

BOROUGH OF CONSHOHOCKEN AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**BOROUGH OF CONSHOHOCKEN AUTHORITY
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DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Borough of Conshohocken Authority

We have audited the accompanying financial statements of the Borough of Conshohocken Authority (the Authority) as of and for the years ended December 31, 2019 and 2018, 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 Borough of Conshohocken Authority as of December 31, 2019 and 2018, 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 29 through 31, as well as the required supplementary information related to the Authority's net pension liability on pages 32 through 34, 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 on pages 27 and 28 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
June 23, 2020

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018. 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 \$9,170 for the year ended December 31, 2019.

The Authority's operating revenues, which consist primarily of sewer rental income increased by \$46,942 or 1.4% over the prior year, while operating and general and administrative expenses increased \$326,446 or 18.1% 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.

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).

Statement of Net Position

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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

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 \$19,127,255, at the close of the most recent fiscal year.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

The following table summarizes the financial position of the Authority as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows of Resources		
Current assets	\$ 2,375,048	\$ 6,360,392
Cash, escrow funds - developers	130,491	116,736
Utility plant and equipment, net of accumulated depreciation	<u>28,083,699</u>	<u>28,635,381</u>
Total Assets	<u>30,589,238</u>	<u>35,112,509</u>
Deferred Outflows of Resources	<u>127,841</u>	<u>63,497</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 30,717,079</u></u>	<u><u>\$ 35,176,006</u></u>
Current and Other Liabilities		
Current liabilities	\$ 747,118	\$ 694,942
Escrow deposits, developers	130,491	116,736
Long-term debt	10,580,554	15,112,092
Net pension liability	<u>81,904</u>	<u>-</u>
Total Liabilities	<u>11,540,067</u>	<u>15,923,770</u>
Deferred Inflows of Resources	<u>49,757</u>	<u>134,151</u>
Net Position		
Invested in capital assets, net of related debt	16,963,775	13,202,429
Unrestricted	<u>2,163,480</u>	<u>5,915,656</u>
Total Net Position	<u>19,127,255</u>	<u>19,118,085</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 30,717,079</u></u>	<u><u>\$ 35,176,006</u></u>

The Authority's net assets presented in the table reflect an investment in capital assets net of related debt of \$16,963,775 as well as unrestricted net assets of \$2,163,480.

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, 2019 AND 2018**

The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position of the Authority for the fiscal years 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Sewer rental income	\$ 2,546,897	\$ 3,120,430
Connection fees	691,000	71,968
Miscellaneous fees and penalties	69,843	68,400
Total Operating Revenues	<u>3,307,740</u>	<u>3,260,798</u>
Operating and General and Administrative Expenses	<u>2,123,948</u>	<u>1,797,502</u>
Operating Income Before Depreciation and Nonoperating Revenues and Expense	<u>1,183,792</u>	<u>1,463,296</u>
Depreciation	(901,598)	(801,257)
Interest income	67,052	28,976
Grant income	-	337,023
Interest expense	(340,076)	(353,596)
	<u>(1,174,622)</u>	<u>(788,854)</u>
Income Before Capital Contributions	9,170	674,442
Capital contributions	<u>-</u>	<u>17,820</u>
Increase in Net Position	<u>\$ 9,170</u>	<u>\$ 692,262</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, 2019 AND 2018**

Borough of Conshohocken Authority's investment in capital assets as of December 31, 2019 and 2018, net of accumulated depreciation, was as follows:

	2019	2018
Sewer plant	\$ 41,174,770	\$ 38,884,894
Maintenance equipment	228,508	228,508
Laboratory equipment	14,952	14,952
Trucks	433,834	169,044
Office furniture and equipment	85,952	85,952
Land	130,232	98,567
Construction in progress	6,032	2,242,447
	42,074,280	41,724,364
Less: Accumulated depreciation	(13,990,581)	(13,088,983)
Capital Assets, Net	\$ 28,083,699	\$ 28,635,381

Additional information on capital assets can be found in Note 5 to the financial statements. Subsequent to year end, the Authority used the final draw down of Sewer Revenue Note Series of 2015 to purchase a jet truck in the amount of \$256,868.

