

BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF CONSHOHOCKEN
GENERAL PURPOSE FINANCIAL STATEMENTS
December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of Council
Borough of Conshohocken
Conshohocken, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Conshohocken, Montgomery County, Pennsylvania as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Conshohocken, Pennsylvania, as of December 31, 2017 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In 2017, the Borough prepared full-accrual government-wide financial statements, which are included in this report. As a result, a prior period adjustment was made in the amount of \$15,383,044 to beginning net position to record the assets and liabilities required to be reported under this accounting basis. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical trend information, and budgetary comparison information be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

The Borough of Conshohocken has omitted information from the schedules of funding progress and employer contributions - other postemployment benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Conshohocken, Montgomery County, Pennsylvania, basic financial statements. The combining and individual nonmajor fund statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
November 6, 2018

BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

This narrative overview and analysis of the financial statements of the Borough of Conshohocken, Montgomery County, Pennsylvania (the "Borough") for the calendar year ended December 31, 2017, has been prepared by the Borough's management.

The governing body of the Borough is the elected seven member Borough Council. The Council is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations, awarding bids and contracts, and making appointments to various boards and commissions.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Borough's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$16,949,639 (*net position*). Of this amount, \$2,016,677 (*unrestricted net position of governmental activities*) may be used to meet the government's ongoing obligations to citizens and creditors.
- \$14,615,690 of net position is invested in capital assets, net of related debt; \$317,272 is restricted for services such as street lighting, streets and highways, culture and recreation, and housing, economic and community development.
- Conshohocken Borough's total net position increased by \$1,566,595.
- As of the close of the current year, Conshohocken Borough's governmental funds reported combined ending fund balances of \$13,403,770, an increase of \$3,902,829 for the year.
- At the end of the current year, unassigned fund balance for general fund was \$3,372,058 or approximately 26% of total general fund expenditures. The remaining fund balance for the general fund consists of: \$8,886 Nonspendable for prepaid items; \$312,315 Restricted for various services; and \$9,710,511 which is Committed for capital projects, the 2018 budget. Park and recreation services, debt service and other post-employment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Borough of Conshohocken's basic financial statements. The Borough of Conshohocken's basic financial statements are comprised of five components:

- ***Government-wide financial statements***, which provide both long-term and short-term information about the Borough's overall financial condition.
- ***Fund financial statements***, which provide a detailed look at major individual portions, or funds, of the Borough.
- ***Notes to the financial statements***, which explain some of the information contained in the financial statements and provide detailed data.
- ***Required supplementary information***, which presents information concerning the Borough of Conshohocken's net pension liability and pension contributions; also includes budget comparison for major funds.
- ***Supplementary information***, which further explains and supports the information in the financial statements, is also included.

BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Borough of Conshohocken's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all Borough assets, deferred outflows of resources, and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Borough of Conshohocken that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Borough of Conshohocken include general government, public safety, public works, culture and recreation, and sanitation.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities' objectives. The Borough of Conshohocken, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough of Conshohocken can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds (continued)

The Borough of Conshohocken maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, UDAG repayment fund, capital fund, capital projects fund and capital reserve fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Borough of Conshohocken adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budgets and is included as required supplementary information.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are presented using the accrual method of accounting. The Borough is a trustee or fiduciary, for its employee's pension plans. All of the Borough fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 80 and 81, except for the General Employees Defined Benefit Pension Plan, which is administered by the Pennsylvania Municipal Retirement System (PMRS). These activities are excluded from the Borough's other financial statements because the Borough cannot use these assets to finance its operations. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison statement for the general fund and information concerning the Borough of Conshohocken's progress in funding its obligation to provide pension benefits to its employees.

Supplementary Information. The combining statements referred to earlier in connection with non-major governmental funds and pension trust funds are presented immediately following the required supplementary information on pensions.

BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

THE BOROUGH AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough of Conshohocken, assets and deferred outflows of resources of governmental and business-type activities exceeded liabilities and deferred inflows of resources by \$16,949,639 at the close of the most recent year.

By far the largest portion of the Borough of Conshohocken's net position (\$14,615,690) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to re-pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The year ended December 31, 2017 is the first year that the Borough has presented government-wide financial statements, and as such, is not able to provide a full comparative analysis in this report. Presented below is a comparative analysis of the statement of net position for the years ended December 31, 2017 and 2016. A comparative analysis of the statement of activities for these years will be provided in the future, when this data is available.

Net Position

Account	2017	2016	\$ Change	% Change
Capital Assets	\$ 24,497,890	\$ 24,684,963	\$ (187,073)	(0.76)
Current and Other Assets	18,585,980	14,450,099	4,135,881	28.62
Total Assets	<u>43,083,870</u>	<u>39,135,062</u>	<u>3,948,808</u>	10.09
Deferred Outflows	<u>415,246</u>	<u>767,739</u>	<u>(352,493)</u>	(45.91)
Long-Term Liabilities	21,423,908	19,412,996	2,010,912	10.36
Other Liabilities	4,561,424	4,757,825	(196,401)	(4.13)
Total Liabilities	<u>25,985,332</u>	<u>24,170,821</u>	<u>1,814,511</u>	7.51
Deferred Inflows	<u>564,145</u>	<u>348,936</u>	<u>215,209</u>	61.68
Net Position				
Net Investment in Capital Assets				
Assets	14,615,690	14,355,063	260,627	1.82
Restricted	317,272	276,497	40,775	14.75
Unrestricted	<u>2,016,677</u>	<u>751,484</u>	<u>1,265,193</u>	168.36
Total Net Position	<u>\$ 16,949,639</u>	<u>\$ 15,383,044</u>	<u>\$ 1,566,595</u>	10.18

**BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

THE BOROUGH AS A WHOLE (Continued)

Net position increased approximately \$1.5 million, or 10%. The increase was due to a number of factors. First cash and cash equivalents increased from \$8.7 million in 2016 to \$12.1 million in 2017, largely due to the receipt of a large grant, the sale of property of the former borough facilities. Additionally, tax collections (all taxes) came in much higher than anticipated. These increases were offset by an increase in long-term liabilities, specifically the Postemployment Benefits Obligation, from \$5.6 million in 2016 to \$8.5 million in 2017.

A summary of the Borough's changes in net position for 2017 is as follows:

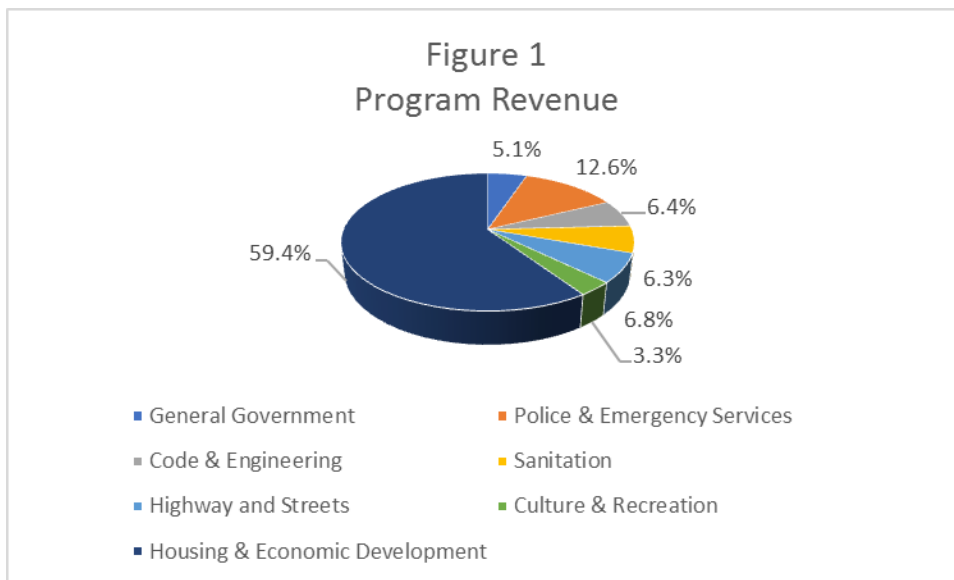
Changes in Net Position	
Program Revenues	
General Government	\$ 239,567
Police and Emergency Services	586,467
Code and Engineering	298,915
Sanitation	292,402
Highways and Streets	317,240
Culture and Recreation	152,941
Housing and Economic Development	2,765,804
 General Revenues	
Real Estate Taxes	2,383,955
Transfer Taxes	439,881
Earned Income Taxes	4,895,913
Other Taxes	2,804,723
Franchise Fees	251,692
Grants and Contributions	14,226
Interest and Rents	64,761
Miscellaneous	492,870
Gain on Sale of Capital Assets	1,180,821
Total Revenues (Forwarded)	\$17,182,178

**BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

THE BOROUGH AS A WHOLE (Continued)

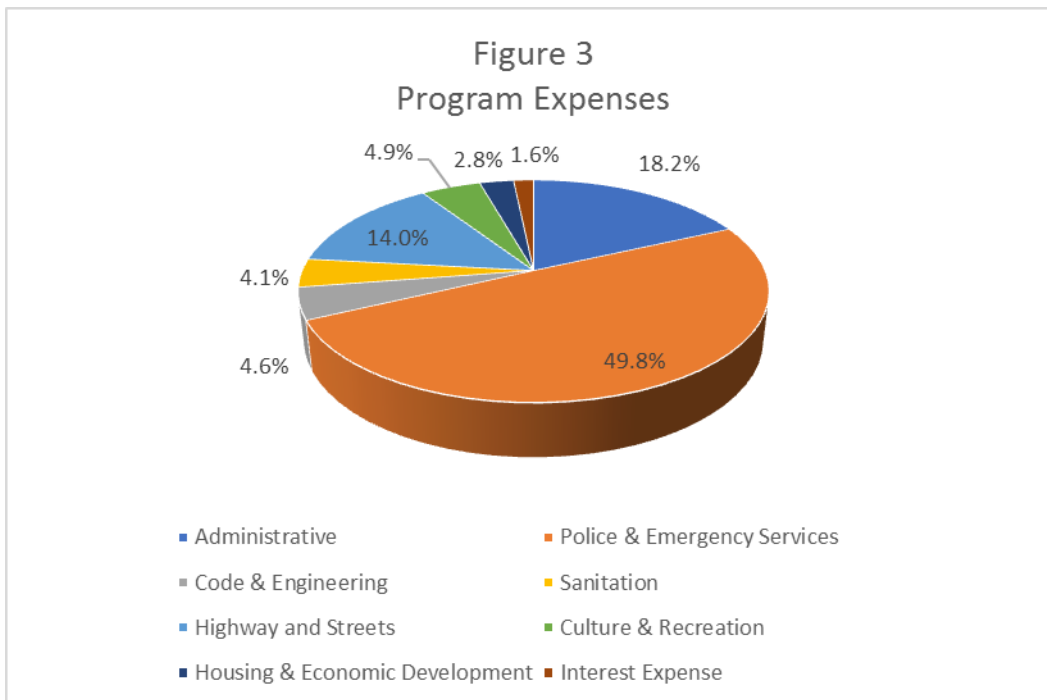
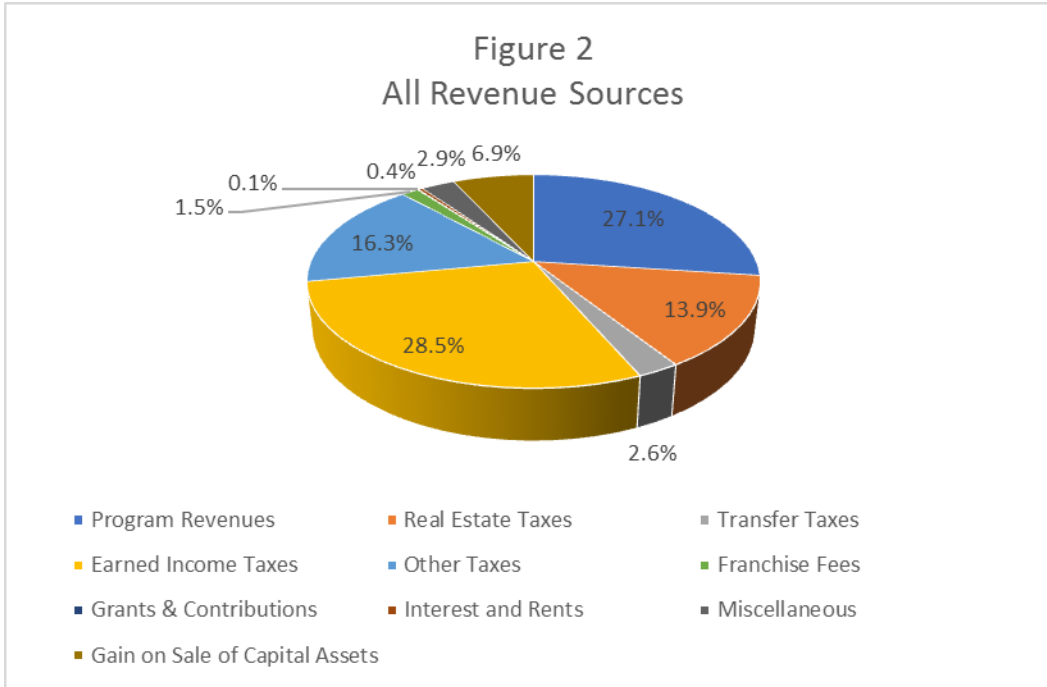
Changes in Net Position	
Total Revenues (Forwarded)	<u>\$17,182,178</u>
Program Expenses	
Administrative	2,838,460
Police and Emergency Services	7,776,798
Code and Engineering	719,617
Sanitation	647,411
Highways and Streets	2,178,830
Culture and Recreation	763,420
Housing and Economic Development	434,829
Interest Expense	<u>256,218</u>
Total Expenses	<u>15,615,583</u>
Changes in Net Position	<u>\$1,566,595</u>

Figures 1 through 3 below provide an overview of the Borough's revenues and expenses for 2017.



**BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

THE BOROUGH AS A WHOLE (Continued)



BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds. The focus of Conshohocken Borough's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Conshohocken Borough's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

The modified accrual basis of accounting is used for all governmental fund types. Revenues are recorded when susceptible to accrual, both measurable and available and expenditures are recorded when the fund liabilities are incurred, except for interest on long-term debt, which is recorded when due for payment. Financial statements for the pension trust funds and proprietary funds are maintained on the accrual basis, with revenue recognized when earned and expenses recorded when incurred.

Conshohocken Borough's governmental funds reported combined ending fund balances of \$13,403,770 in 2017 and \$9,500,941 in 2016. The unassigned fund balance portion was \$3,372,058 and \$2,389,544 for 2017 and 2016 respectively, and is available for spending at the government's discretion. The remainder of fund balance for 2017 is comprised of: \$312,315 *restricted* to indicate that it is not available for unrestricted spending; \$9,710,511 *committed* for specific purposes; and \$8,886 *nonspendable* for prepaid items.

The total fund balances increased by \$3,902,829 in the current year compared with a decrease of \$998,075 during the prior year. Key factors in this increase from the prior year were: higher overall revenues from two areas – the receipt of a \$2.5 million grant, and the proceeds from the sale of the former township building of approximately \$1.2 million. Additionally, total expenses decreased from \$14,139,508 to \$12,915,600, due to a focus on cost savings and lower capital outlays as the construction of the current Borough offices was largely completed in 2016.

General Fund

The *General Fund* is the primary operating fund of Conshohocken Borough. At the end of the current year, unassigned fund balance of the general fund was \$3,372,058, while total fund balance of governmental funds reached \$13,403,770. At the end of the prior year, unassigned fund balance of the general fund was \$2,389,544, with the total fund balance of governmental funds at \$9,500,941. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance of governmental funds to total general fund expenditures. Unassigned fund balance represents approximately 26% and 24% for 2017 and 2016, respectively, of total general fund expenditures, while total fund balance represents 104% and 67% for 2017 and 2016, respectively, of total fund expenditures.

The General Fund balance increased by \$1,140,323 in the current year compared with an increase of \$761,691 during the prior year. Key factors in this increase from the prior year were: higher overall revenues, and a reduction of amounts transferred to other funds during the year.

BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by 19%. The positive variance in revenues related to a positive variance in all revenue areas, particularly all five types of taxes (real estate, transfer, earned income, business privilege and mercantile, and local services), intergovernmental revenues and charges for services. Earned income taxes were over budget by 25%, transfer taxes by 34%, and all other taxes by 4%. Intergovernmental revenues were over budget by approximately \$155,000 or 50% due to higher amounts received for recycling grant and the state aid for pension. Charges for service exceeded budget by approximately \$165,000 or 29%, due to higher permit receipts.

Differences between the final budgeted expenditures, and actual expenditures was \$735,032, or a positive 3%. Most areas were under budget - general Government by 8%, public safety expenditures by 6%, highways and streets by 15%, and culture and recreation by 13%. Sanitation was over budget by 20% due to higher than anticipated salary costs. The variance in excess of revenues over (under) expenditures amounted to \$2,381,802 in 2017 and \$2,916,891 in 2016.

Non-major Funds

The *Non-major Governmental Funds* are shown on the Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and changes in Fund Balance in the Supplementary Information. The year-end fund balance of the non-major funds is \$353,808.

Four of the non-major funds are supported by real estate tax millage which for 2017 was as follows: Street Light (0.2926 mills), Library (0.0836 mills), and Fire (0.1254 mills). The remaining four funds are designated to funding park and recreation programs, highway expenditures, community, housing and economic development, and debt service.

Street Light Fund. The *Street Light Fund* receives real estate tax revenues. The funds are restricted to be used for street light maintenance.

Fire Fund. The *Fire Fund* received real estate tax revenue and grants. The funds are restricted to be used for fire services.

Library Fund. The *Library Fund* uses financial resources to be used to fund the local library.

Park and Recreation Fund. The *Park and Recreation Fund* uses developer fees in lieu of open space to be used to fund improvements to park and recreation facilities in the Borough.

Liquid Fuels Highway Aid Fund. The *Liquid Fuels Highway Aid Fund* is restricted for highways and street expenditures.

BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Non-major Funds (continued)

Community Development Fund. The *Community Development Fund* accounts for Community Development grant proceeds and related expenditures.

Home Program Fund. The *Home Program Fund* accounts for Home grant proceeds and related expenditures.

Economic Development Fund. The *Economic Development Fund* accounts for the Economic Development grant proceeds and related expenditures.

Mary H. Wood Park Fund. The *Mary H. Wood Park Fund* accounts for resources restricted for the maintenance of the Mary H. Wood Park.

Debt Service Fund. **The *Debt Service Fund* is restricted for payment of debt obligations. The debt obligations are funded with real estate tax revenues.**

ITEMS OF GENERAL INTEREST

Water and Sewer

Residents and businesses of the Borough are served by Borough of Conshohocken Authority for sewer and Aqua PA for water. The Borough has no financial or management control of the water and sewer companies.

Fire and Ambulance

Residents and businesses of the Borough are served by the Conshohocken Fire Company Number 2 and the Washington Fire Company Number 1. In addition there are mutual aid agreements in place with neighboring municipalities and central dispatching throughout the area. Narberth Ambulance, Medic 313 provides ambulance services to the Borough. The Borough distributed 0.1254 mills (\$74,186) of real estate taxes between the two fire companies, and contributed an additional in \$88,949 during 2017.

Public Facilities

The Borough owns six parks of varying sizes. Additionally, the Borough operates the Community Center at the Fellowship house and runs programs from there. The Borough also supports the Conshohocken Rowing Center. In 2014, the Borough began construction on new Borough office facility at 400 Fayette Street, and moved in in August 2015. It is a modern, functional site for local government operations. All operations, except public works, sanitation and on site recreation programs are located here. Public works and sanitation services are located on a remote site with a pole barn and a service garages that also houses staff quarters and offices. These buildings are in good condition.

**BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

PENSION PLANS

Full-time Borough employees are also members of the Police, Fire or General Employees defined benefit pension plans. The Borough is eligible for Act 205 assistance in the form of state aid. The Police and Fire Pension Plans are administered by the Borough, while the General Employees Plan is administered by PMRS.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Borough has \$24,497,890 Net Investment in Capital Assets. In 2017, the Borough provided full accrual government-wide statements for the first time. This involved developing a comprehensive capital assets listing for the first time.

Capital Assets

Significant capital events during the year included park equipment purchases and improvements of approximately \$550,000, borough hall construction costs of approximately \$167,000, and infrastructure improvements of approximately \$165,000. Additionally, during 2017, the Borough sold the property that formerly housed the Borough offices, for \$1.2 million. A summary of capital assets activity for the year is as follows:

	Beginning Balance	Net Additions (Deletions)	Ending Balance
Land	\$ 1,299,000	\$ -	\$ 1,299,000
Buildings	19,589,012	7,246	19,596,258
Park Improvements	228,589	243,463	472,052
Equipment, Furniture and Vehicles	4,062,611	449,828	4,512,439
Infrastructure	11,156,629	166,906	11,323,535
	36,335,841	867,443	37,203,284
Accumulated Depreciation	(11,650,878)	(1,054,516)	(12,705,394)
Net Capital Assets	<u>\$ 24,684,963</u>	<u>\$ (187,073)</u>	<u>\$ 24,497,890</u>

**BOROUGH OF CONSHOHOCKEN
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-term Debt

At year-end, the Borough had three general obligation notes outstanding of \$9,882,200. These notes were issued in 2014 for the construction of the Borough facilities. Additional information on the Borough's long-term debt terms can be found in the footnotes. A summary for debt service activity for the year is as follows:

	Beginning Balance	Payments	Ending Balance
2014 GON Tax Exempt Series A	\$ 6,505,300	\$ 278,600	\$ 6,226,700
2014 GON Tax Exempt Series B	2,515,800	112,100	2,403,700
2014 GON Taxable Series	1,308,800	57,000	1,251,800
	\$ 10,329,900	\$ 447,700	\$ 9,882,200

ECONOMIC FACTORS AND FUTURE BUDGETS

Conshohocken Borough continues to see improvements with most revenue sources as local economic conditions improve. There has been a significant amount of development and redevelopment within the Borough. The Borough desires to improve our fiscal stability using these increased revenues and by controlling costs. Additionally, the Borough continues to work towards the goal of evolving forward with special attention to capital improvements. It is our fiscal responsibility to evaluate our capital structure and goals against the cost of capital. Long-term capital projects include facility and infrastructure improvements. Financing options for these long-term initiatives are being evaluated along with the Borough's current debt with rates and terms that are consistent with market conditions. Any decision to acquire additional debt to achieve these long-term capital goals will include a financing structure that is fiscally responsible to the taxpayers of the Borough.

CONTACTING THE BOROUGH FINANCIAL MANAGEMENT TEAM

This Management Discussion and Analysis is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of important financial matters in a format that is both comprehensive and understandable in nature. For questions relating to the Management Discussion and Analysis, please contact Stephanie Cecco, Borough Manager, at 400 Fayette Street, Suite 200, Conshohocken, Pennsylvania 19428, call (610) 828-1092 or visit our website at www.Conshohockenpa.gov.

BOROUGH OF CONSHOHOCKEN

STATEMENT OF NET POSITION

December 31, 2017

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 12,137,177
Receivables	1,991,163
Prepaid expenses	8,886
Temporarily restricted assets:	
Cash and cash equivalents	336,857
Intergovernmental receivable	28,434
Notes receivable	3,903,841
Net pension asset	179,622
Land	1,299,000
Other capital assets (net of accumulated depreciation)	<u>23,198,890</u>
Total Assets	<u>43,083,870</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources for pension	<u>415,246</u>
Total deferred outflows of resources	<u>415,246</u>
 <u>LIABILITIES</u>	
Accounts payable and other current liabilities	471,351
Accrued interest payable	19,898
Payable from restricted assets	166,334
Unearned revenue	3,903,841
Non-current liabilities:	
Due within one year	459,400
Due after one year	<u>20,964,508</u>
Total Liabilities	<u>25,985,332</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources pension	<u>564,145</u>
Total deferred inflows of resources	<u>564,145</u>
 <u>NET POSITION</u>	
Net investment in capital assets	14,615,690
Restricted for:	
Street lights	11,062
Fire services	17,813
Streets and highways	96,207
Housing and economic development	154,318
Community development	16,205
Culture and recreation	21,667
Unrestricted	<u>2,016,677</u>
Total Net Position	<u>\$ 16,949,639</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

