PENNSAUKEN SEWERAGE AUTHORITY

REPORT OF AUDIT

WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

PENNSAUKEN SEWERAGE AUTHORITY
Table of Contents
For the Years Ended December 31, 2017 and 2016

PENNSAUKEN SEWERAGE AUTHORITY
Roster of Officials
As of December 31, 2017

MEMBERS	POSITION
Oren Lutz	Chairman
Gregory E. Schofield	Vice-Chairman
Dennis Archible	Member
Timothy Ellis	Member
James Pennestri	Member
OFFICERS	
William Orth	Secretary/Executive Director
Marco DiBattista	Treasurer/Office Manager
CONSULTANTS	
David Luthman	Solicitor
T & M Associates, Inc	Engineer
Remington & Vernick Engineers	Engineer
US Bank	Trustee
Parker McCay	Bond Counsel
Connor Strong Companies, Inc.	Insurance Broker

PENNSAUKEN SEWERAGE AUTHORITY

PART I

FINANCIAL SECTION

FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Pennsauken Sewerage Authority
Pennsauken, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pennsauken Sewerage Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Authority), as of and for the years ended December 31, 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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 requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Pennsauken Sewerage Authority, in the County of Camden, State of New Jersey as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability, schedule of the Authority's contributions and schedule of funding progress for the OPEB plan as listed in 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. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2018 on our consideration of the Authority's internal control over financial reporting and on our 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 our 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,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 16, 2018

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

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Pennsauken Sewerage Authority
Pennsauken, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, 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 requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Pennsauken Sewerage Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Recommendations* that we consider to be a significant deficiency as finding no. 2017-001.

36000

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying *Schedule of Findings and Recommendations* as finding no. 2017-001.

The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 16, 2018

PENNSAUKEN SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(UNAUDITED)

The Pennsauken Sewerage Authority (the Authority) is a public agency providing wastewater services to Pennsauken Township, the Borough of Merchantville and a small section of Cherry Hill Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2017 and 2016. The entire annual financial report consists of five parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, required supplementary information and supplemental schedules.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- **Total Assets** - Total assets as of December 31, 2017 were $8,199,032.28. After adding deferred outflows of $1,661,391.00 and deducting liabilities and deferred inflows totaling $8,358,885.21, net position totaled $1,501,538.07.

- **Total Operating Revenue**- Revenues for the year ended December 31, 2017 totaling $4,387,684.01 were up from last year's ending amount of $4,371,425.70 mainly due to an increase in service fee revenue.

- **Total Operating Expenses** – Operating expenses for the year ended December 31, 2017 totaling $4,309,672.63 were down 5.43% from last year's amount of $4,557,118.23 mainly due to a decrease in employee benefits due to the accruals for the net pension liability and GASB 68.

- **Interest Income** – For the year ending December 31, 2017, the Authority generated $13,654.81 interest income from investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America which are promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred. Capital assets, which meet certain criteria, are capitalized and depreciated over their useful lives (with the exception of land and construction in progress). A summary of the Authority's significant accounting policies is described in the "Notes to the Financial Statements" which is included with the audit as described above.

The comparative statements of net position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the comparative statements of revenues, expenses, and changes in net position regardless of when cash is received or paid. Net position – the difference between the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Authority's financial health or position.

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statements of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was $1,501,538.07 on December 31, 2017. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed below.

A significant portion of the Authority's net position represents its investment in capital assets (i.e. sewer lines, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position represents resources that are subject to external restrictions on how they can be used under the Bond Resolution covenants.

The remaining portion of the Authority's net position is a deficit in unrestricted net position. The deficit is primarily a result of the Authority's implementation of GASB 68 and 71.

Comparative Statements of Net Position
As of December 31, 2017 , 2016 and 2015

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Assets			
Current Assets	$ 2,837,586.83	$ 2,758,633.04	$ 2,284,711.19
Capital Assets	5,361,445.45	5,317,610.03	5,598,873.58
Total Assets	**8,199,032.28**	**8,076,243.07**	**7,883,584.77**
Deferred Outflows Of Resources			
Related to Pensions	**1,661,391.00**	**2,243,034.00**	**840,413.00**
Liabilities			
Current Liabilities	650,015.21	620,413.24	631,415.72
Long Term Liabilities	6,623,417.00	8,041,105.09	6,024,637.46
Total Liabilities	**7,273,432.21**	**8,661,518.33**	**6,656,053.18**
Deferred Inflows Of Resources			
Related to Pensions	1,081,338.00	1,557.00	78,910.00
Deferred Revenue	4,115.00	1,505.00	2,005.00
Total Deferred Inflows Of Resources	**1,085,453.00**	**3,062.00**	**80,915.00**
Net Position			
Net Investment in Capital Assets	4,759,789.48	4,721,019.68	4,938,149.72
Restricted	555,017.36	551,833.34	551,833.34
Unrestricted	(3,813,268.77)	(3,618,156.28)	(3,502,953.47)
Total Position	**$ 1,501,538.07**	**$ 1,654,696.74**	**$ 1,987,029.59**

FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017, 2016 and 2015

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Operating Revenues:			
Service Fees	$ 4,297,583.07	$ 4,289,400.03	$ 4,135,127.70
Connection Fees	4,475.00	5,150.00	116,890.80
Other Operating Revenues	85,625.94	76,875.67	42,655.75
Total Operating Revenues	**4,387,684.01**	**4,371,425.70**	**4,294,674.25**
Operating Expenses:			
Administration	1,226,244.14	1,363,806.80	1,101,890.23
Cost of Providing Services	2,636,460.25	2,751,562.39	2,627,722.78
Depreciation	446,968.24	441,749.04	433,652.02
Total Operating Expenses	**4,309,672.63**	**4,557,118.23**	**4,163,265.03**
Net Non-Operating Expenses	**(231,170.05)**	**(146,640.32)**	**(154,750.87)**
Change in Net Position	**(153,158.67)**	**(332,332.85)**	**(23,341.65)**
Net Position - Beginning	**1,654,696.74**	**1,987,029.59**	**2,010,371.24**
Net Position - Ending	**$ 1,501,538.07**	**$ 1,654,696.74**	**$ 1,987,029.59**

OVERALL ANALYSIS

Pennsauken continues to be a desirable location for residential and commercial users. Future projects the Township has planned will bring additional revenue to the Authority without additional expense. Several projects currently in motion are the redevelopment of the grounds that the Pennsauken Mart once occupied, and development of Pennsauken's waterfront property to include residential and commercial development.

Service charges billed to our customers were raised January 1, 2016 from $200.00 to $206.00 a year per unit for residential users. The increase to commercial/industrial users went from $200.00 to $206.00 minimum plus $1.83 to $1.88 per hundreds of cubic feet or $2.44 to $2.51 per thousands of gallons. The increase was approved during the rate hearing on November 19, 2013.

BUDGET VARIANCES

As the original budget was formulated in October 2016, certain actual events during the year caused the Authority to over-expend minor internal line items and over-expend the Employees Benefits appropriation for both Administration and Cost of Providing Service. The Authority did not overspend the budget as a whole.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2017, the Authority expended $546,564.79 for capital activities. All expenditures were classified as capital assets.

The proposed five-year capital programs total $760,000.00. The major line items making up a portion of the Capital Budget are:

1. Trucks
2. Pumps and Controls
3. Computer Equipment
4. Office Equipment
5. Operations Equipment and Maintenance
6. Building Upkeep and Repairs
7. Sewer Main Lining
8. Maintenance Truck

The Authority has not experienced any change in its credit rating, nor does it anticipate any. The Authority does not operate under any debt limitations; it is required to receive approval from the Township and the Local Finance Board prior to issuing of debt.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Pennsauken Township residents, investors, clients and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Pennsauken Sewerage Authority, 1250 John Tipton Blvd., Pennsauken, NJ 08110 or by phone at 856-663-5542

BASIC FINANCIAL STATEMENTS

PENNSAUKEN SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 1,696,175.98	$ 1,578,915.32
Investments	101,997.25	100,000.00
Investment Income Receivable	1,220.24	22.81
Service Fees Receivable (Net of an Allowance for Doubtful Accounts of $16,700.13 for 2017 and $23,772.83 for 2016)	706,845.40	733,489.72
Intergovernmental Service Fees Receivables		4,539.16
Other Accounts Receivable (Net of an Allowance for Doubtful Accounts of $4,649.57 for 2017 and $11,463.54 for 2016)	16,355.94	28,327.61
Total Unrestricted Assets	2,522,594.81	2,445,294.62
Restricted Assets:		
Cash and Cash Equivalents	179,074.35	3,185.92
Investments	126,780.98	302,666.29
Investment Income Receivable	9,136.69	7,486.21
Total Restricted Assets	314,992.02	313,338.42
Total Current Assets	2,837,586.83	2,758,633.04
Capital Assets:		
Completed (Net of Accumulated Depreciation)	5,079,841.82	5,265,014.52
Construction in Progress	281,603.63	52,595.51
Total Capital Assets	5,361,445.45	5,317,610.03
Total Assets	8,199,032.28	8,076,243.07
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,661,391.00	2,243,034.00