Debt Administration

As of December 31, 2019, the Authority had total debt outstanding of \$11,119,924. On May 28, 2019, the Authority made a \$4,600,000 principal payment to reduce the outstanding balance of the Sewer Revenue Note Series of 2017.

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 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, 2019 AND 2018**

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

Shannon Stewart
Finance Director

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

	2019	2018
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current Assets		
Cash	\$ 1,498,572	\$ 4,848,600
Accounts receivable	799,531	1,031,563
Prepaid expenses and other current assets	76,945	27,728
Grant receivable	-	337,023
Net pension asset	-	115,478
Total Current Assets	2,375,048	6,360,392
Restricted Assets		
Cash, escrow funds - developers	130,491	116,736
Utility plant and equipment, net of accumulated depreciation	28,083,699	28,635,381
Total Assets	30,589,238	35,112,509
Deferred Outflows of Resources		
Pension contributions, difference between expected and actual experience	127,841	63,497
Total Assets and Deferred Outflows of Resources	\$ 30,717,079	\$ 35,176,006
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 163,778	\$ 226,572
Current maturities of Sewer Revenue Note, Series of 2015	329,370	320,860
Current maturities of Sewer Revenue Note, Series of 2017	210,000	-
Payroll, payroll taxes and union dues payable	43,970	39,163
Accounts payable, retainage	-	108,347
Total Current Liabilities	747,118	694,942
Restricted Liabilities		
Escrow deposits, developers	130,491	116,736
Long-Term Liabilities		
Sewer Revenue Note, Series of 2015, net of current maturities	5,807,554	5,529,092
Sewer Revenue Note, Series of 2017, net of current maturities	4,773,000	9,583,000
Net pension liability	81,904	-
Total Long-Term Liabilities	10,662,458	15,112,092
Total Liabilities	11,540,067	15,923,770
Deferred Inflows of Resources		
Pension contributions, differences between projected and actual earnings on plan investments	49,757	134,151
Net position		
Invested in capital assets, net of related debt	16,963,775	13,202,429
Unrestricted	2,163,480	5,915,656
Total Net Position	19,127,255	19,118,085
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 30,717,079	\$ 35,176,006

See notes to financial statements.

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

	2019	2018
Operating Revenues		
Sewer rentals, net of discounts	\$ 2,546,897	\$ 3,120,430
Connection fees	691,000	71,968
Miscellaneous fees and penalties	69,843	68,400
Total Operating Revenues	3,307,740	3,260,798
Operating expenses	1,273,477	1,085,763
General and administrative expenses	850,471	711,739
Total Expenses	2,123,948	1,797,502
Operating Income Before Depreciation	1,183,792	1,463,296
Depreciation	901,598	801,257
Operating Income	282,194	662,039
Nonoperating Revenues (Expense)		
Interest income	67,052	28,976
Grant revenue	-	337,023
Interest expense	(340,076)	(353,596)
Net Nonoperating Revenues (Expense)	(273,024)	12,403
Income Before Capital Contributions	9,170	674,442
Capital contributions	-	17,820
Increase in Net Position	9,170	692,262
Net Position, Beginning	19,118,085	18,425,823
Net Position, Ending	\$ 19,127,255	\$ 19,118,085

See notes to financial statements.

