



940 West Sproul Road, Suite 101, Springfield, PA 19064 | PHONE: 610.544.5900 | FAX: 610.544.7455

September 27, 2022

To the Board of Directors and Management
Borough of Conshohocken Authority
601 East Elm Street
Conshohocken, PA 19428

We have audited the financial statements of the business-type activities of the Borough of Conshohocken Authority (the "Authority") for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 28, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

Management's estimate of the depreciable lives of capital assets acquired

Management's estimate of the depreciable lives of capital assets is based on the estimated useful lives of the related asset. We evaluated the key factors and assumptions used in determining that the useful lives of the capital assets are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension asset/liability

Management's estimate of the net pension asset/liability is based on an actuarial valuation at the measurement date. Management should evaluate the key factors and assumptions used to determine the net pension asset/liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of custodial credit risk associated with the Authority's cash in Note 2 to the financial statements described the risk associated with the cash held by the Authority as of December 31, 2021 and 2020;

The disclosure of the Sewer Revenue Notes, Series A and Series AA of 2021 and the refinancing of Series of 2017 and Series of 2015 in Note 5 to the financial statements, which describes the Authority's funding and repayment requirements through the maturity of the Notes.

The disclosure of the Authority's net pension asset/liability in Note 6 to the financial statements, which describes the Authority's obligation and requirements under GASB No. 68.

The disclosure of concentrations in Note 8 to the financial statements, which describes the concentrations from revenue sources as well as the related concentration of accounts receivable balance owed from these sources.

The disclosure of risks and uncertainties in Note 10 to the financial statements which discloses the existence of the COVID-19 pandemic and the uncertainty related to the financial impact on the Authority.

The disclosure of the municipal services agreement between the Authority and the Borough of Conshohocken in Note 11 to the financial statements which describes the nature and terms entered into subsequent to December 31, 2021 by the aforementioned parties.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were identified during the course of the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 27, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Borough of Conshohocken Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Revenues and Expenses – Budget (GAAP Budgetary Basis) and Actual - 2020, Schedule of Changes in Net Pension Asset/Liability, Schedule of Employer Contributions and the Schedule of Assets, Liabilities and Funded Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedules of Operating Expenses and General and Administrative Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Board of Directors and Management
Borough of Conshohocken Authority
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Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Borough of Conshohocken Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Brinker Simpson & Company, LLC

Brinker Simpson & Company, LLC



940 West Sproul Road, Suite 101, Springfield, PA 19064 | PHONE: 610.544.5900 | FAX: 610.544.7455

To Members of the Board
Borough of Conshohocken Authority
601 East Elm Street
Conshohocken, PA 19428

In planning and performing our audit of the financial statements of the business-type activities of the Borough of Conshohocken Authority (the "Authority") as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Another matter was identified during the course of the audit, which did not rise to the level of being identified as a material weakness or significant deficiency.

- The Authority did not file Form DCED-CLGS-04; 2020 Annual Report of Municipal Authorities and Non-Profits with the Department of Community and Economic Development by June 30, 2022. This was a result of not receiving timely information from the Pennsylvania Municipal Retirement System (PMRS) related to the GASB 68 reporting and the accounting for the Authority's defined benefit plan.

To Members of the Board
Borough of Conshohocken Authority
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This communication is intended solely for the information and use of management, the Board, and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brinker Simpson & Company, LLC

Brinker, Simpson & Company, LLC
Springfield, Pennsylvania
September 27, 2022

BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
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DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Borough of Conshohocken Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Borough of Conshohocken Authority (the Authority), a component unit of the Borough of Conshohocken, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Borough of Conshohocken Authority as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Revenues and Expenses – Budget (GAAP Budgetary Basis) and Actual, Schedule of Changes in Net Pension Liability, Schedule of Employer Contributions and the Schedule of Assets, Liabilities and Funded Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit 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.

Supplementary Information

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

A handwritten signature in cursive script that reads "Brinker Simpson & Company, LLC".

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
September 27, 2022

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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, 2021 and 2020. 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 facilities of the Borough of Conshohocken and the Borough of West Conshohocken. The Authority was incorporated on January 30, 1951.

Authority Activities and Highlights

At year-end 2021, total assets and deferred outflows of resources were \$32,810,659 and exceeded liabilities and deferred inflows of resources by \$22,320,691 (i.e. total net position). Total assets and deferred outflows of resources increased \$951,126, total net position increased \$1,547,989, and unrestricted net position increased \$1,661.442 from 2020.

Capital assets in 2021, net of additions of \$317,627 including capital contributions of \$206,459, net of depreciation, decreased \$694,007 from 2020. This decrease is attributed to depreciation expense of \$1,011,634. The Authority, as a result of the COVID-19 pandemic, delayed certain capital expenditures and projects.

The Authority's operating revenues, which consist primarily of sewer rental income decreased by \$236,623 or 9.4% over the prior year. This was the result of a decrease in the amount of connection fee revenues in 2021. Total operating revenues were more than budgeted revenues by \$1,703,767 or 62.9%. Operating and general and administrative expenses decreased by \$14,179 or .8% 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. As a result of the COVID-19 pandemic, shut-off procedures were suspended during the year ended December 31, 2020. Beginning January 1, 2022, the Authority reinstituted its shut-off procedures.

There were dedications of infrastructure, or developer contributions of facilities in the amount of \$206,459 and \$8,998 for 2021 and 2020, respectively. These contributions vary from year-to-year with fluctuations in completed developer projects.

Operating income (i.e., operating revenues in excess of operating expenses before depreciation) for 2021 was \$2,665,225 a 7.7% decrease compared to \$2,887,669 in the prior year. This decrease was mainly due to a decrease in connection fees over the prior year. Connection fees can fluctuate year to year, based on developer projects. Operating income before depreciation for 2021 was 37.4% of total operating revenues, compared to 41.0% for 2020. The Authority paused its measures used to pursue delinquent accounts due to the COVID-19 pandemic. Filing of new liens, as well as pursuit of water shut-offs in coordination with Aqua did not occur during the year.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Change in net position (i.e. operating income plus non-operating revenues and less non-operating expense) for 2021 was \$1,547,989, compared to \$1,645,447 in 2020. The decrease in net position for 2021 was 2.2% of total operating revenues compared to 35.4% in 2020.

