

BOROUGH OF CONSHOHOCKEN AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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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 year ended December 31, 2014, 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 U.S. generally accepted accounting principles; 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 the financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 integral 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, 2014, and the changes in financial position and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted accounting principles, 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 basic financial statements. We do not express an opinion or provide 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 as a whole. The statements of operating expenses and general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements of operating expenses and general and administrative expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information have 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior Period Financial Statements

The financial statements as of December 31, 2013, were audited by MDG, LLC whose report dated June 25, 2014, expressed an unmodified opinion on those statements.

Binku, Simpson + Company, LLC

June 18, 2015

BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013

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, 2014 and 2013. 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 \$115,402 for the year ended December 31, 2014.

The Authority's operating revenues, which consist primarily of sewer rental income, increased by 7.2 percent, while operating expenses decreased by 3.5 percent.

The Authority has continued its efforts to collect outstanding sewer charges from its customers within the Borough of Conshohocken through the use of quarterly mailings to owners and the filing of liens and judgments.

The Authority negotiated a settlement agreement and contract amendment with Plymouth Township pertaining to retroactive billing for the five-year period ended December 31, 2003. Under the settlement agreement, the Authority paid \$35,000 over a ten year period to pay back the agreed \$350,000 plus interest. The Authority paid two payments of \$35,000 in 2014 to pay the agreement in full. During May 2014, Plymouth Township and the Authority agreed to settle all interest and fees related to the 2003 agreement in the amount of \$15,849.82. As of May 31, 2014, all payments, fees and interest related to the 2003 agreement have been paid.

Overview of the Financial Statements

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

The Authority's financial statements are prepared on an 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, 2014 AND 2013

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. The notes to the financial statements can be found on pages 11 through 20 of this report.

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 exceeded liabilities by \$17,407,122, at the close of the most recent fiscal year.

BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013

The following table summarizes the financial position of the Authority as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 2,844,086	\$ 2,897,796
Utility plant and equipment, net of accumulated depreciation	<u>16,102,925</u>	<u>16,017,606</u>
Total Assets	<u>\$ 18,947,011</u>	<u>\$ 18,915,402</u>
Current and Other Liabilities		
Current Liabilities	\$ 291,294	\$ 317,452
Long Term Debt	<u>1,248,595</u>	<u>1,306,230</u>
Total Liabilities	<u>1,539,889</u>	<u>1,623,682</u>
Net Assets		
Invested in Capital Assets, net of related debt	14,796,695	14,648,771
Unrestricted	<u>2,610,427</u>	<u>2,642,949</u>
Total Net Assets	<u>17,407,122</u>	<u>17,291,720</u>
Total Liabilities and Net Assets	<u>\$ 18,947,011</u>	<u>\$ 18,915,402</u>

The Authority's net assets presented in the table reflect an investment in capital assets (sewer plant, sewer collection system, and equipment) net of related debt of \$14,796,695 as well as unrestricted net assets of \$2,610,427.

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

The following table summarizes the statement of revenue, expenses and changes in net position of the Authority for the fiscal years 2014 and 2013:

BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013

Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Sewer Rental Income	\$ 2,084,457	\$ 2,058,735
Connection Fees	166,999	61,200
Miscellaneous Fees and Penalties	75,500	50,894
Total Operating Revenues	<u>2,326,956</u>	<u>2,170,829</u>
 Operating and Administrative Expenses	 <u>2,215,593</u>	 <u>2,321,938</u>
Operating Income (Loss) Before Other Expenses	111,363	(151,109)
Settlement of Joint Party Shared Expenditures	<u>-</u>	<u>309,637</u>
Operating Income (Loss)	111,363	(460,746)
Interest Income	<u>4,039</u>	<u>8,687</u>
Increase (Decrease) in Net Position	<u>\$ 115,402</u>	<u>\$ (452,059)</u>

Capital Acquisitions

The Authority's investment in capital assets includes land, buildings, and equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by available reserves and debt.