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2017 and 2016

	2017	2016
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 62,304.01	$ 92,977.07
Overpaid Service Charges	36,625.40	38,766.34
Other Current Liabilities	226,300.63	225,161.85
Accounts Payable - Related to Pension	214,161.00	203,440.00
Total Current Liabilities Payable from Unrestricted Assets	539,391.04	560,345.26
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	62,428.01	11,665.29
Accrued Interest Payable	2,653.80	2,860.33
Current Portion of Loans Payable	45,542.36	45,542.36
Total Current Liabilities Payable from Restricted Assets	110,624.17	60,067.98
Total Current Liabilities	650,015.21	620,413.24
Long Term Liabilities:		
Compensated Absences	238,327.40	241,761.39
Net Pension Liability	5,381,436.00	6,782,312.00
OPEB Liability	402,887.00	375,929.00
Accrued Liabilities - Related to Pension	107,081.00	101,720.00
Loans Payable	493,685.60	539,382.70
Total Long Term Liabilities	6,623,417.00	8,041,105.09
Total Liabilities	7,273,432.21	8,661,518.33
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	1,081,338.00	1,557.00
Deferred Revenue	4,115.00	1,505.00
Total Deferred Inflows of Resources	1,085,453.00	3,062.00
NET POSITION		
Net Investment in Capital Assets	4,759,789.48	4,721,019.68
Restricted	555,017.36	551,833.34
Unrestricted	(3,813,268.77)	(3,618,156.28)
Total Net Position	$ 1,501,538.07	$ 1,654,696.74

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

PENNSAUKEN SEWERAGE AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues:		
Service Fees	$ 4,063,006.91	$ 4,048,670.42
Intergovernmental Service Fees	234,576.16	240,729.61
Connection Fees	4,475.00	5,150.00
Other Operating Revenues	85,625.94	76,875.67
Total Operating Revenues	4,387,684.01	4,371,425.70
Operating Expenses:		
Administration:		
Salaries and Wages	526,750.36	550,475.77
Employee Benefits	532,571.45	611,747.08
Other Expenses	166,922.33	201,583.95
Total Administration	1,226,244.14	1,363,806.80
Cost of Providing Service:		
Salaries and Wages	1,082,049.94	1,120,207.92
Employee Benefits	855,016.73	1,003,400.13
Other Expenses	699,393.58	627,954.34
Total Cost of Providing Service	2,636,460.25	2,751,562.39
Depreciation	446,968.24	441,749.04
Total Operating Expenses	4,309,672.63	4,557,118.23
Operating Income (Loss)	78,011.38	(185,692.53)
Non-operating Income (Expenses):		
Investment Income	13,654.81	10,729.99
Interest on Loans	(6,563.73)	(7,063.74)
Loss on Disposal of Capital Assets	(55,761.13)	(306.57)
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	(182,500.00)	(150,000.00)
Net Non-operating Expenses	(231,170.05)	(146,640.32)
Change in Net Position	(153,158.67)	(332,332.85)
Net Position - Beginning	1,654,696.74	1,987,029.59
Net Position - Ending	$ 1,501,538.07	$ 1,654,696.74

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

PENNSAUKEN SEWERAGE AUTHORITY
Comparative Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows Provided by (Used in) Operating Activities:		
Receipts from Customers and Users	$ 4,326,625.61	$ 4,262,777.44
Payments to Employees	(2,696,234.47)	(2,716,560.57)
Payments to Suppliers	(896,988.97)	(845,597.77)
Other Operating Receipts	105,821.39	95,307.69
Net Cash Provided by Operating Activities	839,223.56	795,926.79
Cash Flows Used in Capital and Related Financing Activities:		
Interest on Loans	(6,925.00)	(7,425.00)
Principal Paid on Loans	(45,542.36)	(45,542.36)
Acquisitions of Capital Assets	(495,802.07)	(149,126.77)
Net Cash Used in Capital and Related Financing Activities	(548,269.43)	(202,094.13)
Cash Flows Used in Noncapital Financing Activities:		
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	(182,500.00)	(150,000.00)
Cash Flows Provided by (Used in) Investing Activities:		
Proceeds from Maturities of Investments	327,666.29	51,790.98
Purchases of Investments	(153,778.23)	(51,790.98)
Investment Income	10,806.90	4,020.76
Net Cash Provided by Investing Activities	184,694.96	4,020.76
Change in Cash and Cash Equivalents	293,149.09	447,853.42
Cash and Cash Equivalents--Beginning of Year	1,582,101.24	1,134,247.82
Cash and Cash Equivalents--End of Year	$ 1,875,250.33	$ 1,582,101.24

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
Comparative Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:		
Operating Income (Loss)	$ 78,011.38	$ (185,692.53)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	446,968.24	441,749.04
Pension Liability Expense	276,630.00	547,521.00
Changes in Assets, Liabilities and Deferred Inflows of Resources:		
Service Fees Receivable	26,644.32	(32,512.69)
Intergovernmental Receivable	4,539.16	(520.96)
Other Accounts Receivable	11,971.67	13,674.45
Accounts Payable	(30,673.06)	(16,059.48)
Overpaid Service Charges	(2,140.94)	6,411.06
Other Liabilities	1,138.78	107.57
OPEB Liability	26,958.00	24,191.88
Deferred Revenue	2,610.00	(500.00)
Compensated Absences	(3,433.99)	(2,442.55)
Net Cash Provided by Operating Activities	$ 839,223.56	$ 795,926.79

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pennsauken Sewerage Authority have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

The Pennsauken Sewerage Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created as a sewerage authority by Ordinance No. 688 of the Township of Pennsauken (the "Township") adopted on August 28, 1950, pursuant to the Sewerage Authority Law, Chapter 138 of the Laws of 1946, as amended. The governing body of the Authority is a Board consisting of five members appointed by the Pennsauken Township Committee. The terms of the members of the Authority are staggered so that at least one member's term expires each year, and the Pennsauken Township Committee, in accordance with the Act, reappoints the member or appoints a successor.

The Act permits the Authority to charge and collect rents, rates, fees or other charges for direct or indirect connection with, or the use of services of its sewer system. The Act also permits the Authority to enter into agreements with other municipalities for the collection and treatment of sewage.

Presently, the Authority provides and charges for all connected customers within the municipal boundaries of the Township for the collection of sewage. The Authority has contracted to collect all sewage discharged into the collection system maintained by Merchantville Borough and a certain portion of Cherry Hill Township. Sewage collected by the Authority from whatever source is then passed on to the Camden County Municipal Utilities Authority ("CCMUA") system. The CCMUA is, in turn responsible for the treatment of all waste materials.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34,* and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Pennsauken.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The 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 year and to adopt not later than the beginning of the Authority's year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond premiums, and the annual required contribution for the Authority's Other Postemployment Benefits ("OPEB") Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position. 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. There are no statutory requirements that budgetary line items not be over-expended. The Authority did not adopt an amending budget resolution during the year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets and Budgetary Accounting (Cont'd)

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventories

The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable year end. The Authority had no prepaid expenses for the year ended December 31, 2017.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to January 1, 1992 are stated at estimated cost. Assets purchased since are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets (Cont'd)

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

1) Cost of $1,000.00 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	Years
Buildings	30-40
Major Moveable Equipment	7-20
Vehicles	8-15
Infrastructure	25

Depreciation is taken starting with the date the asset is placed into service.

Loan Discounts / Loan Premiums

Loan discounts / loan premiums arising from the issuance of long-term debt are amortized over the life of the loans, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Loan discounts / loan premiums are presented as an adjustment of the face amount on the loans.

Deferred Outflows of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its comparative statements of net position. The only deferred outflows of resources reported in this year's financial statements is a deferred outflow of resources for contributions made to the Authority's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Authority's year.

Deferred Inflows of Resources

The Authority's comparative statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. Deferred inflows of resources are reported in the Authority's comparative statements of net position for connection fee funds received prior to providing sewer services and for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) years, including the current year.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, severance pay and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pensions

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 Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from facility charges and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in money market funds.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, losses on the disposal of capital assets and a contribution to the Township.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassifications

Certain December 31, 2016 amounts have been reclassified to conform to the December 31, 2017 presentation.