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).

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the independent auditor's report at the front of this report and the Authority's audited financial statements and supplementary information, which follow this section.

This annual report consists of three parts: the MD&A, the financial statements, and supplementary information.

The financial statements report information about the Authority using full accrual accounting methods similar to those used by the private sector.

The financial statements include: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows; and Notes to Financial Statements.

Statement of Net Position

The **Statements of Net Position** present the financial position of the Authority on a full accrual, historical cost basis. These statements present information on all the Authority's assets and liabilities, with the difference, or total assets in excess of total liabilities, reported as total net position.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the **Statements of Revenues, Expenses and Changes In Net Position** present the results of the business activities and the amount by which the net position changed during the 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 the related cash flows. These statements also provide certain information about the Authority's recovery of its costs. The primary objective of a rate model is to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The **Statements of Cash Flows** report changes in cash and cash equivalents resulting from operating activities; capital and related financing activities; and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **Notes to Financial Statements** provide required disclosures and other information that are essential to a full understanding of the financial data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The **Supplementary Information** includes the Schedules of Operating Expenses and General and Administrative Expenses.

The **Required Supplementary Information** includes the Schedule of Revenues and Expenses – Budget (GAAP Budgetary Basis) and Actual, Schedule of Changes in Net Pension Liability, Schedule of Employer Contributions and the Schedule of Assets, Liabilities and Funded Ratios.

The financial statements were prepared by the Authority's staff from books and records of the Authority and audited during the independent external audit.

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 \$1,547,989, at the close of the most recent fiscal year.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The following table summarizes the financial position of the Authority as of December 31, 2021 and 2020:

	2021	2020
Assets and Deferred Outflows of Resources		
Current assets	\$ 5,640,884	\$ 4,145,010
Cash, escrow funds - developers	168,870	136,095
Utility plant and equipment, net of accumulated depreciation	26,695,998	27,390,005
Net pension asset	139,520	129,567
	<u>32,645,272</u>	<u>31,800,677</u>
Total Assets		
Deferred Outflows of Resources	165,387	58,856
	<u>165,387</u>	<u>58,856</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 32,810,659</u>	<u>\$ 31,859,533</u>
Current and Other Liabilities		
Current liabilities	\$ 533,551	\$ 735,315
Escrow deposits, developers	168,870	136,095
Long-term debt	9,599,450	10,026,434
	<u>10,301,871</u>	<u>10,897,844</u>
Total Liabilities		
Deferred Inflows of Resources	188,097	188,987
	<u>188,097</u>	<u>188,987</u>
Net Position		
Invested in capital assets, net of related debt	16,695,998	16,809,451
Unrestricted	5,624,693	3,963,251
Total Net Position	<u>22,320,691</u>	<u>20,772,702</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 32,810,659</u>	<u>\$ 31,859,533</u>

The Authority's net assets presented in the table reflect an investment in capital assets net of related debt of \$16,695,998 as well as unrestricted net assets of \$5,624,693.

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
(UNAUDITED)**

The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position of the Authority for the fiscal years 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Sewer rental income	\$ 2,662,131	\$ 2,516,662
Connection fees	1,691,200	2,083,200
Miscellaneous fees and penalties	<u>57,476</u>	<u>47,568</u>
Total Operating Revenues	4,410,807	4,647,430
 Operating and General and Administrative Expenses	 <u>1,745,582</u>	 <u>1,759,761</u>
 Operating Income Before Depreciation and Nonoperating Revenue and Expense	 <u>2,665,225</u>	 <u>2,887,669</u>
 Depreciation	(1,011,634)	(979,728)
Interest income	7,011	10,622
Interest expense	<u>(319,072)</u>	<u>(282,114)</u>
	(1,323,695)	(1,251,220)
 Income Before Capital Contributions	 1,341,530	 1,636,449
 Capital contributions	 <u>206,459</u>	 <u>8,998</u>
 Increase in Net Position	 <u>\$ 1,547,989</u>	 <u>\$ 1,645,447</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
(UNAUDITED)**

Borough of Conshohocken Authority's investment in capital assets as of December 31, 2021 and 2020, net of accumulated depreciation, was as follows:

	2021	2020
Sewer plant	\$ 41,474,772	\$ 41,189,719
Maintenance equipment	228,508	228,508
Laboratory equipment	14,952	14,952
Trucks	690,702	690,702
Office furniture and equipment	96,441	88,456
Land	143,375	135,872
Construction in progress	29,191	12,105
	<u>42,677,941</u>	<u>42,360,314</u>
Less: Accumulated depreciation	<u>(15,981,943)</u>	<u>(14,970,309)</u>
Capital Assets, Net	<u>\$ 26,695,998</u>	<u>\$ 27,390,005</u>

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

Debt Administration

As of December 31, 2021, the Authority had total debt outstanding of \$10,000,000. Effective November 2, 2021, the Authority refinanced its Sewer Revenue Note, Series of 2015 and Sewer Revenue Note, Series of 2017 with Sewer Revenue Note, Series A of 2021 in the amount of \$5,474,420 and Sewer Revenue Note, Series AA of 2021 in the amount of \$4,525,580.

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

Economic Factors and Next Year's Budgets and Rates

The Borough of Conshohocken Authority continues to focus its efforts on increasing its revenues and containing, if not reducing, its expenses in order to improve its financial condition.

The Authority 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. As a result of the COVID-19 pandemic, shut-off procedures were suspended during the year ended December 31, 2020. Effective January 1, 2022, the Authority reinstated its shut-off procedures.

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
(UNAUDITED)**

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.

