

**Borough of Conshohocken
Montgomery County,
Pennsylvania**

Financial Report
December 31, 2013

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Independent Auditor's Report

To the Members of Council
Borough of Conshohocken
Conshohocken, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise a portion of the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough'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 basic financial statements.

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

Basis for Adverse Opinion

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Borough's governmental activities have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Conshohocken, Montgomery County, Pennsylvania, as of December 31, 2013, or the changes in its financial position for the year then ended.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that pension 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 the management’s discussion and analysis and 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 adverse 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 a portion of the Borough of Conshohocken, Montgomery County, Pennsylvania’s basic financial statements. The combining nonmajor governmental funds and fiduciary funds financial statements, listed in the Contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the portion of the basic financial statements presented. Because of the significance of the matter stated in the “Basis for Adverse Opinion” paragraph, the financial statements referred to in the first paragraph are not presented in accordance with accounting principles generally accepted in the United States of America. As such, it is inappropriate to, and we do not, express an opinion on the combining statements presented as supplementary information.



Blue Bell, Pennsylvania
April 28, 2015

**Borough of Conshohocken
Montgomery County, Pennsylvania**

**Balance Sheet - Governmental Funds
December 31, 2013**

	General	UDAG Repayment	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 3,871,341	\$ -	\$ 5,502,770	\$ 144,096	\$ 9,518,207
Receivables					
Taxes	1,598,200	-	-	-	1,598,200
Accounts	89,390	-	-	-	89,390
Other	185	-	-	-	185
Due From Other Funds	632	-	-	-	632
Prepaid Items	112,931	-	-	-	112,931
Advance to Third Party	143,091	-	-	-	143,091
Restricted Assets					
Cash and cash equivalents	47,749	586,450	-	153,361	787,560
Intergovernmental receivable	-	-	-	5,740	5,740
Due from other funds	-	2,926,899	-	677	2,927,576
Notes receivable	-	2,782,815	-	11,110	2,793,925
Total assets	\$ 5,863,519	\$ 6,296,164	\$ 5,502,770	\$ 314,984	\$ 17,977,437
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 288,194	\$ -	\$ -	\$ -	\$ 288,194
Accrued payroll	180,915	-	-	-	180,915
Due to other funds	2,927,008	-	-	-	2,927,008
Payable from restricted assets:					
Due to other funds	-	-	-	1,200	1,200
Accounts payable	-	16,860	-	16,534	33,394
Taxes payable under protest	47,736	-	-	-	47,736
Total liabilities	3,443,853	16,860	-	17,734	3,478,447
Deferred Inflows of Resources					
Unavailable revenue	680,222	2,782,815	-	11,110	3,474,147
Total deferred inflows of resources	680,222	2,782,815	-	11,110	3,474,147
Fund Balances					
Nonspendable:					
Prepaid items	112,931	-	-	-	112,931
Restricted for:					
Streets and highways	-	-	-	46,715	46,715
Housing and economic development	-	3,496,489	-	126,001	3,622,490
Community development	-	-	-	16,043	16,043
Culture and recreation	-	-	-	19,097	19,097
Committed for:					
Capital projects	-	-	5,502,770	-	5,502,770
Subsequent year's budget	371,600	-	-	-	371,600
Park and recreation	-	-	-	78,284	78,284
Unassigned	1,254,913	-	-	-	1,254,913
Total fund balances	1,739,444	3,496,489	5,502,770	286,140	11,024,843
Total liabilities, deferred inflows of resources and fund balances	\$ 5,863,519	\$ 6,296,164	\$ 5,502,770	\$ 314,984	\$ 17,977,437

See Notes to Financial Statements.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2013**

	General	UDAG Repayment	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Real estate taxes	\$ 2,051,068	\$ -	\$ -	\$ -	\$ 2,051,068
Real estate transfer taxes	349,247	-	-	-	349,247
Earned income taxes	3,853,264	-	-	-	3,853,264
Business privilege and mercantile taxes	2,310,882	-	-	-	2,310,882
Local services taxes	263,902	-	-	-	263,902
Redevelopment tax	106	-	-	-	106
Licenses, permits and fees	491,931	-	-	60,000	551,931
Fines	162,035	-	-	-	162,035
Intergovernmental	606,817	-	-	300,582	907,399
Charges for services	583,614	-	-	-	583,614
Interest	6,169	321	6,530	92	13,112
Rents	22,070	-	-	-	22,070
Miscellaneous	71,934	-	-	21,666	93,600
Payments in lieu of taxes	2,947	-	-	-	2,947
Refund of prior year expenditures	264,613	-	-	-	264,613
Total revenues	11,040,599	321	6,530	382,340	11,429,790
Expenditures					
Current:					
General government	1,306,102	-	-	-	1,306,102
Public safety	3,925,173	-	-	-	3,925,173
Sanitation	627,364	-	-	-	627,364
Highways and streets	1,165,465	-	-	-	1,165,465
Parking	16,500	-	-	-	16,500
Culture and recreation	624,271	-	-	73,784	698,055
Housing and economic development	-	-	-	167,622	167,622
Miscellaneous:					
Insurance	525,316	-	-	-	525,316
Employee benefits	1,744,312	-	-	-	1,744,312
Other	9,515	-	-	-	9,515
Total expenditures	9,944,018	-	-	241,406	10,185,424
Excess of revenues over expenditures	1,096,581	321	6,530	140,934	1,244,366
Other Financing Sources (Uses)					
Transfers in	304,865	-	80,000	50,323	435,188
Transfers out	(130,323)	(190,488)	(25,000)	(89,377)	(435,188)
Total other financing sources (uses)	174,542	(190,488)	55,000	(39,054)	-
Net change in fund balances	1,271,123	(190,167)	61,530	101,880	1,244,366
Fund Balances, Beginning	468,321	3,686,656	5,441,240	184,260	9,780,477
Fund Balances, Ending	\$ 1,739,444	\$ 3,496,489	\$ 5,502,770	\$ 286,140	\$ 11,024,843