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

	2019	2018
Cash Flows From Operating Activities		
Cash received from customers	\$ 3,539,772	\$ 3,177,974
Cash payments to suppliers for materials and services	(1,059,152)	(1,163,325)
Cash payments to employees	(894,680)	(933,067)
Net Cash Provided by Operating Activities	1,585,940	1,081,582
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(349,916)	(2,692,004)
Grant revenue received	-	337,023
Proceeds from Sewer Revenue Note, Series of 2015	607,832	2,622,303
Principal payments on Sewer Revenue Note, Series of 2015	(320,860)	(312,590)
Principal payments on Sewer Revenue Note, Series of 2017	(4,600,000)	-
Interest paid	(340,076)	(353,596)
Net Cash Used in Capital and Related Financing Activities	(5,003,020)	(398,864)
Cash Flows From Investing Activities		
Interest received	67,052	28,976
Net Change in Cash	(3,350,028)	711,694
Cash, Beginning	4,848,600	4,136,906
Cash, Ending	\$ 1,498,572	\$ 4,848,600
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 282,194	\$ 662,039
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	901,598	801,257
Bad debt (recovery)	-	(35,000)
Change in:		
Accounts receivable	232,032	(82,824)
Prepaid expenses and other current assets	(49,217)	(7,429)
Grant receivable	337,023	(337,023)
Net pension asset	115,478	(115,478)
Deferred outflows of resources	(64,344)	96,230
Accounts payable and accrued expenses	(62,794)	5,544
Payroll, payroll taxes and union dues payable	4,807	(780)
Accounts payable, retainage	(108,347)	61,792
Net pension liability	81,904	(26,260)
Deferred inflows of resources	(84,394)	59,514
Net Cash Provided by Operating Activities	\$ 1,585,940	\$ 1,081,582
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, 2019 AND 2018**

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. 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, 2019. This pronouncement does not impact the Authority for the year ending December 31, 2019.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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 beginning after December 15, 2019. The Authority has not determined the effect of this pronouncement.

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.
- The budget lapses at the end of each year.

Excess of Expenditures Over Budgeted Amounts

For the year ended December 31, 2019, expenditures exceeded budgeted amounts in the following categories:

Plant Expenses:

Wages	\$ 8,909
Pension	29,934
Medical and dental benefits	450
Life insurance	4,378
Utilities - gas and electric	23,592
Small tools - minor repairs	101
Outside lab costs	8,290
Sludge removal	102,529
Sodium hypochlorite	243
Sodium bisulfite	384
DEP permit fee	842

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

Maintenance Expenses:	
Pension	9,948
Life insurance	1,879
Pump station - utilities	4,431
Equipment rentals and lease expense	105
Engineering fees - collection system	35,423
Administrative Expenses:	
Wages	52,403
Payroll taxes	2,052
Medical and dental benefits	2,872
Pension	9,060
Life insurance	2,940
Legal	65,348
Legal - collections and liens	731
Auditing and accounting	15,013
Engineering fees	800
Office supplies and expense	4,145
Telephone	2,166
Advertising	502
Community outreach	1,642
Collection expense	2,811
Upper Merion Sewer rental contract	4,200

The excess of expenditures over budgeted amounts was financed with revenues.

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 2019 and 2018 totaled \$901,598 and \$801,257, respectively.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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 and improvements	7 - 50
Maintenance equipment	5 - 7
Laboratory equipment	7
Trucks	5 - 10
Office furniture and equipment	7 - 10

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

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.

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, 2019 AND 2018**

**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, upon acceptance of the dedication. There were no capital contributions during the year ended December 31, 2019. Capital contributions totaled \$17,820 during the year ended December 31, 2018. 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.

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 and included in accounts payable and accrued expenses in the Statements of Net Position.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, \$1,044,493 and \$4,423,610, 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>2019</u>	<u>2018</u>
Uninsured and collateral held by the pledging bank's trust department, but not in the Authority's name	\$ 1,044,493	\$ 4,423,610
Plus: Insured amounts	<u>638,990</u>	<u>612,124</u>
Carrying amounts - bank balances	<u>1,683,483</u>	<u>5,035,734</u>
Plus: Petty cash	200	200
Less: Outstanding checks	<u>(54,620)</u>	<u>(70,598)</u>
Total Cash Per Financial Statements	<u>\$ 1,629,063</u>	<u>\$ 4,965,336</u>

Cash is comprised of:

	<u>2019</u>	<u>2018</u>
Operating accounts - unrestricted	\$ 1,498,572	\$ 4,848,600
Restricted accounts - developer escrow accounts	<u>130,491</u>	<u>116,736</u>
	<u>\$ 1,629,063</u>	<u>\$ 4,965,336</u>

NOTE 3: ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the accounts receivable allowance for doubtful accounts are:

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ -	\$ 35,000
Bad debt recovery	-	<u>(35,000)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>