Borough of Conshohocken Authority's investment in capital assets as of December 31, 2014 and 2013, net of accumulated depreciation, was as follows:

	<u>2014</u>	<u>2013</u>
Sewer Plant	\$ 25,406,762	\$ 25,316,675
Maintenance Equipment	228,508	207,169
Laboratory Equipment	12,450	12,450
Trucks	165,552	165,552
Office Furniture & Equipment	96,829	92,910
Land	81,177	81,177
Construction in Progress	<u>642,265</u>	<u>114,735</u>
	26,633,543	25,990,668
Less: Accumulated Depreciation	<u>(10,530,618)</u>	<u>(9,973,062)</u>
Capital Assets, Net of Depreciation	<u>\$ 16,102,925</u>	<u>\$ 16,017,606</u>

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

BOROUGH OF CONSHOHOCKEN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013

Debt Administration

As of December 31, 2014, the Authority had total debt outstanding of \$1,306,230.

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 noticed an increase in Sewer Revenues due to a rate restructuring effective September 2013. In an effort to accurately charge each resident their fair share for sewer service, the Authority changed the method of charging the base fee by account to an EDU based fee. With help from the Borough, the Authority obtained a listing of the number of units per household. The base fee was changed from \$67.00 per account to \$45.00 per unit.

The Authority has maintained an aggressive program of filing liens against property owners. The Authority continues to work with customers by setting up payment plans in an effort to mitigate the financial impact of repaying large delinquencies. In addition, the Authority actively pursues outstanding money by filing civil judgments against large balance accounts.

With respect to operating expenses, the Authority has worked closely with its consultants to reduce professional service fees and insurance costs and has decreased salaries through attrition and work schedule revisions without a loss in service. Recently, the Authority negotiated a two year contract (through 2014) with an electrical provider that will assure a reduced unit cost for the supply and transmission of electricity. In 2012, the Authority renewed its contract with the American Federation of State, County and Municipal Employees (AFSCME) Local 317, which expires June 30, 2016. While final expenses are difficult to predict because of unexpected maintenance and repairs, it should be noted that the 2014 budget is actually less than budgets approved for the last three years, after adjusting for debt services.

Finally, the Borough of Conshohocken Authority recognizes that the current economic climate, while slowly improving, may adversely impact its customers but it believes that the programs it has enacted will enable it to sustain its financial goals and objectives.

Contacting the Authority's Financial Management

The financial report is designed to provide our customers, creditors and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's staff at the Borough of Conshohocken Authority, 601 East Elm Street, Conshohocken, PA 19428.

Felix Raimondo
Authority Chairperson
Borough of Conshohocken Authority

Stephen Clark
Executive Director

BOROUGH OF CONSHOHOCKEN AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2014	2013
Current		
Cash	\$ 2,108,931	\$ 2,041,034
Cash - escrows	101,352	80,091
Accounts receivable, less allowance for doubtful accounts of \$35,000 and \$ -0-	614,900	758,770
Other receivable, less allowance of \$116,082 and \$116,082	-	-
Prepaid expenses	18,903	17,901
Total current assets	2,844,086	2,897,796
Utility plant and equipment, net of accumulated depreciation	16,102,925	16,017,606
TOTAL ASSETS	\$ 18,947,011	\$ 18,915,402
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current		
Accounts payable and accrued expenses	\$ 83,967	\$ 137,045
Escrow payables	101,352	80,091
Current maturities of Sewer Revenue Note	57,635	62,605
Payroll, payroll taxes and union dues payable	48,340	37,711
Total current liabilities	291,294	317,452
Sewer Revenue Note, net of current maturities	1,248,595	1,306,230
TOTAL LIABILITIES	\$ 1,539,889	\$ 1,623,682
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -
Net position		
Invested in capital assets, net of Sewer Revenue Note	14,796,695	14,648,771
Unrestricted	2,610,427	2,642,949
Total net position	17,407,122	17,291,720
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 18,947,011	\$ 18,915,402

See notes to financial statements.