STATEMENT OF ACTIVITIES

December 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES					
Administrative	\$ 2,838,460	\$ 107,056	\$ 132,511	\$ -	\$ (2,598,893)
Police and emergency services	7,776,798	305,260	281,207	-	(7,190,331)
Codes and engineering	719,617	298,915	-	-	(420,702)
Sanitation	647,411	172,402	120,000	-	(355,009)
Highways and streets	2,178,830	120,294	-	196,946	(1,861,590)
Culture and recreation	763,420	134,984	17,957	-	(610,479)
Housing and economic development	434,829	-	-	2,765,804	2,330,975
Interest expense	256,218	-	-	-	(256,218)
Total Governmental Activities	<u>\$ 15,615,583</u>	<u>\$ 1,138,911</u>	<u>\$ 551,675</u>	<u>\$ 2,962,750</u>	<u>\$ (10,962,247)</u>
GENERAL REVENUES					
Taxes:					
					\$ 2,383,955
					439,881
					4,895,913
					2,483,102
					321,621
					251,692
					14,226
					64,761
					492,870
					1,180,821
					<u>12,528,842</u>
Change in Net Position					
					1,566,595
Net Position, Beginning of Year (Restated)					
					<u>15,383,044</u>
Net Position, End of Year					
					<u>\$ 16,949,639</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	<u>General</u>	<u>UDAG Repayment</u>	<u>Capital Fund</u>	<u>Capital Projects Fund</u>
ASSETS				
Cash and cash equivalents	\$ 6,067,747	\$ -	\$ 2,443,774	\$ 89,873
Receivables				
Taxes	1,625,494	-	-	-
Accounts	118,024	-	-	-
Prepaid expenses	8,886	-	-	-
Due from other funds	1,930	-	-	-
Restricted assets				
Cash and cash equivalents	166,334	12,662	-	-
Intergovernmental receivable	-	-	-	-
Notes receivable	-	3,903,841	-	-
Total Assets	<u>\$ 7,988,415</u>	<u>\$ 3,916,503</u>	<u>\$ 2,443,774</u>	<u>\$ 89,873</u>
LIABILITIES				
Accounts payable	\$ 296,433	\$ -	\$ 39,368	\$ -
Accrued payroll	98,559	-	-	-
Due to other funds	2	-	-	-
Payable from restricted assets				
Taxes payable under protest	166,334	-	-	-
Total Liabilities	<u>561,328</u>	<u>-</u>	<u>39,368</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	214,165	-	-	-
Unavailable revenue - UDAG loan proceeds	-	3,903,841	-	-
Total deferred inflows of resources	<u>214,165</u>	<u>3,903,841</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	8,886	-	-	-
Restricted for:				
Street lights	-	-	-	-
Fire services	-	-	-	-
Streets and highways	-	-	-	-
Housing and economic development	-	12,662	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Committed to:				
Capital projects	-	-	2,404,406	89,873
Subsequent year's budget	2,577,968	-	-	-
Park and recreation	-	-	-	-
Debt service	-	-	-	-
Other post-employment benefits	1,254,010	-	-	-
Unassigned:	3,372,058	-	-	-
Total Fund Balances	<u>7,212,922</u>	<u>12,662</u>	<u>2,404,406</u>	<u>89,873</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,988,415</u>	<u>\$ 3,916,503</u>	<u>\$ 2,443,774</u>	<u>\$ 89,873</u>

Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,330,099	\$ 205,684	\$ 12,137,177
-	5,705	1,631,199
-	-	118,024
-	-	8,886
-	-	1,930
-	157,861	336,857
-	28,434	28,434
-	-	3,903,841
<u>\$ 3,330,099</u>	<u>\$ 397,684</u>	<u>\$ 18,166,348</u>
\$ -	\$ 36,991	\$ 372,792
-	-	98,559
-	1,928	1,930
-	-	166,334
<u>-</u>	<u>38,919</u>	<u>639,615</u>
-	4,957	219,122
-	-	3,903,841
<u>-</u>	<u>4,957</u>	<u>4,122,963</u>
-	-	8,886
-	8,170	8,170
-	16,574	16,574
-	96,207	96,207
-	141,656	154,318
-	16,205	16,205
-	20,841	20,841
3,330,099	-	5,824,378
-	-	2,577,968
-	3,883	3,883
-	50,272	50,272
-	-	1,254,010
-	-	3,372,058
<u>3,330,099</u>	<u>353,808</u>	<u>13,403,770</u>
<u>\$ 3,330,099</u>	<u>\$ 397,684</u>	<u>\$ 18,166,348</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF GOVERNMENT-WIDE NET POSITION

For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of net position (page 18)
are different because:

Total fund balances--total governmental funds (pages 20-21) \$ 13,403,770

Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	37,203,284	
Accumulated depreciation	<u>(12,705,394)</u>	24,497,890

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (for example, receivables) are offset by deferred revenues
in the governmental funds and thus are not included in fund balance.

Property tax receivable	189,855	
Earned income tax receivable	184,532	
Net pension asset	179,622	
Other receivable	<u>86,675</u>	640,684

Deferred inflows and outflows or resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Deferred outflows or resources for pension	415,246	
Deferred inflows of resources pension	<u>(564,145)</u>	(148,899)

Long term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Notes payable	(9,882,200)	
Interest payable	(19,898)	
Net pension liability	(2,318,187)	
Net postemployment benefits obligation	(8,550,456)	
Compensated absences	<u>(673,065)</u>	<u>(21,443,806)</u>

Net position of governmental activities (page 18) \$ 16,949,639

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>General</u>	<u>UDAG Repayment</u>	<u>Capital Fund</u>	<u>Capital Projects Fund</u>
REVENUES				
Taxes:				
Real estate taxes	\$ 1,904,504	\$ -	\$ -	\$ -
Real estate transfer taxes	439,881	-	-	-
Earned income taxes	4,766,758	-	-	-
Business privilege and mercantile taxes	2,483,102	-	-	-
Local services taxes	321,621	-	-	-
Fees, licenses and permits	566,134	-	-	-
Fines and forfeitures	129,282	-	-	-
Intergovernmental revenues	470,367	-	2,500,000	-
Charges for services	737,794	-	-	-
Interest	35,694	66	9,381	12
Rents	200,959	-	-	-
Miscellaneous	158,178	-	1,010	-
Payments in lieu of taxes	2,831	-	-	-
Total Revenues	<u>12,217,105</u>	<u>66</u>	<u>2,510,391</u>	<u>12</u>
EXPENDITURES				
Current:				
General government	2,004,296	-	170,700	240
Public safety	5,764,192	-	76,925	-
Sanitation	631,366	-	-	-
Highways and streets	1,264,102	-	45,222	-
Culture and recreation	519,840	-	756,063	-
Housing and economic development	-	181	-	-
Miscellaneous	119,711	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>10,303,507</u>	<u>181</u>	<u>1,048,910</u>	<u>240</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,913,598</u>	<u>(115)</u>	<u>1,461,481</u>	<u>(228)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	-	-	1,198,340	-
Transfers in	726,725	-	274,000	-
Transfers out	(1,500,000)	(10)	(719,767)	-
Total Other Financing Sources (Uses)	<u>(773,275)</u>	<u>(10)</u>	<u>752,573</u>	<u>-</u>
Net Change in Fund Balance	1,140,323	(125)	2,214,054	(228)
Fund Balance - Beginning	6,072,599	12,787	190,352	90,101
Fund Balance - Ending	<u>\$ 7,212,922</u>	<u>\$ 12,662</u>	<u>\$ 2,404,406</u>	<u>\$ 89,873</u>

Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 314,013	\$ 2,218,517
-	-	439,881
-	-	4,766,758
-	-	2,483,102
-	-	321,621
-	-	566,134
-	-	129,282
-	536,937	3,507,304
-	-	737,794
15,584	4,024	64,761
-	-	200,959
-	21,957	181,145
-	-	2,831
<u>15,584</u>	<u>876,931</u>	<u>15,620,089</u>
181	217	2,175,634
-	145,418	5,986,535
-	-	631,366
-	375,228	1,684,552
-	68,462	1,344,365
-	265,804	265,985
-	-	119,711
-	447,700	447,700
-	259,752	259,752
<u>181</u>	<u>1,562,581</u>	<u>12,915,600</u>
<u>15,403</u>	<u>(685,650)</u>	<u>2,704,489</u>
-	-	1,198,340
500,000	719,767	2,220,492
(715)	-	(2,220,492)
<u>499,285</u>	<u>719,767</u>	<u>1,198,340</u>
514,688	34,117	3,902,829
<u>2,815,411</u>	<u>319,691</u>	<u>9,500,941</u>
<u>\$ 3,330,099</u>	<u>\$ 353,808</u>	<u>\$ 13,403,770</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

Net change in fund balances-total governmental funds (pages 20-21)		\$ 3,902,829
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	972,858	
Depreciation expense	<u>(1,142,412)</u>	(169,554)
The effect of sales of capital assets is to decrease net assets.		(17,519)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Earned income taxes	129,155	
Property taxes	165,438	
Other receivable	<u>86,675</u>	381,268
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of debt	447,700	
Interest payable	<u>3,534</u>	451,234
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net pension liability and deferred items	17,798	
Net postemployment benefits obligation	(2,947,142)	
Compensated absences	<u>(52,319)</u>	(2,981,663)
Change in net position of governmental activities (page 18)		<u>\$ 1,566,595</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2017

ASSETS	Pension <u>Trust Funds</u>	Agency <u>Funds</u>
Cash and cash equivalents	\$ 123,603	\$ 914,165
Investments	9,501,369	-
Interest receivable	114	-
Contributions receivable	<u>17,260</u>	<u>-</u>
Total Assets	<u>9,642,346</u>	<u>914,165</u>
LIABILITIES		
Payables	4,223	-
Escrow payable	<u>-</u>	<u>914,165</u>
Total Liabilities	<u>4,223</u>	<u>914,165</u>
NET POSITION		
Net Position - Restricted for Pension Benefits	<u>\$ 9,638,123</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	<u>Pension</u> <u>Trust Funds</u>
ADDITIONS	
Contributions	
Commonwealth of Pennsylvania	\$ 207,020
Employee	109,069
Employer	<u>271,552</u>
Total Contributions	<u>587,641</u>
Investment Earnings	
Net appreciation in fair value of investments	1,095,259
Dividends and interest	<u>188,003</u>
Total Investment Earnings	1,283,262
Less investment expense	<u>(37,854)</u>
Net Investment Earnings	<u>1,245,408</u>
Total Additions	<u>1,833,049</u>
DEDUCTIONS	
Benefits	348,217
Other	<u>15,382</u>
Total Deductions	<u>363,599</u>
Change in Net Position	1,469,450
Net Position - Restricted for Pension Benefits	
Beginning of Year	<u>8,168,673</u>
End of Year	<u>\$ 9,638,123</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies

The Borough of Conshohocken (the Borough) is located in Montgomery County, Pennsylvania. The major services provided by the Borough include public safety, sanitation, highway and streets, culture and recreation, housing and economic development, and general administration.

The Borough is governed by an elected seven member Borough Council. The daily operations of the Borough are administered by the Borough Manager.

The Borough has adopted the provisions of a financial reporting model for local governments established by the Government Accounting Standards Board (GASB), presenting fund financial statements where the focus is on major funds. Under accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units, the Borough is required to present both government-wide and fund financial statements. The government-wide financial statements report information on all of the nonfiduciary activities of the Borough and include the reporting entity of the Borough, primary government and any component units.

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. *Reporting entity*

The accompanying financial statements include only Borough operations, which are under the direct responsibility of the Borough Council. GASB has set forth criteria to be considered in determining financial accountability. In evaluating the Borough (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Borough have been addressed. Financial accountability is present if the Borough appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough.

The following organizations were addressed in defining the Borough's reporting entity and it was determined that these entities should be excluded from the reporting entity of the Borough.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

A. *Reporting entity (continued)*

Conshohocken #2 Fire Company and Washington Fire Company - The Borough provides substantial support (fiscal dependency) to Conshohocken #2 Fire Company and Washington Fire Company. Under GASB standards, in addition to fiscal dependency, a financial benefit or burden relationship must also exist to justify inclusion in the primary government's reporting entity. The Borough levies and collects real estate taxes, pays certain expenses on behalf of, and remits quarterly appropriations to the fire companies. Annual appropriations in 2017 were \$80,000 each to fire company. Separately issued financial statements of the Conshohocken #2 Fire Company and Washington Fire Company can be obtained at the Borough's Administrative Offices.

B. *Government-wide and fund financial statements*

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets (including infrastructure capital assets), deferred outflows of resources, liabilities, deferred inflows of resources, and net position of a primary government and its component units, except for fiduciary funds. Government-wide financial statements use the *economic resources measurement focus and accrual basis of accounting*. Those financial statements are designed to help users assess the finances of the government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current-year services. They also are designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs - through user fees and other program revenues versus general tax revenues; understand the extent to which the government has invested in capital assets, including roads, bridges, and other infrastructure assets; and make better comparisons between governments.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and fiduciary funds, as applicable. The focus of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, the fund equity, is referred to as "fund balance."

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Borough. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *UDAG Repayment Fund* is a special revenue fund used to account for proceeds from loan repayments from UDAG loans and expenditures on eligible activities.