NOTE 4: ESCROWS

At December 31, 2019 and 2018, escrows include \$130,491 and \$116,736, respectively, of cash received from developers and other customers. As of December 31, 2019 and 2018, the Authority owed consultants \$22,855 and \$21,631, respectively, related to the escrow balances.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5: UTILITY PLANT AND EQUIPMENT

	2019			Balance at December 31, 2019
	Balance at January 1, 2019	Additions	Transfers	
Nondepreciable property				
Land	\$ 98,567	\$ 31,665	\$ -	\$ 130,232
Construction in progress	2,242,447	13,012	(2,249,427)	6,032
Total Nondepreciable Property	2,341,014	44,677	(2,249,427)	136,264
Depreciable property				
Sewer plant and improvements	38,884,894	40,449	2,249,427	41,174,770
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	14,952	-	-	14,952
Trucks	169,044	264,790	-	433,834
Office furniture and equipment	85,952	-	-	85,952
Total Depreciable Property	39,383,350	305,239	2,249,427	41,938,016
Less: Accumulated depreciation	(13,088,983)	(901,598)	-	(13,990,581)
Total Depreciable Property, Net	26,294,367	(596,359)	2,249,427	27,947,435
Total Utility Plant and Equipment	\$ 28,635,381	\$ (551,682)	\$ -	\$ 28,083,699
	2018			
	Balance at January 1, 2018	Additions	Transfers	Balance at December 31, 2018
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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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.

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>
2020	2.50%	\$ 210,000	\$ 124,575	\$ 334,575
2021	2.50%	216,000	119,325	335,325
2022	2.50%	221,000	113,925	334,925
2023	2.50%	226,000	108,400	334,400
2024	2.50%	232,000	102,750	334,750
2025	2.50%	238,000	96,950	334,950
2026	2.50%	244,000	91,000	335,000
2027	2.50%	250,000	84,900	334,900
2028	5.00%	177,000	157,300	334,300
2029	5.00%	187,000	148,450	335,450
2030	5.00%	196,000	139,100	335,100
2031	5.00%	205,000	129,300	334,300
2032	5.00%	216,000	119,050	335,050
2033	5.00%	227,000	108,250	335,250
2034	5.00%	238,000	96,900	334,900
2035	5.00%	250,000	85,000	335,000
2036	5.00%	263,000	72,500	335,500
2037	5.00%	276,000	59,350	335,350
2038	5.00%	289,000	45,550	334,550
2039	5.00%	304,000	31,100	335,100
2040	5.00%	318,000	15,900	333,900
		<u>4,983,000</u>	<u>\$ 2,049,575</u>	<u>\$ 7,032,575</u>
Less: Current Maturities		(210,000)		
Net Long-Term Debt		<u>\$ 4,773,000</u>		

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 received advances on the 2015 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.

The maximum annual requirements to amortize principal and interest are:

<u>Maturity Date</u> <u>Year</u>	<u>Minimum</u> <u>Interest Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
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%	386,284	19,330	405,614
		<u>6,136,924</u>	<u>\$ 2,632,636</u>	<u>\$ 8,769,560</u>
Less: Current Maturities		(329,370)		
Total Long-Term Debt		<u>\$ 5,807,554</u>		

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 6: SEWER REVENUE NOTES (continued)

Interest expense was \$340,076 and \$353,596 for the years ended December 31, 2019 and 2018, respectively.

Changes in Sewer Revenue Notes, Series of 2017 and 2015 for the years end December 31, 2019 and 2018 are:

		2019			
		Balance at January 1, 2019	Increase	Decrease	Balance at December 31, 2019
Series of 2017		\$ 9,583,000	\$ -	\$ (4,600,000)	4,983,000
Series of 2015		5,849,952	607,832	(320,860)	6,136,924
		\$ 15,432,952	\$ 607,832	\$ (4,920,860)	\$ 11,119,924
		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

In conjunction with the Sewer Revenue Note, 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, 2019 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$664,296
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, 2019 AND 2018**

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, 2019:

Employees Covered by Benefit Terms

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

Change in Net Pension Liability

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

	<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, 2017	\$ 1,400,391	\$ 1,515,869	\$ (115,478)
Changes for the year:			
Service cost	44,600	-	44,600
Interest	74,975	-	74,975
Changes of benefits	7,839	-	7,839
Changes of assumptions	-	-	-
Differences between expected and actual experience	15,884	-	15,884
Contributions - employer	-	7,521	(7,521)
Contributions - PMRS assessment	-	20	(20)
Contributions - employee	-	23,254	(23,254)
PMRS investment income	-	74,925	(74,925)
Market value investment income *	-	(156,140)	156,140
Transfers	-	-	-
Benefit payments	(34,241)	(34,241)	-
PMRS administrative expense	-	(320)	320
Additional administrative expense	-	(3,344)	3,344
Net changes	109,057	(88,325)	197,382
Balances at December 31, 2018	\$ 1,509,448	\$ 1,427,544	\$ 81,904

*Reflects the net investment income (loss) of \$(144,472) and the income (loss) due to the difference between expected and actual asset values of \$(11,668), 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, 2019 AND 2018**

NOTE 7: PENSION PLAN (continued)

This report does not reflect changes in benefits or assumptions after January 1, 2019. 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. The beginning of year TPL is based on the January 1, 2017 actuarial valuation, per GASB paragraph 22, with liabilities rolled forward to December 31, 2017 and reflecting the impact of plan changes, if applicable. The end of year TPL is based on the January 1, 2019 actuarial valuation with liabilities measured at December 31, 2018. Except as noted below, the TPL as of December 31, 2018 was based on 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	\$ 1,729,683	\$ 1,509,448	\$ 1,321,700
Plan Fiduciary Net Position	1,427,544	1,427,544	1,427,544
Net Pension Liability	\$ 302,139	\$ 81,904	\$ (105,844)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 82.53%	 94.57%	 108.01%

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7: PENSION PLAN (continued)

Schedule of Employer Reporting Amounts – GASB Measurement Date of December 31, 2018

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 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 Deferred Inflows and Outflows

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 41,913	\$ 33,994
Changes in assumptions	7,844	25,998
Net difference between projected and actual earnings on pension plan investments	-	56,393
Payment subsequent to the measurement date	-	11,456
	\$ 49,757	\$ 127,841

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>
2020	\$ 31,696
2021	(1,740)
2022	2,559
2023	27,054
2024	1,765

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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7: PENSION PLAN (continued)

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 Pension Expense

	Measurement Date as of	
	<u>12/31/2018</u>	<u>12/31/2017</u>
Change in Net Pension Liability	\$ 197,382	\$ (141,738)
Change in Deferred Outflows	(57,387)	93,338
Change in Deferred Inflows	(84,394)	59,514
Employer Contributions	7,541	10,413
	<u>63,142</u>	<u>21,527</u>
Pension Expense	\$ 63,142	\$ 21,527
Pension Expense as % of Payroll	9.51%	3.26%
Operating Expenses		
Service Cost	\$ 44,600	\$ 44,326
Employee Contributions	(23,254)	(23,105)
PMRS Administrative Expense	320	320
Additional Administrative Expense	3,344	3,264
	<u>25,010</u>	<u>24,805</u>
Financing Expenses		
Interest Cost	74,975	70,454
Expected Return on Assets	(74,925)	(70,981)
	<u>50</u>	<u>(527)</u>
Changes		
Benefit Changes	7,839	-
Recognition of Assumption Changes	4,539	4,539
Recognition of Liability Gains and Losses	(2,089)	(3,854)
Recognition of Investment Gains and Losses	27,793	(3,436)
	<u>38,082</u>	<u>(2,751)</u>
Pension Expense	\$ 63,142	\$ 21,527

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 2019 and 2018, revenues from Plymouth Township were \$343,861 and \$888,228, respectively, including \$-0- and \$604,568 in 2019 and 2018, respectively, for its capital share for plant improvements. At December 31, 2019 and 2018, accounts receivable due from Plymouth Township were \$109,859 and \$303,509, respectively, (including \$-0- and \$204,568, respectively, for capital share).