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

	<u>2014</u>	<u>2013</u>
Operating revenues		
Sewer rentals, net of discounts	\$ 2,084,457	\$ 2,058,735
Connection fees	166,999	61,200
Miscellaneous fees and penalties	<u>75,500</u>	<u>50,894</u>
Total operating revenues	<u>2,326,956</u>	<u>2,170,829</u>
Operating expenses	1,548,751	1,605,770
General and administrative expenses	<u>666,842</u>	<u>716,168</u>
Total expenses	<u>2,215,593</u>	<u>2,321,938</u>
Income (loss) before other expense	111,363	(151,109)
Settlement of joint party shared expenditures	<u>-</u>	<u>309,637</u>
Operating income (loss)	111,363	(460,746)
Interest income	<u>4,039</u>	<u>8,687</u>
Increase (decrease) in net position	115,402	(452,059)
Net position, beginning	<u>17,291,720</u>	<u>17,743,779</u>
Net position, ending	<u>\$ 17,407,122</u>	<u>\$ 17,291,720</u>

See notes to financial statements.

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

Increase (Decrease) in Cash	2014	2013
Cash flows from operating activities		
Cash received from customers	\$ 2,470,826	\$ 3,665,926
Cash payments to suppliers for materials and services	(981,154)	(1,624,037)
Cash payments to employees and subcontractors for services	(720,334)	(448,914)
Net cash provided by operating activities	769,338	1,592,975
Cash flows from capital and related financial activities		
Acquisition of capital assets	(642,875)	(190,992)
Repayment of Sewer Revenue Note	(62,605)	(3,159,000)
Net cash used by capital and related financial activities	(705,480)	(3,349,992)
Cash flows from investing activities		
Interest received	4,039	8,687
Proceeds from disposal of utility plant and equipment	-	2,087
Net cash provided by investing activities	4,039	10,774
Net change in cash	67,897	(1,746,243)
Cash, beginning	2,041,034	3,787,277
Cash, ending	\$ 2,108,931	\$ 2,041,034
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	\$ 111,363	\$ (460,746)
Adjustments to reconcile operating income (loss)		
to net cash provided by operating activities:		
Depreciation and amortization	557,556	563,271
Bad debt recovery (expense)	-	35,000
Loss on disposal of utility plant and equipment	-	60,871
Change in:		
Accounts receivable	143,870	1,425,097
Prepaid expenses	(1,002)	(11,038)
Escrows, net	-	35,171
Accounts payable and accrued expenses	(53,078)	8,968
Accrued payroll and payroll withholdings	10,629	6,381
Payable to Plymouth Township	-	(70,000)
Net cash provided by operating activities	\$ 769,338	\$ 1,592,975
Supplemental disclosure		
Interest paid	\$ 78,247	\$ 181,094

See notes to financial statements.

Note 1: *Nature of operations and summary of significant accounting principles*

Nature of operations

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

Basis of accounting

The Authority is considered an enterprise fund, which is a proprietary fund-type used to account for operations that are financed and operated in a manner similar to private business enterprises.

Revenues and expenses are recognized on the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred and become measurable.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

New accounting pronouncements

The Authority has adopted Governmental Accounting Standards Board (GASB) Statements No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Both GASB Statement Nos. 62 and 63 are effective for years beginning after December 15, 2011. GASB Statements No. 65 is effective for years beginning after December 15, 2012, with restatement of prior years required.

GASB No. 62 codifies all FASB and AICPA pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements. As a result, proprietary funds will no longer have to consider pre-1989 FASB and AICPA pronouncements nor will they be permitted to apply FASB pronouncements issued after November 30, 1989.

GASB No. 63 provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of a reporting entity's net assets that is applicable to a future reporting period. Deferred inflows represent the acquisition of net assets that is applicable to a future reporting period. Deferred inflows represent the acquisition of net assets that is applicable to a future reporting period. Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is changed to statement of net position. The Authority currently does not have any deferred outflows or inflows of resources.

GASB No. 65 requires that debt issue costs no longer be reported in the statement of net position because they do not meet the definition of assets, liabilities, deferred outflows of resources, or deferred inflows of resources. Rather, debt issue costs are expenses as incurred.

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

New accounting pronouncements (continued)

As a result of implementing GASB No. 65, the Authority has restated its 2012 financial statements to expense the unamortized portion of debt issue costs related to the Sewer Revenue Note. The effect of this restatement was to decrease in net position for 2012, and decrease total assets and net position as of December 31, 2012, by \$87,618.