The *Capital Fund* is used to account for financial resources intended to be used for the acquisition, construction or reconstruction of Borough assets and facilities.

The *Capital Projects Fund* is used to account for financial resources intended to be used for the acquisition and construction of the new Borough facility.

The *Capital Reserve Fund* is used to account for financial resources accumulated for future capital projects.

The other governmental funds of the Borough are considered nonmajor.

Additionally, the government reports the following fiduciary fund types:

The *Pension Trust Fund* are used to account for assets held by the Borough in a trustee capacity for the Police and Firemen's Pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *Agency Fund* accounts for assets held as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough's agency fund is the Escrow Fund.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

**C. *Measurement focus, basis of accounting, and financial statement presentation*
(continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are real estate taxes, real estate transfer taxes, earned income taxes, business privilege and mercantile taxes, interest, intergovernmental, charges for services, and certain miscellaneous revenues. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due or matured.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

The Fiduciary Fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except that agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D. *Assets, liabilities, and net position or equity*

1. *Deposits and investments*

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts, money market funds, and certificates of deposit or short-term investments with an original maturity of three months or less.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

1. Deposits and investments (continued)

The Borough is permitted by state law to invest Borough funds in U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies, obligations of the Commonwealth of Pennsylvania or its agencies and shares of an investment company as defined, provided that the only investments of that investment company are in authorized investments for Borough funds. The Borough may also place deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) and deposits that are collateralized on an individual or on a pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania, August 6, 1971.

The law provides that the Borough's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Borough to be prudent. The deposits and investments of the Pension Trust Funds are maintained separately from other Borough funds and are managed by a Trustee in the name of the Borough on behalf of plan participants.

The Borough participates in the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT is a common law trust established pursuant to the Intergovernmental Cooperation Act and similar statutes by Local Governments in Pennsylvania for the purpose of pooling their investments. It is a fundamental policy of PLGIT to maintain a net asset value of \$1 per share, but there can be no assurance that the net asset value will not vary from \$1 per share. At December 31, 2017, management of PLGIT has indicated that all investments made of the PLGIT were either obligations of the U.S. Government or its agencies or instrumentalities, or deposits insured by FDIC. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. There are no limitations or restrictions on withdrawals.

2. Restricted assets

The assets of the Community Development, Economic Development, and HOME Program nonmajor funds and the UDAG Repayment Special Revenue Fund major fund are classified as restricted assets because their use is restricted by grant agreements. Expenditures incurred for purposes for which restricted and unrestricted assets are available are first applied to restricted assets. There is a corresponding restricted liability on the balance sheet for these funds.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

3. Receivables and payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.

Receivables are reduced, when necessary, by an estimated allowance for accounts that are expected to be uncollectible. At December 31, 2017, all trade receivables were deemed to be fully collectible.

Property taxes are levied as of March 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through May 1; face amount May 21 through July 1; and a 10% penalty after July 1. Any unpaid taxes are attached as an enforceable lien on such property as of January 15 of the following year. The Borough employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2017 are recognized as revenue for the year ending December 31, 2017.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In the governmental fund financial statements, prepaid items are offset by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$4,000 to \$25,000, depending on asset type, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

5. Capital assets (continued)

Property, plant, and equipment of the primary government, as well as its component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	20
Infrastructure	20-50
Machinery, equipment, vehicles	2-10

6. Use of estimates

The preparation of the 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 expenditures during the reporting period. Actual results could differ from those estimates.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Borough has the following that qualify for reporting in this category:

1. *Change in assumptions* is reported in the government-wide statement of net position. A difference results from a change in actuarial assumptions for the pension plan. These amounts are deferred and amortized over a four to ten year period.
2. *Contribution by employer after measurement date* is reported in the government-wide statement of net position. The general employees pension plan measurement date is December 31, 2016. These amounts are deferred and recognized as an outflow of resources in the next period.
3. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

7. Deferred outflows/inflows of resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Borough has the following that qualify for reporting in this category:

4. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
5. *Change in assumptions* is reported in the government-wide statement of net position. A difference results from a change in actuarial assumptions for the pension plan. These amounts are deferred and amortized over a four to ten year period.
6. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.
7. *Unavailable revenue - property taxes, earned income taxes, and notes receivable* is reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
8. ***Real estate transfer taxes, earned income taxes, business privilege and mercantile taxes, and local services taxes***

The Borough recognizes assets resulting from real estate transfer taxes, earned income taxes, business privilege and mercantile taxes (derived tax revenues), and local services taxes when the underlying exchange transaction occurs or when resources are received, whichever is first. In the governmental fund financial statements, under the modified accrual basis of accounting, revenue is recorded when the underlying exchange occurs and when the resources are available. Revenue that is not available is deferred and reported as a deferred inflow of resources.

BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

9. Compensated absences

Upon retirement or departure, unused vacation pay will be paid to police officers, sanitation employees, and general employees.

Upon retirement, up to 75 days of accumulated sick leave will be paid to police officers, and up to 60 days of accumulated sick leave will be paid to sanitation employees and general employees. Sick leave in excess of the maximum number of accumulated days is not paid upon retirement.

10. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net assets. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Pension and other postemployment benefits (OPEB)

The Borough recognizes pension and OPEB expenses under the accrual basis for the annual required contribution, regardless of amounts paid. The cumulative difference between amounts expensed and paid is reported as a liability (asset).

BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

12. Net position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Net Investment in Capital Assets	
Capital assets not being depreciated	\$ 1,299,000
Capital assets being depreciated, net of accumulated depreciation	23,198,890
Less: Long-term debt outstanding	<u>(9,882,200)</u>
Total Net Investment in Capital Assets	<u>\$ 14,615,690</u>

Restricted net position - This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

13. Fund balance

Fund balance represents assets plus deferred outflows of resources less liabilities plus deferred inflows of resources in the governmental fund financial statements. Governmental funds report fund balance in classifications based primarily on the extent to which the Borough is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net position or equity (continued)

13. Fund balance (continued)

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Borough's highest level of decision-making authority, the Borough Council. Commitments may be changed or lifted only by the Borough taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance - includes amounts intended to be used by the Borough for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Borough Council, has by resolution authorized the Borough Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

II. Stewardship, compliance, and accountability

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund of the Borough.

The Borough follows these procedures in establishing the budget:

1. During September, October and November, the Borough holds budget meetings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year.
2. During November, the Borough makes available to the public its proposed operating budget for the General Fund. The operating budget includes proposed expenditures and the means of financing them.
3. Prior to December 31, the Borough holds a public hearing to obtain taxpayer comments, after which the budget is legally adopted through passage of an ordinance.
4. All budget revisions require the approval of the members of Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgetary control is maintained at the fund level.
6. All unencumbered budget appropriations lapse at year-end.

Excess of expenditures over appropriations: For the year ended December 31, 2017, expenditures exceeded budget in the General Fund in the categories of sanitation \$104,687 and miscellaneous \$14,711. The excess expenditures, which were approved by the Borough Council, were funded by available excess revenues and available fund balance.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

III. Detailed notes on all funds

A. *Deposits and investments*

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis.

As of year-end, the carrying amount of deposits for the governmental funds was \$12,474,034 and the bank balance was \$12,830,403. Of the bank balance, \$500,000 was covered by federal depository insurance. Of the remaining balance, \$726,911 was uninsured and \$11,603,492 was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The investment in externally pooled investments are considered cash equivalents due to the short maturities of those investments and are included above.

Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Borough does not have a formal investment policy for custodial credit risk. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Borough's investment policy and through state limitations as discussed in Note I. D. 1.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Borough does not have a formal investment policy for credit risk. State law limits the investment of governmental funds as described in Note I. D. 1. The government does not have a formal investment policy for credit risk. The government's investments in the external investment pool were rated AAAM, the Mutual Fund - Fixed Income were rated A to B by Standards & Poor's.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Borough does not have a formal investment policy for concentration of credit risk. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Borough does not have a formal investment policy for interest rate risk. The weighted average maturity of the portfolio held by PLGIT and the investment in money funds at December 31, 2017 was less than one year. The average maturities of the Borough's debt securities are as follows.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

	<u>Amount</u>	<u>Maturities in Years</u>			
		<u>< 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>> 10 years</u>
GOVERNMENTAL FUNDS					
Externally Pooled Investments	\$ 555,318	\$ 555,318	\$ -	\$ -	\$ -
Total Governmental Funds	<u>\$ 555,318</u>	<u>\$ 555,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY FUNDS					
Mutual Funds - Equity	\$ 6,379,288	\$ 6,379,288	\$ -	\$ -	\$ -
Mutual Funds - Fixed Income	<u>3,122,081</u>	<u>-</u>	<u>279,414</u>	<u>2,842,667</u>	<u>-</u>
Total Fiduciary Funds	<u>\$ 9,501,369</u>	<u>\$ 6,379,288</u>	<u>\$ 279,414</u>	<u>\$ 2,842,667</u>	<u>\$ -</u>

Fair Value Measurements: The Borough categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Borough had two recurring fair value measurement as of December 31, 2017, mutual funds equity and fixed income are classified as Level 1. The externally pooled investment is considered a cash equivalent.

B. *Receivables*

Receivables as of year-end for the government's individual major funds and non-major and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 1,625,494	\$ 5,705	\$ -	\$ 1,631,199
Accounts	118,024	-	-	118,024
Interest	-	-	114	114
Contributions	-	-	17,260	17,260
Intergovernmental	-	28,434	-	28,434
Total Receivables	<u>\$ 1,743,518</u>	<u>\$ 34,139</u>	<u>\$ 17,374</u>	<u>\$ 1,795,031</u>

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

III. Detailed notes on all funds (Continued)

B. Receivables (continued)

Notes receivable at December 31, 2017 consist of the following:

UDAG Repayment Fund:
Office Building: 110 Washington Street
Loan commencing March 11, 2014 at 0%
interest for first four years transitioning to 3.25%
Due in 2018. \$ 3,903,841

The Borough rents space to Keystone, with a sublet to the Philadelphia Freedom Valley YMCA. The amended lease commenced on November 30, 2015. The minimum rental rate of the lease is \$100,000 per year, due in monthly installments of \$8,333.33. The rent is based on fifty percent of the Tenant's Net Revenues for each Lease Year. The lease term is five years. The minimum lease payments to be received are:

<u>Year ending:</u>	
2018	\$ 100,000
2019	100,000
2020	100,000

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2017, is as follows. Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General Fund	\$ 1,930	\$ 2
Non Major Funds	-	1,928
Total	<u>\$ 1,930</u>	<u>\$ 1,930</u>

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

III. Detailed notes on all funds (Continued)

C. Interfund receivables, payables, and transfers (continued)

Interfund transfers result from (1) reimbursement of expenditures and (2) saving for future capital needs.

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 726,725	\$ 1,500,000
UDAG Repayment	-	10
Capital Fund	274,000	719,767
Capital Reserve Fund	500,000	715
Non Major Funds	719,767	-
Total	<u>\$ 2,220,492</u>	<u>\$ 2,220,492</u>

D. Capital assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,299,000	\$ -	\$ -	\$ 1,299,000
Total capital assets, not being depreciated	<u>1,299,000</u>	<u>-</u>	<u>-</u>	<u>1,299,000</u>
Capital assets, being depreciated:				
Building	19,589,012	112,661	(105,415)	19,596,258
Equipment and vehicles	3,871,398	449,828	-	4,321,226
Furniture	191,213	-	-	191,213
Park improvements	228,589	243,463	-	472,052
Infrastructure	11,156,629	166,906	-	11,323,535
Total capital assets being depreciated	<u>35,036,841</u>	<u>972,858</u>	<u>(105,415)</u>	<u>35,904,284</u>
Less accumulated depreciation for:				
Building	2,639,808	487,436	(87,896)	3,039,348
Equipment and vehicles	951,677	336,349	-	1,288,026
Furniture	20,715	19,121	-	39,836
Park improvements	952	18,228	-	19,180
Infrastructure	8,037,726	281,278	-	8,319,004
Total accumulated depreciation	<u>11,650,878</u>	<u>1,142,412</u>	<u>(87,896)</u>	<u>12,705,394</u>
Total capital assets, being depreciated, net	<u>23,385,963</u>	<u>(169,554)</u>	<u>(17,519)</u>	<u>23,198,890</u>
Governmental activities capital assets, net	<u>\$ 24,684,963</u>	<u>\$ (169,554)</u>	<u>\$ (17,519)</u>	<u>\$ 24,497,890</u>

BOROUGH OF CONSHOHOCKEN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

III. Detailed notes on all funds (Continued)

D. Capital assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
Administrative	\$	416,444
Police and emergency services		191,795
Codes and engineering		1,854
Sanitation		16,045
Highways and streets		347,430
Culture and recreation		<u>168,844</u>
Total depreciation expense-governmental activities	\$	<u><u>1,142,412</u></u>

E. Long-term debt

General Obligation Notes

The government issues general obligation notes to provide funds for the acquisition and construction of major capital facilities, the purchase of open space, and other capital projects.