See Notes to Financial Statements.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

**Statement of Fiduciary Net Position - Fiduciary Funds
December 31, 2013**

	Pension Trust Funds	Agency Funds
Assets		
Cash and Cash Equivalents	\$ 5,526	\$ 580,344
Due From Other Funds	671	-
Investments	6,965,924	-
Interest Receivable	-	-
Total assets	<u>6,972,121</u>	<u>\$ 580,344</u>
Liabilities		
Due to Other Funds	671	\$ -
Escrow Payable	-	580,344
Total liabilities	<u>671</u>	<u>\$ 580,344</u>
Net Position		
Held in Trust and Restricted for Pension Benefits	<u>\$ 6,971,450</u>	

(A schedule of pension funding progress is presented on page 27.)

See Notes to Financial Statements.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds
Year Ended December 31, 2013**

	Pension Trust Funds
<hr/>	
Additions	
Contributions	
Commonwealth of Pennsylvania	\$ 174,580
Employee	90,460
Employer	201,742
Total contributions	<u>466,782</u>
Investment earnings:	
Investment income	957,630
Investment expense	(55,192)
Net investment earnings	<u>902,438</u>
Total additions	<u>1,369,220</u>
Deductions	
Benefits	560,703
Other	5,425
Total deductions	<u>566,128</u>
Change in plan net position	803,092
Net Position Held in Trust and Restricted for Pension Benefits	
Beginning of year	<u>6,168,358</u>
End of year	<u><u>\$ 6,971,450</u></u>

See Notes to Financial Statements.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

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 adopted some of 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 would report information on all of the nonfiduciary activities of the Borough and include the reporting entity of the Borough, primary government and component units. As further discussed below, the Borough has presented only its fund financial statements.

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.

Note 1. Summary of Significant Accounting Policies

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. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the Borough to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Borough. The Borough does not present government-wide financial statements.

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.

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 Statement No. 61, 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 for the Conshohocken #2 Fire Company and the Washington Fire Company, pays certain expenses on behalf of the fire companies, and remits quarterly appropriations to the fire companies. Annual appropriations in 2013 were \$80,000 each to Conshohocken #2 Fire Company and Washington 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.

Government-wide and fund financial statements: The Borough has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements have not been determined.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Separate fund financial statements are provided for governmental funds, proprietary 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.

Fund accounting: The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent. The Borough has the following fund types:

Governmental funds: 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 measurement focus is upon determination of changes in current financial resources, rather than upon net income determination.

The following are the Borough's major governmental funds:

- General Fund – The General Fund is the general operating fund of the Borough. All activities of the Borough are accounted for through this fund, except for those required to be accounted for in another fund.
- UDAG Repayment Fund – The UDAG Repayment Special Revenue Fund is used to account for proceeds from loan repayments from UDAG loans and expenditures on eligible activities.
- Capital Projects Fund – The Capital Projects Fund is used to account for financial resources intended to be used for the acquisition, construction or reconstruction of Borough assets and facilities.

The other governmental funds of the Borough are considered nonmajor.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fiduciary funds: Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for others. These include pension trust funds and agency funds. The Borough's pension trust funds include the Police Pension and Firemen's Pension Funds. 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.

Measurement focus and basis of accounting: 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.

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.

Budgets and budgetary accounting: The annual budget for the General Fund is prepared on a basis consistent with GAAP.

The Borough follows these procedures in establishing the budget:

1. During 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 all 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.

Cash and cash equivalents: 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
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments are stated at fair value, determined by quoted market values.

Receivables: Receivables are reduced, when necessary, by an estimated allowance for accounts that are expected to be uncollectible.

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

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.

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.

Capital assets: If the Borough presented government-wide financial statements, land, buildings and improvements, machinery and equipment, vehicles, furniture and infrastructure of the Borough would be recorded as capital assets. In the governmental fund financial statements, costs of capital assets are considered capital outlay expenditures and they reduce fund balance.

Deferred inflow of resources: The Borough reports a separate section for deferred inflow of resources on its governmental funds balance sheet. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position applied to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has one type of this item under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item *unavailable revenue* is reported in the governmental funds balance sheet. The government funds report unavailable revenue from the following sources: real estate taxes, earned income taxes, business privilege and mercantile taxes and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated absences: If the Borough presented government-wide financial statements, accumulated vested compensated absences would be reported as liabilities. No liability would be recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability would be recognized for that portion of accumulating sick leave benefits that is allowed to be paid upon retirement.

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.

In the governmental fund financial statements, compensated absence payments are recognized as expenditures when due to be paid.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-term obligations: If the Borough presented government-wide financial statements, any long-term debt and other long-term obligations would be reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources and is not considered a fund liability, and debt service expenditures are recognized when the debt and interest are due to be paid.

Real estate taxes: Taxes are levied on March 1 and payable under the following terms: 2% discount March 1 through May 1; face amount May 2 through July 1; and a 10% penalty after July 1. Taxes unpaid are liened in January of the subsequent year.

The tax rate for 2013 was 3.5 mills on an assessed valuation of \$595,664,329.

