

**EDGEWATER PARK SEWERAGE AUTHORITY
FINANCIAL STATEMENTS, SUPPLEMENTAL
SCHEDULES AND AUDITOR'S OPINIONS
FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2017 AND 2016**

EDGEWATER PARK SEWERAGE AUTHORITY

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Roster of Officials

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EDGEWATER PARK SEWERAGE AUTHORITY

BOARD OF COMMISSIONERS

AT NOVEMBER 30, 2017

John Alexander
Chairman

Judith Hall
Vice Chairman

Lester Holley
Board Member

Joseph T. Pullion
Board Member

Azunnah Amuta
Board Member
(Resigned February 1, 2017)

Kevin Johnson
Board Member
(Effective March 8, 2017)



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members of the
Edgewater Park Sewerage Authority
County of Burlington
Edgewater Park, New Jersey 08010

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Edgewater Park Sewerage Authority, a component unit of Edgewater Park Township, in the County of Burlington, State of New Jersey, as of and for the fiscal years ended November 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Edgewater Park Sewerage Authority as of November 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edgewater Park Sewerage Authority's basic financial statements. The Introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 standard generally accepted in the United States of America. In my opinion the combining and individual non-major financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated April 30, 2018 on my consideration of the Edgewater Park Sewerage Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
April 30, 2018



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Chairman and Members of the
Edgewater Park Sewerage Authority
County of Burlington
Edgewater Park, New Jersey 08010

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, business-type activities and the aggregate remaining fund information of the Edgewater Park Sewerage Authority, County of Burlington, State of New Jersey, as of and for the fiscal year ended November 30, 2017, and related notes to the financial statements, which collectively comprise the Edgewater Park Sewerage Authority's basic financial statements, and have issued my report thereon dated April 30, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Edgewater Park Sewerage Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edgewater Park Sewerage Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Edgewater Park Sewerage Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

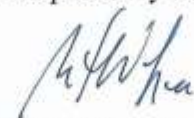
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Edgewater Park Sewerage Authority statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
April 30, 2018

EDWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended November 30, 2017 and 2016

As management of the Edgewater Park Sewerage Authority, (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority for the fiscal year ended November 30, 2017.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority operates one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

The statement of net position presents information about all of the Authority's assets, deferred outflow of resources, liabilities and deferred inflow of resources. The residual of all the other elements is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenue, expenses and changes in net position presents information showing how the net position of the Authority changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Edgewater Park Sewerage Authority
(A component unit of the Township of Edgewater Park)
Statement of Net Position
For the Fiscal Years Ended November 30, 2017 and 2016

	2017	2016
Asset:		
Unrestricted Assets	\$1,461,062	\$1,375,784
Restricted Assets	43,878	46,008
Capital Assets	<u>3,009,374</u>	<u>2,664,972</u>
Total Assets	<u>4,514,314</u>	<u>4,086,764</u>
Deferred Outflows of Resources:		
Pension Deferred Outflows	<u>140,983</u>	<u>120,472</u>
Total Deferred Outflows of Resources	<u>140,983</u>	<u>120,472</u>
Liabilities:		
Current Liabilities Payable from Unrestricted Assets	424,896	228,925
Current Liabilities Payable from Restrict Assets	189,487	188,148
Noncurrent Liabilities	<u>1,251,151</u>	<u>1,387,081</u>
Total Liabilities	<u>1,865,534</u>	<u>1,804,154</u>
Deferred Inflow of Resources:		
Pension Deferred Inflows	<u>73,777</u>	<u>57,622</u>
Total Deferred Inflows of Resources	<u>73,777</u>	<u>57,622</u>
Net Position:		
Net Investment in Capital Assets	1,778,569	1,276,112
Restricted for:		
Rate Stabilization	50,000	
Unrestricted:		
Designated for Subsequent Year's Expenditures	186,609	182,830
Unrestricted	<u>700,808</u>	<u>886,518</u>
Total Net Position	<u>\$2,715,986</u>	<u>\$2,345,460</u>

Financial Highlights

- The position of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,715,986 (*net position*).
- The total net position of the Authority increased by \$370,526, or a 15.80% increase from the prior fiscal year-end balance. The majority of the increase is attributable to collecting more connection fees in 2017.

Edgewater Park Sewerage Authority
(A Component Unit of the Township of Edgewater Park)
Statement of Changes in Net Position
For the Fiscal Years Ended November 30, 2017 and 2016

	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$1,788,892	\$1,458,840
Other Revenue	67,697	47,676
Nonoperating Revenues:		
Interest Revenue	<u>6,103</u>	<u>6,112</u>
Total Revenues	<u>1,862,692</u>	<u>1,512,628</u>
Expenses:		
Administration:		
Salaries	65,376	61,997
Employee Benefits	35,039	28,377
Other Expenses	147,140	142,056
Cost of Providing Service:		
Operating & Maintenance	1,041,857	1,026,144
Depreciation	168,203	165,313
Nonoperating Expenses:		
Interest on Debt	<u>34,551</u>	<u>32,315</u>
Total Expenses	<u>1,492,166</u>	<u>1,456,202</u>
Increase/(Decrease) in Net Position	370,526	56,426
Net Position, October 1	<u>2,345,460</u>	<u>2,289,034</u>
Net Position, November 30	<u>\$2,715,986</u>	<u>\$2,345,460</u>

Total revenues increased by 23.15% mainly due to increasing service fees from \$90 per quarter to \$105 per quarter and collecting more connection fees in 2017.

Total expenditures increased by 2.47% primarily due to increases in pension expense and treatment fees.