The original amount of general obligation notes issued in prior years was \$10,781,100. General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 15-20 year serial notes with varying amounts of principal maturing each year.

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
Governmental Activities	2-6%	\$ <u><u>9,882,200</u></u>

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

III. Detailed notes on all funds (Continued)

E. Long-term debt (continued)

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending December 31,	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 459,400	\$ 231,076	\$ 690,476
2019	471,500	220,343	691,843
2020	483,800	209,323	693,123
2021	496,500	198,014	694,514
2022	265,700	272,395	538,095
2023-2025	<u>7,705,300</u>	<u>2,792,722</u>	<u>10,498,022</u>
	<u>\$ 9,882,200</u>	<u>\$ 3,923,873</u>	<u>\$ 13,806,073</u>

The Borough issued a General Obligation Note, Tax-Exempt Series B of 2014 in the amount of \$2,630,700 to Phoenixville Federal Bank & Trust. The note was issued at a fixed rate of 1.99% per annum, payable on the unpaid balance until December 1, 2021. On December 1, 2021, the interest rate will adjust monthly to a rate equal to the 30-day London Inter-Bank Offering Rate plus 200 basis points, subject to a maximum rate of 4.75% per annum. Interest on the note is payable semi-annually during the term of the Note on June 1 and December 1 of each year, commencing June 1, 2015. On December 1, 2039, all principal, accrued, unpaid interest and other amount are due and payable in full. The proceeds of the Note were used for redevelopment of the Verizon property.

The Borough issued a General Obligation Note, Taxable Series of 2014 in the amount of \$1,369,300 to Phoenixville Federal Bank & Trust. The note was issued at a fixed rate of 2.75% per annum, payable on the unpaid balance until December 1, 2021. On December 1, 2021, the interest rate will adjust monthly to a rate equal to the 30-day London Inter-Bank Offering Rate plus 250 basis points, subject to a maximum rate of 5.99% per annum. Interest on the note is payable semi-annually during the term of the Note on June 1 and December 1 of each year, commencing December 1, 2015. On December 1, 2039, all principal, accrued, unpaid interest and other amount are due and payable in full. The proceeds of the Note were used for redevelopment of the Verizon property.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

III. Detailed notes on all funds (Continued)

E. Long-term debt (continued)

The Borough issued a General Obligation Note, Tax-Exempt Series A of 2014 in the amount of \$6,781,100 to Fulton Bank, N.A. The note was issued at a fixed rate of 2.86% per annum, payable on the unpaid balance. On June 7, 2017 the interest rate was adjusted to a fixed rate of 2.39% per annum until June 6, 2022. On June 7, 2022 the interest rate of the Note shall be adjusted monthly to a rate equal to sixty-eight percent (68%) of the 30-day London Inter-Bank Offering Rate plus 225 basis points, subject to a maximum rate of 6.00% per annum. Interest on the note is payable semi-annually during term of the Note on June 1 and December 1 of each year, commencing June 1, 2015. On December 1, 2039, all principal, accrued, unpaid interest and other amount are due and payable in full. The proceeds of the Note were used for redevelopment of the Verizon property.

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 10,329,900	\$ -	\$ (447,700)	\$ 9,882,200	\$ 459,400
Net pension liability	2,859,036	1,550,939	(2,091,788)	2,318,187	-
Net OPEB obligation	5,603,314	3,226,874	(279,732)	8,550,456	-
Compensated absences	<u>620,746</u>	<u>52,319</u>	<u>-</u>	<u>673,065</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 19,412,996</u>	<u>\$ 4,830,132</u>	<u>\$ (2,819,220)</u>	<u>\$ 21,423,908</u>	<u>\$ 459,400</u>

Debt service for general obligation notes are funded primarily from taxes for governmental activities. Any liabilities for compensated absences, net pension liabilities, or OPEB obligations are generally liquidated by the general fund for governmental activities.

IV. Other information

A. Defined benefit pension plans

Plan Description and Membership

The Borough sponsors three single-employer defined benefit pension plans, the Police Pension Plan, Firemen's Pension Plan, and the General Employees Pension Plan.

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all regular, full time sworn police officers of the Borough. An employee enters the plan on the day he becomes a full-time police officer.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Plan Description and Membership (continued)

Firemen's Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all regular, full-time fire company personnel of the Borough, who join the Plan on the hire date.

The Police and Firemen's Pension Plans are administered by the Borough and governed by Borough Council. These Plans are accounted for as pension trust funds of the Borough. These Plans do not issue separate financial statements.

General Employees Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all regular, full-time employees, excluding sworn police officers and firemen employees of the Borough, who join the Plan on the date of hire. This plan is not accounted for as a pension trust fund.

The Borough's General Employees Pension Plan is administered by the Pennsylvania Municipal Retirement System ("PMRS"), a statewide local government system. PMRS is an agent, multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. PMRS consists of over 900 participating employer plans. Responsibility for the organization and administration of the system is vested in the eleven-member Pennsylvania Municipal Retirement Board - including the State Treasurer and Secretary of the Commonwealth by virtue of statute, and eight other members appointed by the Governor based on their respective organizations. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, P.O. Box 1165, Harrisburg, PA 17108-1165.

The most recent valuation for all of the Plans was as of January 1, 2017. Details below are from the valuation. At December 31, 2017, Borough of Conshohocken Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	<u>Firemen's</u>	<u>General Employees</u>
Inactive employees (or their beneficiaries) currently receiving benefits	12	2	7
Inactive employees entitled to benefits but not yet receiving them	1	1	4
Active employees **	<u>19</u>	<u>2</u>	<u>30</u>
	<u>32</u>	<u>5</u>	<u>41</u>

** Includes 2 DROP members in the Police Pension Plan

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Benefits Provided

Police Defined Benefit Pension Plan: The plan provides retirement, death, and disability to the plan members and their beneficiaries. A member is eligible for normal retirement after attainment of age 50 and 25 years of service. A member is eligible for early retirement after attainment of 20 years of service. Monthly retirement benefit is equal to 50% of the officer's 36-month average compensation plus a service increment of \$100 per month upon completion of 26 years of service. All benefits are vested after twelve years of credited service. If a participant is totally and permanently disabled in the line of duty he is eligible for disability pension. The disability pension is equal to 50% of the officer's salary at the time of disability offset by Social Security disability benefits. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Deferred Retirement Option Plan ("DROP") - Members of the Police Pension Plan may opt to enter the DROP upon meeting eligibility for normal retirement. Under the DROP, members may accumulate their monthly retirement benefit in an interest bearing account held by the Plan for up to 60 months and continue to be employed by the Borough. At the end of the DROP period, a lump sum of the accumulated monthly retirement benefit, plus interest, is distributed and the normal monthly retirement benefit distributions commence.

Firemen's Defined Benefit Pension Plan: The plan provides retirement, death, and disability to the plan members and their beneficiaries. A member is eligible for normal retirement after attainment of age 55 and 20 years of service. Monthly retirement benefit is equal to 50% of the officer's 36-month average compensation. All benefits are vested after ten years of credited service. If a participant is totally and permanently disabled in the line of duty he is eligible for disability pension. The disability pension is equal to 50% of the average monthly salary for the last 36 months of employment offset by any Workers' Compensation benefits. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

General Employees Defined Benefit Pension Plan: The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. A member is eligible for normal retirement after attainment of age 62 with 7 years of credited service. The normal retirement benefit is a monthly benefit equal to 2% times credited service times Final Average Salary (FAS) but in no event is the basic benefit greater than 50% of FAS. FAS is based upon the last 3 years of annualized salary. There is no Social Security offset. A member is eligible for early retirement after 20 years of credited service. If a member suffers a total and permanent disability as defined in the Plan, he is eligible for disability pension. For service related disability, a 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment. For non-service related disability, a 30% disability benefit is provide to a member who has at least 10 years of service and who is unable to perform gainful employment. An annual cost-of-living adjustments are at the discretion of the Borough. Benefits and Contribution provisions are established by Pennsylvania law. All benefits are vested after five years of credited service. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

Method Used to Value Investments: Pension Plan investments are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Financial Statements

	<u>Police Pension Plan</u>	<u>Firemen's Pension Plan</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 111,501	\$ 12,102	\$ 123,603
Investments	8,663,930	837,439	9,501,369
Interest receivable	103	11	114
Contributions receivable	<u>17,260</u>	<u>-</u>	<u>17,260</u>
TOTAL ASSETS	<u>\$ 8,792,794</u>	<u>\$ 849,552</u>	<u>\$ 9,642,346</u>
LIABILITIES			
Payables	\$ 4,223	\$ -	\$ 4,223
Total Liabilities	<u>4,223</u>	<u>-</u>	<u>4,223</u>
NET POSITION			
Net Position - Restricted for Pension Benefits	<u>\$ 8,788,571</u>	<u>\$ 849,552</u>	<u>\$ 9,638,123</u>
ADDITIONS			
Contributions			
Commonwealth of Pennsylvania	\$ 207,020	\$ -	\$ 207,020
Employee	109,069	-	109,069
Employer	<u>271,552</u>	<u>-</u>	<u>271,552</u>
Total Contributions	<u>587,641</u>	<u>-</u>	<u>587,641</u>
Investment Earnings			
Net appreciation (depreciation) in fair value of investments	995,380	99,879	1,095,259
Dividends and interest	<u>169,904</u>	<u>18,099</u>	<u>188,003</u>
Total Investment Earnings	1,165,284	117,978	1,283,262
Less investment expense	<u>(33,597)</u>	<u>(4,257)</u>	<u>(37,854)</u>
Net Investment Earnings	<u>1,131,687</u>	<u>113,721</u>	<u>1,245,408</u>
Total Additions	<u>1,719,328</u>	<u>113,721</u>	<u>1,833,049</u>
DEDUCTIONS			
Benefits	323,095	25,122	348,217
Other	<u>9,382</u>	<u>6,000</u>	<u>15,382</u>
Total Deductions	<u>332,477</u>	<u>31,122</u>	<u>363,599</u>
Change in Net Position	1,386,851	82,599	1,469,450
Net Position - Restricted for Pension Benefits			
Beginning of Year	<u>7,401,720</u>	<u>766,953</u>	<u>8,168,673</u>
End of Year	<u>\$ 8,788,571</u>	<u>\$ 849,552</u>	<u>\$ 9,638,123</u>

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Contributions

Police Plan members contribute 5% of their pay, Firemen's Plan members are not required to contribute, and General Employees Plan members contribute 3% of their pay. Interest is credited to each member's account annually at 5% annual interest for Police members, and at 5.5% for Non-uniformed members. Contributions are governed by the Plan's ordinance. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Borough is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Borough's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Borough funds. The Borough received state aid, which is recognized as revenue and expenses, in the amount of \$339,531 for the pensions for the year ended December 31, 2017.

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council for the Police and Firemen's Pension Plans, and by PMRS for the General Employees Pension Plan. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return: For the year ended December 31, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense was 15.29% for Police and 14.83% for Firemen's Pension Plans. For the measurement date of December 31, 2016, the annual money-weighted rate of return of Plan investments, net of investment expenses was 8.23% for the General Employees Pension Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2017 for the Police and Firemen's Pension Plans, and at the measurement date of December 31, 2016 for General Employees Pension Plan, were as follows:

	<u>Police</u>	<u>Firemen's</u>	<u>General Employees</u>
Total pension liability	\$ 10,801,508	\$ 669,931	\$ 3,768,812
Plan fiduciary net position	<u>(8,788,570)</u>	<u>(849,553)</u>	<u>(3,463,563)</u>
Net Pension Liability	<u>\$ 2,012,938</u>	<u>\$ (179,622)</u>	<u>\$ 305,249</u>
 Plan fiduciary net position as a percentage of the total pension liability	 81%	 127%	 92%

Actuarial Assumptions: The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Firemen's</u>	<u>General Employees</u>
Inflation	2.25%	2.25%	3.0%
Salary Increases	5.0%	5.0%	age related with merit and inflation component (average, including inflation)
Investment Rate of Return	8.0%	7.0%	5.25% (including inflation)
Postretirement Cost of Living Increase	N/A	N/A	3.0%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males or females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2016.

