u>\$ 1,599,188</u></u>

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

	<u>2016</u>	<u>2015</u>
General and administrative expenses		
Advertising	\$ 3,149	\$ 10,623
Bank fees	5,214	4,749
Board expense	1,500	1,450
Collection expense	5,533	4,516
Computer expense and supplies	2,387	3,773
Consulting fees	39,889	3,430
Depreciation	3,369	3,202
Directors' fee	6,000	2,500
Dues and conferences	12,775	17,404
Insurance	56,950	69,445
Miscellaneous	4,983	2,370
Office salaries	121,180	114,084
Office supplies and expense	19,890	20,310
Payroll processing fees	4,055	3,785
Payroll taxes and benefits	48,582	33,631
Postage	8,281	7,364
Professional fees	175,633	177,037
Telephone	5,291	4,867
	<u>524,661</u>	<u>484,540</u>
Total general and administrative expenses	<u>\$ 524,661</u>	<u>\$ 484,540</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Sewer service	\$ 1,540,305	\$ 1,549,675	\$ 9,370
Connection fees	-	78,275	78,275
Penalties	27,000	17,481	(9,519)
Certifications	6,000	7,895	1,895
NSF fees	200	160	(40)
MIPP fees	7,550	6,795	(755)
Miscellaneous fees and permits	3,500	23,774	20,274
Energy curtailment program	-	2,642	2,642
Lien fees	5,000	3,696	(1,304)
Legal fees	20,000	16,108	(3,892)
Contract revenues - Plymouth Township	458,168	353,767	(104,401)
Contract revenues - Plymouth Township, capital	35,382	177,837	142,455
Contract revenues - Borough of West Conshohocken	172,000	169,356	(2,644)
Contract revenues - Borough of West Conshohocken, capital	21,376	131,290	109,914
Interest income	2,500	6,109	3,609
Total operating revenues	<u>\$ 2,298,981</u>	<u>\$ 2,544,860</u>	<u>\$ 245,879</u>
Operating expenses			
Plant expenses:			
Wages	\$ 396,544	\$ 398,794	\$ (2,250)
Payroll taxes	31,722	35,531	(3,809)
Worker's compensation insurance	-	14,919	(14,919)
EE contribution benefits	119,454	151,250	(31,796)
TASC medical copay	22,000	8,540	13,460
Utilities - gas and electric	150,000	121,368	28,632
Utilities - water	2,500	2,658	(158)
Plant security	2,000	1,220	780
Vehicle maintenance	500	368	132
Depreciation	-	-	-
Plant maintenance	15,000	13,135	1,865
Plant supplies	2,500	566	1,934
Repairs/maintenance - building	1,000	1,298	(298)
Repairs/maintenance - plant	40,000	53,104	(13,104)
Small tools - minor repairs	3,000	1,939	1,061
Employee drug testing	350	336	14
Engineering fees	15,000	15,643	(643)
Engineering - wasteload management	5,000	4,915	85
Uniforms/safety supplies	7,000	5,450	1,550
Inside lab costs	2,000	1,847	153
Outside lab costs	25,000	19,069	5,931
Sludge removal	110,000	117,322	(7,322)
Chlorine	9,000	3,840	5,160
Sodium hypochlorite	500	-	500
Sodium bisulfite	3,000	2,540	460
Lime	500	-	500
Polymer	5,000	5,267	(267)
Hydrogen peroxide	4,000	960	3,040
Odor control	-	3,821	(3,821)
Equipment rentals and lease expense	1,500	1,699	(199)
Miscellaneous operating expenses	500	4	496
DEP permit fee	1,400	1,400	-
Plant mats, deodorizers, gloves	1,200	1,346	(146)
Depreciation	-	538,697	(538,697)
Total plant expenses	<u>\$ 977,170</u>	<u>\$ 1,528,846</u>	<u>\$ (551,676)</u>

BOROUGH OF CONSHOHOCKEN AUTHORITY
REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance expenses			
Wages - road crew	\$ 121,565	\$ 130,406	\$ (8,841)
Payroll taxes	9,438	11,293	(1,855)
Employee benefits	30,075	39,504	(9,429)
Worker's compensation insurance	-	4,834	(4,834)
TASC medical copay	8,000	3,274	4,726
Maintenance - sewer	6,000	6,828	(828)
Maintenance - supplies	2,000	1,198	802
Small tools and minor equipment	4,307	3,575	732
Equipment rentals and lease expense	500	-	500
Vehicle expenses	8,500	4,683	3,817
Jet truck expenses	2,500	2,397	103
Camera and vacuum trailer	23,700	10,444	13,256
Uniforms - road crew	1,600	1,511	89
Engineering fees - collection system	5,000	24,934	(19,934)
Miscellaneous operating expenses - collection system	600	212	388
Depreciation	-	23,838	(23,838)
Total maintenance expenses	\$ 223,785	\$ 268,931	\$ (45,146)
Administrative expenses			
Wages	\$ 116,747	\$ 121,180	\$ (4,433)
Payroll taxes	9,175	11,037	(1,862)
EE contribution benefits	18,058	28,860	(10,802)
Workers compensation insurance	23,725	4,467	19,258
TASC medical copay	4,000	4,218	(218)
Insurance	67,773	56,950	10,823
Legal	90,000	87,013	2,987
Legal - plant	2,500	4,140	(1,640)
Legal - collections and liens	26,000	21,554	4,446
Auditing and accounting	40,000	62,204	(22,204)
Engineering fees	5,000	722	4,278
Director fees	-	6,000	(6,000)
Board expense payment	4,000	1,500	2,500
Consulting fees	5,000	39,889	(34,889)
Dues, subscriptions and conferences	8,500	12,775	(4,275)
Office supplies and expense	15,000	19,890	(4,890)
Computer expense	5,000	2,387	2,613
Maintenance	500	-	500
Telephone	6,500	5,291	1,209
Advertising	10,000	3,149	6,851
Postage - billing	6,000	8,281	(2,281)
Collection expense	5,500	5,533	(33)
Miscellaneous	1,000	4,983	(3,983)
Bank fees	10,000	5,214	4,786
Depreciation expense	-	3,369	(3,369)
Payroll processing fees	3,000	4,055	(1,055)
Interest expense	267,214	40,747	226,467
Total administrative expenses	\$ 750,192	\$ 565,408	\$ 184,784
Total operating and general and administrative expenses	\$ 1,951,147	\$ 2,363,185	\$ (412,038)
Increase in net position	\$ 347,834	\$ 181,675	\$ 657,917

BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
YEAR ENDED 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	
	12/31/2015	12/31/2014
<u>Total Pension Liability</u>		
Service cost (beginning of year)	\$ 40,389	\$ 30,985
Interest (includes interest on service cost)	66,307	61,070
Changes of benefit terms	-	-
Differences between expected and actual experience *	(19,325)	53,000
Changes of assumptions	(15,688)	-
Transfers	-	-
Benefit payments, including refunds of member contributions	(38,116)	(41,690)
Net Change in Total Pension Liability	33,567	103,365
Total Pension Liability - Beginning	1,203,316	1,099,951
Total Pension Liability - Ending	\$ 1,236,883	\$ 1,203,316
<u>Plan Fiduciary Net Position</u>		
Contributions - employer	\$ -	\$ 598
Contributions - PMRS assessment	20	-
Contributions - employee	20,937	17,525
PMRS investment income	72,597	69,328
Market value investment income	(167,194)	7,274
Transfers	-	-
Benefit payments, including refunds of member contributions	(38,116)	(41,690)
PMRS administrative expense	(340)	(280)
Additional administrative expense	(3,026)	(2,659)
Net Change in Plan Fiduciary Net Position	(115,122)	50,096
Plan Fiduciary Net Position - Beginning	1,310,822	1,260,726
Plan Fiduciary Net Position - Ending	\$ 1,195,700	\$ 1,310,822
Net Pension Liability - Ending	\$ 41,183	\$ (107,506)
Plan fiduciary net position as a percentage of the total pension liability	96.67%	108.93%
Covered employee payroll	\$ 598,226	465,633
Net pension liability as a percentage of covered payroll	6.88%	-23.09%

* Includes adjustments to beginning amounts, if applicable.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2015**

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

Last 10 Measurement Years (if available)

	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	<u>20</u>	<u>598</u>
Contribution Deficiency/(Excess)	<u>\$ (20)</u>	<u>\$ (598)</u>
Participant Payroll **	\$ 598,226	\$ 465,633
Contributions as a Percentage of Participant Payroll	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 2015 is based upon the January 1, 2013 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2015 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%, for those eligible for COLA
Pre-Retirement Mortality	Males - RP 2000 with 1 year setback; Females - RP 2000 with 5 year setback
Post-Retirement Mortality	Sex distinct RP 2000 Combined Healthy Mortality

Other Information:

Plan Changes: Please refer to the plan's Act 205 filing for prior year plan changes. Plan changes for the December 31, 2015 measurement date are disclosed.

Assumption Changes: The Board approved new assumptions effective for the December 31, 2015 measurement date.

See independent auditor's report.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER REPORTING AMOUNTS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2015**

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the 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 were rolled forward from the prior actuarial valuation date. Also, assumption changes as of the Measurement Date have been reflected.

Schedule of Collective Deferred Inflows and Outflows

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,750	\$ 16,909
Changes in assumptions	-	13,727
Contributions subsequent to measurement date, net of PMRS \$20 fee	2,159	-
Net difference between projected and actual earnings on pension plan investments	<u>129,391</u>	<u>-</u>
Total	<u>\$ 171,300</u>	<u>\$ 30,636</u>

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>
2016	\$ 34,232
2017	34,232
2018	34,233
2019	35,686
2020	2,248
Thereafter	(2,126)

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

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

See independent auditor's report.

BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER REPORTING AMOUNTS (CONTINUED)
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2015

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

Calculation of Collective Pension Expense		
	Measurement Date	
	12/31/2015	12/31/2014
Change in Net Pension Liability	\$ 148,689	\$ 53,269
Change in Deferred Outflows	(122,766)	(46,375)
Change in Deferred Inflows	24,817	5,819
Employer Contributions	20	598
Pension Expense	\$ 50,760	\$ 13,311
Pension Expense as % of Payroll	8.49%	2.86%
<u>Operating Expenses</u>		
Service Cost	\$ 40,389	\$ 30,985
Employee Contributions	(20,937)	(17,525)
PMRS Administrative Expense	340	280
Additional Administrative Expense	3,026	2,659
Total	\$ 22,818	\$ 16,399
<u>Financing Expenses</u>		
Interest Cost	\$ 66,307	\$ 61,070
Expected Return on Assets	(72,597)	(69,328)
Total	\$ (6,290)	\$ (8,258)
<u>Changes</u>		
Benefit Changes	\$ -	\$ -
Recognition of Assumption Changes	(1,961)	-
Recognition of Liability Gains and Losses	4,209	6,625
Recognition of Investment Gains and Losses	31,984	(1,455)
Total	\$ 34,232	\$ 5,170
Pension Expense	\$ 50,760	\$ 13,311

See independent auditor's report.