Capital Assets	2017	2016
Land	\$ 58,850	\$ 58,850
Buildings & Improvements		
Machinery & Equipment	14,347	23,940
Infrastructure	<u>2,936,177</u>	<u>2,582,182</u>
Net Capital Assets	<u>\$3,009,374</u>	<u>\$2,664,972</u>

Edgewater Park Sewerage Authority
(A Component Unit of the Township of Edgewater Park)
Capital Assets (Net of Accumulated Depreciation)
For the Fiscal Years Ended November 30, 2017 and 2016

The Authority's capital assets as of November 30, 2017, totaled \$3,009,374 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure. The total increase in the Authority's investment in capital assets for the current fiscal year was \$344,402, or a 12.92% increase. This increase is mainly due to starting the Mt. Holly Road sewer extension project in 2017.

Debt

The Authority has entered a 2004 New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for the modernization of Sanitary Sewer Pump Station No. 6 in the amount of \$311,957. During fiscal year ending November 30, 2011 the Authority did not utilize the entire funding portion of the 2044 loan and the New Jersey Environmental Infrastructure Trust forgave \$3,942 of the Authority's Fund Loan Agreement. The Trust Loan portion of \$155,000 is payable over a twenty year period and bears interest rates ranging from 3.00% to 5.00%. The Fund Loan portion of \$156,957 is a no interest loan payable over a twenty-year period. The outstanding balances of the Trust Loan and Fund Loan are \$70,000 and \$49,703, respectively, as of November 30, 2017.

The Authority has also entered a 2010 New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for upgrades and improvements to certain pump stations and replacement of certain sewer mains of the Authority in the amount of \$2,930,420. During fiscal years ending November 30, 2012 and 2013 the Authority did not utilize the entire funding portion of the 2010 loan and the New Jersey Environmental Infrastructure Trust forgave \$518,256 and \$36,534 respectively for a total of \$554,790 of the Fund Loan Agreement. During fiscal year ending November 30, 2013 the Authority refunded the 2010 Bonds. The Trust Loan portion of \$995,000 is payable over a fifteen year period and bears an interest rate of 5.00%. The Fund Loan portion of \$1,475,420 is a no interest loan payable over a twenty year period. The outstanding balances of the Trust Loan and Fund Loan are \$670,000 and \$472,735, respectively, as of November 30, 2017.

For the Future

The Edgewater Park Sewerage Authority is currently in satisfactory financial condition. However, a major concern is the continuation of quality service at an affordable cost to the Authority's consumers. The Authority authorized a sewer service fee increase from \$360 to \$420 for fiscal year 2017. Also, the Authority approved an increase to the connection fee rate from \$1,756 to \$3,577 for fiscal year 2017. The Authority will continue to conduct rate studies in future years in order to insure the service charges are adequate to provide the continuation of quality service to its consumers.

In conclusion, the Edgewater Park Sewerage Authority has committed itself to providing excellent service to their consumers. The Authority plans to continue its sound fiscal management to meet the challenges of the future.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority. Questions concerning any of the information provided in this report may be directed to the Executive Director of the Authority.

EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
COMPARATIVE STATEMENT OF NET POSITION
AS OF NOVEMBER 30, 2017 AND 2016

ASSETS	2017	2016
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	\$1,294,037	1,243,545
Consumer Accounts Receivable	165,875	131,089
Prepaid Rent Expense	1,150	1,150
Total Unrestricted Current Assets	<u>1,461,062</u>	<u>1,375,784</u>
Restricted Assets:		
Cash & Cash Equivalents	<u>43,878</u>	<u>46,008</u>
Total Restricted Current Assets	<u>43,878</u>	<u>46,008</u>
Property, Plant & Equipment (Note 6):		
Property, Plant & Equipment	5,438,416	4,925,811
Less: Accumulated Depreciation	<u>2,429,042</u>	<u>2,260,839</u>
Net Property, Plant & Equipment	<u>3,009,374</u>	<u>2,664,972</u>
Total Assets	<u>4,514,314</u>	<u>4,086,764</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	<u>140,983</u>	<u>120,472</u>
Total Deferred Outflows of Resources	<u>140,983</u>	<u>120,472</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$4,655,297</u></u>	<u><u>4,207,236</u></u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
COMPARATIVE STATEMENT OF NET POSITION
AS OF NOVEMBER 30, 2017 AND 2016