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.

Pension and other postemployment benefits (OPEB): If the Borough presented government-wide financial statements, the Borough would recognize 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 would be reported as a liability (asset).

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

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** – This category represents funds 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. As of December 31, 2013, the Borough has nonspendable fund balance related to prepaid items.
- **Restricted** – This category represents funds that are restricted for specific purposes by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. At December 31, 2013, the Borough has restrictions through grant agreements as described in the governmental fund balance sheet.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

- Committed – This category represents funds 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). As of December 31, 2013, the Borough has committed fund balance related to Capital Projects, Park and Recreation, and the subsequent year’s budget.
- Assigned – This category represents intentions of the Borough to use the funds for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Borough Council or (b) a body (a budget, finance committee, or Borough Manager) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.
- Unassigned – This category includes the residual classification for all negative fund balances in Special Revenue and Capital Projects funds; or for any residual amounts in the Borough’s 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.

Adoption of recently issued accounting pronouncements: Effective January 1, 2013, the Borough adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, issued November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. As a result of the adoption of this Statement, Conshohocken #2 Fire Company and Washington Fire Company are no longer considered component units of the Borough.

In addition, the Borough adopted the provisions of *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, issued March 2012. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognized certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of that element in Concepts Statements No. 4, *Elements of Financial Statements*. The effect of the implementation was for the Borough to reclassify certain items previously reported as liabilities to deferred inflows of resources.

In addition, the Borough adopted the provisions of GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements—Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The adoption of this Statement had no effect on the Borough’s financial statements.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 2. Cash and Investments

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, 2013, 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.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a formal deposit policy for custodial credit risk on deposits. As of December 31, 2013, \$8,244,651 of the Borough's bank balances of \$8,861,031 was exposed to custodial credit risk as follows:

Uninsured and pooled collateral held by pledging bank's
trust department not in the Borough's name

\$ 8,244,651

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Investments: Investments held as of December 31, 2013 are as follows:

Governmental Funds:	
PLGIT (1)	<u>\$ 2,115,927</u>
Pension Trust Funds:	
Investment in money funds	348,419
Investment in First Trust Fund MLP and Energy Income Fund	212,386
Investment in Active Bear ETF	272,439
Investment in Revenue Shares Small Cap ETF	40,956
Investment in SPDR S&P China ETF	125,234
Investment in SPDR Barcap Short Term High Yield Fund	39,519
Investment in Vanguard International Equity Fund	272,674
Investment in Vanguard Extended Duration ETF	30,714
Investment in Vanguard FTSE Emerging Markets Fund	262,761
Investment in Vanguard Mid-Cap ETF	244,354
Investment in Vanguard Russell 1000 Val ETF	279,394
Investment in Vanguard S&P Mid-Cap 400 Growth Fund	40,546
Investment in common stocks	2,545,675
Investment in corporate bond fund	191,005
Investment in corporate bonds	337,020
Investment in U.S. Agency Notes	284,552
Investment in U.S. Treasury Notes	398,897
Investment in SPDR Barclay's Capital High Yield Fund	63,233
Investment in PIMCO 1-5 YR US TIPS Index Fund	15,763
Investment in Powershares Emerging Markets Fund Sovereign Debt Portfolio Traded FD TR	73,224
Investment in PowerShares Build America Bond Portfolio ETF	308,160
Investment in ClearBridge Energy MLP Funds	314,661
Investment in Market Vectors Emerging Markets Local Currency Bond ETF	22,490
Investment in iShares Barclays 1-3 YR CD Bond Fund	23,623
Investment in iShares Barclays Aggregate Bond Fund	55,131
Investment in iShares Russell 1000 GRW ETF	81,824
Investment in iShares Russell 1000 Value ETF	81,269
	<u>6,965,924</u>
	<u><u>\$ 9,081,851</u></u>

(1) Included in cash and cash equivalents on the balance sheet - governmental funds.

The market volatility of equity-based investments is expected to substantially impact the value of the Borough's investments at any given time.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

Custodial credit risk – investments: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough may 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 Pension Trust Fund's investment in common stocks, corporate bonds, U.S. Agency Notes and U.S. Treasury Notes are held by a counterparty and are not insured.

Interest rate risk – investments: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt security. The Borough does not have a formal investment policy for interest rate risk. The weighted average maturity of the portfolio held by PLGIT at December 31, 2013 was less than one year. The average maturities of the Borough's debt securities are as follows:

	Average Maturities (in years)					Total
	Less than 1	1-5	6-10	11-20	More than 20	
Corporate bond fund	\$ -	\$ 95,738	\$ 95,267	\$ -	\$ -	\$ 191,005
Corporate bonds	-	225,696	111,324	-	-	337,020
U.S. Agency Notes	98,387	186,165	-	-	-	284,552
U.S. Treasury Notes	-	274,207	124,690	-	-	398,897
Market Vectors Emerging Markets Local						
Currency Bond ETF	1,619	9,536	6,612	3,216	1,507	22,490
PIMCO 1-5 Year U.S. TIPS Index Fund	2,995	12,768	-	-	-	15,763
PowerShares Global Exchange Emerging Markets						
Sovereign Debt Portfolio Traded FD TR	-	4,181	26,427	15,677	26,939	73,224
PowerShares Build America Bond Portfolio ETF	-	6,471	21,263	123,110	157,316	308,160
iShares Barclays 1-3 Year Treasury Bond Fund	205	23,394	-	-	24	23,623
iShares Barclays U.S. Aggregate Bond Fund	1,803	30,669	14,769	1,792	6,098	55,131
Vanguard Extended Duration ETF	30	-	-	-	30,684	30,714
SPDR Barcap Short Term High Yield Fund	2,727	36,646	146	-	-	39,519
SPDR Barclay's Capital High Yield Fund	316	15,296	46,773	487	361	63,233
	<u>\$ 108,082</u>	<u>\$ 920,767</u>	<u>\$ 447,271</u>	<u>\$ 144,282</u>	<u>\$ 222,929</u>	<u>\$ 1,843,331</u>