The net pension liability for the Police and Firemen's Pension Plans was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. The investment return assumption for the general employees plan decreased from 5.5% to 5.25% since the last valuation date.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Net Pension Liability (continued)

The long-term expected rate of return on Police and Firemen's Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2017 as summarized as follows:

<u>Police and Firemen's</u> <u>Asset Class</u>	<u>Target</u> <u>Allocation</u>	<u>Long Term Expected</u> <u>Real Rate of Return</u>
US Equity	39.0%	5.20%
International Developed	15.0%	5.20%
International Emerging Markets	6.0%	5.20%
Fixed Income		
Core Fixed	19%	3.00%
Inter. IG Corp	9.5%	3.80%
Emerging Debt	4.75%	4.80%
High Yield	4.75%	4.30%
Cash	2.0%	0.80%

The net pension liability for the General Employees Pension Plan was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

PMRS has not performed a formal cash flow projection but has applied an alternative method to confirm the sufficiency of the pension plan's projected Net Position. The result would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Net Pension Liability (continued)

General Employees	Target
<u>Asset Class</u>	<u>Allocation</u>
Equities	
Domestic large capitalized firms	25.0%
Domestic small capitalized firms	15.0%
International developed markets	15.0%
International emerging markets	10.0%
Real Estate	20.0%
Fixed Income	15.0%

Discount Rate: The discount rate used to measure the total pension liability was 8% for the Police Pension Plan, 7% for the Firemen's Pension Plan, and 5.25% for the General Employees Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Net Pension Liability (continued)

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2016	\$ 10,054,716	\$ 7,401,721	\$ 2,652,995
Changes for the year:			
Service cost	306,107	-	306,107
Interest	812,078	-	812,078
Change of benefit terms	-	-	-
Differences between expected and actual experience	(58,745)	-	(58,745)
Change of assumptions	10,447	-	10,447
Contributions - employer	-	478,572	(478,572)
Contributions - employee	-	109,069	(109,069)
Net investment income	-	1,131,685	(1,131,685)
Benefit payments, including refunds of employee contributions	(323,095)	(323,095)	-
Administrative expense	-	(9,382)	9,382
Other changes	-	-	-
Net Changes	<u>746,792</u>	<u>1,386,849</u>	<u>(640,057)</u>
Balance at December 31, 2017	<u>\$ 10,801,508</u>	<u>\$ 8,788,570</u>	<u>\$ 2,012,938</u>
<u>Firemen's Pension Plan</u>			
Balance at December 31, 2016	\$ 631,987	\$ 766,958	\$ (134,971)
Changes for the year:			
Service cost	21,255	-	21,255
Interest	44,649	-	44,649
Change of benefit terms	-	-	-
Differences between expected and actual experience	(4,389)	-	(4,389)
Change of assumptions	1,551	-	1,551
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	113,717	(113,717)
Benefit payments, including refunds of employee contributions	(25,122)	(25,122)	-
Administrative expense	-	(6,000)	6,000
Other changes	-	-	-
Net Changes	<u>37,944</u>	<u>82,595</u>	<u>(44,651)</u>
Balance at December 31, 2017	<u>\$ 669,931</u>	<u>\$ 849,553</u>	<u>\$ (179,622)</u>

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Net Pension Liability (continued)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>General Employees Pension Plan</u>			
Balance at December 31, 2015	\$ 3,430,195	\$ 3,224,154	\$ 206,041
Changes for the year:			
Service cost	170,620	-	170,620
Interest	196,230	-	196,230
Change of benefit terms	-	-	-
Differences between expected and actual experience	(78,375)	-	(78,375)
Change of assumptions	117,039	-	117,039
Contributions - employer	-	136,680	(136,680)
Contributions - employee	-	51,154	(51,154)
Net investment income	-	128,642	(128,642)
Benefit payments, including refunds of employee contributions	(66,897)	(66,897)	-
Administrative expense	-	(10,170)	10,170
Other changes	-	-	-
Net Changes	<u>338,617</u>	<u>239,409</u>	<u>99,208</u>
Balance at December 31, 2016	<u>\$ 3,768,812</u>	<u>\$ 3,463,563</u>	<u>\$ 305,249</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1%</u> <u>Increase</u>
Net pension liability	(7%)	(8%)	(9%)
Police	\$ 3,416,665	\$ 2,012,938	\$ 849,925
Firemen's	(6%) (84,139)	(7%) (179,622)	(8%) (259,141)
General employees	(4.25%) 829,479	(5.25%) 305,249	(6.25%) (133,372)

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Deferred Outflows and Inflows of Resources: If deferred outflows and inflows were recorded, for the year ended December 31, 2017, the Borough's pension expense would have been \$439,955 for the Police Pension Plan and \$28,688 for the Firemen's Pension Plan. For the measurement date of December 31, 2016, the Borough recognized pension expense of \$124,779 for the General Employees Pension Plan. The Borough had deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Police Pension</u>		
Differences between expected and actual experience	\$ -	\$ 51,858
Changes in assumptions	9,222	-
Net difference between projected and actual earnings on pension plan investments	-	159,401
Total	<u>\$ 9,222</u>	<u>\$ 211,259</u>
 <u>Firemen's Pension</u>		
Differences between expected and actual experience	\$ -	\$ 3,545
Changes in assumptions	1,253	-
Net difference between projected and actual earnings on pension plan investments	-	2,288
Total	<u>\$ 1,253</u>	<u>\$ 5,833</u>
 <u>General Employees Pension</u>		
Differences between expected and actual experience	\$ -	\$ 328,916
Change in assumptions	100,319	18,137
Net difference between projected and actual earnings on pension plan investments	171,941	-
Contributions by employer after measurement date	132,511	-
Total	<u>\$ 404,771</u>	<u>\$ 347,053</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	General		
<u>December 31:</u>	<u>Police</u>	<u>Firemen's</u>	<u>Employees</u>
2018	\$ 14,230	\$ 9,382	\$ (9,428)
2019	14,229	9,384	(9,429)
2020	(97,062)	(10,469)	(12,421)
2021	(113,446)	(12,769)	(50,934)
2022	(5,662)	(108)	1,899
Thereafter	(14,326)	-	5,520
Total	<u>\$ (202,037)</u>	<u>\$ (4,580)</u>	<u>\$ (74,793)</u>

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

A. *Defined benefit pension plans (continued)*

Payable to the Pension Plan: For the year ended December 31, 2017, there was no amount payable for contributions to the pension plan.

Deferred Retirement Option Program

Members of the Police Pension Plan may opt to enter the Deferred Retirement Option Plan (the DROP) upon meeting eligibility for normal retirement. Under the DROP, members may accumulate their monthly retirement benefit in an interest bearing account held by the Plan for up to five years and continue to be employed by the Borough. At the end of the DROP period, a lump sum of the accumulated monthly retirement benefit, plus interest, is distributed and the normal monthly retirement benefit distributions commence. As of December 31, 2017, there 2 members participating in the DROP program. The balance of the amounts held by the Plan pursuant to the DROP was \$497,260.

B. *Other post-employment benefits (OPEB)*

Health Care: The Borough administers a single-employer defined benefit plan to provide for certain postemployment healthcare benefits (including medical, dental, vision, prescription drug), in accordance with Borough policy to eligible retired employees. Retirees eligible for postemployment healthcare benefits receive the same level of benefits in retirement that they were eligible for as active employees. As of December 31, 2017, five (5) retirees are receiving these postemployment healthcare benefits and fifty (50) active employees are eligible for these postemployment healthcare benefits. Expenditures for postemployment healthcare benefits are recognized as claims when due in the government fund financial statements. In 2017, expenditures of \$105,944 were recognized for postemployment healthcare as they became due.

Life Insurance: The Borough also provides life insurance benefits, in accordance with Borough policy, to its eligible retired police and administrative employees. The amount of life insurance coverage for retirees is \$5,000. The premiums are paid entirely by the Borough and continue until the retired employee's death. These postemployment life insurance benefits are recognized as expenditures when due. In 2017, expenditures of \$3 were recognized for postemployment life insurance benefits premiums. At December 31, 2017, four (4) retirees are receiving these postemployment benefits and fifty two (52) active employees are eligible for these post-employment life insurance benefits.

The Plan does not issue a separate financial statement.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

B. Other post-employment benefits (OPEB) (continued)

Membership of the plan consisted of the following at January 1, 2017 (the date of the latest actuarial valuation):

	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits but not yet receiving them	-
Active plan members	<u>48</u>
Total membership	<u>55</u>

Funding Policy

Retirees are not required to make contributions to this plan. There are no required contributions of the employer. The contribution requirements of the Borough and plan members have been established and may be amended through Board Resolution and Labor Contracts. The Borough is accounting for these expenditures on a “pay-as-you-go” basis.

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the GASB standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan:

	<u>OPEB</u>
Annual required contribution	\$ 3,339,013
Interest on net OPEB obligation	224,133
Adjustments to annual required contribution	<u>(336,272)</u>
Annual OPEB cost	3,226,874
Contributions made	<u>(279,732)</u>
Increase in net OPEB obligation	2,947,142
Net OPEB obligation (asset) at beginning of year	<u>5,603,314</u>
Net OPEB obligation (asset) at end of year	<u>\$ 8,550,456</u>

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

B. Other post-employment benefits (OPEB) (continued)

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actual accrued liabilities and actuarial value of assets.

Funded Status and Funding Progress

As of January 1, 2017, the date of the latest actuarial valuation, the funded status and progress was as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
OPEB	\$ -	\$28,506,038	\$ 28,506,038	0.0%	not applicable	not applicable

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

B. Other post-employment benefits (OPEB) (continued)

Methods and Assumptions

As of January 1, 2017, the date of the latest actuarial valuation, the assumptions were:

	<u>OPEB</u>
Date of actuarial valuation	1/1/2017
Investment rate of return	4%
Cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 years

Health Care Cost Trend Rate

PPO medical costs are assumed to increase by 1% in 2017, 7.5% in 2018 reduced by .25% per year thereafter to an ultimate level of 5% per year.

HMO medical costs are assumed to increase by 13% in 2017, 7.5% in 2018 reduced by .25% per year thereafter to an ultimate level of 5% per year.

Prescription drug costs are assumed to increase by 5% in 2017, 7.5% in 2018 reduced by .25% per year thereafter to an ultimate level of 5% per year.

Dental costs are assumed to increase by 1% in 2017, and 2% per year thereafter.

Three Year Trend Information

<u>OPEB</u>		Percentage	Net
Fiscal Year	Annual	of Annual	OPEB
<u>Ending</u>	<u>OPEB</u>	<u>OPEB Cost</u>	<u>Obligation</u>
	<u>Cost</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2015	\$ 3,002,742	0%	\$ 2,746,537
12/31/2016	3,112,603	9%	5,603,314
12/31/2017	3,226,874	8%	8,550,456

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

C. Risk management

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions by elected officials, employees and volunteers; personal injury and illness; workers' compensation; and natural disasters. The Borough carries various types of commercial insurance to manage certain risks of loss and, as a method of financing certain other risks, the Borough joined the Delaware Valley Health Insurance Trust (DVHIT or Trust).

DVHIT is a regional risk sharing pool providing health and dental insurance benefits to nearly 10,000 employees and dependents of participating members. The Trust was formed under the authority granted by the Pennsylvania Intergovernmental Cooperation Law. DVHIT is governed by a Board of Trustees comprised of a representative from each member municipality. The governing body of each municipal member selects an appointed or elected official to serve as a Trustee on the Board of Trustees. Each municipality receives one (1) vote on the Board; voting is not weighted.

The Trust is funded by annual member contributions determined by the trust's actuary and underwriting consultant, in amounts necessary to pay expected claim costs, administrative expenses, and a recommended risk margin. DVHIT's two long-term goals are: 1) maintaining an insurance program managed by municipal officials, offering meaningful coverage designed to prudently protect municipalities from loss, and 2) maintaining a financially secure product which is consistently priced year after year.

Excess funds are returned to members through two methods or programs: multi-trust discounts and rate stabilization fund (RSF) credits. Through a RSF, members have the option to use the credits allocated to reduce annual premium contributions due or to roll the balance forward to future years.

There were no significant reductions in coverage during the year ended December 31, 2017 and settlements have not exceeded coverage in the past three years. The insurance expense for the year ended December 31, 2017 was \$1,301,706 for medical coverage and \$75,706 for dental coverage. The Trust did not declare a refund or dividend for coverage year 2017.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

D. Commitments and contingent liabilities

In the normal course of business, there are various claims and suits pending against the Borough. In the opinion of Borough Management, the Borough has adequate legal defenses or insurance coverage with respect to these claims and lawsuits and does not believe they will materially affect the Borough's financial statements.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. Management of the Borough believes the Borough is in compliance with substantially all the significant requirements of such grants.