	2017	2016
LIABILITIES		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	411,776	217,650
Unearned Revenue	4,891	5,640
Sewer Rent Overpayments	1,955	1,326
Pension Payable	6,274	4,309
	<hr/>	<hr/>
Total Current Liabilities Payable From Unrestricted Assets	424,896	228,925
Current Liabilities Payable From Restricted Assets:		
Customer Escrow Deposits	12,245	14,442
Reserve for Unemployment Claims	3,218	3,218
Accrued Interest	11,358	12,500
Loan Payable	162,666	157,988
	<hr/>	<hr/>
Total Current Liabilities Payable From Restricted Assets	189,487	188,148
Noncurrent Liabilities:		
Net Pension Payable	151,379	124,643
Loan Payable	1,099,772	1,262,438
	<hr/>	<hr/>
Total Noncurrent Liabilities	1,251,151	1,387,081
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Total Liabilities	1,865,534	1,804,154
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	73,777	57,622
	<hr/>	<hr/>
Total Deferred Inflows of Resources	73,777	57,622
	<hr/>	<hr/>
NET POSITION		
Net Investment in Capital Assets	1,778,569	1,276,112
Restricted for:		
Rate Stabilization	50,000	
Unrestricted for:		
Designated for Subsequent Year's Expenditures	186,609	182,830
Unrestricted	700,808	886,518
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Total Net Position	\$2,715,986	2,345,460
	<hr/>	<hr/>
Total Liabilities, Deferred Intflows of Resources and Net Position	<u>\$4,655,297</u>	<u>4,207,236</u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017	2016
Operating Revenues:		
Charges for Sewer Service	\$1,788,892	1,458,840
Other Revenue	67,697	47,676
	<hr/>	<hr/>
Total Operating Revenues	1,856,589	1,506,516
	<hr/>	<hr/>
Operating Expenses:		
Administration:		
Salaries	65,376	61,997
Employee Benefits	35,039	28,377
Other Expenses	147,140	142,056
Cost of Providing Services:		
Other Expenses	1,041,857	1,026,144
Depreciation	168,203	165,313
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Total Operating Expenses	1,457,615	1,423,887
	<hr/>	<hr/>
Operating Income/(Loss)	398,974	82,629
	<hr/>	<hr/>
Nonoperating Revenue/(Expenses):		
Interest on Debt	(34,551)	(32,315)
Interest Revenue	6,103	6,112
	<hr/>	<hr/>
Total Nonoperating Revenue/(Expense)	(28,448)	(26,203)
	<hr/>	<hr/>
Change in Net Position	370,526	56,426
Net Position - Beginning of Year	2,345,460	2,289,034
	<hr/>	<hr/>
Net Position - End of Year	\$2,715,986	2,345,460
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The accompanying Notes to the Financial Statements are an integral part of this Statement.

EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Receipts from Customers	\$1,753,986	1,435,818
Receipts from Other Operating Revenue	67,697	47,676
Payments to Employees	(65,376)	(61,997)
Payments for Employee Benefits	(35,039)	(28,377)
Payments to Suppliers	(970,526)	(1,180,120)
Net Cash Provided by Operating Activities	<u>750,742</u>	<u>213,000</u>
Cash Flows from Noncapital Financing Activities:		
Escrow Deposit Activity	(2,197)	3,727
Net Cash Provided for Noncapital Financing Activities	<u>(2,197)</u>	<u>3,727</u>
Cash Flows from Capital & Related Financing Activities:		
Capital Acquisitions	(512,605)	(20,660)
Debt Service:		
Principal	(157,988)	(158,246)
Interest	(35,693)	(34,162)
Net Cash Provided for Capital & Related Financing Activities	<u>(706,286)</u>	<u>(213,068)</u>
Cash Flows from Investing Activities:		
Interest & Dividends	6,103	6,112
Net Cash Provided by Investing Activities	<u>6,103</u>	<u>6,112</u>
Net Increase in Cash & Cash Equivalents	48,362	9,771
Cash & Cash Equivalents - Beginning of Year	<u>1,289,553</u>	<u>1,279,782</u>
Cash & Cash Equivalents - End of Year	<u><u>\$1,337,915</u></u>	<u><u>1,289,553</u></u>

Reconciliation on Net Income to Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	\$398,974	82,629
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation	168,203	165,313
Working Capital Changes Which Provided/(Used) by Cash:		
Accounts Receivable	(34,786)	1,483
Accounts Payable	218,471	(11,920)
Unearned Revenue	(749)	(14,890)
Sewer Overpayments	629	(9,615)
Net Cash Provided/(Used) by Operating Activities	<u><u>\$750,742</u></u>	<u><u>213,000</u></u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Edgewater Park Sewerage Authority have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements have been prepared on an accrual basis and in conformity with generally accepted accounting principles applicable to Enterprise Funds of State and local governments.

The accompanying financial statements present the financial position of the Authority, the results of operations of the Authority and the cash flows of the proprietary fund. The financial statements are presented as of November 30, 2016.

A. Reporting Entity

The Township of Edgewater Park incorporated in 1945 is located in western Burlington County, New Jersey along the Delaware River approximately fifteen miles from the City of Philadelphia and covers an area of approximately 2.86 square miles. The present population according to the 2010 census is 8,881.

The Township, by ordinance in 1945 created the Edgewater Park Sewerage Authority ("Authority"). The Authority is organized under the provisions P.L. 1957 Chapter 138 (the Act). The Act grants power to every municipality of the State to acquire, construct, maintain, operate or improve works for the collection, treatment, purification or disposal of sewerage or other wastes through establishment of a municipal utilities. The Authority is governed by a five-member board. Members of the Board are appointed by the Township Committee for five-year terms on a staggered basis. The members of the Board oversee the Authority's operation.

The Authority was created to construct and operate a wastewater collection system within the municipal boundaries of the Township. The Authority has also entered into a service agreement with the Township of Willingboro for the collection and treatment of a portion of sewer discharged from the Authority's system.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

The Edgewater Park Sewerage Authority is a component unit of the Township of Edgewater Park as described in Governmental Accounting Standards Board Statement No. 14 due to the existence of a service agreement between the Authority and the Township. These financial statements would be either blended or discreetly present as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies (continued):

B. Basis of Presentation

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements:

The following GASB Statements became effective for the year ended November 30, 2017:

Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The adoption of this statement had no impact on the Authority's financial statements.

Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68, Accounting and Financial Reporting for Pensions. The adoption of this statement had no impact on the Authority's financial statements.

Statement 79, *Certain External Investment Pools and Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this statement had no impact on the Authority's financial statements.