NOTE 10: COLLECTIVE BARGAINING AGREEMENT

The Authority's collective bargaining agreement with its union employees expires on December 31, 2024.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 23, 2020, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. These actions have expanded significantly in the past several weeks and are expected to continue to expand. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Authority cannot be reasonably estimated at this time.

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

	2019	2018
Operating Expenses		
Plant Expenses:		
Building maintenance	\$ 43,010	\$ 38,077
Engineering fees	10,355	13,985
Laboratory expenses	37,622	36,093
Miscellaneous	2,440	2,670
Payroll taxes and benefits	173,490	154,509
Plant security	1,271	1,635
Plant supplies and repair expense	22,593	22,753
Plant wages	351,459	333,467
Sludge removal	232,529	127,934
Treatment chemicals	12,013	14,023
Uniforms	5,522	7,136
Utilities	136,337	130,321
	1,028,641	882,603
Collection Expenses:		
Engineering fees	52,923	13,626
Miscellaneous	12	1,462
Payroll taxes and benefits	40,187	37,563
Road crew wages	116,798	112,727
Sewer supplies and repair expense	16,045	20,569
Vehicle expenses	9,408	12,613
Uniforms	1,532	1,717
Utilities	7,931	2,883
	244,836	203,160
Total Operating Expenses	\$ 1,273,477	\$ 1,085,763

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

	<u>2019</u>	<u>2018</u>
General and Administrative Expenses		
Advertising	\$ 3,502	\$ 1,425
Bad debt (recovery)	-	(35,000)
Bank fees	5,269	5,157
Board expense	7,475	7,500
Collection expense	11,911	8,806
Computer expense and supplies	5,943	23,827
Consulting fees	18,379	15,218
Dues and conferences	8,015	6,211
Insurance	59,815	59,568
Miscellaneous	12,330	8,311
Office and management salaries	273,098	223,833
Office supplies and expense	22,145	21,947
Payroll processing fees	4,099	4,387
Payroll taxes and benefits	101,452	62,688
Postage	14,605	8,980
Professional fees	295,267	283,667
Telephone	7,166	5,214
	<u> </u>	<u> </u>
Total General and Administrative Expenses	\$ 850,471	\$ 711,739

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer service	\$ 2,260,000	\$ 2,203,036	\$ (56,964)
Connection fees	-	691,000	691,000
Penalties	39,000	30,609	(8,391)
Certifications	10,600	15,150	4,550
NSF fees	140	270	130
MIPP fees	9,350	8,300	(1,050)
Miscellaneous fees and permits	3,500	1,611	(1,889)
Energy curtailment program	1,000	143	(857)
Lien fees	5,000	3,807	(1,193)
Legal fees	20,000	9,953	(10,047)
Contract revenues - Plymouth Township	310,000	343,861	33,861
Contract revenues - Plymouth Township, capital	400,000	-	(400,000)
Total Operating Revenues	\$ 3,058,590	\$ 3,307,740	\$ 249,150
Operating Expenses			
Plant Expenses:			
Wages	\$ 342,550	\$ 351,459	\$ (8,909)
Payroll taxes	30,671	28,054	2,617
Worker's compensation insurance	18,224	11,975	6,249
Pension	-	29,934	(29,934)
Medical and dental benefits	63,921	64,371	(450)
TASC medical copay	66,500	34,778	31,722
Life insurance	-	4,378	(4,378)
Utilities - gas and electric	110,000	133,592	(23,592)
Utilities - water	3,000	2,745	255
Plant security	2,000	1,271	729
Vehicle maintenance	500	-	500
Plant maintenance	20,000	17,533	2,467
Plant supplies	2,500	831	1,669
Repairs/maintenance - building	1,000	176	824
Repairs/maintenance - plant	65,000	42,834	22,166
Small tools - minor repairs	3,000	3,101	(101)
Employee drug testing	350	198	152
Engineering fees	15,000	7,195	7,805
Engineering - wasteload management	5,000	3,160	1,840
Uniforms/safety supplies	7,000	5,522	1,478
Inside lab costs	4,000	2,332	1,668
Outside lab costs	27,000	35,290	(8,290)
Sludge removal	130,000	232,529	(102,529)
Chlorine	6,000	4,960	1,040
Sodium hypochlorite	500	743	(243)
Sodium bisulfite	3,000	3,384	(384)
Lime	3,000	-	3,000
Polymer	6,000	2,926	3,074
Equipment rentals and lease expense	1,500	-	1,500
Miscellaneous operating expenses	500	-	500
DEP permit fee	1,400	2,242	(842)
Plant mats, deodorizers, gloves	1,200	1,128	72
Total Plant Expenses	\$ 940,316	\$ 1,028,641	\$ (88,325)