E. Escrow cash deposits and investments

The Borough acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Borough and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Borough. At December 31, 2017, \$914,165 represents the balance of these monies held in escrow.

F. Subsequent events

The Borough has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No subsequent events have been recognized or disclosed.

BOROUGH OF CONSHOHOCKEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

IV. Other information (Continued)

G. Prior Year Restated

In 2017, the Borough prepared full-accrual government-wide financial statements, which are included in this report. As a result, a prior period adjustment was made to beginning net position to record the assets and liabilities required to be reported under this accounting basis.

	Governmental <u>Activities</u>
Beginning Balance as previously reported, December 31, 2016	\$ -
Beginning balance on the modified accrual basis of accounting	9,500,941
Record capital assets, net of depreciation	24,684,963
Record taxes receivable	79,794
Record notes and interest payable	(10,353,332)
Record compensated absences	(620,746)
Record net pension liability and deferred items	(2,305,262)
Record other post employment benefits liability	<u>(5,603,314)</u>
Beginning Balance as restated, December 31, 2016	<u>\$ 15,383,044</u>

**REQUIRED
SUPPLEMENTAL INFORMATION**

BOROUGH OF CONSHOHOCKEN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 306,107	\$ 281,667	\$ 268,254
Interest	812,078	756,764	704,802
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(58,745)	-	-
Changes of assumptions	10,447	-	-
Benefit payments, including refunds of employee contributions	<u>(323,095)</u>	<u>(323,186)</u>	<u>(350,707)</u>
Net change in total pension liability	746,792	715,245	622,349
Total pension liability - beginning	<u>10,054,716</u>	<u>9,339,471</u>	<u>8,717,122</u>
Total pension liability - ending (a)	<u>\$ 10,801,508</u>	<u>\$ 10,054,716</u>	<u>\$ 9,339,471</u>
 Plan fiduciary net position			
Contributions - employer	\$ 271,552	\$ 200,937	\$ 321,530
Contributions - state aid	207,020	301,851	141,150
Contributions - employee	109,069	103,113	97,380
Net investment income	1,131,685	453,131	(36,611)
Benefit payments, including refunds of employee contributions	(323,095)	(323,186)	(350,707)
Administrative expense	<u>(9,382)</u>	<u>(12,752)</u>	<u>(6,673)</u>
Net change in plan fiduciary net position	1,386,849	723,094	166,069
 Plan fiduciary net position - beginning	<u>7,401,721</u>	<u>6,678,627</u>	<u>6,512,558</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,788,570</u>	<u>\$ 7,401,721</u>	<u>\$ 6,678,627</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 2,012,938</u>	<u>\$ 2,652,995</u>	<u>\$ 2,660,844</u>
 Plan fiduciary net position as a percentage of the total pension liability	81.4%	73.6%	71.5%
 Covered-employee payroll	\$ 1,957,738	\$ 2,007,770	\$ 1,576,500
 Net pension liability as a percentage of covered payroll	102.8%	132.1%	168.8%
 Annual money-weighted rate of return, net of investment expense	15.29%	6.78%	-0.96%

Notes to Schedule:

Change in benefit terms: None

Assumption changes: In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 using Scale AA to the RP-2000 Table projected to 2017 using Scale AA

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF CONSHOHOCKEN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - FIREMEN'S PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 21,255	\$ 20,528	\$ 19,550
Interest	44,649	42,167	39,709
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,389)	-	-
Changes of assumptions	1,551	-	-
Benefit payments, including refunds of employee contributions	<u>(25,122)</u>	<u>(25,122)</u>	<u>(25,122)</u>
Net change in total pension liability	37,944	37,573	34,137
Total pension liability - beginning	<u>631,987</u>	<u>594,414</u>	<u>560,277</u>
Total pension liability - ending (a)	<u>\$ 669,931</u>	<u>\$ 631,987</u>	<u>\$ 594,414</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - state aid	-	-	-
Contributions - employee	-	-	-
Net investment income	113,717	40,481	(42,203)
Benefit payments, including refunds of employee contributions	(25,122)	(25,122)	(25,122)
Administrative expense	<u>(6,000)</u>	<u>(7,342)</u>	<u>(2,562)</u>
Net change in plan fiduciary net position	82,595	8,017	(69,887)
Plan fiduciary net position - beginning	<u>766,958</u>	<u>758,941</u>	<u>828,828</u>
Plan fiduciary net position - ending (b)	<u>\$ 849,553</u>	<u>\$ 766,958</u>	<u>\$ 758,941</u>
Township's net pension liability - ending (a)-(b)	<u>\$ (179,622)</u>	<u>\$ (134,971)</u>	<u>\$ (164,527)</u>
Plan fiduciary net position as a percentage of the total pension liability	126.8%	121.4%	127.7%
Covered-employee payroll	\$ 111,606	\$ 108,312	\$ 105,444
Net pension liability as a percentage of covered payroll	-160.9%	-124.6%	-156.0%
Annual money-weighted rate of return, net of investment expense	14.83%	5.33%	-5.17%

Notes to Schedule:

Change in benefit terms: None

Assumption changes: In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 using Scale AA to the RP-2000 Table projected to 2017 using Scale AA

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF CONSHOHOCKEN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - GENERAL EMPLOYEES PENSION PLAN

	Measurement Date		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 170,620	\$ 160,594	\$ 163,369
Interest	196,230	182,331	194,637
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(78,375)	-	(458,039)
Changes of assumptions	117,039	(25,393)	-
Benefit payments, including refunds of employee contributions	<u>(66,897)</u>	<u>(82,606)</u>	<u>(158,256)</u>
Net change in total pension liability	338,617	234,926	(258,289)
Total pension liability - beginning	<u>3,430,195</u>	<u>3,195,269</u>	<u>3,453,558</u>
Total pension liability - ending (a)	<u>\$ 3,768,812</u>	<u>\$ 3,430,195</u>	<u>\$ 3,195,269</u>
 Plan fiduciary net position			
Contributions - employer	\$ 136,680	\$ 25,862	\$ 1,828
Contributions - state aid	-	101,942	101,528
Contributions - employee	51,154	45,049	42,230
Net investment income	128,642	(17,091)	149,110
Benefit payments, including refunds of employee contributions	(66,897)	(82,606)	(158,256)
Administrative expense	<u>(10,170)</u>	<u>(8,176)</u>	<u>(7,132)</u>
Net change in plan fiduciary net position	239,409	64,980	129,308
 Plan fiduciary net position - beginning	<u>3,224,154</u>	<u>3,159,174</u>	<u>3,029,866</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,463,563</u>	<u>\$ 3,224,154</u>	<u>\$ 3,159,174</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 305,249</u>	<u>\$ 206,041</u>	<u>\$ 36,095</u>
 Plan fiduciary net position as a percentage of the total pension liability	91.9%	94.0%	98.9%
 Covered-employee payroll	\$ 1,728,004	\$ 1,501,613	\$ 1,471,865
 Net pension liability as a percentage of covered payroll	17.7%	13.7%	2.5%
 Annual money-weighted rate of return, net of investment expense	8.23%	-0.27%	5.20%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

Investment return assumption for municipal assets decreased from 5.50% to 5.25% for 2016

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF CONSHOHOCKEN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2009	\$ 160,577	\$ 160,577	\$ -	\$ 1,267,689	(1) 12.67%
2010	126,231	126,231	-	1,267,689	(1) 9.96%
2011	353,699	353,699	-	1,601,865	(1) 22.08%
2012	347,452	347,452	-	1,601,865	(1) 21.69%
2013	369,890	369,890	-	1,862,322	(1) 19.86%
2014	368,081	368,081	-	1,862,322	(1) 19.76%
2015	462,680	462,680	-	1,576,500	29.35%
2016	502,788	502,788	-	2,007,770	25.04%
2017	478,572	478,572	-	1,957,738	24.45%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	11 years
Asset valuation method	Five Year Smoothing
Inflation	2.25%
Salary increases	5% average, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation
Retirement age	Normal
Mortality	RP2000 Mortality Table

Change in benefit terms: None

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF CONSHOHOCKEN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS - FIREMEN'S PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2009	\$ 25,434	\$ 25,434	\$ -	\$ 130,016	(1) 19.56%
2010	16,884	16,884	-	130,016	(1) 12.99%
2011	39,141	39,141	-	149,863	(1) 26.12%
2012	18,141	18,141	-	149,863	(1) 12.11%
2013	6,432	6,432	-	96,303	(1) 6.68%
2014	-	-	-	96,303	(1) 0.00%
2015	-	-	-	105,444	0.00%
2016	-	-	-	108,312	0.00%
2017	-	-	-	111,606	0.00%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	N/A
Asset valuation method	Market Value
Inflation	2.25%
Salary increases	5% average, including inflation
Investment rate of return	7%, net of pension plan investment expense, including inflation
Retirement age	Normal
Mortality	RP2000 Mortality Table projected to 2015 using Scale AA

Change in benefit terms: None

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF CONSHOHOCKEN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS - GENERAL EMPLOYEE PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2009	\$ 88,273	\$ 88,273	\$ -	\$ 1,185,035	(1) 7.45%
2010	94,016	94,016	-	1,185,035	(1) 7.93%
2011	78,310	78,310	-	1,330,170	(1) 5.89%
2012	76,867	76,867	-	1,330,170	(1) 5.78%
2013	89,556	89,556	-	1,412,538	(1) 6.34%
2014	101,528	103,356	(1,828)	1,471,865	7.02%
2015	127,668	127,804	(136)	1,501,613	8.51%
2016	136,543	136,680	(137)	1,728,004	7.91%
2017	132,511	132,511	-	1,694,496	7.82%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - based upon the amortization periods in Act 205
Remaining amortization period	10 years initial liability, 20 years gains and losses, 15 years change in assumption, 20 years changes due to plan provisions, 10 years changes in benefits
Asset valuation method	Based upon the municipal reserves
Inflation	3%
Salary increases	Age related scale with merit and inflation component
COLA increases	3% for those eligible for a COLA
Investment rate of return	5.5%, net of pension plan investment expense, including inflation
Retirement age	Normal
Mortality	RP2000 Table with 1 year set back. Females -RP2000 with 5 year set back. This table does not include projected mortality improvements.

Change in benefit terms: None since 1/1/2015

Investment return assumption for municipal assets decreased from 5.50% to 5.25% for 2016

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF CONSHOHOCKEN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2015	\$ -	\$23,767,218	\$ 23,767,218	0.00%	not applicable	not applicable
1/1/2016	\$ -	\$26,089,984	\$ 26,089,984	0.00%	not applicable	not applicable
1/1/2017	\$ -	\$28,506,038	\$ 28,506,038	0.00%	not applicable	not applicable

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2015	\$ 3,002,742	\$ 256,204	0%
2016	3,164,458	255,826	8%
2017	3,339,013	279,732	8%

This schedule is presented to illustrate the requirement to show information for 6 years. However, until a full 6-year trend is complete, available information is presented.

BOROUGH OF CONSHOHOCKEN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

December 31, 2017

	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget -
				<u>Over (Under)</u>
REVENUES				
Taxes:				
Real estate taxes	\$ 1,874,791	\$ 1,874,791	\$ 1,904,504	\$ 29,713
Real estate transfer taxes	328,509	328,509	439,881	111,372
Earned income taxes	3,800,000	3,800,000	4,766,758	966,758
Business privilege and mercantile taxes	2,393,389	2,393,389	2,483,102	89,713
Local services taxes	255,000	255,000	321,621	66,621
Fees, licenses and permits	498,700	498,700	566,134	67,434
Fines and forfeitures	115,684	115,684	129,282	13,598
Intergovernmental revenues	314,442	314,442	470,367	155,925
Charges for services	572,585	572,585	737,794	165,209
Interest	4,305	4,305	35,694	31,389
Rents	101,638	101,638	200,959	99,321
Miscellaneous	35,247	35,247	158,178	122,931
Payments in lieu of taxes	2,770	2,770	2,831	61
Total Revenues	<u>10,297,060</u>	<u>10,297,060</u>	<u>12,217,105</u>	<u>1,920,045</u>
EXPENDITURES				
Current				
General government	2,189,591	2,189,591	2,004,296	(185,295)
Public safety	6,130,145	6,130,145	5,764,192	(365,953)
Sanitation	526,679	526,679	631,366	104,687
Highways and streets	1,491,675	1,491,675	1,264,102	(227,573)
Culture and recreation	595,449	595,449	519,840	(75,609)
Miscellaneous	105,000	105,000	119,711	14,711
Total Expenditures	<u>11,038,539</u>	<u>11,038,539</u>	<u>10,303,507</u>	<u>(735,032)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(741,479)</u>	<u>(741,479)</u>	<u>1,913,598</u>	<u>2,655,077</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	-	-	-	-
Transfers in	1,000,000	1,000,000	726,725	(273,275)
Transfers out	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(773,275)</u>	<u>(273,275)</u>
Net Change in Fund Balance	(1,241,479)	(1,241,479)	1,140,323	2,381,802
Fund Balance - Beginning	<u>1,241,479</u>	<u>1,241,479</u>	<u>6,072,599</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,212,922</u>	

BOROUGH OF CONSHOHOCKEN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON

December 31, 2017

The budget presented in the required supplementary information is prepared on the modified accrual basis of accounting.