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NOVEMBER 30, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued):

Recently Issued Accounting Pronouncements

The GASB has issued the following statements which will become effective in future fiscal years:

Statement 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, Statement 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement 74, *Financial Reporting for Post-employment Benefit Plan Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement 14. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of statement 14, *The Financial Reporting Entity, as amended*. This statement will be effective for the year ended June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement will be effective for the year ended June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 82, *Pension Issues* – an amendment of GASB Statement 67, 68 and 73. The objective of this statement is to address certain issues that have been raised with respect to Statement 67, *Financial Reporting for Pension Plans*, Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this statement are effective for reporting periods beginning after June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

THE EDGEWATER PARK SEWERAGE AUTHORITY
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NOVEMBER 30, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies (continued):

B. Basis of Presentation (continued):

Statement 84, *Fiduciary Activities*. The statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement 84 is effective for the reporting period beginning after December 31, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 85, *Omnibus 2017*. This statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement 85 is effective for the period beginning after June 15, 2017. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 86, *Accounting for Certain Debt Extinguishment*. Statement 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement 86 is effective for the period beginning after June 15, 2017. Management does not expect this statement to have a material impact on the School District's financial statements. Statement 87, *Leases*. Statement 87 establishes single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing the right to use an underlying asset. Statement 87 is effective for the reporting period beginning after December 15, 2019. Management does not expect this statement to have a material impact on the Authority's financial statements.

C. Budgetary Data

The Edgewater Park Sewerage Authority must adopt an annual budget in accordance with *N.J.A.C.5:31-2*. *N.J.A.C.5:31-2* requires the governing body to introduce the annual authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year.

The legal level of budgetary control is established at the detail shown on the Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected.

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Note 1. Summary of Significant Accounting Policies (continued):

D. Contributed Capital

Contributed Capital consists primarily of sewer lines and pumping stations constructed by local developers and donated to the Authority. These items are recorded at estimated fair market value. The sewer lines and pumping stations are recorded as contributed capital in the period received.

E. Property, Plant and Equipment

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings & Improvements	30 years
Infrastructure	10-75 years
Machinery & Equipment	5-15 years

Property, Plant and Equipment owned by the Authority are recorded at cost. Repairs and maintenance are recorded as expenses.

F. Statement of Cash Flows

For purpose of the statement of cash flows, the Authority considers investments with maturities of three months or less to be cash equivalents.

G. Investment Securities

State laws authorize the Authority to invest in obligations of the U.S. Treasury and other instruments allowed under *N.J.S.40A:5-14*. Cash and Investments include bank balances and investments that at the balance sheet date were entirely insured. Investments are shown at market value.

H. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events of the date of the financial statements. Accordingly, upon settlement, actual results may differ.

I. Escrow Funds

Escrow funds represent engineer review fee deposits held in trust from developers in order to pay engineering, legal and administrative expenses.

THE EDGEWATER PARK SEWERAGE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies (continued):

J. Net Position

Net Position is distributed into the following two categories:

Restricted – represents net assets that are set aside as required by the Authority’s bond resolution. Other reserved retained earnings include amounts set aside as net investment in capital assets, renewals and reserves and debt service requirements.

Unrestricted – represents cumulative earnings that are currently available and may be appropriated for any lawful purpose.

Note 2. Cash and Cash Equivalents and Investments

The Authority is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at November 30, 2017 and 2016 reported at fair value are as follows:

	<u>2017</u>	<u>2016</u>
Deposits:		
Demand Deposits	<u>\$1,337,915</u>	<u>\$1,289,553</u>
Total Deposits	<u>\$1,337,915</u>	<u>\$1,289,553</u>
 Reconciliation of Comparative Statement of Net Position:		
Unrestricted Assets:		
Cash & Cash Equivalents	\$1,294,037	\$1,243,545
Restricted Assets:		
Cash & Cash Equivalents	<u>43,878</u>	<u>46,008</u>
 Total Reconciliation of Comparative Statement Net Position	<u>\$1,337,915</u>	<u>\$1,289,553</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$1,337,808 and \$1,289,733 at November 30, 2017 and 2016, respectively.

As of November 30, 2017 and 2016, the Authority’s bank balances were exposed to custodial credit risk as follows:

THE EDGEWATER PARK SEWERAGE AUTHORITY
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NOVEMBER 30, 2017 AND 2016

Note 2. Cash and Cash Equivalents and Investments (continued):

	<u>2017</u>	<u>2016</u>
Insured by FDIC	\$ 289,291	\$ 291,421
Insured by GUDPA	<u>1,048,517</u>	<u>998,312</u>
Total	<u>\$1,337,808</u>	<u>\$1,289,733</u>

The Governmental Unit Deposit Protection Act is more fully described in Note 3 of these financial statements.

Investment Interest Rate Risk – The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at November 30, 2017 are provided in the above schedule.

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

Concentration of Investment Credit Risk – The Authority places no limit on the amount it may invest in any one issuer.

THE EDGEWATER PARK SEWERAGE AUTHORITY
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Note 3. Governmental Unit Deposit Protection Act (GUDPA)

The Authority has deposited cash with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act. In addition to savings and checking accounts the Authority invests monies in certificates of deposits from time to time.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
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NOVEMBER 30, 2017 AND 2016

Note 3. Governmental Unit Deposit Protection Act (GUDPA) (continued):

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository.

The Authority requests copies of these approval forms semiannually to assure that all depositories are complying with requirements.

Note 4. Pension Plan

Description of System and Vesting

All eligible authority employees participate in the contributory defined benefit public employee retirement system established by state statute. The Public Employees Retirement System (PERS) is sponsored and administered by the State of New Jersey and considered a cost-sharing multiple employer plan.