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance Expenses:			
Wages - road crew	\$ 165,900	\$ 116,798	\$ 49,102
Payroll taxes	11,457	9,146	2,311
Medical and dental benefits	14,062	12,882	1,180
Worker's compensation insurance	6,500	3,783	2,717
Pension	-	9,948	(9,948)
TASC medical copay	19,950	2,549	17,401
Life insurance	-	1,879	(1,879)
Maintenance - sewer	23,450	12,166	11,284
Maintenance - supplies	2,400	666	1,734
Pump station - maintenance	5,000	2,319	2,681
Pump station - utilities	3,500	7,931	(4,431)
Small tools and minor equipment	2,000	289	1,711
Equipment rentals and lease expense	500	605	(105)
Vehicle expenses	6,000	5,074	926
Jet truck expenses	3,000	2,465	535
Camera and vacuum trailer	4,350	1,869	2,481
Uniforms - road crew	1,600	1,532	68
Engineering fees - collection system	17,500	52,923	(35,423)
Miscellaneous operating expenses - collection system	600	12	588
Total Maintenance Expenses	\$ 287,769	\$ 244,836	\$ 42,933
Administrative Expenses:			
Wages	\$ 220,695	\$ 273,098	\$ (52,403)
Payroll taxes	20,084	22,136	(2,052)
Medical and dental benefits	30,422	33,294	(2,872)
Workers compensation insurance	4,000	(107)	4,107
Pension	14,200	23,260	(9,060)
TASC medical copay	33,250	19,929	13,321
Life insurance	-	2,940	(2,940)
Insurance	77,162	59,815	17,347
Legal	95,000	160,348	(65,348)
Legal - plant	6,000	2,375	3,625
Legal - collections and liens	41,000	41,731	(731)
Auditing and accounting	65,000	80,013	(15,013)
Engineering fees	10,000	10,800	(800)
Board expense payment	7,500	7,475	25
Consulting fees	19,500	18,379	1,121
Dues, subscriptions and conferences	9,000	8,015	985
Office supplies and expense	18,000	22,145	(4,145)
Computer expense	14,000	5,943	8,057
Maintenance	1,500	29	1,471
Telephone	5,000	7,166	(2,166)
Advertising	3,000	3,502	(502)
Community outreach	-	1,642	(1,642)
Postage - billing and general	15,000	14,605	395
Collection expense	9,100	11,911	(2,811)
Upper Merion sewer rental contract	3,450	7,650	(4,200)
Miscellaneous	1,000	366	634
Bank fees	6,000	5,269	731
Donations	3,000	2,643	357
Payroll processing fees	4,500	4,099	401
Total Administrative Expenses	736,363	850,471	(114,108)

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
Total Operating and General and Administrative Expenses	1,964,448	2,123,948	(159,500)
Operating Income Before Depreciation	1,094,142	1,183,792	89,650
Depreciation	-	901,598	(901,598)
Operating Income	1,094,142	282,194	(811,948)
Nonoperating Revenues (Expense)			
Interest income	5,000	67,052	(62,052)
Interest expense	(731,575)	(340,076)	(391,499)
Net Nonoperating Revenues (Expense)	(726,575)	(273,024)	(453,551)
Income Before Capital Contributions	367,567	9,170	358,397
Capital contributions	-	-	-
Increase in Net Position	\$ 367,567	\$ 9,170	\$ 358,397