GASB No. 67 replaces the requirements of statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts and equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of the statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective for reporting periods beginning after June 15, 2014, requires reporting deferred outflows of resources related to pensions for, among other items, employer contributions made directly by the employer to a defined benefit pension plan between the measurement date of the net pension liability and the employer's fiscal year end, actual plan investment earnings being less than projected for a particular year, and increases in total pension liabilities resulting from either changes in assumptions, or differences between expected and actual experience that result in experience losses.

Utility plant and equipment

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

	Years
Sewer plant	7 - 50
Fixtures and equipment	5 - 12
Building	31 ^{1/2} - 40

Receivables

The Authority accounts for uncollectible accounts and other receivables using the allowance method. The Authority places a lien on properties for which balances outstanding are greater than \$250 and are more than 90 days outstanding. The Authority obtains a judgment on properties for which balances outstanding are greater than \$1,000 in excess of one year.

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Notes 2: Cash

The Authority's cash and cash investments consist of deposits with financial institutions.

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The Authority does not have a deposit policy for custodial credit risk.

As of December 31, 2014, \$2,268,988 of the Authority's cash balance of \$2,018,988 was exposed to custodial credit risk, as follows:

Note 3: Allowance for doubtful accounts

Changes in the accounts receivable allowance for doubtful accounts are:

	2014	2013
Balance, January 1	\$ 35,000	\$ -
Provision for doubtful accounts	-	35,000
Balance, December 31	\$ 35,000	\$ 35,000

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

Note 4: *Utility plant and equipment*

		2014			
		Balance at Jan. 1, 2014	Additions	Disposals Reclassifications	Balance at Dec. 31, 2014
Nondepreciable property					
Land		\$ 81,177	\$ -	\$ -	\$ 81,177
Construction in progress		114,735	563,946	(36,416)	642,265
Total nondepreciable property		<u>\$ 195,912</u>	<u>\$ 563,946</u>	<u>\$ (36,416)</u>	<u>\$ 723,442</u>
Depreciable property					
Sewer plant and improvements		\$ 25,316,675	\$ 90,087	\$ -	\$ 25,406,762
Maintenance equipment		207,169	21,339	-	228,508
Laboratory equipment		12,450	-	-	12,450
Trucks		165,552	-	-	165,552
Office furniture and equipment		92,910	3,919	-	96,829
Total depreciable property		<u>25,794,756</u>	<u>115,345</u>	<u>-</u>	<u>25,910,101</u>
Less: Accumulated depreciation		<u>(9,973,062)</u>	<u>(557,556)</u>	<u>-</u>	<u>(10,530,618)</u>
Total depreciable property, net		<u>\$ 15,821,694</u>	<u>\$ (442,211)</u>	<u>\$ -</u>	<u>\$ 15,379,483</u>
Total utility plant and equipment		<u>\$ 16,017,606</u>	<u>\$ 121,735</u>	<u>\$ (36,416)</u>	<u>\$ 16,102,925</u>
		2013			
		Balance at Jan. 1, 2013	Additions	Disposals Reclassifications	Balance at Dec. 31, 2013
Nondepreciable property					
Land		\$ 81,177	\$ -	\$ -	\$ 81,177
Construction in progress		25,800	88,935	-	114,735
Total nondepreciable property		<u>\$ 106,977</u>	<u>\$ 88,935</u>	<u>\$ -</u>	<u>\$ 195,912</u>
Depreciable property					
Sewer plant and improvements		\$ 25,458,180	\$ 72,880	\$ (214,385)	\$ 25,316,675
Maintenance equipment		252,423	-	(45,254)	207,169
Laboratory equipment		107,450	-	(95,000)	12,450
Trucks		189,672	24,435	(48,555)	165,552
Office furniture and equipment		148,084	4,742	(59,916)	92,910
Total depreciable property		<u>26,155,809</u>	<u>102,057</u>	<u>(463,110)</u>	<u>25,794,756</u>
Less: Accumulated depreciation		<u>(9,809,943)</u>	<u>(563,271)</u>	<u>400,152</u>	<u>(9,973,062)</u>
Total depreciable property, net		<u>\$ 16,345,866</u>	<u>\$ (461,214)</u>	<u>\$ (62,958)</u>	<u>\$ 15,821,694</u>
Total utility plant and equipment		<u>\$ 16,452,843</u>	<u>\$ (372,279)</u>	<u>\$ (62,958)</u>	<u>\$ 16,017,606</u>

Note 5: Sewer Revenue Note, Series of 2009

On December 23, 2009, the Authority issued a Sewer Revenue Note, Series of 2009, in the principal amount of \$5,780,000 payable to VIST Bank.