Impact of Recently Issued Accounting Policies

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 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. The adoption of this Statement had no impact on the Authority's financial statements.

Also, the Authority adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement improves 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. The adoption of this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted GASB Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement had no impact on the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities The Statement will become effective for the Authority in the year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the year ending December 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the year ending December 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement will become effective for the Authority in the year ending December 31, 2018. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues.* The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement will become effective for the Authority in the year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement will become effective for the Authority in the year ending December 31, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions
Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

General Bond Resolution
The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted July 18, 1995 and supplemental resolutions adopted December 17, 2002 and March 2, 2010. A summary of the activities of each account created by the Bond Resolution is covered below.

Revenue Account - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

General Account – All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of debt principal or interest and all fund requirements are satisfied, the excess funds may be used by the Authority for any lawful purpose.

Bond Service Account - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on debt, principal amount maturing on debt and sinking fund installments when such payments are required. At December 31, 2017, the balance in the bond service account meets the requirements of the Bond Resolution.

Bond Reserve Account - The amount of funds on deposit must be maintained at a level equal to the lesser of the maximum annual debt service during any calendar year; 125% of average annual debt service or 10% of the principal amount of debt. At December 31, 2017, the balance in the bond reserve account does not meet the requirements of the Bond Resolution; however the amount on deposit in the General Fund covers the deficiency. Whenever the amount in this account exceeds the Bond Reserve Fund Requirement, the excess is transferred to the Revenue Fund.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually, all to the extent not provided for in the then current annual budget or not paid from reserves in the Operating Account. Money in this account is pledged for the security of payment of principal and interest on the 2010 Sewer Revenue Loans. Whenever the amount in this account exceeds the Renewal and Replacement Fund Requirement, the excess is transferred to the Revenue Fund.

Debt Service Coverage

The excess of revenues for the year ended December 31, 2017 is 1,082.25% of the annual debt service. Section 712 of the Bond Resolution requires the computation of sufficiency of revenues and that excess revenues equal at least 110% of the annual debt service. Debt service coverage for the years ended December 31, 2017 and 2016 is calculated as follows:

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

Debt Service Coverage (Cont'd)

	Dec. 31, 2017		Dec. 31, 2016	
Operating Revenues:				
Utility Service Charges	$ 4,297,583.07		$ 4,289,400.03	
Other Operating Revenues	90,100.94		82,025.67	
Net Investment Income	13,654.81		10,729.99	
Total Revenues	$ 4,401,338.82		$ 4,382,155.69	
Operating Expenses:				
Administrative	$ 1,226,244.14		$ 1,363,806.80	
Cost of Providing Service	2,636,460.25		2,751,562.39	
OPEB Obligation	(26,958.00)		(24,191.88)	
Total Operating Expenses	$ 3,835,746.39		$ 4,091,177.31	
Net Revenues	$ 565,592.43	= 1082.25%	$ 290,978.38	= 551.50%
Debt Service	52,260.83		52,760.84	

This ratio meets the required debt service coverage of 110% for the Series 2010 NJ EIT Loans for the year ended December 31, 2017.

Note 3: DETAIL NOTES - ASSETS

Cash and Cash Equivalents

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the GUDPA. Under the Act, the first $250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as uninsured and uncollateralized in the following schedule.

As of December 31, 2017 and 2016, the Authority's bank balance of $1,966,009.86 and $1,585,059.48 were exposed to custodial credit risk as follows:

	2017	2016
Insured by FDIC	$ 250,000.00	$ 250,000.00
Insured by GUDPA	1,270,738.10	1,017,283.12
Uninsured and Uncollateralized	445,271.76	317,776.36
Total	$1,966,009.86	$1,585,059.48

Note 3: DETAIL NOTES – ASSETS (CONT'D)

Investments

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include 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 a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's $228,778.23 as of December 31, 2017 and $402,666.29 as of December 31, 2016 investments in Certificates of Deposits are held in the name of the Authority.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. More than 5.0% of the Authority's investments are in short-term investments. These investments represent 66.67% of the Authority's total investment. All of the Authority's investments are in certificates of deposit.

As of December 31, 2017 and 2016, the Authority had the following investments and maturities:

Investment	Maturity	Fair Value Hierarchy Level*	Credit Rating	Fair Value December 31, 2017	Fair Value December 31, 2016
GUDPA Insured:					
Susquehanna Certificate of Deposit	4/29/2019	Level 1	N/A	$ 101,997.25	
First Colonial Certificate of Deposit	4/28/2018	Level 1	N/A	75,000.00	$ 75,000.00
First Colonial Certificate of Deposit	7/23/2018	Level 1	N/A	51,780.98	51,790.98
Susquehanna Certificate of Deposit	4/29/2017	Level 1	N/A		100,000.00
First Colonial Certificate of Deposit	12/24/2017	Level 1	N/A		175,875.31
				$ 228,778.23	$ 402,666.29

* Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs for the asset; they should be used only when the relevant Level 1 and Level 2 inputs are unavailable.

Note 3: DETAIL NOTES – ASSETS (CONT'D)

Investments (Cont'd)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1.Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy that would further limit its exposure to credit risk.

Service Fees

The following is a three-period comparison of service charge billings and collections for all types of accounts maintained by the Authority:

Year	Beginning Balance	Billings	Total Collections	Percentage of Collections
2017	$ 757,262.55	$ 4,055,934.21	$ 4,089,651.23	84.97%
2016	729,234.22	4,044,186.06	4,016,157.73	84.14%
2015	758,959.11	3,903,319.26	3,933,044.15	84.36%

Note 3: DETAIL NOTES – ASSETS (CONT'D)

Capital Assets

During the year ended December 31, 2017, the following changes in capital assets occurred:

	Balance Jan. 1, 2017	Additions	Transfers	Deletions	Balance Dec. 31, 2017
Capital Assets not being Depreciated					
Land & Land Improvements	$ 105,400.00				$ 105,400.00
Construction in Progress	52,595.51	$ 229,008.12			281,603.63
Total Capital Assets not being Depreciated	157,995.51	229,008.12	$ -	$ -	387,003.63
Capital Assets being Depreciated					
Infrastructure	9,141,748.90	22,750.00			9,164,498.90
Buildings	6,452,385.61	2,600.00		132,067.14	6,322,918.47
Vehicles	953,471.34	52,940.00			1,006,411.34
Equipment	1,198,064.97	239,266.67		556.00	1,436,775.64
Total Capital Assets being Depreciated	17,745,670.82	317,556.67	-	132,623.14	17,930,604.35
Total Capital Assets	17,903,666.33	546,564.79	-	132,623.14	18,317,607.98
Less Accumulated Depreciation	12,586,056.30	446,968.24	-	76,862.01	12,956,162.53
Capital Assets, Net	$ 5,317,610.03	$ 99,596.55	$ -	$ 55,761.13	$ 5,361,445.45

Note 3: DETAIL NOTES – ASSETS (CONT'D)

Capital Assets (Cont'd)

During the year ended December 31, 2016, the following changes in capital assets occurred:

	Balance Jan. 1, 2016	Additions	Transfers	Deletions	Balance Dec. 31, 2016
Capital Assets not being Depreciated					
Land & Land Improvements	$ 105,400.00				$ 105,400.00
Construction in Progress	52,595.51				52,595.51
Total Capital Assets not being Depreciated	157,995.51	$ -	$ -	$ -	157,995.51
Capital Assets being Depreciated					
Infrastructure	9,171,850.60		(30,101.70)		9,141,748.90
Buildings	6,429,100.32	11,665.29	11,620.00		6,452,385.61
Vehicles	820,187.34	133,284.00			953,471.34
Equipment	1,169,500.41	15,842.77	18,481.70	5,759.91	1,198,064.97
Total Capital Assets being Depreciated	17,590,638.67	160,792.06	-	5,759.91	17,745,670.82
Total Capital Assets	17,748,634.18	160,792.06	-	5,759.91	17,903,666.33
Less Accumulated Depreciation	12,149,760.60	441,749.04	-	5,453.34	12,586,056.30
Capital Assets, Net	$ 5,598,873.58	$(280,956.98)	$ -	$ 306.57	$ 5,317,610.03

Note 4: DETAIL NOTES – LIABILITIES

Long Term Liabilities

During the year ended December 31, 2017 and 2016, the following changes occurred in long-term obligations:

	Balance Jan. 1, 2017	Additions	Reductions	Balance Dec. 31, 2017	Due Within One Year
Loans Payable:					
NJEIT Loans	$ 582,977.93		$ (45,542.36)	$ 537,435.57	$ 45,542.36
Issuance Premiums	1,947.13		(154.74)	1,792.39	
Total Loans Payable	584,925.06	$ -	(45,697.10)	539,227.96	45,542.36
Other Liabilities					
Net Pension Liability	6,782,312.00	2,035,937.00	(3,436,813.00)	5,381,436.00	
Net OPEB Obligation	375,929.00	64,012.00	(37,054.00)	402,887.00	
Other Liabilities - Related to Pension	101,720.00	107,081.00	(101,720.00)	107,081.00	
Compensated Absences	241,761.39	14,255.34	(17,689.33)	238,327.40	
Total Other Liabilities	7,501,722.39	2,221,285.34	(3,593,276.33)	6,129,731.40	-
Total Long Term Liabilities	$ 8,086,647.45	$2,221,285.34	$ (3,638,973.43)	$ 6,668,959.36	$ 45,542.36

	Balance Jan. 1, 2016	Additions	Reductions	Balance Dec. 31, 2016	Due Within One Year
Loans Payable:					
NJEIT Loans	$ 628,520.29		$ (45,542.36)	$ 582,977.93	$ 45,542.36
Issuance Premiums	2,101.87		(154.74)	1,947.13	
Total Loans Payable	630,622.16	$ -	(45,697.10)	584,925.06	45,542.36
Other Liabilities					
Net Pension Liability	4,785,082.00	2,950,997.00	(953,767.00)	6,782,312.00	
Net OPEB Obligation	351,737.12	61,180.00	(36,988.12)	375,929.00	
Accrued Liabilities - Related to Pension	91,632.00	101,720.00	(91,632.00)	101,720.00	
Compensated Absences	244,203.94	47,968.83	(50,411.38)	241,761.39	
Total Other Liabilities	5,472,655.06	3,161,865.83	(1,132,798.50)	7,501,722.39	-
Total Long Term Liabilities	$ 6,103,277.22	$3,161,865.83	$ (1,178,495.60)	$ 8,086,647.45	$ 45,542.36

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Revenue Loans Payable

On March 10, 2010, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2010A") totaling $929,000.00 for the repair of various pump stations and wet wells. The Fund portion of the award is for $699,000.00 and is interest free. The remaining Trust portion is for $230,000.00 and carries interest rates varying from 3.0% to 5.0% with a final maturity in 2029.

Year Ending Dec. 31,	Interest Free Loan Principal	Loan Principal	Total Principal	Interest	Total
2018	$ 35,542.36	$ 10,000.00	$ 45,542.36	$ 6,425.00	$ 51,967.36
2019	35,542.36	10,000.00	45,542.36	5,925.00	51,467.36
2020	35,542.36	10,000.00	45,542.36	5,525.00	51,067.36
2021	35,542.36	10,000.00	45,542.36	5,025.00	50,567.36
2022	35,542.36	15,000.00	50,542.36	4,725.00	55,267.36
2023-2027	177,711.80	75,000.00	252,711.80	14,700.00	267,411.80
2028-2029	22,011.97	30,000.00	52,011.97	1,800.00	53,811.97
	$ 377,435.57	$ 160,000.00	537,435.57	$ 44,125.00	$ 581,560.57
Premium on Loan			1,792.39		
Current Maturities			(45,542.36)		
Long-Term Portion			$ 493,685.60		

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated. One week of vacation time not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at December 31, 2017 and 2016 is estimated at $89,083.40 and $94,361.39, respectively.

Additionally, Authority employees accumulate severance pay while they work at the Authority. Management employees accumulate 13 weeks of severance pay for their time worked at the Authority payable upon retirement or resignation at their then current hourly rate of pay. Union employees hired on or before January 1, 2012 and have obtained the age of 60 years at the time of separation from employment will be entitled to receive 2 weeks of severance pay at their then current hourly rate of pay. Union employees hired after January 1, 2012 and have obtained 25 years of service or a minimum of 10 years of service at the age of 60 or older at the time of separation from employment will be entitled to receive 2 weeks of severance pay at their then current hourly rate of pay. The accrued liability for employee severance at December 31, 2017 and 2016 is estimated at $149,244.00 and $147,400.00, respectively.

Net Pension Liability

For details on the net pension liability, see the Pension Plans section that follows. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.state.nj.us/treasury/pensions/financial-reports.shtml

Plan Descriptions

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least $5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

Public Employees' Retirement System (Cont'd) - Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017 and 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the years ended December 31, 2017 and 2016 was 14.52% and 13.08% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2017 was $214,161.00, and is payable by April 1, 2018. Based on the PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2016 was $203,440.00 which was paid on April 1, 2017. Employee contributions to the Plan during the years ended December 31, 2017 and 2016 were $107,188.62 and $113.930.53 respectively.

Note 4: <u>DETAIL NOTES – LIABILITIES (CONT'D)</u>

Pension Plans (Cont'd)

<u>Contributions (Cont'd)</u>

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the years ended December 31, 2017 and 2016, there were no employees participating in DCRP.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS</u>

At December 31, 2017, the Authority's proportionate share of the net pension liability was $5,381,436.00. The net pension liability was 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 July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. 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 employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was .0231177215%, which was an increase of .0002177586% from its proportion measured as of June 30, 2016.

At December 31, 2016, the Authority's proportionate share of the net pension liability was $6,782,312.00. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. 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 employers, actuarially determined. For the June 30, 2016 measurement date, the Authority's proportion was .0228999629%, which was an increase of .0015836641% from its proportion measured as of June 30, 2015.

For the years ended December 31, 2017 and 2016, the Authority recognized pension expense of $480,069.00 and $730,773.00, respectively. These amounts were based on the plan's June 30, 2017 and 2016 measurement dates, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2017		December 31, 2016	
	Measurement Date June 30, 2017		Measurement Date June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 126,714.00	$ -	$ 126,130.00	$ -
Changes of Assumptions	1,084,174.00	1,080,199.00	1,404,933.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	36,644.00	-	258,616.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	306,778.00	1,139.00	351,635.00	1,557.00
Authority Contributions Subsequent to the Measurement Date	107,081.00	-	101,720.00	-
	$ 1,661,391.00	$ 1,081,338.00	$ 2,243,034.00	$ 1,557.00

The deferred outflows of resources related to pensions totaling $107,081.00 and $101,720.00 will be included as a reduction of the net pension liability in the years ended December 31, 2018 and 2017, respectively. This amount is based on an estimated April 1, 2019 and April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2017 and June 30, 2016 to the Authority's year end of December 31, 2017 and 2016.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2018	$ 218,598.00
2019	283,084.00
2020	192,639.00
2021	(113,215.00)
2022	(108,134.00)
	$ 472,972.00

Actuarial Assumptions – PERS

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017 and 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2017	Measurement Date June 30, 2016
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

For the June 30, 2017 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For the June 30, 2016 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

	Measurement Date June 30, 2017		Measurement Date June 30, 2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%	5.00%	0.87%
Cash Equivalents	5.50%	1.00%	1.50%	1.74%
U.S. Treasuries	3.00%	1.87%	8.00%	1.79%
Investment Grade Credit	10.00%	3.78%	2.00%	1.67%
Public High Yield	2.50%	6.82%	2.00%	4.56%
Global Diversified Credit	5.00%	7.10%	1.50%	3.44%
Credit Oriented Hedge Funds	1.00%	6.60%	26.00%	8.53%
Debt Related Private Equity	2.00%	10.63%	13.25%	6.83%
Debt Related Real Estate	1.00%	6.61%	6.50%	9.95%
Private Real Estate	2.50%	11.83%	9.00%	12.40%
Equity Related Real Estate	6.25%	9.23%	12.50%	4.68%
U.S. Equity	30.00%	8.19%	2.00%	6.91%
Non-U.S. Developed Markets Equity	11.50%	9.00%	0.50%	5.45%
Emerging Markets Equity	6.50%	11.64%	5.00%	-0.25%
Buyouts/Venture Capital	8.25%	13.08%	5.25%	5.63%
	100.00%		100.00%	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 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 liabilities.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98%. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS

The following presents the Authority's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Proportionate Share of the Net Pension Liability	$ 6,676,037.00	$ 5,381,436.00	$ 4,302,873.00

The following presents the Authority's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Proportionate Share of the Net Pension Liability	$ 8,310,932.00	$ 6,782,312.00	$ 5,520,304.00

Pension Plan Fiduciary Net Position

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 respective 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. Accordingly, 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. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at http://www.state.nj.us/treasury/pensions/financial-reports.shtml.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Post-Employment Benefits

The State Pension Fund provides health benefits through the State Health Benefit Plan which is a cost-sharing multiple-employer defined benefit postemployment healthcare plan. As a result, GASB Statement 45 requires that the actuarial accrued liability for employee benefits are recorded as an obligation of the State Health Benefit Plan and not the Authority.