Brent Wagner
Interim Executive Director

Shannon Stewart
Finance Director

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
STATEMENTS OF NET POSITION
DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current Assets		
Cash and cash equivalents	\$ 4,768,676	\$ 3,254,514
Accounts receivable	834,499	823,219
Prepaid expenses and other current assets	37,709	67,277
Total Current Assets	<u>5,640,884</u>	<u>4,145,010</u>
Restricted Assets		
Cash, escrow funds - developers	168,870	136,095
Utility plant and equipment, net of accumulated depreciation	26,695,998	27,390,005
Net pension asset	139,520	129,567
Total Assets	<u>32,645,272</u>	<u>31,800,677</u>
Deferred Outflows of Resources		
Pension contributions, difference between expected and actual experience	165,387	58,856
Total Assets and Deferred Outflows of Resources	<u>\$ 32,810,659</u>	<u>\$ 31,859,533</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 103,504	\$ 151,525
Current maturities of Sewer Revenue Note, Series of 2015	-	338,120
Current maturities of Sewer Revenue Note, Series of 2017	-	216,000
Current maturities of Sewer Revenue Note, Series A of 2021	256,150	-
Current maturities of Sewer Revenue Note, Series AA of 2021	144,400	-
Payroll, payroll taxes and union dues payable	29,497	29,670
Total Current Liabilities	<u>533,551</u>	<u>735,315</u>
Restricted Liabilities		
Escrow deposits, developers	168,870	136,095
Long-Term Liabilities		
Sewer Revenue Note, Series of 2015, net of current maturities	-	5,469,434
Sewer Revenue Note, Series of 2017, net of current maturities	-	4,557,000
Sewer Revenue Note, Series A of 2021, net of current maturities	5,218,270	-
Sewer Revenue Note, Series AA of 2021, net of current maturities	4,381,180	-
Total Long-Term Liabilities	<u>9,599,450</u>	<u>10,026,434</u>
Total Liabilities	<u>10,301,871</u>	<u>10,897,844</u>
Deferred Inflows of Resources		
Pension contributions, differences between projected and actual earnings on plan investments	188,097	188,987
Net position		
Invested in capital assets, net of related debt	16,695,998	16,809,451
Unrestricted	5,624,693	3,963,251
Total Net Position	<u>22,320,691</u>	<u>20,772,702</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 32,810,659</u>	<u>\$ 31,859,533</u>

See accompanying notes.

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

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Sewer rentals, net of discounts	\$ 2,662,131	\$ 2,516,662
Connection fees	1,691,200	2,083,200
Miscellaneous fees and penalties	<u>57,476</u>	<u>47,568</u>
Total Operating Revenues	<u>4,410,807</u>	<u>4,647,430</u>
Operating expenses	999,809	1,008,508
General and administrative expenses	<u>745,773</u>	<u>751,253</u>
Total Expenses	<u>1,745,582</u>	<u>1,759,761</u>
Operating Income Before Depreciation	<u>2,665,225</u>	<u>2,887,669</u>
Depreciation	<u>1,011,634</u>	<u>979,728</u>
Operating Income	<u>1,653,591</u>	<u>1,907,941</u>
Nonoperating Revenue (Expense)		
Interest income	7,011	10,622
Interest expense	<u>(319,072)</u>	<u>(282,114)</u>
Net Nonoperating Revenue (Expense)	<u>(312,061)</u>	<u>(271,492)</u>
Income Before Capital Contributions	<u>1,341,530</u>	<u>1,636,449</u>
Capital contributions	<u>206,459</u>	<u>8,998</u>
Increase in Net Position	<u>1,547,989</u>	<u>1,645,447</u>
Net Position, Beginning	<u>20,772,702</u>	<u>19,127,255</u>
Net Position, Ending	<u><u>\$ 22,320,691</u></u>	<u><u>\$ 20,772,702</u></u>

See accompanying notes.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 4,399,527	\$ 4,623,742
Cash payments to suppliers for materials and services	(1,070,901)	(897,629)
Cash payments to employees	(810,681)	(882,273)
Net Cash and Cash Equivalents Provided by Operating Operating Activities	<u>2,517,945</u>	<u>2,843,840</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(111,168)	(277,036)
Proceeds from Sewer Revenue Note, Series A of 2021	5,474,420	-
Proceeds from Sewer Revenue Note, Series AA of 2021	4,525,580	-
Principal payments on Sewer Revenue Note, Series of 2015	(4,773,000)	(329,370)
Principal payments on Sewer Revenue Note, Series of 2017	(5,807,554)	(210,000)
Interest paid	(319,072)	(282,114)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities	<u>(1,010,794)</u>	<u>(1,098,520)</u>
Cash Flows From Investing Activities		
Interest received	7,011	10,622
Net Cash and Cash Equivalents Provided by Investing Activities	<u>7,011</u>	<u>10,622</u>
Net Change in Cash and Cash Equivalents	<u>1,514,162</u>	<u>1,755,942</u>
Cash and Cash Equivalents, Beginning	<u>3,254,514</u>	<u>1,498,572</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,768,676</u>	<u>\$ 3,254,514</u>
Reconciliation of Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities		
Operating income	\$ 1,653,591	\$ 1,907,941
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation	1,011,634	979,728
Change in:		
Accounts receivable	(11,280)	(23,688)
Prepaid expenses and other current assets	29,568	9,668
Net pension asset	(9,953)	(129,567)
Deferred outflows of resources	(106,531)	68,985
Accounts payable and accrued expenses	(48,021)	(12,253)
Payroll, payroll taxes and union dues payable	(173)	(14,300)
Net pension liability	-	(81,904)
Deferred inflows of resources	(890)	139,230
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 2,517,945</u>	<u>\$ 2,843,840</u>
Supplemental Disclosure of NonCash Capital and Related Financing Activities		
Assets acquired through capital contributions	<u>\$ 206,459</u>	<u>\$ 8,998</u>

See accompanying notes.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Reporting Entity

The Borough of Conshohocken Authority (the Authority) is located in Montgomery County, Pennsylvania, and was incorporated on January 30, 1951 under the Municipal Authorities Act of 1945. The Authority is a municipal corporation with a five-member board of directors. The Authority supplies sewer services to residents of the Borough of Conshohocken (the Borough), the Borough of West Conshohocken and certain residents of Plymouth Township and Whitemarsh Township. Operating revenues are received from sewer rents, permits, certifications and connection fees.

The criteria used in determining the scope of the reporting entity for financial reporting purposes is consistent with the guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units. These criteria are:

- *Selection of the governing authority:*

The members of the Authority's Board of Directors are appointed to five-year terms by Borough Council. While there is continuing communication with the Borough, there is little linkage to elected Borough officials after appointment.