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage.

At November 30, 2017 the Authority reported a liability of \$157,653 (\$6,274 Pension Payable and \$151,379 Net Pension Payable) for its proportionate share of the net pension liability as measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The authority's proportion of the net pension liability was based on a projection of the authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating authorities, actuarially determined. At June 30, 2017, the authority's proportion was .0006772502% which increased slightly by .0002% from its proportion measured as of June 30, 2016.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

THE EDGEWATER PARK SEWERAGE AUTHORITY
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Note 4. Pension Plan (continued):

For the years ended November 30, 2017 and 2016, the Authority recognized pension expense of \$28,654 and \$22,086 respectively. At November 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>November 30, 2017</u>		<u>November 30, 2016</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference Between Expected and Actual Experience	3,712		\$ 2,398	
Changes of Assumptions	31,762	31,645		26,712
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,074		4,917	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	104,435	42,132	86,445	57,622
Authority Contributions Subsequent to The Measurement Date	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 140,983</u>	<u>\$ 73,777</u>	<u>\$ 120,472</u>	<u>\$ 57,622</u>

\$140,983 and \$120,472 will be reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended November 30, 2017 and 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended November 30, 2017</u>		<u>Year Ended November 30, 2016</u>	
2018	\$ 12,264	2017	\$ 10,105
2019	12,264	2018	10,105
2020	12,264	2019	10,105
2021	12,264	2020	10,105
2022	12,264	2021	10,105
Thereafter	<u>5,886</u>	Thereafter	<u>12,327</u>
Total	<u>\$ 67,206</u>	Total	<u>\$ 62,850</u>

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Note 4. Pension Plan (continued):

Additional Information

Collective balances at November 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 3,578,755,666
Collective deferred inflows of resources	5,700,625,981	993,410,455
Collective net pension liability	\$23,278,401,588	22,447,996,119
Authority's Proportion	.0006772502%	.0004342052%

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

	<u>2017</u>		<u>2016</u>
Inflation Rate	2.25%	Inflation Rate	3.08%
Salary Increases: Through 2026	1.65 – 4.15% Based on Age	Salary Increases: Through 2026	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age	Thereafter	2.65 – 5.15% Based on Age

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 and 2015 are summarized in the following tables:

THE EDGEWATER PARK SEWERAGE AUTHORITY
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Note 4. Pension Plan (continued):

Asset Class	2017 Target Allocation	2017 Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Develop Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Asset Class	2016 Target Allocation	2016 Long-Term Expected Real Rate of Return
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.62%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.00%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt Ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

THE EDGEWATER PARK SEWERAGE AUTHORITY
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Note 4. Pension Plan (continued):

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65% as of June 30, 2017 and 2016, respectively, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contribution 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016 and 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

2017			
	At 1% decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	29,818,581,732	25,645,622,797	22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
	<u>58,697,018,759</u>	<u>48,924,024,385</u>	<u>40,792,456,582</u>
2016			
	At 1% decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>27,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
	<u>70,715,189,252</u>	<u>59,007,817,464</u>	<u>49,352,744,647</u>

THE EDGEWATER PARK SEWERAGE AUTHORITY
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Note 4. Pension Plan (continued):

Description of System and Vesting

Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Contribution Requirements

The contribution policy is set by N.J.S.A.43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A.18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 7.06%, effective July 1, 2015 and increases to 7.20%, effective July 1, 2016 of employees' annual compensation as defined. The rate will increase over the next several years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The Edgewater Park Sewerage Authority's contributions to P.E.R.S. for the years ending November 30, 2016, 2015 and 2014 were \$4,039, \$304 and \$671, respectively, equal to the required contributions for each year.

Additional detailed information about the pension plan is available in the separately issued State of New Jersey Public Employees' Retirement System – Schedules of Employer Allocations and Schedules of Pension Amounts by Employer at <http://www.nj.gov/treasury/pensions/gasb-68-rpts.shtml>

Note 5. Other Agreements

The Authority has entered into an agreement with the Township of Willingboro Sewerage Authority, which provides for the treatment and disposal of sewerage and other waste collected in Edgewater Park by the Willingboro Sewerage Authority at various rates based upon water consumption. This agreement expires December 2, 2045.

THE EDGEWATER PARK SEWERAGE AUTHORITY
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Note 6. Schedule of Capital Assets

	Balance November 30, 2016	Additions	Balance November 30, 2017
Land	\$ 58,850		\$ 58,850
Building & Building Improvements	43,393		43,393
Machinery & Equipment	274,522		274,522
Infrastructure	4,549,046	512,605	5,061,651
Subtotal	4,925,811	512,605	5,438,416
Less: Accumulated Depreciation	(2,260,839)	(168,203)	(2,429,042)
Total	<u>\$2,664,972</u>	<u>\$ 344,402</u>	<u>\$ 3,009,374</u>

	Balance November 30, 2015	Additions	Balance November 30, 2016
Land	\$ 58,850		\$ 58,850
Building & Building Improvements	43,393		43,393
Machinery & Equipment	253,862	20,660	274,522
Infrastructure	4,549,046		4,549,046
Subtotal	4,905,151	20,600	4,925,811
Less: Accumulated Depreciation	(2,095,526)	(165,313)	(2,260,839)
Total	<u>\$2,809,625</u>	<u>\$ (144,653)</u>	<u>\$ 2,664,972</u>

Note 7. Receivables

All receivables are considered to be collectible in full due to the statutory provisions provided to authorities. Receivables as of year-end for the Authority are as follows:

	<u>2017</u>	<u>2016</u>
Consumer	<u>\$165,875</u>	<u>\$131,089</u>
Total Accounts Receivable	<u>\$165,875</u>	<u>\$131,089</u>

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

Note 8. Long-Term Debt

A. NJEIT Loans Dated February 1, 2004

The Authority has entered into a New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for the modernization of Sanitary Sewer Pump Station No. 6 in the amount of \$311,957. During fiscal year ending November 30, 2011 the Authority did not utilize the entire funding portion of the 2004 loan and the New Jersey Environmental Infrastructure Trust forgave \$3,942 of the Authority's Fund Loan Agreement. The Trust Loan portion of \$155,000 is payable over a twenty year period and bears interest rates ranging from 3.00% to 5.00%. The Fund Loan portion of \$156,957 is a no interest loan payable over a twenty year period. As of November 30, 2017 and 2016 are as follows:

	Balance November 30, 2016	Retired	Balance November 30, 2017	Due Within One Year
Trust Loan Payable	\$ 80,000	\$ 10,000	70,000	\$ 10,000
Fund Loan Payable	58,651	8,948	49,703	8,625
Total	<u>\$138,651</u>	<u>\$ 18,948</u>	<u>119,703</u>	<u>\$ 18,625</u>

	Balance November 30, 2015	Retired	Balance November 30, 2016	Due Within One Year
Trust Loan Payable	\$ 90,000	\$ 10,000	80,000	\$ 10,000
Fund Loan Payable	67,857	9,206	58,651	8,948
Total	<u>\$157,857</u>	<u>\$ 19,206</u>	<u>138,651</u>	<u>\$ 18,948</u>

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

Note 8. Long-Term Debt (continued)

Future principal and interest payments are as follows:

Fiscal Year Ending November 30	Principal	Interest	Total
2018	\$ 18,625	3,362	\$ 21,987
2019	18,302	2,863	21,165
2020	17,980	2,362	20,342
2021	17,657	1,862	19,519
2022	17,334	1,363	18,697
2023-2024	29,806	1,300	31,106
Total	<u>\$119,704</u>	<u>\$13,112</u>	<u>\$132,816</u>

B. NJEIT Loans Dated October 7, 2010

The Authority entered into a New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for the upgrades and improvements to certain pump stations and replacement of certain sewer mains of the Authority in the amount of \$2,930,420. During fiscal years ending November 30, 2011 and 2013 the Authority did not utilize the entire funding portion of the 2010 loan and the New Jersey Environmental Infrastructure Trust forgave \$518,256 and \$36,534 respectively for a total of \$554,790 of the Authority's Fund Loan Agreement. Also, during the fiscal year ending November 30, 2013 the Authority refunded its loan agreement. The Trust Loan portion of \$1,455,000 was refunded to become \$995,000 and is payable over a fifteen year period that bears an interest rate of 5.00%. The Fund Loan portion of \$957,164 is no interest loan payable over a twenty year period. As of November 30, 2017 and 2016 the loan payable are as follows:

	Balance November 30, 2016	Retired	Balance November 30, 2017	Due Within One Year
Trust Loan Payable	\$ 730,000	\$ 60,000	\$ 670,000	\$ 65,000
Fund Loan Payable	551,775	79,040	472,735	79,040
Total	<u>\$1,281,775</u>	<u>\$139,040</u>	<u>\$ 1,142,735</u>	<u>\$144,040</u>

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

B. NJEIT Loans Dated October 7, 2010 (continued):

	Balance November 30, 2015	Retired	Balance November 30, 2016	Due Within One Year
Trust Loan Payable	\$ 790,000	\$ 60,000	\$ 730,000	\$ 60,000
Fund Loan Payable	630,816	79,041	551,775	79,040
	<hr/>			
Total	\$1,420,816	\$139,041	\$ 1,281,775	\$139,040
	<hr/>			

Future principal and interest payments are as follows:

Fiscal Year Ending November 30	Principal	Interest	Total
2018	\$ 144,040	33,500	\$ 177,540
2019	144,041	30,250	174,291
2020	149,040	27,000	176,040
2021	154,041	23,500	177,541
2022	154,040	19,750	173,790
2023-2026	397,533	39,000	436,533
	<hr/>		
Total	\$1,142,735	\$173,000	\$1,315,735
	<hr/>		

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; employee health and accident claims, and natural disasters. The Authority has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The Authority maintains commercial insurance for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

Note 10. Service Fees

The following is a five year comparison of service fee billings and the related collections:

Fiscal Year Ending November 30,	Balance December 1	Service Fees	Total	Cash Collections	Percentage
2017	131,089	1,788,892	1,919,981	1,788,011	93.13%
2016	133,722	1,458,840	1,592,562	1,457,971	91.55%
2015	135,718	1,393,645	1,529,363	1,400,429	91.57%
2014	143,721	1,390,886	1,534,607	1,398,889	91.16%
2013	115,012	1,404,516	1,519,528	1,375,807	90.54%

Note 11. Service Organization's SSAE 18 Requirement

The Authority utilizes NJ American Water Company, Inc. to provide consumption data of the Authority's customers' water usage. This data is used to bill the commercial customers of the Authority, as sewer charges are based on the amount of water consumed. Statement of Auditing Standards for Attestation Engagements No. 18 requires the Authority to receive an internal control report from service organizations providing such services mentioned above. The Authority has requested an internal control report from NJ American Water Company, Inc. and they have refused to accommodate the Authority's request.

Note 12. Unrestricted Net Position Appropriated

The following schedule details the amount of unrestricted net position balance available at the end of the current year and five previous years and the amounts utilized in the subsequent year's budget:

Fiscal Year Ending November 30,	Balance November 30,	Utilized in Budget of Succeeding Year	Percentage
2017	\$ 887,417	186,609	21.03%
2016	1,069,348	182,830	16.81%
2015	1,026,518	401,228	39.09%
2014	1,262,399	336,637	26.67%
2013	1,155,223	342,220	29.62%

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

Note 13. Reclassification of Net Pension Liability

The Authority adopted GASB No. 68 – Accounting and Financial Reporting for Pensions – An amendment of GASB No. 27 during 2015 fiscal year as required by the pronouncement. Comparative figures have been adjusted to conform to the current year's presentation. The items for the year ending December 31, 2016 were reclassified as follows:

	<u>Previously Reported</u>	<u>Reclassified Amount</u>	<u>After Reclassification</u>
Pension Payable		\$ 3,868	\$ 3,868
Net Pension Liability	\$ 128,952	(3,868)	125,084

Note 14. Subsequent Events

The Edgewater Park Sewerage Authority has evaluated subsequent events occurring after November 31, 2017 through the date of April 30, 2018, which is the date the financial statements were available to be issued.

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF ANTICIPATED REVENUES, OPERATING APPROPRIATIONS, PRINCIPAL
PAYMENTS AND NONOPERATING APPROPRIATIONS COMPARED TO BUDGET
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017			2016		
	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL
Revenues:						
Operating Revenues:						
Service Fees	\$1,609,820	1,609,820	1,788,892	\$1,343,510	1,343,510	1,458,840
Other	5,000	5,000	29,826	5,000	5,000	25,016
Total Operating Revenues	1,614,820	1,614,820	1,818,718	1,348,510	1,348,510	1,483,856
Nonoperating Revenues:						
Miscellaneous			37,871			22,660
Interest on Investments & Deposits	4,500	4,500	6,103	4,500	4,500	6,112
Total Nonoperating Revenues	4,500	4,500	43,974	4,500	4,500	28,772
Total Revenues	1,619,320	1,619,320	1,862,692	1,353,010	1,353,010	1,512,628
Expenses:						
Administration:						
Salaries & Wages:						
Authority Members	13,500	13,500	8,605	9,428	9,428	8,605
Secretary/Treasurer	38,000	38,000	32,690	37,000	37,000	32,072
Assistant Secretary	27,000	27,000	24,081	26,000	26,000	21,320
Total Salaries & Wages	78,500	78,500	65,376	72,428	72,428	61,997
Employee Benefits:						
Public Employees Retirement System	6,000	6,000	28,654	6,000	6,000	22,086
Social Security	6,000	6,000	5,134	6,000	6,000	4,909
Unemployment Compensation Insurance	1,000	1,000	475	1,000	1,000	496
Workers' Compensation Insurance	1,500	1,500	776	1,500	1,500	886
Total Employee Benefits	14,500	14,500	35,039	14,500	14,500	28,377
Other Expenses:						
Legal Services & Costs	30,000	30,000	20,000	30,000	30,000	20,000
Auditing Fees	20,000	20,000	16,340	20,000	20,000	16,360
Contracted Services	40,000	40,000	39,000	40,000	40,000	39,757
Computer Services	8,000	8,000	7,268	7,000	7,000	6,659
Office Expenses	13,000	13,000	7,264	15,000	15,000	7,504
Miscellaneous Expenses	25,000	25,000	7,612	20,000	20,000	5,045
Administrative Fees	20,000	20,000	8,517	20,000	20,000	8,064
Travel, Conference & Training	8,000	8,000	2,177	8,000	8,000	1,152
Small Office Equipment	10,000	10,000	1,959	10,000	10,000	
Rent Expense	13,800	13,800	13,800	13,800	13,800	13,800
Other Insurance Premiums	33,000	33,000	23,203	33,000	33,000	23,715
Total Other Expenses	220,800	220,800	147,140	216,800	216,800	142,056
Total Administration	313,800	313,800	247,555	303,728	303,728	232,430

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF ANTICIPATED REVENUES, OPERATING APPROPRIATIONS, PRINCIPAL
PAYMENTS AND NONOPERATING APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017			2016		
	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL
Operating & Maintenance Expenses:						
Contracted Services	18,000	18,000	16,167	20,000	20,000	15,409
Electric Power	40,000	40,000	24,009	40,000	40,000	25,446
Water	4,000	4,000	3,393	3,500	3,500	4,092
Treatment Fees	920,000	920,000	806,783	920,000	920,000	781,405
Repair & Maintenance	200,000	200,000	157,613	200,000	200,000	156,448
Telephone	18,000	18,000	15,463	25,000	25,000	15,140
Engineer Services	30,000	30,000	12,970	30,000	30,000	24,781
Other Expenses	10,000	10,000	5,459	10,000	10,000	3,423
Total Operating & Maintenance Expenses	1,240,000	1,240,000	1,041,857	1,248,500	1,248,500	1,026,144
Total Cost of Providing Service	1,240,000	1,240,000	1,041,857	1,248,500	1,248,500	1,026,144
Debt Service:						
Principal on Loans	157,988	157,988	157,988	158,247	158,247	158,247
Interest on Loans	40,362	40,362	34,551	43,763	43,763	32,315
Total Debt Service	198,350	198,350	192,539	202,010	202,010	190,562
Capital Outlay and Reserves:						
Reserve for Rate Stabilization	50,000	50,000				
Total Capital Outlay and Reserves	50,000	50,000				
Total Expenses	1,802,150	1,802,150	1,481,951	1,754,238	1,754,238	1,449,136
Total Expenses & Other Cost						
Funded by Operating Revenues	(\$182,830)	(182,830)	380,741	(\$401,228)	(401,228)	63,492
Adjustments to Reconcile Excess Revenues Over Expenditures to GAAP Basis for Change in Net Position:						
Excess Expenditures Over Revenues			\$380,741			63,492
Increased by:						
Loan Principal			157,988			158,247
Reserve for Rate Stabilization						
Subtotal			538,729			221,739
Decreased by:						
Depreciation			168,203			165,313
Change in Net Position (Exhibit B)		- 36 -	\$370,526			56,426