The Authority provides health insurance reimbursement to one employee and dental benefits through Delta Dental, vision through Vision Service, and reimbursement of Medicare B premiums to employees that have retired from the Authority in addition to benefits provided through the State Pension Fund. The benefits and reimbursement for the Medicare Part B deduction amounts are established by the Authority. GASB Statement 45 requires that accrued liabilities associated with these benefits be recorded on the Authority's financial statements.

State Health Benefits

Plan Description - The Authority contributes to the State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The Authority provides postemployment health care benefits, at its cost, to all Authority retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a State locally administered retirement system and have served at least twenty (20) years as an employee of the Authority. Benefits provided include health insurance and prescription coverage for retirees and their dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis.

The Authority's contributions to SHBP for the years ended December 31, 2017, 2016 and 2015 were $170,397.41, $140,189.67 and $130,610.21, respectively, which equaled the required contributions for each year. As of December 31, 2017, there were 11 retirees, 5 spouses and 1 child eligible for postemployment medical benefits.

Authority's Plan – Health Reimbursement, Dental, Vision and Medicare B Reimbursement

Plan Description - The Authority also provides health insurance reimbursement to one employee and dental, vision, and Medicare Part B reimbursement to retirees and their covered dependents. The reimbursements are administered by the Authority; therefore, payments are made directly by the Authority to the retirees.

Funding Policy - The Authority presently funds its current retiree post-employment benefit costs on a "pay-as-you-go" basis. The Authority's contributions to the plan on an age adjusted basis for the years ended December 31, 2017, 2016 and 2015 were $37,054.00, $36,988.12 and $33,298.00, respectively. As of December 31, 2017, there were 13 retirees and 6 spouses and 1 child eligible for postemployment medical benefits.

Note 4: **DETAIL NOTES – LIABILITIES (CONT'D)**

Post-Employment Benefits (Cont'd)

Authority's Plan – Health Reimbursement, Dental, Vision and Medicare B Reimbursement (Cont'd)

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents 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 thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be $76,098.00 at an unfunded discount rate of 3.75%. As stated above, the Authority has funded the cost of existing retirees on an age adjusted basis in the amount of $37,054.00, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost - For the year ended December 31, 2017, the Authority's annual OPEB cost (expense) of $64,012.00 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

The Authority's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents 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) of the plan over a period not to exceed thirty years.

The Authority's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Normal cost	$ 19,318.00	$ 17,281.00	$ 17,281.00
Amortization Payment	54,029.00	51,421.00	49,047.00
Interest Contributions	2,751.00	2,748.00	2,653.00
Annual required contribution (expense)	76,098.00	71,450.00	68,981.00
Interest on Outstanding Net OPEB Obligation	14,097.00	14,069.00	12,997.00
Adjustment to Annual Required Contribution	(26,183.00)	(24,340.00)	(21,870.00)
Total Annual OPEB Cost	64,012.00	61,180.00	60,108.00
Contributions Made	21,816.52	16,417.62	13,312.88
Contributions Made (Age-Adjusted Basis)	15,237.48	20,570.50	19,985.12
	26,958.00	24,191.88	26,810.00
Net OPEB obligation - beginning of year	375,929.00	351,737.12	324,927.12
Net OPEB obligation - end of year	$ 402,887.00	$ 375,929.00	$ 351,737.12
Percentage of Annual OPEB Cost Contribution	57.89%	60.46%	55.40%

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Post-Employment Benefits

Authority's Plan – Health Reimbursement, Dental, Vision and Medicare B Reimbursement (Cont'd)

Funded Status and Funding Progress - The funded status of the plan as of the three past actuarial valuation dates is as follows:

Actuarial Accrued Liability (AAL)	$ 804,830.00
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 804,830.00
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0%
Covered Payroll (Active Plan Members)	Not Provided
UAAL as a Percentage of Covered Payroll	Not Provided

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

Actuarial Methods and Assumptions - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the entry age normal cost method was used. Under this method, the liability is based on the total cost of all projected plan benefits based on the assumptions. In addition, costs are spread evenly from a member's date of hire to assumed retirement age. This annual cost is spread as a level percentage of compensation if benefits are salary related or as a level dollar amount if not salary related. The UAAL is being amortized (straight-line) for thirty (30) years on a closed basis, using the level dollar method. The remaining amortization period at December 31, 2017, was twenty years. The actuarial assumptions included the following:

- *Mortality*. RP 2000 Mortality Tables for Males and Females Projected to 2017.
- *Assumed Retirement Age.* Retirement is assumed at the earlier of age 62 and 15 years of service or age 55 with 25 years of services.
- *Annual Discount Rate*. Future costs have been discounted at the rate of 3.75% compounded annually for GASB 45 purposes.
- *Rates of Disability.* 1985 Pension Disability Table Class 1 for Males only.
- *Medical Trend*. 2% per year.

Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES

Connection Fees

The Authority receives payments for connection fees when new users connect to the sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Note 6: INTERGOVERNMENTAL AGREEMENTS

Borough of Merchantville Service Agreement

On January 22, 1996, the Authority entered into an agreement with the Borough of Merchantville ("Borough") regarding the disposal of wastewater generated from within the Borough, the relationship between the parties regarding disposal, and other pertinent issues. Additionally, the agreement provides a means for the funding of necessary capital improvements to the collection system within the Borough.

The Borough is required to pay the Authority for each of the Borough's connections an amount equal to fifty percent of the amount charged to Authority customers. The Borough must pay in two equal, semi-annual installments due on the thirtieth day of June and the thirty-first day of December. In addition, the Borough pays an additional fee for the use of the Authority's personnel and equipment of $10.00 per year for each connection in the Borough to cover the cost of maintenance and repairs. The additional fee was originally established for a period of two years and automatically renews for successive two year periods unless either party provides written notice at least 180 days prior to any extension thereof. Payments of the additional fee are also paid in two equal semi-annual installments on the same dates as the rate payments.

Township of Pennsauken Service Agreement

A Service Agreement was entered into on May 1, 1987, between the Authority and the Township of Pennsauken. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either operating expenses and/or debt service.

Cherry Hill Township Service Agreement

On December 12, 1955, the Authority entered into an agreement with the Township of Delaware, which is now known as Cherry Hill Township. The Authority agreed to accept sewage from a small section of Cherry Hill Township. Payment for this service is calculated at a per unit charge using the same rate schedule used in charging Pennsauken Township customers. This agreement will stay in effect until one of the parties terminates the agreement giving one year's notice.

Note 7: COMMITMENTS

The Authority had the following planned construction project as of December 31, 2017. This project is evidenced by a contractual commitment with a contractor.

Project	Total Project	Total Expended	Commitment Remaining
Building Renovations and Site Improvements	$ 231,088.28	$ 207,887.17	$ 23,201.11

Note 8: DEFERRED COMPENSATION SALARY ACCOUNT

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 9: RISK MANAGEMENT

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Property and Physical Damage
Workers Compensation
Excess Liability
Boiler and Machinery
General and Automobile Liability

Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of $500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2017, which can be obtained from:

New Jersey Utilities Authorities Joint Insurance Fund
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054-4412

Note 10: CONTINGENCIES

Litigation

The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSAUKEN SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of Funding Progress for the OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2017	$ -	$ 804,830.00	$ 804,830.00	0 %	N/A	N/A
1/1/2014	-	744,155.00	744,155.00	0 %	N/A	N/A
1/1/2011	-	740,321.00	740,321.00	0 %	N/A	N/A

Schedule RSI-2

PENNSAUKEN SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions to the OPEB Plan

Year Ended December 31,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2017	$ 64,012.00	57.89%	$ 402,887.00
2016	61,180.00	60.46%	375,929.00
2015	60,108.00	55.40%	351,737.12

PENNSAUKEN SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Five Fiscal Years