Credit risk – investments: Credit risk is the risk that an issuer or other counterparty to an investment in a debt security will not fulfill its obligations. The Borough does not have a formal investment policy for credit risk. The Borough's investments in PLGIT were rated "AAAm" by Standard & Poor's (S&P's). The Borough's corporate bond fund and corporate bonds were not rated. The corporate bond fund invests 80% of assets in corporate bonds rated BBB by S&P's. It may also invest up to 20% of assets in futures, options, and other derivatives. The Borough's investment in U.S. Agency Notes were rated "AAA" by S&P's. Investments in U.S. Treasury obligations are not considered to have credit risk. The Borough's investment in iShares 1-3 Year CD Bond Fund was rated Aaf, and iShares Barclays U.S. Aggregate Bond Fund was rated Af by S&P's. The Borough's investment in PowerShares Global Exchange Emerging Markets Sovereign Debt Portfolio Traded FD TR was rated BBB and PowerShares Build America Bond Portfolio ETF was rated AA by S&P's. The Borough's investments in Vanguard Extended Duration ETF, Market Vectors Emerging Markets Local Currency Bond ETF, PIMCO 1-5 Year U.S. TIPS Index Fund, SPDR Series TR Barclays High Yield Bond ETF and SPDR Barcap Short Term High Yield Fund were not rated by S&P's.

Concentration of credit risk: The Borough does not have a formal policy for concentration of credit risk. At December 31, 2013, the Borough had no investments (other than those insured by the U.S. government, those in external investment pools or those in mutual funds) in any organization that represents 5% or more of the Borough's investments.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 3. Interfund Receivables, Payables and Transfers

Interfund receivables and payables balances as of December 31, 2013 are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 632	\$ 2,927,008
UDAG Repayment Fund	2,926,899	-
Nonmajor Governmental Funds	677	1,200
Fiduciary Funds	671	671
	<u>\$ 2,928,879</u>	<u>\$ 2,928,879</u>

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. The amount due from the General Fund to the UDAG Repayment Fund is not anticipated to be paid during 2014.

The following is a schedule of transfers as included in the financial statements of the Borough:

	Transfers In	Transfers Out
General Fund	\$ 304,865	\$ 130,323
UDAG Repayment Fund	-	190,488
Capital Projects Fund	80,000	25,000
Nonmajor Governmental Funds	50,323	89,377
	<u>\$ 435,188</u>	<u>\$ 435,188</u>

Note 4. Notes Receivable

Notes receivable at December 31, 2013 consist of the following:

UDAG Repayment Fund	
Oliver - Tyrone - Pulver Corporation:	
Tower Bridge Office Building II:	
25-year loan commencing upon completion of construction	
at 0% interest, a balloon payment of \$3,330,141 due in 2017	\$ 3,330,141
Less discount payments to present value using effective annual rate of 6%	<u>(547,326)</u>
	<u>\$ 2,782,815</u>
Nonmajor Governmental Funds	
Facade Improvements:	
Various individuals and business for Facade improvements,	
0% interest, equal installments over five years	<u>\$ 11,110</u>

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 5. Compensated Absences

The following is a summary of changes in compensated absences:

Balance January 1, 2013 *	Net Additions	Balance December 31, 2013 *
\$ 572,268	\$ 39,050	\$ 611,318

* Balances are not reported in fund financial statements.

Note 6. Defined Benefit Pension Plans

Plan description: The Borough sponsors three defined benefit pension plans: the General Employees Pension Plan, the Police Pension Plan and the Firemen's Pension Plan. These plans cover substantially all full-time employees. The plans provide retirement, disability and death benefits to plan members and their beneficiaries. Plan provisions are established by Borough Ordinance with the authority for Borough contributions required by Pennsylvania Act 205 (the Act).

The Borough provides pension benefits for members of the police force and firemen through self-administered trust funds. The Police Pension and Firemen's Pension Plans are single-employer plans accounted for as pension trust funds of the Borough. A statement of fiduciary net position and a statement of changes in fiduciary net position are presented for these funds in the aggregate, with amounts for each plan separately disclosed later in this footnote. The Police Pension and Firemen's Pension Plans do not issue separate financial statements.

The Borough provides pension benefits for its general (non-uniform) employees through the Pennsylvania Municipal Retirement System (PMRS). PMRS is an agent, multiple-employer system that administers pensions for local government employees. Responsibility for the organization and administration of the system is vested in the eleven-member Pennsylvania Municipal Retirement Board. 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 following table provides information concerning types of covered employees and benefit provisions for each of the Borough's Plans:

	General Employees Pension Plan	Police Pension Plan	Firemen's Pension Plan
Covered employees	All regular, full-time employees excluding sworn police officers and firemen	All regular, full-time sworn police officers	All regular, full-time firemen and fire marshals
Number of retirees and beneficiaries receiving benefits	7	9	2
Number of terminated Plan members entitled to but not yet receiving benefits	5	1	1
Number of active Plan members	25	19	2

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 6. Defined Benefit Pension Plans (Continued)

	General Employees Pension Plan	Police Pension Plan	Firemen's Pension Plan
Covered annual payroll - 2013	\$1,412,538	\$1,862,322	\$96,303
Required employee contributions	3% of eligible salary	5.0% of eligible salary	0%
Normal retirement date	Age 62 with 7 years of service	Age 50 with 25 years of service	Age 55 with 20 years of service
Retirement benefit	2.00% times credited service times final three year average salary	50% of final three year average salary, plus \$100 per month if service exceeds 26 years	50% of final three year average salary
Early retirement date	20 years of service	20 years of service	None
Vesting	7 years of service	12 years of service	10 years of service

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.