The UDAG Repayment Special Revenue Fund did not have a legally adopted budget and, therefore, no budgetary comparison schedule for this major special revenue fund is presented.

BOROUGH OF CONSHOHOCKEN
SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- The Street Light Fund accounts for tax millage that is to be used for street light maintenance.
- The Fire Fund accounts for tax millage and grants received to be used for fire services.
- The Library Fund accounts for financial resources which are used to fund the local library.
- The Park and Recreation Fund accounts for developer fees in lieu of open space, which are used to fund improvements to park and recreation facilities in the Borough.
- The Liquid Fuels Highway Aid Fund, as required by state law, accounts for receipts from State Motor License Fund (gasoline tax distribution, etc.).
- The Community Development Fund accounts for Community Development grant proceeds and related expenditures.
- The HOME Program Fund accounts for HOME grant proceeds and related expenditures.
- The Economic Development Fund accounts for Economic Development grant proceeds and related expenditures.
- The Mary H. Wood Park Fund accounts for resources restricted for the maintenance of Mary H. Wood Park.

Debt service funds are used to account for funds that will be used to pay down debt.

- The Debt Service Fund accounts for debt repayments.

BOROUGH OF CONSHOHOCKEN

**COMBINING BALANCE SHEET-NONMAJOR
GOVERNMENT FUNDS**

December 31, 2017

	<u>Special Revenue Funds</u>				
	<u>Street Light</u>	<u>Fire</u>	<u>Library</u>	<u>Park and Recreation</u>	<u>Liquid Fuels Highway Aid</u>
ASSETS					
Cash and cash equivalents	\$ 16,310	\$ 16,690	\$ 1,752	\$ 3,883	\$ 96,207
Taxes receivable	3,328	1,426	951	-	-
Restricted assets					
Cash and cash equivalents	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total Assets	<u>\$ 19,638</u>	<u>\$ 18,116</u>	<u>\$ 2,703</u>	<u>\$ 3,883</u>	<u>\$ 96,207</u>
LIABILITIES					
Payable from restricted assets					
Accounts payable	\$ 7,312	\$ -	\$ 1,245	\$ -	\$ -
Due to other funds	1,264	303	361	-	-
Total Liabilities	<u>8,576</u>	<u>303</u>	<u>1,606</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>2,892</u>	<u>1,239</u>	<u>826</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>2,892</u>	<u>1,239</u>	<u>826</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Street lights	8,170	-	-	-	-
Fire services	-	16,574	-	-	-
Streets and highways	-	-	-	-	96,207
Housing and economic development	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	271	-	-
Committed for:					
Park and recreation	-	-	-	3,883	-
Debt service	-	-	-	-	-
Total Fund Balances	<u>8,170</u>	<u>16,574</u>	<u>271</u>	<u>3,883</u>	<u>96,207</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,638</u>	<u>\$ 18,116</u>	<u>\$ 2,703</u>	<u>\$ 3,883</u>	<u>\$ 96,207</u>

Special Revenue Funds					Total	Debt Service	Total Nonmajor Governmental Funds
Community Development	HOME Program	Economic Development	Mary H. Wood Park				
\$ -	\$ -	\$ -	\$ 20,570	\$ 155,412	\$ 50,272	\$ 205,684	
-	-	-	-	5,705	-	5,705	
16,205	141,561	95	-	157,861	-	157,861	
-	26,834	1,600	-	28,434	-	28,434	
<u>\$ 16,205</u>	<u>\$ 168,395</u>	<u>\$ 1,695</u>	<u>\$ 20,570</u>	<u>\$ 347,412</u>	<u>\$ 50,272</u>	<u>\$ 397,684</u>	
\$ -	\$ 26,834	\$ 1,600	\$ -	\$ 36,991	\$ -	\$ 36,991	
-	-	-	-	1,928	-	1,928	
-	26,834	1,600	-	38,919	-	38,919	
-	-	-	-	4,957	-	4,957	
-	-	-	-	4,957	-	4,957	
-	-	-	-	8,170	-	8,170	
-	-	-	-	16,574	-	16,574	
-	-	-	-	96,207	-	96,207	
-	141,561	95	-	141,656	-	141,656	
16,205	-	-	-	16,205	-	16,205	
-	-	-	20,570	20,841	-	20,841	
-	-	-	-	3,883	-	3,883	
-	-	-	-	-	50,272	50,272	
<u>16,205</u>	<u>141,561</u>	<u>95</u>	<u>20,570</u>	<u>303,536</u>	<u>50,272</u>	<u>353,808</u>	
<u>\$ 16,205</u>	<u>\$ 168,395</u>	<u>\$ 1,695</u>	<u>\$ 20,570</u>	<u>\$ 347,412</u>	<u>\$ 50,272</u>	<u>\$ 397,684</u>	

BOROUGH OF CONSHOHOCKEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-NONMAJOR GOVERNMENT FUNDS

For the Year Ended December 31, 2017

	<u>Special Revenue Funds</u>				
	<u>Street Light</u>	<u>Fire</u>	<u>Library</u>	<u>Park and Recreation</u>	<u>Liquid Fuels Highway Aid</u>
REVENUES					
Real estate taxes	\$ 183,035	\$ 78,682	\$ 52,296	\$ -	\$ -
Intergovernmental revenues	-	74,187	-	-	196,946
Interest	154	262	150	18	1,587
Miscellaneous	-	-	-	4,000	-
Total Revenues	<u>183,189</u>	<u>153,131</u>	<u>52,446</u>	<u>4,018</u>	<u>198,533</u>
EXPENDITURES					
Current:					
General	-	-	-	-	-
Public safety	-	145,418	-	-	-
Highways and streets	201,410	-	-	-	173,818
Culture and recreation	-	-	52,373	204	-
Housing and economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>201,410</u>	<u>145,418</u>	<u>52,373</u>	<u>204</u>	<u>173,818</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,221)</u>	<u>7,713</u>	<u>73</u>	<u>3,814</u>	<u>24,715</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(18,221)	7,713	73	3,814	24,715
Fund Balance - Beginning	<u>26,391</u>	<u>8,861</u>	<u>198</u>	<u>69</u>	<u>71,492</u>
Fund Balance - Ending	<u>\$ 8,170</u>	<u>\$ 16,574</u>	<u>\$ 271</u>	<u>\$ 3,883</u>	<u>\$ 96,207</u>

Special Revenue Funds					Total Nonmajor Governmental Funds	
<u>Community Development</u>	<u>HOME Program</u>	<u>Economic Development</u>	<u>Mary H. Wood Park</u>	<u>Total</u>	<u>Debt Service</u>	<u>Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 314,013	\$ -	\$ 314,013
-	136,111	129,693	-	536,937	-	536,937
109	970	14	8	3,272	752	4,024
-	-	-	17,957	21,957	-	21,957
<u>109</u>	<u>137,081</u>	<u>129,707</u>	<u>17,965</u>	<u>876,179</u>	<u>752</u>	<u>876,931</u>
-	-	-	-	-	217	217
-	-	-	-	145,418	-	145,418
-	-	-	-	375,228	-	375,228
-	-	-	15,885	68,462	-	68,462
-	136,111	129,693	-	265,804	-	265,804
-	-	-	-	-	447,700	447,700
-	-	-	-	-	259,752	259,752
<u>-</u>	<u>136,111</u>	<u>129,693</u>	<u>15,885</u>	<u>854,912</u>	<u>707,669</u>	<u>1,562,581</u>
<u>109</u>	<u>970</u>	<u>14</u>	<u>2,080</u>	<u>21,267</u>	<u>(706,917)</u>	<u>(685,650)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>719,767</u>	<u>719,767</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>719,767</u>	<u>719,767</u>
109	970	14	2,080	21,267	12,850	34,117
<u>16,096</u>	<u>140,591</u>	<u>81</u>	<u>18,490</u>	<u>282,269</u>	<u>37,422</u>	<u>319,691</u>
<u>\$ 16,205</u>	<u>\$ 141,561</u>	<u>\$ 95</u>	<u>\$ 20,570</u>	<u>\$ 303,536</u>	<u>\$ 50,272</u>	<u>\$ 353,808</u>

BOROUGH OF CONSHOHOCKEN

FUDUCIARY FUNDS - PENSION TRUST FUNDS

December 31, 2017

Pension trust funds account for assets held by the Borough in trust in the employees' retirement system. During the year, the Borough had two such funds, the Police Pension Trust and the Firemen's Pension Trust.

- Police Pension Trust fund accounts for contributions received and benefit payments made for the Borough of Conshohocken, Montgomery County, Pennsylvania Police Pension Plan.
- Firemen's Pension Trust fund accounts for contributions received and benefit payments made for the Borough of Conshohocken, Montgomery County, Pennsylvania Firemen's Pension Plan.

BOROUGH OF CONSHOHOCKEN

COMBINING STATEMENT OF NET POSITION
FUDUCIARY FUNDS

December 31, 2017

	<u>Police Pension Plan</u>	<u>Firemen's Pension Plan</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 111,501	\$ 12,102	\$ 123,603
Investments	8,663,930	837,439	9,501,369
Interest receivable	103	11	114
Contributions receivable	17,260	-	17,260
TOTAL ASSETS	<u>\$ 8,792,794</u>	<u>\$ 849,552</u>	<u>\$ 9,642,346</u>
LIABILITIES			
Payables	\$ 4,223	\$ -	\$ 4,223
Total Liabilities	<u>4,223</u>	<u>-</u>	<u>4,223</u>
NET POSITION			
Net Position - Restricted for Pension Benefits	<u>\$ 8,788,571</u>	<u>\$ 849,552</u>	<u>\$ 9,638,123</u>

BOROUGH OF CONSHOHOCKEN

COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION - FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	<u>Police Pension Plan</u>	<u>Firemen's Pension Plan</u>	<u>Total</u>
ADDITIONS			
Contributions			
Commonwealth of Pennsylvania	\$ 207,020	\$ -	\$ 207,020
Employee	109,069	-	109,069
Employer	<u>271,552</u>	<u>-</u>	<u>271,552</u>
Total Contributions	<u>587,641</u>	<u>-</u>	<u>587,641</u>
Investment Earnings			
Net appreciation (depreciation)			
in fair value of investments	995,380	99,879	1,095,259
Dividends and interest	<u>169,904</u>	<u>18,099</u>	<u>188,003</u>
Total Investment Earnings	1,165,284	117,978	1,283,262
Less investment expense	<u>(33,597)</u>	<u>(4,257)</u>	<u>(37,854)</u>
Net Investment Earnings	<u>1,131,687</u>	<u>113,721</u>	<u>1,245,408</u>
Total Additions	<u>1,719,328</u>	<u>113,721</u>	<u>1,833,049</u>
DEDUCTIONS			
Benefits	323,095	25,122	348,217
Other	<u>9,382</u>	<u>6,000</u>	<u>15,382</u>
Total Deductions	<u>332,477</u>	<u>31,122</u>	<u>363,599</u>
Change in Net Position	1,386,851	82,599	1,469,450
Net Position - Restricted for Pension Benefits			
Beginning of Year	<u>7,401,720</u>	<u>766,953</u>	<u>8,168,673</u>
End of Year	<u>\$ 8,788,571</u>	<u>\$ 849,552</u>	<u>\$ 9,638,123</u>

BOROUGH OF CONSHOHOCKEN

STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS

For the Year Ended December 31, 2017

	<u>Balance</u> <u>January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2017</u>
Assets:				
Cash and cash equivalents	\$ 936,267	\$ 276,397	\$ (298,499)	\$ 914,165
Total Assets	<u>\$ 936,267</u>	<u>\$ 276,397</u>	<u>\$ (298,499)</u>	<u>\$ 914,165</u>
Liabilities:				
Deposits and refunds	\$ 936,267	\$ 276,397	\$ (298,499)	\$ 914,165
Total Liabilities	<u>\$ 936,267</u>	<u>\$ 276,397</u>	<u>\$ (298,499)</u>	<u>\$ 914,165</u>