	Measurement Date Ending June 30,				
	2017	**2016**	**2015**	**2014**	**2013**
Authority's Proportion of the Net Pension Liability	0.0231177215%	0.0228999629%	0.0213162988%	0.0213287332%	0.0204123649%
Authority's Proportionate Share of the Net Pension Liability	$ 5,381,436.00	$ 6,782,312.00	$ 4,785,082.00	$ 3,993,322.00	$ 3,901,209.00
Authority's Covered Payroll (Plan Measurement Period)	$ 1,586,304.00	$ 1,575,356.00	$ 1,473,412.00	$ 1,475,004.00	$ 1,395,720.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	339.24%	430.53%	324.76%	270.73%	279.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PENNSAUKEN SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Five Years

	Year Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Authority's Contractually Required Contribution	$ 214,161.00	$ 203,440.00	$ 183,263.00	$ 175,831.00	$ 153,803.00
Authority's Contribution in Relation to the Contractually Required Contribution	(214,161.00)	(203,440.00)	(183,263.00)	(175,831.00)	(153,803.00)
Authority's Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll (Calendar Year)	$ 1,474,863.00	$ 1,555,135.00	$ 1,577,112.00	$ 1,502,070.00	$ 1,476,176.00
Authority's Contributions as a Percentage of Covered Payroll	14.52%	13.08%	11.62%	11.71%	10.42%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PENNSAUKEN SEWERAGE AUTHORITY
Notes to Required Supplementary Information
For the Year Ended December 31, 2017

Note 1: OTHER POSTEMPLOYMENT BENEFITS

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

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Closed, Level Dollar Method
Remaining Amortization Periods	20 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	4.0%
Rate of Dental & Vision Inflation	2.0%

For determining the GASB ARC, the rate of employer contributions to the Pennsauken Sewerage Authority Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Note 2: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at $118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at $265,000.00 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

SUPPLEMENTARY SCHEDULES

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Position
Unrestricted and Restricted Accounts
For the Year Ended December 31, 2017

	Operating	General	Restricted Bond Service	Restricted Bond Reserve	Restricted Renewal and Replacement	Total
Operating Revenues:						
Service Fees	$ 4,063,006.91					$ 4,063,006.91
Intergovernmental Service Fees	234,576.16					234,576.16
Connection Fees	4,475.00					4,475.00
Other Operating Revenues	85,625.94					85,625.94
	4,387,684.01	$ -	$ -	$ -	$ -	4,387,684.01
Operating Expenses:						
Administration:						
Salaries and Wages	526,750.36					526,750.36
Employee Benefits	532,571.45					532,571.45
Other Expenses	166,922.33					166,922.33
Cost of Providing Service:						
Salaries and Wages	1,082,049.94					1,082,049.94
Employee Benefits	855,016.73					855,016.73
Other Expenses	699,393.58					699,393.58
Depreciation	446,968.24					446,968.24
	4,309,672.63	-	-	-	-	4,309,672.63
Operating Income	78,011.38					78,011.38
Non-operating Income (Expenses):						
Investment Income	4,635.16	3,755.79	3,600.26	800.04	863.56	13,654.81
Loss on Disposal of Capital Assets		(55,761.13)				(55,761.13)
Interest on Loans			(6,563.73)			(6,563.73)
Contribution to Pennsauken Township		(182,500.00)				(182,500.00)
Change in Net Position before Transfers	82,646.54	(234,505.34)	(2,963.47)	800.04	863.56	(153,158.67)
Transfers	(82,646.54)	78,162.65	2,963.47	2,383.98	(863.56)	-
Change in Net Position	-	(156,342.69)	-	3,184.02	-	(153,158.67)
Net Position - Beginning	250,000.00	1,102,863.40	-	51,833.34	250,000.00	1,654,696.74
Net Position December 31, 2017:						
Net Investment in Capital Assets		$ 4,759,789.48				$ 4,759,789.48
Restricted	$ 250,000.00		$ -	$ 55,017.36	$ 250,000.00	$ 555,017.36
Unrestricted		$ (3,813,268.77)				$ (3,813,268.77)

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Cash Receipts and Disbursements
For the Year Ended December 31, 2017

	Operating Account	General Account	Revenue Account	Restricted Bond Service	Restricted Bond Reserve	Restricted Renewal and Replacement	Total
Cash, Cash Equivalents and Investments Jan. 1, 2017	$ 1,264,324.88	$ 252,855.13	$ 161,735.31		$ 54,601.90	$ 251,250.31	$ 1,984,767.53
Cash Receipts:							
Investment Income	4,032.20	2,627.74	533.58	$ 3,600.26	11.58	1.54	10,806.90
Service Fees Receivable	3,833,223.04						3,833,223.04
Intergovernmental Service Fees	239,115.32						239,115.32
Other Accounts Receivable	52,126.60						52,126.60
Other Operating Income	78,811.97						78,811.97
Deferred Revenue	7,085.00						7,085.00
Overpaid Service Fees	36,625.40						36,625.40
Other Liabilities	243,426.50						243,426.50
Transfers in	10.00			49,557.10			49,567.10
Total Cash Receipts and Investments Available	5,758,780.91	255,482.87	162,268.89	53,157.36	54,613.48	251,251.85	6,535,555.36
Cash Disbursements:							
Budget Appropriations	3,682,056.37			690.00			3,682,746.37
Loan Interest Payments				6,925.00			6,925.00
Loan Principal				45,542.36			45,542.36
Accounts Payable	104,642.36						104,642.36
Capital Assets	484,136.78						484,136.78
Other Accounts Receivable	33,340.96						33,340.96
Other Liabilities	24,625.87						24,625.87
Transfers out			49,557.10		10.00		49,567.10
Total Cash Disbursements	4,328,802.34	-	49,557.10	53,157.36	10.00	-	4,431,526.80
Cash, Cash Equivalents and Investments Dec. 31, 2017	$ 1,429,978.57	$ 255,482.87	$ 112,711.79	$ -	$ 54,603.48	$ 251,251.85	$ 2,104,028.56
Analysis of Balance:							
Cash & Cash Equivalents	$ 1,429,978.57	$ 153,485.62	$ 112,711.79		$ 2,822.50	$ 176,251.85	$ 1,875,250.33
Investments							
Certificate of Deposits		101,997.25			51,780.98	75,000.00	228,778.23
	$ 1,429,978.57	$ 255,482.87	$ 112,711.79	$ -	$ 54,603.48	$ 251,251.85	$ 2,104,028.56

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Anticipated Budget Revenues, Operating Appropriations
Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2017

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Budget Revenues:					
Operating Revenues:					
Service Fees:					
Residential	$ 2,527,000.00		$ 2,527,000.00	$ 2,649,458.30	$ 122,458.30
Business/Commercial	1,205,500.00		1,205,500.00	1,413,548.61	208,048.61
Intergovernmental	236,000.00		236,000.00	234,576.16	(1,423.84)
Total Service Fees	3,968,500.00	$ -	3,968,500.00	4,297,583.07	329,083.07
Connection Fees:					
Residential	5,000.00		5,000.00	4,375.00	(625.00)
Business/Commercial	25,000.00		25,000.00	100.00	(24,900.00)
Intergovernmental	1,000.00		1,000.00		(1,000.00)
Total Connection Fees	31,000.00	-	31,000.00	4,475.00	(26,525.00)
Other Operating Revenues:					
Filing Fees	500.00		500.00	30.00	(470.00)
Interest and Fines on Delinquents	35,000.00		35,000.00	40,337.50	5,337.50
Miscellaneous	15,500.00		15,500.00	45,258.44	29,758.44
Total Other Operating Revenues	51,000.00	-	51,000.00	85,625.94	34,625.94
Total Operating Revenues	4,050,500.00	-	4,050,500.00	4,387,684.01	337,184.01
Non-Operating Revenues:					
Investment Income					
Unrestricted Accounts	5,000.00		5,000.00	8,390.95	3,390.95
Restricted Accounts	1,000.00		1,000.00	5,263.86	4,263.86
Total Investment Income	6,000.00	-	6,000.00	13,654.81	7,654.81
Total Budget Revenues	4,056,500.00	-	4,056,500.00	4,401,338.82	344,838.82
Operating Appropriations:					
Administration:					
Salaries and Wages					
Management	255,000.00		255,000.00	251,237.72	3,762.28
Office Administration	300,000.00	(3,000.00)	297,000.00	257,512.64	39,487.36
Commissioners	15,000.00	3,000.00	18,000.00	18,000.00	
Total Salaries and Wages	570,000.00	-	570,000.00	526,750.36	43,249.64
Employee Benefits:					
Public Employees Retirement System	101,720.00		101,720.00	240,035.00	(138,315.00)
Social Security Tax	50,000.00		50,000.00	42,687.61	7,312.39
Unemployment Comp Insurance	4,000.00		4,000.00	3,026.12	973.88
Health Insurance	150,000.00		150,000.00	124,794.46	25,205.54
Vision/Dental/Prescription Insurance	57,000.00		57,000.00	49,631.35	7,368.65
Employee Sick time Payback	65,000.00		65,000.00	62,196.59	2,803.41
Total Employee Benefits	427,720.00	-	427,720.00	522,371.13	(94,651.13)