Annual pension cost and net pension obligation: The Borough's annual pension cost (APC) and net pension obligation (NPO) for each of the Borough's pension plans for the current year were as follows:

	General Employees Pension Plan	Police Pension Plan	Firemen's Pension Plan
Annual required contribution (ARC)	\$ 89,556	\$ 369,890	\$ 6,432
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Annual pension cost (APC)	89,556	369,890	6,432
Contributions made	89,556	369,890	6,432
Increase in net pension asset	-	-	-
Net pension obligation (asset), beginning of year *	-	(6,304)	(3,836)
Net pension obligation (asset), end of year *	\$ -	\$ (6,304)	\$ (3,836)

* Amounts are not reported in fund financial statements.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 6. Defined Benefit Pension Plans (Continued)

The Borough's related information for each plan is as follows:

	General Employees	Police	Firemen's
Valuation Date	January 1, 2013	January 1, 2013	January 1, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Aggregate Amortization Period	Annual Funding Adjustment
Remaining Amortization Period	None	14 Years	None
Asset Valuation Method	Market	Five Year Smoothing	Market
Actuarial Assumptions			
Investment rate of return	5.5%	8.00%	7.00%
Projected salary increases *	Salary Scale	5.00%	5.00%

* includes inflation at 3.0%

Trend information:

	Years Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)*
General Employees Pension Plan	2011	\$ 78,310	100.00%	\$ -
	2012	76,867	100.00%	-
	2013	89,556	100.00%	-
Police Pension Plan	2011	\$ 353,699	100.00%	\$ (6,304)
	2012	347,452	100.00%	(6,304)
	2013	369,890	100.00%	(6,304)
Firemen's Pension Plan	2011	\$ 39,141	100.00%	\$ (3,836)
	2012	18,141	100.00%	(3,836)
	2013	6,432	100.00%	(3,836)

* Amounts are not reported in fund financial statements.

Summary of significant accounting policies: Financial information on the Borough's Police and Firemen's Pension Plans are presented on the accrual basis of accounting. Plan member contributions, if any, are recognized in the period in which the contributions are due. Employer contributions to each Plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 6. Defined Benefit Pension Plans (Continued)

Contributions and funding policy: The Act requires that annual contributions of employers be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. The Commonwealth allocates certain funds to assist in pension funding of employers. Any financial requirement established by the MMO which exceeds the Commonwealth allocation must be funded by the Borough.

Investments that represent five percent or more of plan net assets: At December 31, 2013, the Police Pension and Firemen's Pension Plans had no investments (other than those issued or guaranteed by the U.S. Government or those in mutual funds), in any one organization that represents 5% or more of the Plan Net Assets.

Funding status and funding progress: The following is funded status information as of January 1, 2013, the date of the most recent actuarial valuation:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Under (Over) Funded AAL (FAAL)	Funded Ratio	Covered Payroll	Under (Over) FAAL as a % of Covered Payroll
Police	\$ 5,430,738	\$ 7,690,133	\$ 2,259,395	71%	\$ 1,862,322	121.3%
Fireman	761,397	515,217	(246,180)	148%	96,303	-255.6%
Non-Uniform	3,098,665	3,157,963	59,298	98%	1,412,538	4.2%

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 AAL for benefits. The disclosure of the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of any legal or contractual funding limitations.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 6. Defined Benefit Pension Plans (Continued)

Financial statements: Financial statements for the Police Pension Plan and Firemen's Pension Plan as of and for the year ended December 31, 2013 are as follows:

Statements of Fiduciary Net Position - December 31, 2013:

	Police Pension Trust Fund	Firemen's Pension Trust Fund	Total
Assets			
Cash and Cash Equivalents	\$ 4,903	\$ 623	\$ 5,526
Investments	6,160,695	805,229	6,965,924
Interest Receivable	-	-	-
Due From Other Funds	-	671	671
Total assets	6,165,598	806,523	6,972,121
Liabilities			
Due to Other Funds	671	-	671
Total liabilities	671	-	671
Net Position			
Held in Trust and Restricted for Pension Benefits	\$ 6,164,927	\$ 806,523	\$ 6,971,450

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 6. Defined Benefit Pension Plans (Continued)

Statements of Changes in Fiduciary Net Position - Year Ended December 31, 2013:

	Police Pension Trust Fund	Firemen's Pension Trust Fund	Total
Additions			
Contributions:			
Commonwealth of Pennsylvania	\$ 168,148	\$ 6,432	\$ 174,580
Employee	90,460	-	90,460
Employer	201,742	-	201,742
Total contributions	460,350	6,432	466,782
Investment earnings:			
Investment income	886,911	70,719	957,630
Investment expense	(49,111)	(6,081)	(55,192)
Net investment earnings	837,800	64,638	902,438
Total additions	1,298,150	71,070	1,369,220
Deductions			
Benefits	534,089	26,614	560,703
Other	5,425	-	5,425
Total deductions	539,514	26,614	566,128
Change in plan net position	758,636	44,456	803,092
Net position held in trust and restricted for pension benefits			
Beginning of year	5,406,291	762,067	6,168,358
End of year	\$ 6,164,927	\$ 806,523	\$ 6,971,450

Note 7. 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).

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 7. Risk Management (Continued)

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, 2013 and settlements have not exceeded coverage in the past three years.

Note 8. Commitments and Contingencies

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.

The use of grant monies is subject to compliance audits by governmental agencies. Management of the Borough believes the Borough is in compliance with substantially all the significant requirements of such grants.

Lease commitments: During 2005, the Borough entered into a rental agreement of temporary office space for a five year term. Subsequent to 2010, the Borough entered into various agreements to extend the lease term, which is currently set to expire on August 31, 2015. The total rent expenditures for 2013 were \$114,509.

Future minimum annual rents, including the extension, are as follows:

Year Ending December 31,

2013	\$	114,509
2014		118,688
2015		80,240
	\$	<u>313,437</u>

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 8. Commitments and Contingencies (Continued)

Cooperation agreement: On November 28, 2012, the Borough signed a Cooperation Agreement with the Redevelopment Authority of the County of Montgomery (RDA) to redevelop the Verizon Building and Historic Firehouse owned by the Borough, along with certain of the RDA's properties located in the Borough. The RDA issued a Request for Proposal for the redevelopment of the properties.

On September 18, 2013, the Borough Council adopted a motion to recommend to RDA to approve the redevelopment proposal. The proposal for the Verizon Building includes options for the Borough to lease the building with buyback options at the expiration of the lease for a dollar or for the fair market value. The annual lease payments for the 20,000 square feet that the Borough will use has options depending on the Borough's investment in the development of \$0, \$3 million or \$4 million. See Note 11.

Note 9. Other Post Employment Benefits

Plan description: The Borough provides postemployment health care benefits (including medical, dental, vision, prescription drug), in accordance with Borough policy, to eligible retired employees.

Retirees eligible for postemployment health care benefits receive the same level of benefits in retirement that they were eligible for as active employees. As of December 31, 2013, four (4) retirees are receiving these post employment health care benefits and forty-nine (49) active employees are eligible for these postemployment health care benefits.

Expenditures for postemployment health care benefits are recognized as claims when due in the government fund financial statements. In 2013, expenditures of \$21,140 were recognized for postemployment health care as they became due.

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 2013, expenditures of \$29 were recognized for postemployment life insurance benefits. At December 31, 2013, four (4) retirees are receiving these postemployment benefits and forty-eight (48) active employees are eligible for these postemployment life insurance benefits.

Funding policy: The Borough currently accounts for these expenditures on a pay-as-you-go basis.

Annual OPEB cost and net OPEB obligation: Since the Borough does not present government-wide financial statements, the Borough has not calculated the *annual required contribution for the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC would represent a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Funded status and funding progress: Since the Borough does not present government-wide financial statements, the Borough has not calculated its actuarial accrued liability. As such, the Borough has not presented 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.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 10. Accounting Pronouncements Issued, Not Yet Implemented

The GASB has issued the following statements not yet implemented by the Borough. The Borough's management has not yet determined the effect, if any, these Statements will have on the Borough's financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, issued June 2012, will be effective for the Borough beginning with the year ending December 31, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statement Nos. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the Borough beginning with the year ending December 31, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statement Nos. 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the Borough beginning with the year ending December 31, 2014. This statement provides accounting and financial reporting guidance for U.S. state and local governments' mergers, acquisitions, and transfers and disposals of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the Borough beginning with the year ending December 31, 2014. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*—issued November 2013, will be effective for the Borough beginning with the year ending December 31, 2015. The primary objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Financial Statements

Note 11. Subsequent Events

Subsequent to year-end, the Borough entered into contract commitments related to the redevelopment of the Verizon property in the approximate amount of \$10,709,600.

In October of 2014, 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 are to be used for redevelopment of the Verizon property. As of April 28, 2015, the Borough has drawn down \$0 on the General Obligation Note.

In October of 2014, 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 are to be used for redevelopment of the Verizon property. As of April 28, 2015, the Borough has drawn down \$0 on the General Obligation Note.

In October of 2014, 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 until December 1, 2021. On December 1, 2021, the interest rate will adjust 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 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 are to be used for redevelopment of the Verizon property. As of April 28, 2015, the Borough has drawn down \$3,953,475 on the General Obligation Note.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

**Required Supplementary Information (Unaudited)
Schedule of Pension Funding Progress
Six Years Ended December 31, 2013**

	(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial	Actuarial	Percentage	Unfunded (Overfunded) Actuarial Accrued Liability (2) – (1)	Annual Covered Payroll	Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
Actuarial Valuation, January 1	Value of Plan Assets	Accrued Liability	Funded (1)/(2)			
General Employees Pension Plan (2)						
2008*	\$ 1,968,092	\$ 1,908,191	103.1%	\$ (59,901)	\$ 1,152,448	-5.2%
2009	2,320,406	2,130,057	108.9%	(190,349)	1,185,035	-16.1%
2010*	2,320,406	2,130,057	108.9%	(190,349)	1,185,035	-16.1%
2011	2,715,064	2,683,880	101.2%	(31,184)	1,330,170	-2.3%
2012*	2,715,064	2,683,880	101.2%	(31,184)	1,330,170	-2.3%
2013	3,098,665	3,157,963	98.1%	59,298	1,412,538	4.2%
Police Pension Plan (1)						
2008*	4,281,199	3,819,001	112.1%	(462,198)	1,462,496	-31.6%
2009	3,872,897	5,248,496	73.8%	1,375,599	1,267,689	108.5%
2010*	3,872,897	5,248,496	73.8%	1,375,599	1,267,689	108.5%
2011	4,838,182	6,181,206	78.3%	1,343,024	1,601,865	83.8%
2012*	4,838,182	6,181,206	78.3%	1,343,024	1,601,865	83.8%
2013	5,430,738	7,690,133	70.6%	2,259,395	1,862,322	121.3%
Firemen's Pension Plan (1)						
2008*	616,046	481,590	127.9%	(134,456)	131,312	-102.4%
2009	466,305	441,687	105.6%	(24,618)	130,016	-18.9%
2010*	466,305	441,687	105.6%	(24,618)	130,016	-18.9%
2011	654,730	523,023	125.2%	(131,707)	149,863	-87.9%
2012*	654,730	523,023	125.2%	(131,707)	149,863	-87.9%
2013	761,397	515,217	147.8%	(246,180)	96,303	-255.6%

* An actuarial valuation was not prepared for these years. Actuarial valuation information from the previous year's valuation was utilized in preparing this information.

(1) Plan is included in pension trust funds reported on pages 5 and 6.

(2) Plan administered by PMRS.

**Borough of Conshohocken
Montgomery County, Pennsylvania**

**Required Supplementary Information (Unaudited)
Schedule of Contributions From the Employer and Other Contributing Entities
Six Years Ended December 31, 2013**

Year Ended December 31,	General Employee Annual Required Contribution	Police Annual Required Contribution	Firemen's Annual Required Contribution	General Employee Percentage Contributed	Police Percentage Contributed	Firemen's Percentage Contributed
2008	\$ 109,186	\$ 174,204	\$ 23,719	100.0%	100.0%	100.0%
2009	88,273	160,577	25,434	100.0%	100.0%	100.0%
2010	94,016	126,231	16,884	100.0%	100.0%	100.0%
2011	78,310	353,699	39,141	100.0%	100.0%	100.0%
2012	76,867	347,452	18,141	100.0%	100.0%	100.0%
2013	89,556	369,890	6,432	100.0%	100.0%	100.0%

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Required Supplementary Information (Unaudited) – Pension Plans

The information presented in the required supplementary information was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation for each plan follows:

	General Employees	Police	Firemen's
Valuation Date	January 1, 2013	January 1, 2013	January 1, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Aggregate Amortization Period	Annual Funding Adjustment
Remaining Amortization Period	None	14 Years	None
Asset Valuation Method	Market	Five Year Smoothing	Market
Actuarial Assumptions			
Investment rate of return	5.5%	8.00%	7.00%
Projected salary increases *	Salary Scale	5.00%	5.00%

* includes inflation at 3.0%

**Borough of Conshohocken
Montgomery County, Pennsylvania**

**Required Supplementary Information (Unaudited) - Budgetary Comparison
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended December 31, 2013**

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes:				
Real estate taxes	\$ 2,086,000	\$ 2,086,000	\$ 2,051,068	\$ (34,932)
Real estate transfer taxes	220,000	240,000	349,247	109,247
Earned income taxes	2,850,000	3,182,800	3,853,264	670,464
Business privilege and mercantile taxes	2,200,000	2,710,000	2,310,882	(399,118)
Local services taxes	240,000	250,000	263,902	13,902
Redevelopment tax	1,000	1,000	106	(894)
Licenses, permits and fees	481,500	499,500	491,931	(7,569)
Fines	183,000	170,000	162,035	(7,965)
Intergovernmental	897,100	551,300	606,817	55,517
Charges for services	589,400	569,100	583,614	14,514
Interest	20,000	8,000	6,169	(1,831)
Rents	12,000	24,000	22,070	(1,930)
Miscellaneous	35,500	50,500	71,934	21,434
Payments in lieu of taxes	3,000	3,000	2,947	(53)
Refund of prior year expenditures	60,300	59,100	264,613	205,513
Total revenues	9,878,800	10,404,300	11,040,599	636,299
Expenditures				
Current:				
General government	1,245,800	1,272,200	1,306,102	(33,902)
Public safety	4,107,250	4,141,650	3,925,173	216,477
Sanitation	627,250	627,550	627,364	186
Highways and streets	1,965,700	1,544,000	1,165,465	378,535
Parking	48,000	98,000	16,500	81,500
Culture and recreation	487,100	672,600	624,271	48,329
Insurance	509,000	521,000	525,316	(4,316)
Employee benefits	1,837,000	1,812,000	1,744,312	67,688
Miscellaneous	10,000	16,000	9,515	6,485
Total expenditures	10,837,100	10,705,000	9,944,018	760,982
Excess of revenues over (under) expenditures	(958,300)	(300,700)	1,096,581	1,397,281
Other financing sources (uses)				
Transfers in	940,300	350,700	304,865	(45,835)
Transfers out	(43,000)	(50,000)	(130,323)	(80,323)
Total other financing sources (uses)	897,300	300,700	174,542	(126,158)
Net change in fund balances	(61,000)	-	1,271,123	1,271,123
Fund balances, beginning	61,000	-	468,321	468,321
Fund balances, ending	\$ -	\$ -	\$ 1,739,444	\$ 1,739,444

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Notes to Required Supplementary Information – Budgetary Comparison

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
Montgomery County, Pennsylvania
Supplementary Information
Nonmajor Governmental Funds**

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

- The Liquid Fuels Highway Aid Fund, as required by state law, accounts for receipts from State Motor License Fund (gasoline tax distribution, etc.).
- 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 Library Fund accounts for financial resources which are used to fund the local library.
- 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.