The proceeds of the Note, which were drawn at the discretion of the Authority through December 15, 2012, may be used to finance various improvements and upgrades to the Authority's sewage treatment and collection facilities and to pay costs associated with the issuance of the Note.

As of December 31, 2012, the Authority drew \$4,527,835 under the Note, including \$98,307 to pay fees and costs in connection with obtaining the financing. On September 20, 2013, the Authority amended the Note. In connection with the amendment, the Authority made a principal curtailment of \$3,000,000.

Interest is payable semiannually on amounts advanced on January 15th and July 15th of each year. Effective February 8, 2012, the interest rate charged for the period through January 15, 2017 was reset to 4% from 4.3%. As a result of the 2013 amendment, the interest rate was reset from September 20, 2013 through January 15, 2019 to 2.75%. For subsequent periods through July 15, 2036, interest is calculated at a bank-qualified tax-exempt fixed rate equal to 65% of The Wall Street Journal Prime Rate, provided that in no event the bank-qualified tax-exempt rate will exceed 5.5% per annum.

The Note is subject to repayment in amounts ranging from \$57,635 in 2015 to \$88,675 in 2036. The Note requires the Authority to charge and collect from its customers sanitary sewer rates and other charges, including assessments and connection fees, that will provide the Authority with funds to annually pay its administrative expenses, 110% of the annual debt service requirements on the Note, and any other debt service requirements of the Authority. The Authority has pledged its future revenues as security for the Note.

Interest expense was \$49,992 and \$140,677 for 2014 and 2013, respectively.

Plymouth Township and West Conshohocken Municipal Authority are responsible for 26.2% and 20.2% as their respective capital shares in the Authority's sewage treatment and collection facilities (see Note 11).

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

Note 5: Sewer Revenue Note, Series of 2009 (continued)

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

Maturity Date (July 15)	Minimum Interest Rate	Principal Amount	Interest	Total Debt Service
2015	2.75%	\$ 57,635	\$ 35,921	\$ 93,556
2016	2.75%	59,220	34,336	93,556
2017	2.75%	60,845	32,708	93,553
2018	2.75%	62,520	31,035	93,555
2019	5.50%	49,580	43,973	93,553
2020	5.50%	37,650	55,904	93,554
2021	5.50%	39,720	53,833	93,553
2022	5.50%	41,905	51,648	93,553
2023	5.50%	44,210	49,344	93,554
2024	5.50%	46,645	46,912	93,557
2025	5.50%	49,210	44,347	93,557
2026	5.50%	51,915	41,640	93,555
2027	5.50%	54,770	38,785	93,555
2028	5.50%	57,780	35,772	93,552
2029	5.50%	60,960	32,594	93,554
2030	5.50%	64,315	29,242	93,557
2031	5.50%	67,850	25,704	93,554
2032	5.50%	71,580	21,972	93,552
2033	5.50%	75,520	18,036	93,556
2034	5.50%	79,670	13,882	93,552
2035	5.50%	84,055	9,500	93,555
2036	5.50%	88,675	4,878	93,553
		<u>1,306,230</u>	<u>\$ 751,966</u>	<u>\$ 2,058,196</u>
	Less: Current maturities	<u>(57,635)</u>		
	Long-term portion	<u>\$ 1,248,595</u>		

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, 2013 (the most recent actuarial valuation date):

Covered employees	All full-time employees
Total annual payroll of active members on valuation date	\$446,865

**BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

Note 6: Pension Plan (continued)

Plan description (continued)

Benefit vesting	100% after ten years
Normal retirement date	After 65th 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 of retirement
Required employee contributions	3.5% of monthly earnings

Funding status and progress

Actuarial assumptions	
Rate of return on investment of assets	5.5%
Projected salary inflation and age-related scale for merit/seniority	3%
Actuarial accrued liability at January 1, 2013	\$ 1,062,548
Total assets available for benefits (fair value at January 1, 2013)	<u>1,237,490</u>
Excess of total assets over actuarial accrued liability	<u>\$ 174,942</u>
Membership in pension plan at valuation date is comprised of the following active and terminated employees, fully vested and nonvested	
	16
Number of members receiving benefits from plan as of valuation date	6

Entry Age Normal Cost Method is the actuarial cost method used to establish the actual position of the plan and determine the appropriate level of contributions. Entry age is defined as attained age less credited service.