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF LOANS PAYABLE
FOR THE YEAR ENDED NOVEMBER 30, 2017

PURPOSE	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE NOVEMBER 31, 2016	ISSUED	DECREASED	BALANCE NOVEMBER 31, 2017
	DATE	AMOUNT		DATE	AMOUNT				
2004 New Jersey Environmental Infrastructure Trust Loan	10/13/04	155,000	5.000%	8/1/18	10,000				
			5.000%	8/1/19	10,000				
			5.000%	8/1/20	10,000				
			5.000%	8/1/21	10,000				
			5.000%	8/1/22	10,000				
			4.250%	8/1/23	10,000				
			4.375%	8/1/24	10,000				
				<u>70,000</u>			<u>10,000</u>	<u>70,000</u>	
2004 New Jersey Environmental Infrastructure Fund Loan	10/13/04	156,957	N/A	2/1/18	1,085				
				8/1/18	7,540				
				2/1/19	924				
				8/1/19	7,379				
				2/1/20	762				
				8/1/20	7,217				
				2/1/21	601				
			8/1/21	7,056					

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF LOANS PAYABLE
FOR THE YEAR ENDED NOVEMBER 30, 2017

PURPOSE	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE NOVEMBER 31, 2016	ISSUED	DECREASED	BALANCE NOVEMBER 31, 2017
	DATE	AMOUNT		DATE	AMOUNT				
2004 New Jersey Environmental Infrastructure Fund Loan (continued):	10/13/04	156,957	N/A	2/1/22	440				
				8/1/22	6,894				
				2/1/23	278				
				8/1/23	6,733				
				2/1/24	141				
8/1/24	2,653								
					49,703	58,651		8,948	49,703
2010 New Jersey Environmental Infrastructure Trust Loan	12/2/10	1,455,000	5.000%	8/1/18	65,000				
				8/1/19	65,000				
				8/1/20	70,000				
				8/1/21	75,000				
				8/1/22	75,000				
				8/1/23	80,000				
				8/1/24	85,000				
				8/1/25	90,000				
8/1/26	65,000								
					670,000	730,000		60,000	670,000

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF LOANS PAYABLE
FOR THE YEAR ENDED NOVEMBER 30, 2017

PURPOSE	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE NOVEMBER 31, 2016	ISSUED	DECREASED	BALANCE NOVEMBER 31, 2017
	DATE	AMOUNT		DATE	AMOUNT				
2010 New Jersey Environmental Infrastructure Fund Loan	12/2/10	957,164	N/A	2/1/18	26,347				
				8/1/18	52,694				
				2/1/19	26,347				
				8/1/19	52,693				
				2/1/20	26,347				
				8/1/20	52,694				
				2/1/21	26,347				
				8/1/21	52,693				
				2/1/22	26,347				
				8/1/22	52,694				
				2/1/23	26,347				
				8/1/23	51,186				
				472,736	551,775	79,040	472,735		
Total					\$1,420,426	-	157,988	\$1,262,438	

**EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - PERS ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability (Asset)	0.00032%	0.00022%	0.00021%	0.00043%	0.00002%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$157,653	\$128,952	\$97,470	\$167,472	\$9,487
Authority's covered employee payroll	\$56,962	\$50,320	\$48,003	\$52,481	\$39,067
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PERS
SCHEDULE OF CONTRIBUTIONS ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$6,274	\$3,868	\$3,733	\$7,374	\$374
Contributions in relation to the Actuarially Determined Contributions	6,274	3,868	3,733	7,374	374
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered-Employee Payroll	\$56,962	\$50,320	\$48,003	\$52,481	\$39,067
Contributions as a Percentage of Covered - Employee Payroll	11.014%	7.687%	7.777%	14.051%	0.957%

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

To the Chairman and Members of the
Edgewater Park Sewerage Authority
Edgewater Park, New Jersey 08010

I have audited the financial accounts and transactions of the Edgewater Park Sewerage Authority in the County of Burlington for the year ended November 30, 2017. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

System Repairs and Maintenance and Paving Project

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any instances where individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Collection of Service Revenue

It appears from an examination of the billing records that service revenue was collected in accordance with the Authority's policy.

Collection of Interest on Delinquent Service Fees

Sewer usage is billed in four cycles on a quarterly basis, with one cycle billed monthly. Bills not paid within four weeks of the billing date are considered delinquent. Delinquent accounts are charged interest of eighteen percent (18%) per annum on the total amount due.

It appears from the examination of the billing records that interest was collected in accordance with the Authority's policy.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant and Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Follow-up on Prior Years' Findings

In accordance with government auditing standards, my procedures included a review of all prior year findings. The previous year audit finding has been corrected.

Acknowledgment

I received the complete cooperation of all officials and employees of the Authority and I greatly appreciate the courtesies extended to the members of the audit team.



Brent W. Lee
Certified Public Accountant

April 30, 2018