Borough of Conshohocken
Montgomery County, Pennsylvania

Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2013

	Special Revenue							Total Nonmajor Governmental Funds
	Liquid Fuels Highway Aid	Park and Recreation	Library	Community Development	HOME Program	Economic Development	Mary H. Wood Park	
Assets								
Cash and Cash Equivalents	\$ 46,715	\$ 78,284	\$ -	\$ -	\$ -	\$ -	\$ 19,097	\$ 144,096
Restricted Assets								
Cash and cash equivalents	-	-	-	16,043	137,270	48	-	153,361
Intergovernmental receivable	-	-	-	-	5,740	-	-	5,740
Due from other funds	-	-	-	-	-	677	-	677
Notes receivable	-	-	-	-	11,110	-	-	11,110
Total assets	\$ 46,715	\$ 78,284	\$ -	\$ 16,043	\$ 154,120	\$ 725	\$ 19,097	\$ 314,984
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Payable from restricted assets:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 16,534	\$ -	\$ -	\$ 16,534
Due to other funds	-	-	-	-	1,200	-	-	1,200
Total liabilities	-	-	-	-	17,734	-	-	17,734
Deferred inflows of resources:								
Unavailable revenue	-	-	-	-	11,110	-	-	11,110
Total deferred inflows of resources	-	-	-	-	11,110	-	-	11,110
Fund Balances								
Restricted	46,715	-	-	16,043	125,276	725	19,097	207,856
Committed	-	78,284	-	-	-	-	-	78,284
Total fund balances	46,715	78,284	-	16,043	125,276	725	19,097	286,140
Total liabilities and fund balances	\$ 46,715	\$ 78,284	\$ -	\$ 16,043	\$ 154,120	\$ 725	\$ 19,097	\$ 314,984

Borough of Conshohocken
Montgomery County, Pennsylvania

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2013

	Special Revenue							Total Nonmajor Governmental Funds
	Liquid Fuels Highway Aid	Park and Recreation	Library	Community Development	HOME Program	Economic Development	Mary H. Wood Park	
Revenues								
Intergovernmental	\$ 135,839	\$ -	\$ -	\$ -	\$ 132,890	\$ 31,853	\$ -	\$ 300,582
Licenses, permits and fees	-	60,000	-	-	-	-	-	60,000
Interest	22	22	1	4	32	-	11	92
Miscellaneous	-	-	-	199	3,510	-	17,957	21,666
Total revenues	135,861	60,022	1	203	136,432	31,853	17,968	382,340
Expenditures								
Current:								
Culture and recreation	-	-	50,324	-	-	-	23,460	73,784
Housing and economic development	-	-	-	-	135,918	31,704	-	167,622
Total expenditures	-	-	50,324	-	135,918	31,704	23,460	241,406
Excess of revenues over (under) expenditures	135,861	60,022	(50,323)	203	514	149	(5,492)	140,934
Other financing sources (uses)								
Transfers in	-	-	50,323	-	-	-	-	50,323
Transfers out	(89,377)	-	-	-	-	-	-	(89,377)
Total other financing sources (uses)	(89,377)	-	50,323	-	-	-	-	(39,054)
Net change in fund balances	46,484	60,022	-	203	514	149	(5,492)	101,880
Fund balances, beginning	231	18,262	-	15,840	124,762	576	24,589	184,260
Fund balances, ending	\$ 46,715	\$ 78,284	\$ -	\$ 16,043	\$ 125,276	\$ 725	\$ 19,097	\$ 286,140

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Fiduciary Funds – Pension Trust Funds

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
Montgomery County, Pennsylvania**

**Fiduciary Funds
Combining Statement of Fiduciary Net Position - Pension Trust Funds
December 31, 2013**

	Police Pension Trust Fund	Firemen's Pension Trust Fund	Total
Assets			
Cash and Cash Equivalents	\$ 4,903	\$ 623	\$ 5,526
Investments	6,160,695	805,229	6,965,924
Interest Receivable	-	-	-
Due From Other Funds	-	671	671
Total assets	6,165,598	806,523	6,972,121
Liabilities			
Due to Other Funds	671	-	671
Total liabilities	671	-	671
Net Position			
Held in Trust and Restricted for Pension Benefits	\$ 6,164,927	\$ 806,523	\$ 6,971,450

**Borough of Conshohocken
Montgomery County, Pennsylvania**

Fiduciary Funds

**Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
Year Ended December 31, 2013**

	Police Pension Trust Fund	Firemen's Pension Trust Fund	Total
Additions			
Contributions:			
Commonwealth of Pennsylvania	\$ 168,148	\$ 6,432	\$ 174,580
Employee	90,460	-	90,460
Employer	201,742	-	201,742
Total contributions	460,350	6,432	466,782
Investment earnings:			
Investment income	886,911	70,719	957,630
Investment expense	(49,111)	(6,081)	(55,192)
Net investment earnings	837,800	64,638	902,438
Total additions	1,298,150	71,070	1,369,220
Deductions			
Benefits	534,089	26,614	560,703
Other	5,425	-	5,425
Total deductions	539,514	26,614	566,128
Change in plan net position	758,636	44,456	803,092
Net Position Held in Trust and Restricted for Pension Benefits			
Beginning of year	5,406,291	762,067	6,168,358
End of year	\$ 6,164,927	\$ 806,523	\$ 6,971,450