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2018**

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				
	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability					
Service cost (beginning of year)	\$ 44,600	\$ 44,326	\$ 39,425	\$ 40,389	\$ 30,985
Interest (includes interest on service cost)	74,975	70,454	69,505	66,307	61,070
Changes of benefit terms	7,839	-	-	-	-
Differences between expected and actual experience	15,884	-	(56,441)	(19,325)	53,000
Changes of assumptions	-	-	45,498	(15,688)	-
Transfers	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(34,241)	(23,766)	(25,493)	(38,116)	(41,690)
Net Change in Total Pension Liability	109,057	91,014	72,494	33,567	103,365
Total Pension Liability - Beginning	1,400,391	1,309,377	1,236,883	1,203,316	1,099,951
Total Pension Liability - Ending	\$ 1,509,448	\$ 1,400,391	\$ 1,309,377	\$ 1,236,883	\$ 1,203,316
Plan Fiduciary Net Position					
Contributions - employer	\$ 7,521	\$ 10,413	\$ 2,179	\$ -	\$ 598
Contributions - PMRS assessment	20	-	-	20	-
Contributions - employee	23,254	23,105	22,230	20,937	17,525
PMRS investment income	74,925	70,981	70,817	72,597	69,328
Market value investment income	(156,140)	155,603	21,493	(167,194)	7,274
Transfers	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(34,241)	(23,766)	(25,493)	(38,116)	(41,690)
PMRS administrative expense	(320)	(320)	(340)	(340)	(280)
Additional administrative expense	(3,344)	(3,264)	(3,469)	(3,026)	(2,659)
Net Change in Plan Fiduciary Net Position	(88,325)	232,752	87,417	(115,122)	50,096
Plan Fiduciary Net Position - Beginning	1,515,869	1,283,117	1,195,700	1,310,822	1,260,726
Plan Fiduciary Net Position - Ending	\$ 1,427,544	\$ 1,515,869	\$ 1,283,117	\$ 1,195,700	\$ 1,310,822
Net Pension Liability - Ending	\$ 81,904	\$ (115,478)	\$ 26,260	\$ 41,183	\$ (107,506)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	94.57%	108.25%	97.99%	96.67%	108.93%
Covered Employee Payroll	\$ 664,296	\$ 660,216	\$ 635,183	\$ 598,226	\$ 465,633
Net Pension Liability as a Percentage of Covered Employee Payroll	12.33%	-17.49%	4.13%	6.88%	-23.09%

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2018**

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 7,521	\$ 8,235	\$ 2,179	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	<u>7,541</u>	<u>10,413</u>	<u>2,179</u>	<u>20</u>	<u>598</u>
Contribution Deficiency/(Excess)	<u>\$ (20)</u>	<u>\$ (2,178)</u>	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ (598)</u>
Covered Employee Payroll **	\$ 664,296	\$ 660,216	\$ 635,183	\$ 598,226	\$ 465,633
Contributions as a Percentage of Covered Employee Payroll	1.14%	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 Schedules:

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 2018 is based upon the January 1, 2015 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2018 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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
SCHEDULE OF ASSETS, LIABILITIES AND FUNDED RATIOS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2018**

Measurement Year Ending	2013	2014	2015	2016	2017	2018
1. Total Pension Liability	\$ 1,099,951	\$ 1,203,316	\$ 1,236,883	\$ 1,309,377	\$ 1,400,391	\$ 1,509,448
2. Actuarial Value of Assets*	\$ 1,279,209	\$ 1,336,201	\$ 1,293,959	\$ 1,358,444	\$ 1,438,874	\$ 1,541,524
3. AVA Funded Ratio [2./1.]	116.3%	111.0%	104.6%	103.7%	102.7%	102.1%
4. Market Value of Assets *	\$ 1,260,726	\$ 1,310,822	\$ 1,195,700	\$ 1,283,117	\$ 1,515,869	\$ 1,427,544
5. MVA Funded Ratio [4.1/1.]	114.6%	108.9%	96.7%	98.0%	108.2%	94.6%

* Amounts may not match the Act 205 Forms due to unpaid MMOs.