- *Designation of management:*

The Authority's management and employees, who are responsible for the Authority's operations, are appointed by, and are held accountable to, the Authority's Board of Directors.

- *Ability to significantly influence operations:*

The Authority reviews and approves all budgetary actions, signs contracts as the contracting agency, hires and controls key management personnel, and exercises control over facilities, property, and policies relating to the services provided by the Authority. The Borough assumes no responsibility for the Authority's day-to-day operations.

- *Accountability for fiscal matters:*

Budgetary authority and control over collection and disbursement of funds, fiscal management, and funding deficits rests with the Authority.

Based on these criteria, the Authority is a Component Unit of the Borough of Conshohocken. The Authority's relationship with the Borough is so significant that its exclusion would render the Borough's financial statements misleading, even though financial accountability to the Borough is absent.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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.

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.

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 over the related asset's estimated useful life. Depreciation expense for 2021 and 2020 totaled \$1,011,634 and \$979,728, respectively.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 and commercial customers are billed a flat rate plus consumption charges on a quarterly basis. 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
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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. Capital contributions for the years ended December 31, 2021 and 2020 were \$206,459 and \$8,998, respectively. 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; restricted 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.

Net position restricted for debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandate, less any related liabilities.

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.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Revenue Recognition

The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are charges to customers for sale and services. Operating expenses include costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

New Accounting Pronouncements

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 June 15, 2021. The Authority has not determined the effect of this pronouncement.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2: CASH AND CASH EQUIVALENTS

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, 2021 and 2020, \$216,934 and \$2,846,322, respectively, was exposed to custodial credit risk and the Authority 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>2021</u>	<u>2020</u>
Uninsured and collateral held by the pledging bank's trust department, but not in the Authority's name	\$ 216,934	\$ 2,846,322
Plus: Insured amounts	4,738,578	589,791
Carrying amounts - bank balances	<u>4,955,512</u>	<u>3,436,113</u>
Plus: Petty cash	200	200
Less: Outstanding checks	<u>(18,166)</u>	<u>(45,704)</u>
Total Cash and Cash Equivalents Per Financial Statements	<u><u>\$ 4,937,546</u></u>	<u><u>\$ 3,390,609</u></u>

Cash is comprised of:

	<u>2021</u>	<u>2020</u>
Operating accounts - unrestricted	\$ 4,768,676	\$ 3,254,514
Restricted accounts - developer escrow accounts	<u>168,870</u>	<u>136,095</u>
	<u><u>\$ 4,937,546</u></u>	<u><u>\$ 3,390,609</u></u>

NOTE 3: ESCROWS

At December 31, 2021 and 2020, escrows include \$168,870 and \$136,095, respectively, of cash received from developers and other customers. These funds are held by the Authority to guarantee the completion of projects by developers as required by the development agreements and to pay professional fees related to the respective projects. As of December 31, 2021 and 2020, the Authority owed consultants \$10,355 and \$15,950, respectively, related to the escrow balances.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 4: UTILITY PLANT AND EQUIPMENT

	2021			
	Balance at January 1, 2021	Additions	Transfers	Balance at December 31, 2021
Nondepreciable property				
Land	\$ 135,872	\$ 7,503	\$ -	\$ 143,375
Construction in progress	12,105	17,086	-	29,191
Total Nondepreciable Property	147,977	24,589	-	172,566
Depreciable property				
Sewer plant and improvements	41,189,719	285,053	-	41,474,772
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	14,952	-	-	14,952
Trucks	690,702	-	-	690,702
Office furniture and equipment	88,456	7,985	-	96,441
Total Depreciable Property	42,212,337	293,038	-	42,505,375
Less: Accumulated depreciation	(14,970,309)	(1,011,634)	-	(15,981,943)
Total Depreciable Property, Net	27,242,028	(718,596)	-	26,523,432
Total Utility Plant and Equipment	\$ 27,390,005	\$ (694,007)	\$ -	\$ 26,695,998

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 4: UTILITY PLANT AND EQUIPMENT (continued)

	2020			
	Balance at January 1, 2020	Additions	Transfers	Balance at December 31, 2020
Nondepreciable property				
Land	\$ 130,232	\$ 5,640	\$ -	\$ 135,872
Construction in progress	6,032	6,073	-	12,105
Total Nondepreciable Property	136,264	11,713	-	147,977
Depreciable property				
Sewer plant and improvements	41,174,770	14,949	-	41,189,719
Maintenance equipment	228,508	-	-	228,508
Laboratory equipment	14,952	-	-	14,952
Trucks	433,834	256,868	-	690,702
Office furniture and equipment	85,952	2,504	-	88,456
Total Depreciable Property	41,938,016	274,321	-	42,212,337
Less: Accumulated depreciation	(13,990,581)	(979,728)	-	(14,970,309)
Total Depreciable Property, Net	27,947,435	(705,407)	-	27,242,028
Total Utility Plant and Equipment	\$ 28,083,699	\$ (693,694)	\$ -	\$ 27,390,005

NOTE 5: SEWER REVENUE NOTES

Sewer Revenue Note, Series A of 2021

Effective November 2, 2021, the Authority refinanced its Sewer Revenue Notes, Series of 2015 (the "2015 Note") with a Sewer Revenue Note, Series A of 2021 (the "A 2021 Note") with Peoples Security Bank and Trust Company in the amount of \$5,474,420. Proceeds from the A 2021 Note were used to pay the principal and interest through the payoff date of the 2015 Note on November 2, 2021 and to fund the closing costs of the A 2021 Note. Under the A 2021 Note, interest accrues at 1.79% through maturity on July 15, 2037. Semiannual interest payments begin on January 15, 2022 and will be paid January 15th and July 15th of each year until maturity. Principal payments will be paid annually on July 15th of each year until maturity beginning July 15, 2022. The A 2021 Note is secured by the revenues of the Authority. The Authority covenants that it will include in its budget 100% of the amount of its debt service for each fiscal year in which principal and/or interest in the A 2021 Note is payable.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5: SEWER REVENUE NOTES (continued)

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>
2022	1.79%	\$ 256,150	\$ 68,867	\$ 325,017
2023	1.79%	311,380	93,406	404,786
2024	1.79%	316,970	87,834	404,804
2025	1.79%	322,700	82,160	404,860
2026	1.79%	328,510	76,384	404,894
2027- 2031	1.79%	1,732,480	291,592	2,024,072
2032-2036	1.79%	1,893,080	133,685	2,026,765
2037	1.79%	313,150	2,803	315,953
		<u>5,474,420</u>	<u>\$ 836,731</u>	<u>\$ 6,311,151</u>
Less: Current Maturities		(256,150)		
Total Long-Term Debt		<u>\$ 5,218,270</u>		

Sewer Revenue Note, Series AA of 2021

Effective November 2, 2021, the Authority refinanced its Sewer Revenue Note, Series of 2017 (the "2017 Note") with a Sewer Revenue Note, Series AA of 2021 (the "AA 2021 Note") with Peoples Security Bank and Trust Company in the amount of \$4,525,580. Proceeds from the AA 2021 Note were used to pay the principal and interest through the payoff date of the 2017 Note on November 2, 2021 and to fund the closing costs of the AA 2021 Note. Under the AA 2021 Note, interest accrues at 1.75% until May 1, 2032 at which time the interest rate can be reset at a maximum rate of 2.25% through the maturity date of November 1, 2040. Semiannual interest payments begin on May 1, 2022 and will be paid May 1st and November 1st of each year until maturity. Principal payments will be paid annually on November 1st of each year until maturity beginning November 1, 2022. The AA 2021 Note is secured by the revenues of the Authority. The Authority covenants that it will include in its budget 100% of the amount of its debt service for each fiscal year in which principal and/or interest on the AA 2021 Note is payable.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5: SEWER REVENUE NOTES (continued)

The maximum annual requirements to amortize principal and interest are:

Maturity Date Year	Minimum Interest Rate	Principal Amount	Interest	Total Debt Service
2022	1.75%	\$ 144,400	\$ 78,977	\$ 223,377
2023	1.75%	211,530	76,672	288,202
2024	1.75%	215,580	72,968	288,548
2025	1.75%	219,550	69,196	288,746
2026	1.75%	223,440	65,354	288,794
2027 - 2031	1.75%	1,176,270	266,752	1,443,022
2032-2036	2.25%	1,242,780	201,895	1,444,675
2037-2040	2.25%	1,092,030	62,078	1,154,108
		4,525,580	<u>\$ 893,892</u>	<u>\$ 5,419,472</u>
Less: Current Maturities		(144,400)		
Net Long-Term Debt		<u>\$ 4,381,180</u>		

Sewer Revenue Note, Series of 2017

On 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 was 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 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.

Sewer Revenue Note, Series of 2015

On 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 accrued 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 had pledged all of its rights, title and interest in and to the revenues derived from its water and sewer system to the bank.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5: SEWER REVENUE NOTES (continued)

Interest expense was \$319,072 and \$282,114 for the years ended December 31, 2021 and 2020, respectively. The Authority incurred financing fees of \$63,825 in connection with the refinancing of the Series of 2015 and 2017 Sewer Revenues Notes during the year ended December 31, 2021.

Changes in Sewer Revenue Notes for the years end December 31, 2021 and 2020 are:

2021			
	Balance at January 1, 2021	Increase	Decrease
			Balance at December 31, 2021
Series A of 2021	\$ -	\$ 5,474,420	\$ -
Series AA of 2021	-	4,525,580	-
Series of 2017	4,773,000	-	(4,773,000)
Series of 2015	5,807,554	-	(5,807,554)
	<u>\$ 10,580,554</u>	<u>\$ 10,000,000</u>	<u>\$ (10,580,554)</u>
			<u>\$ 10,000,000</u>

2020			
	Balance at January 1, 2020	Increase	Decrease
			Balance at December 31, 2020
Series of 2017	\$ 4,983,000	\$ -	\$ (210,000)
Series of 2015	6,136,924	-	(329,370)
	<u>\$ 11,119,924</u>	<u>\$ -</u>	<u>\$ (539,370)</u>
			<u>\$ 10,580,554</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 6: PENSION PLAN

Plan Description

The Authority has a contributory defined benefit pension plan. The plan is administered by the Pennsylvania Municipal Retirement System (PMRS). The following table provides information concerning the Authority's pension plan as of January 1, 2021 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$677,900
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 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, 2021:

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	2
Active employees	11
Total Participant Count	<u><u>17</u></u>

Change in Net Pension Liability

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

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 6: PENSION PLAN (continued)

This report does not reflect changes in benefits, assumptions or reserve accounts after the Measurement Date. Except where noted below, the TPL as of December 31, 2020 was based on the date, actuarial methods and assumptions, and plan provisions described in Appendix A and Appendix E. The assumptions used to determine the TPL as of the December 31, 2019 measurement date can be found in the January 1, 2020 PMRS actuarial valuation report or the prior year's GASB report.

	Change in Net Pension Liability		
	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension	Fiduciary	Liability (Asset)
	Liability (Asset)	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at December 31, 2019	\$ 1,615,011	\$ 1,744,578	\$ (129,567)
Changes for the year:			
Service cost	44,953	-	44,953
Interest	86,525	-	86,525
Changes of benefits	-	-	-
Changes of assumptions	81,563	-	81,563
Differences between expected and actual experience	-	-	-
	81,874	-	81,874
Contributions - employer	-	16,796	(16,796)
Contributions - PMRS assessment	-	20	(20)
Contributions - employee	-	23,727	(23,727)
PMRS investment income	-	86,056	(86,056)
Market value investment income *	-	182,358	(182,358)
Transfers	-	-	-
Benefit payments	(24,053)	(24,053)	-
PMRS administrative expense	-	(340)	340
Additional administrative expense	-	(3,749)	3,749
Net changes	270,862	280,815	(9,953)
Balances at December 31, 2020	\$ 1,885,873	\$ 2,025,393	\$ (139,520)

*Reflects the net investment income (loss) of \$160,562 and the income (loss) due to the difference between expected and actual asset values of \$21,706, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

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."

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 6: PENSION PLAN (continued)

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 (Asset) to Changes in the Discount Rate

	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total Pension Liability	\$ 2,167,978	\$ 1,885,873	\$ 1,647,326
Plan Fiduciary Net Position	2,025,393	2,025,393	2,025,393
Net Pension Liability (Asset)	\$ 142,585	\$ (139,520)	\$ (378,067)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	93.42%	107.40%	122.95%

Schedule of Employer Reporting Amounts

The impact of investment gains or losses are recognized in the pension expense 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. The impact of plan changes is recognized immediately.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 6: PENSION PLAN (continued)

Schedule of Deferred Inflows and Outflows

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 18,542	\$ 72,504
Changes in assumptions	1,961	76,437
Net difference between projected and actual earnings on pension plan investments	167,594	-
Contributions subsequent to the measurement date	-	16,446
Total	<u><u>\$ 188,097</u></u>	<u><u>\$ 165,387</u></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>
2022	\$ (35,963)
2023	(62,814)
2024	(16,545)
2025	19,925
Thereafter	56,241

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.

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 as outlined below.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 6: PENSION PLAN (continued)

Calculation of Pension Expense

	Measurement Date as of	
	12/31/2020	12/31/2019
Change in Net Pension Liability	\$ (9,953)	\$ (211,471)
Change in Deferred Outflows	(130,387)	71,283
Change in Deferred Inflows	84,552	139,230
Employer Contributions	16,816	14,518
Pension Expense	\$ (38,972)	\$ 13,560
Pension Expense as % of Payroll	-5.75%	9.51%
Operating Expenses		
Service Cost	\$ 44,953	\$ 48,450
Employee Contributions	(23,727)	(25,570)
PMRS Administrative Expense	340	320
Additional Administrative Expense	3,749	2,785
Total	25,315	25,985
Financing Expenses		
Interest Cost	86,525	81,166
Expected Return on Assets	(86,056)	(80,583)
Total	469	583
Changes		
Change of Benefits	-	-
Recognition of Assumption Changes	13,602	4,539
Recognition of Liability Gains and Losses	7,008	(2,089)
Recognition of Investment Gains and Losses	(85,366)	(15,458)
Total	(64,756)	(13,008)
Pension Expense	\$ (38,972)	\$ 13,560

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 7: LITIGATION

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

NOTE 8: 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 2021 and 2020, revenues from Plymouth Township were \$346,110 and \$306,644, respectively. No payments were received during the years ended December 31, 2021 and 2020 for its capital share for plant improvements. At December 31, 2021 and 2020, accounts receivable due from Plymouth Township were \$91,802 and \$72,460, respectively.

NOTE 9: COLLECTIVE BARGAINING AGREEMENT

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

NOTE 10: RISKS AND UNCERTAINTIES

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect, economic activity globally, national and locally. These economic and market conditions and other effects of the COVID-19 outbreak may continue to cause volatility. The full extent of any adverse impact of the COVID-19 outbreak on the Authority's financial statements cannot be predicted at this time.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 27, 2022, the date on which the financial statements were available to be issued.

Effective April 6, 2022, the Borough of Conshohocken and the Authority entered into a municipal services agreement whereby the Authority makes annual payments to the Borough in the amount of \$200,000 for a term of 10 years representing payments for municipal services including but not limited to police, fire and other emergency services. Payments will be made semi-annually in equal installments in June and December of each year. As a result of this agreement, the Authority's Articles of Incorporation were extended for an additional 10 years.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 11: SUBSEQUENT EVENTS (continued)

Under the agreement, the Authority is authorized to repeal the rate freeze resolution which can be used to cover the payments. The Authority was required to conduct a stormwater fee feasibility study and initiate an implementation plan. Upon completion of the study, the Borough of Conshohocken will convey all stormwater management facilities owned by the Borough to the Authority for \$1.00. Once conveyed, the Authority will establish a stormwater maintenance fee to allow the Authority to assume the maintenance and operation of the Stormwater Management System. In conjunction with the agreement, the Authority conveyed its Community Garden Property to the Borough for \$1.00. The Authority also conveyed its Salt Pile Property to the Borough for \$1.00. In addition, the Authority is precluded from either purchasing or selling any public sanitary sewer systems or stormwater systems without consulting with the Borough.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer service	\$ 2,333,500	\$ 2,316,021	\$ (17,479)
Connection fees	-	1,691,200	1,691,200
Penalties	20,000	32,045	12,045
Certifications	11,900	16,250	4,350
NSF fees	140	90	(50)
MIPP fees	5,500	5,500	-
Miscellaneous fees and permits	3,500	3,591	91
Lien fees	2,500	-	(2,500)
Legal fees	10,000	-	(10,000)
Contract revenues - Plymouth Township	320,000	346,110	26,110
Total Operating Revenues	\$ 2,707,040	\$ 4,410,807	\$ 1,703,767
Operating Expenses			
Plant Expenses:			
Wages	\$ 318,000	\$ 327,311	\$ (9,311)
Payroll taxes	35,000	25,835	9,165
Worker's compensation insurance	14,600	13,536	1,064
Pension	8,250	(41,347)	49,597
Medical and dental benefits	72,600	56,606	15,994
HRA medical copay	55,200	15,174	40,026
Life insurance	4,500	4,011	489
Utilities - gas and electric	110,000	125,444	(15,444)
Utilities - water	2,000	4,025	(2,025)
Plant security	2,000	672	1,328
Vehicle maintenance	500	411	89
Repairs/maintenance - building	15,000	1,516	13,484
Repairs/maintenance - plant	60,000	56,034	3,966
Employee drug testing	500	460	40
Engineering fees	10,000	21,583	(11,583)
Engineering - wasteload management	5,000	3,719	1,281
Uniforms/safety supplies	4,000	5,358	(1,358)
Inside lab costs	4,000	328	3,672
Outside lab costs	26,000	36,512	(10,512)
Sludge removal	130,000	146,416	(16,416)
Chlorine	5,000	4,100	900
Sodium hypochlorite	500	394	106
Sodium bisulfite	3,000	2,100	900
Polymer	4,000	7,795	(3,795)
Odor control	10,000	-	10,000
Miscellaneous operating expenses	-	42	(42)
DEP permit fee	2,250	2,258	(8)
Plant mats, deodorizers, gloves	5,000	2,862	2,138
Total Plant Expenses	\$ 906,900	\$ 823,155	\$ 83,745

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance Expenses:			
Wages - road crew	\$ 140,000	\$ 125,497	\$ 14,503
Payroll taxes	13,000	9,856	3,144
Medical and dental benefits	13,000	11,098	1,902
Worker's compensation insurance	5,000	4,684	316
Pension	3,300	(15,716)	19,016
HRA medical copay	13,800	4,722	9,078
Life insurance	1,900	1,803	97
Maintenance - sewer	20,000	14,689	5,311
Pump station - maintenance	10,000	-	10,000
Pump station - utilities	7,500	7,646	(146)
Vehicle expenses	6,000	5,701	299
Jet truck expenses	2,000	740	1,260
Camera and vacuum trailer	5,000	2,510	2,490
Uniforms - road crew	2,000	1,568	432
Engineering fees - collection system	10,000	1,856	8,144
Computer expense	4,000	-	4,000
Total Maintenance Expenses	\$ 256,500	\$ 176,654	\$ 79,846
Administrative Expenses:			
Wages	\$ 255,000	\$ 322,211	\$ (67,211)
Payroll taxes	24,500	25,538	(1,038)
Medical and dental benefits	30,000	26,726	3,274
Workers compensation insurance	1,000	5,686	(4,686)
Pension	5,000	(43,865)	48,865
HRA medical copay	27,600	8,124	19,476
Life insurance	3,000	2,654	346
Insurance	74,000	72,378	1,622
Legal	95,000	80,797	14,203
Legal - plant	6,000	3,237	2,763
Legal - collections and liens	29,000	11,739	17,261
Auditing and accounting	60,000	96,165	(36,165)
Engineering fees	10,000	11,944	(1,944)
Board expense payment	7,500	6,875	625
Consulting fees	2,500	-	2,500
Dues, subscriptions and conferences	6,000	9,576	(3,576)
Office supplies and expense	18,000	26,022	(8,022)
Computer expense	10,000	22,128	(12,128)
Telephone	6,000	6,550	(550)
Advertising	3,000	7,301	(4,301)
Postage - billing and general	10,000	12,692	(2,692)
Billing services	-	5,792	(5,792)
Collection expense	10,000	7,027	2,973
Upper Merion sewer rental contract	3,912	7,774	(3,862)
Miscellaneous	-	340	(340)
Bank fees	6,000	5,411	589
Donations	5,000	1,000	4,000
Payroll processing fees	4,500	3,951	549
Total Administrative Expenses	\$ 712,512	\$ 745,773	\$ (33,261)

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
Total Operating and General and Administrative Expenses	<u>1,875,912</u>	<u>1,745,582</u>	<u>130,330</u>
Operating Income Before Depreciation	<u>831,128</u>	<u>2,665,225</u>	<u>1,834,097</u>
Depreciation	<u>-</u>	<u>1,011,634</u>	<u>(1,011,634)</u>
Operating Income	<u>831,128</u>	<u>1,653,591</u>	<u>822,463</u>
Nonoperating Revenue (Expense)			
Interest income	5,000	7,011	2,011
Interest expense	(827,353)	(319,072)	508,281
Net Nonoperating Revenue (Expense)	<u>(822,353)</u>	<u>(312,061)</u>	<u>510,292</u>
Income Before Capital Contributions	<u>8,775</u>	<u>1,341,530</u>	<u>1,332,755</u>
Capital contributions	<u>-</u>	<u>206,459</u>	<u>206,459</u>
Increase in Net Position	<u>\$ 8,775</u>	<u>\$ 1,547,989</u>	<u>\$ 1,539,214</u>

BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2020

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						
	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability							
Service cost (beginning of year)	\$ 44,953	\$ 48,450	\$ 44,600	\$ 44,326	\$ 39,425	\$ 40,389	\$ 30,985
Interest (includes interest on service cost)	86,525	81,166	74,975	70,454	69,505	66,307	61,070
Changes of benefits	-	-	7,839	-	-	-	-
Differences expected vs actual experience	81,874	-	15,884	-	(56,441)	(19,325)	53,000
Changes of assumptions	81,563	-	-	-	45,498	(15,688)	-
Transfers	-	-	-	-	-	-	-
Benefit payments	(24,053)	(24,053)	(34,241)	(23,766)	(25,493)	(38,116)	(41,690)
Net Change in Total Pension Liability	270,862	105,563	109,057	91,014	72,494	33,567	103,365
Total Pension Liability - Beginning	1,615,011	1,509,448	1,400,391	1,309,377	1,236,883	1,203,316	1,099,951
Total Pension Liability - Ending	\$ 1,885,873	\$ 1,615,011	\$ 1,509,448	\$ 1,400,391	\$ 1,309,377	\$ 1,236,883	\$ 1,203,316
Plan Fiduciary Net Position							
Contributions - employer	\$ 16,796	\$ 14,198	\$ 7,521	\$ 10,413	\$ 2,179	\$ -	\$ 598
Contributions - PMRS assessment	20	320	20	-	-	20	-
Contributions - employee	23,727	25,570	23,254	23,105	22,230	20,937	17,525
PMRS investment income	86,056	80,583	74,925	70,981	70,817	72,597	69,328
Market value investment income	182,358	223,521	(156,140)	155,603	21,493	(167,194)	7,274
Transfers	-	-	-	-	-	-	-
Benefit payments	(24,053)	(24,053)	(34,241)	(23,766)	(25,493)	(38,116)	(41,690)
PMRS administrative expense	(340)	(320)	(320)	(320)	(340)	(340)	(280)
Additional administrative expense	(3,749)	(2,785)	(3,344)	(3,264)	(3,469)	(3,026)	(2,659)
Net Change in Plan Fiduciary Net Position	280,815	317,034	(88,325)	232,752	87,417	(115,122)	50,096
Plan Fiduciary Net Position - Beginning	1,744,578	1,427,544	1,515,869	1,283,117	1,195,700	1,310,822	1,260,726
Plan Fiduciary Net Position - Ending	\$ 2,025,393	\$ 1,744,578	\$ 1,427,544	\$ 1,515,869	\$ 1,283,117	\$ 1,195,700	\$ 1,310,822
Net Pension Liability (Asset) - Ending	\$ (139,520)	\$ (129,567)	\$ 81,904	\$ (115,478)	\$ 26,260	\$ 41,183	\$ (107,506)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	107.40%	108.02%	94.57%	108.25%	97.99%	96.67%	108.93%
Covered Employee Payroll	\$ 677,900	\$ 730,624	\$ 664,296	\$ 660,216	\$ 635,183	\$ 598,226	\$ 465,633
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-20.58%	-17.73%	12.33%	-17.49%	4.13%	6.88%	-23.09%

**BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2020**

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)

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 16,796	\$ 14,498	\$ 7,521	\$ 8,235	\$ 2,179	\$ -	\$ -
Contribution in Relation to the Actuarially Determined Contribution *	16,816	14,518	7,541	10,413	2,179	20	598
Contribution Deficiency/(Excess)	\$ (20)	\$ (20)	\$ (20)	\$ (2,178)	\$ -	\$ (20)	\$ (598)
Covered Employee Payroll **	\$ 677,900	\$ 730,624	\$ 664,296	\$ 660,216	\$ 635,183	\$ 598,226	\$ 465,633
Contributions as a Percentage of Covered Employee Payroll	2.48%	1.99%	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 2020 is based upon the January 1, 2017 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2020 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	5.25%
Inflation	2.80%
Salary Increases	Age related scale with merit and inflation component
COLA increases	2.8%, for those eligible for a COLA
Pre-Retirement Mortality	Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback 5 years
Post-Retirement Mortality	Males: RP 2000 Annuitant Male table projected 5 years with Scale AA Females: RP 2000 Annuitant Female table projected 10 years with Scale AA

For a complete listing of all assumptions and methods, please refer to the PMRS January 1, 2017 actuarial valuation report.

Plan Changes: Please refer to Appendix A for current year plan changes and to the Plan's Act 205 filings and/or GASB 68 reports for prior year plan changes.

Assets, Liabilities and Funded Ratio:

In the following graph, the bars show the Plan's liability (referred to as TPL for GASB 68 purposes and Actuarial Accrued Liability for funding purposes). The blue and gold lines show the Actuarial Value of Assets and the Market Value of Assets, respectively. The Market Value of Assets is the Plan Fiduciary Net Position used for GASB 68 purposes. The Actuarial Value of Assets is the asset value used for calculating the Actuarially Determined Contribution (i.e., the Minimum Municipal Obligation) and is described in Appendix E. The Market Value of Assets is provided in Appendix D. The funded ratios related to both asset measures are shown adjacent to the respective lines in the following graph.

BOROUGH OF CONSHOHOCKEN AUTHORITY
COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
SCHEDULE OF ASSETS, LIABILITIES AND FUNDED RATIOS
GASB 68 MEASUREMENT DATE OF DECEMBER 31, 2020

Measurement Year Ending	2013	2014	2015	2016	2017	2018	2019	2020
1. Total Pension Liability	\$ 1,099,951	\$ 1,203,316	\$ 1,236,883	\$ 1,309,377	\$ 1,400,391	\$ 1,509,448	\$ 1,615,011	\$ 1,885,873
2. Actuarial Value of Assets*	\$ 1,279,209	\$ 1,336,201	\$ 1,293,959	\$ 1,358,444	\$ 1,438,874	\$ 1,541,524	\$ 1,638,010	\$ 1,796,187
3. AVA Funded Ratio [2./1.]	116.3%	111.0%	104.6%	103.7%	102.7%	102.1%	101.4%	93.8%
4. Market Value of Assets *	\$ 1,260,726	\$ 1,310,822	\$ 1,195,700	\$ 1,283,117	\$ 1,515,869	\$ 1,427,544	\$ 1,744,578	\$ 2,025,393
5. MVA Funded Ratio [4.1/1.]	114.6%	108.9%	96.7%	98.0%	108.2%	94.6%	108.0%	107.4%

* Amounts may not match the Act 205 Forms due to unpaid MMOs. Actuarial Value of Assets are estimated amounts for odd year-end Measurement Dates.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
 COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
 SCHEDULES OF OPERATING EXPENSES
 YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
Operating Expenses		
Plant Expenses:		
Building maintenance	\$ 57,550	\$ 14,468
Engineering fees	25,302	12,874
Laboratory expenses	36,840	32,713
Miscellaneous	2,760	2,853
Payroll taxes and benefits	73,815	124,474
Plant security	672	1,598
Plant supplies and repair expense	3,273	26,151
Plant wages	327,311	322,362
Sludge removal	146,416	121,351
Treatment chemicals	14,389	9,100
Uniforms	5,358	6,565
Utilities	129,469	132,218
	<u>823,155</u>	<u>806,727</u>
Total Plant Expenses	<u>823,155</u>	<u>806,727</u>
Collection Expenses:		
Engineering fees	1,856	8,730
Miscellaneous	-	607
Payroll taxes and benefits	16,447	36,951
Road crew wages	125,497	122,577
Sewer supplies and repair expense	14,689	11,537
Vehicle expenses	8,951	12,090
Uniforms	1,568	1,811
Utilities	7,646	7,478
	<u>176,654</u>	<u>201,781</u>
Total Collection Expenses	<u>176,654</u>	<u>201,781</u>
Total Operating Expenses	<u><u>\$ 999,809</u></u>	<u><u>\$ 1,008,508</u></u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
 COMPONENT UNIT OF THE BOROUGH OF CONSHOHOCKEN
 SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
General and Administrative Expenses		
Advertising	\$ 7,301	\$ 6,490
Bank fees	5,411	5,560
Board expense	6,875	7,500
Collection expense	7,027	10,766
Computer expense and supplies	22,128	32,016
Consulting fees	-	7,950
COVID-19 expenses	-	22,194
Dues and conferences	9,576	4,573
Insurance	72,378	69,543
Miscellaneous	14,906	11,278
Office and management salaries	322,211	225,871
Office supplies and expense	26,022	20,130
Payroll processing fees	3,951	4,078
Payroll taxes and benefits	24,863	65,212
Postage	12,692	10,278
Professional fees	203,882	241,692
Telephone	6,550	6,122
	<u>6,550</u>	<u>6,122</u>
Total General and Administrative Expenses	<u><u>\$ 745,773</u></u>	<u><u>\$ 751,253</u></u>