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Anticipated Budget Revenues, Operating Appropriations
Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2017

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Administration (Cont'd):					
Other Expenses:					
Auditing Fees	$ 36,000.00		$ 36,000.00	$ 35,270.00	$ 730.00
Legal Fees	20,000.00		20,000.00	18,200.00	1,800.00
Other Professional Fees	20,000.00	$ (1,500.00)	18,500.00	3,937.50	14,562.50
Public Official Liability Insurance	7,000.00	800.00	7,800.00	7,703.66	96.34
Office Supplies and Expenses	11,000.00	700.00	11,700.00	11,654.60	45.40
Postage	16,000.00		16,000.00	9,905.90	6,094.10
Advertising/Printing	15,000.00		15,000.00	5,661.79	9,338.21
Telephone Expense	23,000.00		23,000.00	19,892.52	3,107.48
Miscellaneous Expenses	4,085.00		4,085.00	2,032.43	2,052.57
Service Contracts	15,000.00		15,000.00	14,401.03	598.97
Equipment Rental	4,000.00		4,000.00	2,988.00	1,012.00
Building Utilities/Expenses	35,000.00		35,000.00	17,854.15	17,145.85
Building Repairs	17,000.00		17,000.00	9,684.77	7,315.23
Financial Expenses	2,000.00		2,000.00	1,790.00	210.00
Education/Seminars	8,000.00		8,000.00	5,945.98	2,054.02
Total Other Expenses	233,085.00	-	233,085.00	166,922.33	66,162.67
Total Administration Department	1,230,805.00	-	1,230,805.00	1,216,043.82	14,761.18
Cost of Providing Service:					
Salaries and Wages					
Operations and Maintenance	943,000.00		943,000.00	884,999.89	58,000.11
Management	195,000.00		195,000.00	197,050.05	(2,050.05)
Total Salaries and Wages	1,138,000.00	-	1,138,000.00	1,082,049.94	55,950.06
Employee Benefits:					
Public Employees Retirement System	101,720.00	4,100.00	105,820.00	244,135.00	(138,315.00)
Social Security Tax	95,000.00		95,000.00	88,336.97	6,663.03
Unemployment Comp Insurance	6,000.00		6,000.00	4,710.41	1,289.59
Health Insurance	323,000.00		323,000.00	309,509.36	13,490.64
Vision/Dental/Prescription Insurance	116,500.00		116,500.00	107,669.13	8,830.87
Uniforms	8,000.00	100.00	8,100.00	8,091.83	8.17
Employee Sick time Payback	93,000.00	(4,200.00)	88,800.00	75,806.35	12,993.65
Total Employee Benefits	743,220.00	-	743,220.00	838,259.05	(95,039.05)

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Anticipated Budget Revenues, Operating Appropriations
Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2017

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Cost of Providing Service (Cont'd):					
Other Expenses:					
Engineer Fees	$ 40,000.00		$ 40,000.00	$ 41,633.55	$ (1,633.55)
Insurance:					
General and Auto Liability	27,500.00		27,500.00	21,200.46	6,299.54
Workers Compensation	53,000.00		53,000.00	43,439.08	9,560.92
Property	46,500.00		46,500.00	45,592.61	907.39
JIF Fund Expense	10,000.00		10,000.00	4,657.88	5,342.12
Uninsured Liabilities	10,000.00		10,000.00	1,798.90	8,201.10
Service Contracts O & M	30,000.00		30,000.00	23,846.15	6,153.85
Utilities/Pumping Stations	200,000.00		200,000.00	143,914.48	56,085.52
Trash Removal	12,000.00		12,000.00	3,623.74	8,376.26
Operations/Maintenance Expense	31,000.00		31,000.00	34,751.06	(3,751.06)
Safety Expense	5,000.00		5,000.00	4,413.66	586.34
Maintenance of Grounds and Structures	2,000.00		2,000.00	62.99	1,937.01
Vehicle Repair & Parts	40,000.00		40,000.00	23,248.84	16,751.16
Fuel, Oil, Mileage Expense	50,000.00		50,000.00	14,194.03	35,805.97
Chemicals	2,000.00		2,000.00		2,000.00
Collection System Expense	60,000.00		60,000.00	52,542.80	7,457.20
Permits & Licensing	3,000.00		3,000.00	648.00	2,352.00
Emergency Main Repairs	270,000.00		270,000.00	239,825.35	30,174.65
Total Other Expenses	892,000.00	$ -	892,000.00	699,393.58	192,606.42
Total Cost of Providing Service	2,773,220.00	-	2,773,220.00	2,619,702.57	153,517.43
Principal Payments on Debt in Lieu of Depreciation	45,550.00	-	45,550.00	45,542.36	7.64
Total Operating Appropriations	4,049,575.00	-	4,049,575.00	3,881,288.75	168,286.25
Non-Operating Appropriations:					
Contribution to Pennsauken Township	182,500.00		182,500.00	182,500.00	
Interest on Loans	6,925.00		6,925.00	6,718.47	206.53
Total Non-Operating Appropriations:	189,425.00	-	189,425.00	189,218.47	206.53
Total Budget Appropriations	4,239,000.00	-	4,239,000.00	4,070,507.22	168,492.78
Unrestricted Net Position to Balance Budget	(182,500.00)	-	(182,500.00)	-	(182,500.00)
Total Appropriations and Unrestricted Net Position	4,056,500.00	-	4,056,500.00	4,070,507.22	(14,007.22)
Excess Anticipated Budget Revenues Over Operating and Non-Operating Appropriations	$ -	$ -	$ -	$ 330,831.60	$ (330,831.60)

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Anticipated Revenues, Operating Appropriations and
Principal Payments Compared to Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2017

Reconciliation of Excess Budget Revenues over Budget Appropriations to Operating Income		$ 330,831.60
Add:		
Loan Principal	$ 45,542.36	
Loan Interest	6,718.47	
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	182,500.00	
		234,760.83
Less:		
Interest on Investments	13,654.81	
OPEB Expense	26,958.00	
Depreciation	446,968.24	
		487,581.05
Operating Income (Exhibit B)		$ 78,011.38

Analysis of Charges to Appropriations

Cash Disbursed	$ 3,682,746.37
Accounts Payable	62,304.01
Compensated Absences	(3,433.99)
Change in Pension Liabilities	276,630.00
Loan Principal	45,542.36
Loan Interest	6,718.47
Total Budget Appropriations	$ 4,070,507.22

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Service Fees Receivable
For the Year Ended December 31, 2017

Balance Jan. 1, 2017		$ 757,262.55
Increased by:		
Residential Charges	$ 2,642,385.60	
Business/Commercial	1,413,548.61	
		4,055,934.21
		4,813,196.76
Decreased by:		
Collections	3,833,223.04	
Unearned Revenue Realized	217,661.85	
Overpayment Applied	38,766.34	
		4,089,651.23
Balance Dec. 31, 2017		$ 723,545.53
Analysis of Balance:		
Service Fees Receivable		$ 436,411.21
Unbilled Revenue		287,134.32
Balance Dec. 31, 2017		$ 723,545.53

Schedule 5

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Investment Income Receivable
For the Year Ended December 31, 2017

	Balance Jan. 1, 2017	Investment Earnings	Received	Balance Dec. 31, 2017
Unrestricted Earnings:				
Operating Account		$ 4,032.20	$ 4,032.20	
Revenue Trustee Fund	$ 8.91	602.96	533.58	$ 78.29
General Account	13.90	3,755.79	2,627.74	1,141.95
	22.81	8,390.95	7,193.52	1,220.24
Restricted Earnings:				
Bond Reserve Account	334.95	800.04	11.58	1,123.41
Bond Service Account		3,600.26	3,600.26	
Renewal and Replacement Fund	7,151.26	863.56	1.54	8,013.28
	7,486.21	5,263.86	3,613.38	9,136.69
	$ 7,509.02	$ 13,654.81	$ 10,806.90	$ 10,356.93

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Intergovernmental Service Fees Receivable
For the Year Ended December 31, 2017

	Cherry Hill	Merchantville	Total
Balance Jan. 1, 2017	$ 4,539.16		$ 4,539.16
Increased by:			
Charges Billed	27,385.84	$ 207,190.32	234,576.16
	31,925.00	207,190.32	239,115.32
Decreased by:			
Cash Collections	$ 31,925.00	$ 207,190.32	$ 239,115.32