The actuarial assumptions used to compute actuarially determined contributions requirements are the same as those used to compute the pension benefit obligation.

A historical summary of the Authority's progress in accumulating sufficient assets to pay benefits when due is presented below.

	Historical Information as of January 1			
	2013	2011	2009	2007
Net assets available for benefits expressed as percentages of accrued liability	<u>116.46%</u>	<u>126.74%</u>	<u>122.80%</u>	<u>119.51%</u>

BOROUGH OF CONSHOHOCKEN AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

Note 6: Pension plan (continued)

Statement of changes in fund assets for the year ended December 31, 2014

Net assets at beginning of year (at fair value)	\$ 941,322
Add:	
Employer contributions	-
Member contributions	17,526
Interest earnings	52,190
Less:	
Benefits paid	-
Insurance premiums	(318)
Administrative expenses	(280)
Refund of member contributions	-
Net assets at end of year (at fair value)	\$ 1,010,440
Net assets at end of year are allocated as follows:	
PMRS retiree reserve liability	\$ 558,716
Employee accounts	451,724

Note 7: Litigation

The Authority is party to various litigation matters. Based on the opinion of legal counsel, Authority officials feel that the outcome of any suits will not have a material effect on the financial condition of the

Note 8: Contingencies

The Authority contracts to provide sewer services to local municipalities through a Sewage Treatment Agreement (the Agreement). The Agreement provides for the cost of sewer services to be determined on an annual basis by the Authority. The local municipalities remit quarterly payments based upon an estimate of the cost. Subsequent to year end, the Authority determines the actual cost by municipality and provides a retroactive billing or credit for the prior year.

The Authority negotiated a settlement agreement and contract amendment with Plymouth Township pertaining to retroactive billing for the five-year period ended December 31, 2003, totaling \$350,000. Under the settlement agreement, the Authority paid \$350,000 over a ten-year period at an amount of \$35,000 per year. The annual payment was netted against amounts paid by Plymouth Township (see Note 11). During October 2013, the Authority paid Plymouth Township \$70,000 which represented the remaining outstanding balance. During April 2014, The Authority paid an additional \$15,849 for interest charges under the settlement agreement.

Note 9: Other receivable

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

As a result, the remaining balance of the other receivable, and related 100% allowance, was reduced from \$223,953 at December 31, 2010 to \$116,082 at December 31, 2011. The Authority has filed a claim against its former bank seeking additional recovery. The Authority anticipates that this matter will be resolved in 2015.

Note 10: Escrows

At December 31, 2014 and 2013, escrows include \$101,352 and \$80,091, respectively, of cash received from developers and other customers. As of December 31, 2014 and 2013, respectively, the Authority owed consultants \$5,276 and \$23,205 related to the escrow balances.

Note 11: Concentrations

For 2014 and 2013, revenues from Plymouth Township were \$430,614 and \$379,613, respectively, including \$0 and \$844 in 2014 and 2013, respectively, for its capital share for plant improvements. At December 31, 2014 and 2013, respectively, accounts receivable due from Plymouth Township were \$180,924 and \$173,480 (including \$0 and \$844 for capital share). In 2014, Plymouth Township paid \$844 relating to its obligation for capital share.

For 2014 and 2013, revenues from Borough of West Conshohocken (successor to West Conshohocken Municipal Authority) were \$169,656 and \$154,515, respectively, including \$0 and \$650 in 2014 and 2013, respectively, for its capital share for plant improvements. At December 31, 2014 and 2013, respectively, accounts receivable due from the Borough of West Conshohocken were \$29,389 and \$12,831 (including \$0 and \$650 for capital share).

Amounts charged to Plymouth Township and the Borough of West Conshohocken for capital share are recorded as sewer rental revenues. Plymouth Township and the Borough of West Conshohocken own a portion of the Authority's plant capacity, not the underlying plant. Accordingly, their respective charges for capital share, representing their share of plant capacity, are recorded as revenue and not a reduction of plant costs (see Note 5).

In 2013, included in other expenses is \$309,637 (\$278,405 related to Plymouth Township and \$31,232 related to the Borough of West Conshohocken), which represent the settlement of the joint party shared expenditures resulting from an audit completed during 2013 for the years 2011 and 2012 under the Sewage Treatment Agreement between the parties.

Note 12: Collective bargaining agreement

The Authority's collective bargaining agreement with its union employees expires on June 30, 2016.

Note 13: Subsequent events

Subsequent events have been evaluated through June 18, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BOROUGH OF CONSHOHOCKEN AUTHORITY
OPERATING EXPENSES
YEARS ENDED DECEMBER 31

	2014	2013
Operating expenses		
Plant expenses:		
Building maintenance	\$ 11,218	\$ 12,215
Depreciation	546,531	542,566
Engineering fees	29,777	23,308
Equipment rental	600	-
Laboratory expenses	29,260	22,560
Loss on disposal of utility plant and equipment	-	60,871
Miscellaneous	2,590	2,529
Payroll taxes and benefits	119,325	108,196
Plant security	2,884	1,650
Plant supplies and repair expenses	13,937	34,590
Plant wages	364,324	325,118
Sludge removal	82,031	118,544
Treatment chemicals	28,675	29,094
Uniforms	5,083	1,138
Utilities	131,934	176,997
Vehicle maintenance and fuel	251	614
	1,368,420	1,459,990
Total plant expenses		
Collection expenses		
Depreciation	8,262	17,314
Engineering fees	1,605	77
Miscellaneous	11,380	4,894
Payroll taxes and benefits	30,980	24,892
Road crew wages	103,934	83,773
Sewer supplies and repair expenses	15,214	5,033
Vehicle expenses	7,352	9,797
Uniforms	1,604	-
	180,331	145,780
Total collection expenses		
Total operating expenses	\$ 1,548,751	\$ 1,605,770

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

	<u>2014</u>	<u>2013</u>
General and administrative expenses		
Advertising	\$ 10,623	\$ 4,184
Bad debt expense	-	35,000
Bank fees	4,001	22,706
Board expense	1,150	1,425
Collection expenses	4,153	3,512
Computer expense and supplies	16,698	10,243
Consulting fees	138,351	147,760
Depreciation	2,763	3,391
Directors' fee	5,000	5,700
Dues and conferences	5,770	5,616
Insurance	89,216	131,732
Interest and penalties	49,992	140,677
Miscellaneous	2,298	3,113
Office salaries	42,256	41,025
Office supplies and expenses	22,407	14,287
Payroll processing fees	2,614	2,514
Payroll taxes and benefits	48,886	10,079
Postage	4,947	9,353
Professional fees	207,009	114,905
Telephone	8,708	8,946
	<u>8,708</u>	<u>8,946</u>
Total general and administrative expenses	<u>\$ 666,842</u>	<u>\$ 716,168</u>

**BOROUGH OF CONSHOHOCKEN AUTHORITY
REVENUES AND EXPENSES -
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Sewer service	\$ 1,529,905	\$ 1,505,739	\$ (24,166)
Connection fees	-	166,999	166,999
Penalties	32,000	22,036	(9,964)
Certifications	6,000	7,210	1,210
NSF fees	200	120	(80)
MIPP fees	7,000	7,900	900
Miscellaneous fees and permits	3,500	6,239	2,739
Lien fees	3,500	7,616	4,116
Legal fees	30,000	24,379	(5,621)
Contract revenues - Plymouth Township	458,168	409,062	(49,106)
Contract revenues - Borough of West Conshohocken	13,519	169,656	156,137
Capital revenues - Plymouth Township	166,842	-	(166,842)
Insurance recovery	10,423	-	(10,423)
Interest income	11,000	4,039	(6,961)
Total operating revenues	\$ 2,272,057	\$ 2,330,995	\$ 58,938
Operating expenses			
Plant expenses			
Wages	\$ 336,755	\$ 359,345	\$ (22,590)
Sick pay	-	4,979	(4,979)
Payroll taxes	25,762	28,915	(3,153)
Utilities - gas and electric	160,000	129,359	30,641
Utilities - water	2,500	2,575	(75)
Plant security	1,800	2,884	(1,084)
Vehicle maintenance	-	251	(251)
Depreciation	-	546,531	(546,531)
Plant maintenance	15,000	11,817	3,183
Plant supplies	2,500	1,279	1,221
Repairs/maintenance - building	1,000	801	199
Repairs/maintenance - plant	40,000	10,417	29,583
Small tools - minor repairs	3,000	841	2,159
Capital projects	51,600	-	51,600
Employee benefits	-	90,410	(90,410)
Employee drug testing	300	193	107
Engineering fees	15,000	29,337	(14,337)
Engineering - wasteload management	5,000	-	5,000
Engineering fees - MIPP	-	440	(440)
Uniforms/safety supplies	7,000	5,083	1,917
Inside lab costs	2,500	6,492	(3,992)
Outside lab costs	25,000	22,768	2,232
Sludge removal	100,000	82,031	17,969
Treatment chemical	-	750	(750)
Chlorine	9,000	6,750	2,250
Sodium hypochlorite	500	354	146
Sodium bisulfite	3,000	3,296	(296)
Lime	500	840	(340)
Polymer	3,500	10,842	(7,342)
Hydrogen peroxide	10,120	960	9,160
Odor control	3,700	4,883	(1,183)
Equipment rentals and lease expense	1,500	600	900
Miscellaneous operating expenses	500	168	332
DEP permit fee	1,400	1,400	-
Plant mats, deodorizers, gloves	1,200	829	371
Total plant expenses	\$ 829,637	\$ 1,368,420	\$ (538,783)

BOROUGH OF CONSHOHOCKEN AUTHORITY
REVENUES AND EXPENSES -
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance expenses			
Wages - road crew	\$ 101,875	\$ 103,934	\$ (2,059)
Payroll taxes	7,793	8,431	(638)
Employee benefits	-	22,549	(22,549)
Depreciation	-	8,262	(8,262)
Maintenance - sewer	12,500	12,768	(268)
Maintenance - supplies	3,000	2,266	734
Small tools and minor equipment	500	180	320
Equipment rentals and lease expense	500	-	500
Vehicle expenses	4,000	4,688	(688)
Jet truck expenses	2,000	2,664	(664)
Fuel	6,000	-	6,000
Uniforms - road crew	1,500	1,604	(104)
Engineering fees - collection system	5,000	1,605	3,395
Miscellaneous operating expenses - collection system	500	11,380	(10,880)
Total maintenance expenses	<u>\$ 145,168</u>	<u>\$ 180,331</u>	<u>\$ (35,163)</u>
Administrative expenses			
Wages	\$ 42,087	\$ 42,256	\$ (169)
Payroll taxes	3,679	3,780	(101)
Employee benefits	218,235	27,561	190,674
Workers compensation	26,000	30,539	(4,539)
Medical expense reimbursement	36,000	17,545	18,455
Insurance	60,000	58,677	1,323
Legal	90,000	115,187	(25,187)
Legal - plant	2,500	5,894	(3,394)
Legal - collections	500	39,084	(38,584)
Auditing and accounting	30,000	46,844	(16,844)
Engineering fees	5,000	-	5,000
Director fees	6,000	5,000	1,000
Board expense payment	1,500	1,150	350
Consulting fees	165,000	138,351	26,649
Dues, subscriptions and conferences	7,000	5,770	1,230
Office supplies and expenses	10,000	22,407	(12,407)
Computer expenses	7,000	16,698	(9,698)
Maintenance	500	392	108
Telephone	9,000	8,708	292
Advertising expense	5,000	10,623	(5,623)
Postage - general	2,000	152	1,848
Postage - billing	5,200	4,795	405
Collection expenses	3,500	4,153	(653)
Miscellaneous expenses	1,000	1,906	(906)
Bank fees	15,000	4,001	10,999
Depreciation expense	-	2,763	(2,763)
Payroll processing fees	2,500	2,614	(114)
Loss on disposal of assets	62,605	-	62,605
Interest Expense	30,847	49,992	(19,145)
Total administrative expenses	<u>\$ 847,653</u>	<u>\$ 666,842</u>	<u>\$ 180,811</u>