Schedule 7

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Other Accounts Receivable
For the Year Ended December 31, 2017

	Refunds Receivable	Lend a Hand Program	Total
Balance Jan. 1, 2017	$ 21,983.14	$ 17,808.01	$ 39,791.15
Decreased by:			
Allowance for Doubtful Accounts	-	11,463.54	11,463.54
Balance Jan. 1, 2017 - Net Amount	21,983.14	6,344.47	28,327.61
Increased by:			
Change in allowance		6,813.97	6,813.97
Disbursed	33,340.96		33,340.96
	55,324.10	13,158.44	68,482.54
Decreased by:			
Cash Collections	40,228.17	11,898.43	52,126.60
Balance Dec. 31, 2017	$ 15,095.93	$ 1,260.01	$ 16,355.94

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Capital Assets--Completed
For the Year Ended December 31, 2017

	Balance Jan. 1, 2017	Additions	Transfers	Deletions	Balance Dec. 31, 2017
Administration:					
Infrastructure	$ 190,940.08				$ 190,940.08
Land	63,100.00				63,100.00
Buildings	754,603.67	$ 2,600.00	$ 11,665.29		768,868.96
Vehicles	56,708.00				56,708.00
Equipment	237,144.95	25,066.34		$ 556.00	261,655.29
Operations:					
Infrastructure	8,950,808.82	22,750.00			8,973,558.82
Land	42,300.00				42,300.00
Buildings	5,697,781.94		(11,665.29)	132,067.14	5,554,049.51
Vehicles	896,763.34	52,940.00			949,703.34
Equipment	960,920.02	214,200.33			1,175,120.35
	17,851,070.82	317,556.67	-	132,623.14	18,036,004.35
Less: Depreciation	12,586,056.30	446,968.24	-	76,862.01	12,956,162.53
	$ 5,265,014.52	$ (129,411.57)	$ -	$ 55,761.13	$ 5,079,841.82

Accounts Payable	$ 23,012.45
Disbursed	294,544.22
	$ 317,556.67

Schedule 9

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Construction in Progress
For the Year Ended December 31, 2017

Balance Jan. 1, 2017		$ 52,595.51
Increased by:		
Disbursed	$ 189,592.56	
Accounts Payable	34,602.73	
Retainage	4,812.83	
		229,008.12
Balance Dec. 31, 2017		$ 281,603.63

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Overpaid Service Fees
For the Year Ended December 31, 2017

Balance Jan. 1, 2017	$	38,766.34
Increased by:		
Cash Received		36,625.40
		75,391.74
Decreased by:		
Applied to Service Fees Receivable		38,766.34
Balance Dec. 31, 2017	$	36,625.40

Schedule 11

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Other Liabilities
For the Year Ended December 31, 2017

	Turn On/Off Fees Payable	Unearned Revenue	Planning Escrow Fees	Total
Balance Jan. 1, 2017		$ 217,661.85	$ 7,500.00	$ 225,161.85
Increased by:				
Received	$ 18,436.00	217,490.50	7,500.00	243,426.50
	18,436.00	435,152.35	15,000.00	468,588.35
Decreased by:				
Disbursed	18,436.00		6,189.87	24,625.87
Realized		217,661.85		217,661.85
	18,436.00	217,661.85	6,189.87	242,287.72
Balance Dec. 31, 2017	$ -	$ 217,490.50	$ 8,810.13	$ 226,300.63

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Accrued Interest Payable
For the Year Ended December 31, 2017

Balance Jan. 1, 2017		$ 2,860.33
Increased by:		
Interest Charges - 2017 Budget	$ 6,718.47	
Loan Premium Amortized	(154.74)	
		6,563.73
		9,424.06
Decreased by:		
Cash Disbursed	6,925.00	
Loan Premium Amortized	(154.74)	
		6,770.26
Balance Dec. 31, 2017		$ 2,653.80

Schedule 13

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Deferred Revenue (Connection Fees)
For the Year Ended December 31, 2017

Balance Jan. 1, 2017	$ 1,505.00
Add:	
Receipts	7,085.00
	8,590.00
Less:	
Realized as Connection Fee Revenue	
	4,475.00
Balance Dec. 31, 2017	$ 4,115.00

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Sewer Revenue Loans
For the Year Ended December 31, 2017

	Date of Issue	Original Issue	Maturities Date	Maturities Amount	Rate	Balance Jan. 1, 2017	Decreased	Balance Dec. 31, 2017
New Jersey Environmental Infrastructure Trust Loan, Series 2010A (Non-Interest Bearing)	03/10/10	$ 699,000.00	02/01/18	$ 11,847.45				
			08/01/18	23,694.91				
			02/01/19	11,847.45				
			08/01/19	23,694.91				
			02/01/20	11,847.45				
			08/01/20	23,694.91				
			02/01/21	11,847.45				
			08/01/21	23,694.91				
			02/01/22	11,847.45				
			08/01/22	23,694.91				
			02/01/23	11,847.45				
			08/01/23	23,694.91				
			02/01/24	11,847.45				
			08/01/24	23,694.91				
			02/01/25	11,847.45				
			08/01/25	23,694.91				
			02/01/26	11,847.45				
			08/01/26	23,694.91				
			02/01/27	11,847.45				
			08/01/27	23,694.91				
			02/01/28	11,847.45				
			08/01/28	10,164.52				
				377,435.57				
						$ 412,977.93	$ 35,542.36	$ 377,435.57

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Sewer Revenue Loans
For the Year Ended December 31, 2017

	Date of Issue	Original Issue	Maturities Date	Maturities Amount	Rate	Balance Jan. 1, 2017	Decreased	Balance Dec. 31, 2017
New Jersey Environmental Infrastructure Trust Loan, Series 2010A (Interest Bearing)	03/10/10	$ 230,000.00	08/01/18	$ 10,000.00	5.00%			
			08/01/19	10,000.00	4.00%			
			08/01/20	10,000.00	5.00%			
			08/01/21	10,000.00	3.00%			
			08/01/22	15,000.00	4.00%			
			08/01/23	15,000.00	4.00%			
			08/01/24	15,000.00	4.00%			
			08/01/25	15,000.00	4.00%			
			08/01/26	15,000.00	3.50%			
			08/01/27	15,000.00	4.00%			
			08/01/28	15,000.00	4.00%			
			08/01/29	15,000.00	4.00%			
				160,000.00				
						$ 170,000.00	$ 10,000.00	$ 160,000.00
						582,977.93	$ 45,542.36	537,435.57
Principal Payments							$ 45,542.36	
Premium on Loans - Amortized						1,947.13	154.74	1,792.39
						$ 584,925.06	$ 45,697.10	$ 539,227.96

PENNSAUKEN SEWERAGE AUTHORITY

PART II

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED
DECEMBER 31, 2017

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Findings and Recommendations
For the Year Ended December 31, 2017

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding No. 2017-001

Criteria or Specific Requirement
N.J.S.A. 40A:11-1 (Local Public Contract Law), N.J.A.C. 5:30-5.4 and N.J.A.C. 5:30-9A.1 require the Authority to establish and follow certain internal controls so that contracts are properly awarded and payments are properly made.

Condition
During our test of bids and contracts, we found the following issues related to the awarding and payment of contracts:

- The Authority did not properly track the payments related to the award of a maintenance contract.
- The Authority failed to prepare a certificate of available funds for one contract.
- The Authority did not obtain board approval for three change orders.

Context
We noted the errors during our test of internal controls and compliance requirements related to the awarding of bids and contracts.

Effect
The Authority did not comply with compliance requirements and as a result over-expended their annual maintenance contract and failed to get proper approval for three change orders.

Cause
There was a breakdown in internal controls over the compliance with State of New Jersey Statutes and Regulations and the New Jersey Administrative Code.

Recommendation
The Authority should implement stronger internal controls to ensure compliance with N.J.S.A. 40A:11-1 (Local Public Contract Law), N.J.A.C. 5:30-5.4 and N.J.A.C. 5:30-9A.1.

View of Responsible Officials and Planned Corrective Action
The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

PENNSAUKEN SEWERAGE AUTHORITY
Summary Schedule of Prior Year Findings and Recommendations
For the Year Ended December 31, 2017

Schedule of Financial Statement Findings

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with the audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Governmental Services, Department of Community Affairs, State of New Jersey.

None

36000

APPRECIATION

We express our appreciation for the courtesies extended and assistance rendered to us during the course of this audit.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants