

**PENNSAUKEN
SEWERAGE AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

PENNSAUKEN SEWERAGE AUTHORITY
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For the Years Ended December 31, 2018 and 2017

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PENNSAUKEN SEWERAGE AUTHORITY
Roster of Officials
As of December 31, 2018

<u>MEMBERS</u>	<u>POSITION</u>
Oren Lutz	Chairman
Gregory E. Schofield	Vice-Chairman
Dennis Archible	Member
Timothy Ellis	Member
James Pennestri	Member
<u>OFFICERS</u>	
William Orth	Secretary/Executive Director
Marco DiBattista	Treasurer/Office Manager
<u>CONSULTANTS</u>	
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, 2018 AND 2017**

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, 2018 and 2017 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2018 and 2017, 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.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statement No. 75, the accompanying financial statements as of and for the year ended **December 31, 2017** have been restated, as discussed in note 10 to the financial statements. Our opinion is not modified with respect to this matter.

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 changes in the Authority's total OPEB liability and related ratios, schedule of the Authority's proportionate share of the net OPEB liability, schedule of the Authority's OPEB contributions, schedule of the Authority's proportionate share of the net pension liability and schedule of the Authority's pension contributions, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019 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 solely 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 the effectiveness of the Authority's 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,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
August 26, 2019

**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, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 26, 2019. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of a new accounting principle.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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 the 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
Certified Public Accountants
& Consultants

Voorhees, New Jersey
August 26, 2019

**PENNSAUKEN SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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, 2018 and 2017. 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

During the year ended December 31, 2018, the Authority was required to implement Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. In addition, the notes to the financial statements provide a more thorough discussion of the implementation of GASB 75 and the effects to the financial statements.

Key financial highlights for 2018 are as follows:

- **Total Assets** - Total assets as of December 31, 2018 were \$8,424,568.53. After adding deferred outflows of \$1,283,332.93 and deducting liabilities and deferred inflows totaling \$15,890,567.70, net position totaled a deficit of \$6,182,666.24.
- **Total Operating Revenue**- Revenues for the year ended December 31, 2018 totaling \$4,511,267.67 were up from last year's ending amount of \$4,387,684.01 mainly due to an increase in service fee revenue.
- **Total Operating Expenses** – Operating expenses for the year ended December 31, 2018 totaling \$4,238,212.91 were down 5.01% from last year's amount of \$4,461,580.89 mainly due to a decrease in employee benefits due to the accruals for the net pension liability.
- **Interest Income** – For the year ending December 31, 2018, the Authority generated \$18,831.36 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
(UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

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 a deficit of \$6,182,666.24 on December 31, 2018. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed on the following page.

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, 71 and 75.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
(UNAUDITED)

FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)

Comparative Statements of Net Position
As of December 31, 2018 , 2017 and 2016

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u> (Restated)	<u>Dec. 31, 2016</u> (Restated)
Assets			
Current Assets	\$ 2,658,375.48	\$ 2,837,586.83	\$ 2,758,633.04
Capital Assets	5,766,193.05	5,361,445.45	5,317,610.03
Total Assets	8,424,568.53	8,199,032.28	8,076,243.07
Deferred Outflows Of Resources			
Related to Pensions	979,813.00	1,661,391.00	2,243,034.00
Related to OPEB	303,519.93	38,826.73	
Total Deferred Outflows Of Resources	1,283,332.93	1,700,217.73	2,243,034.00
Liabilities			
Current Liabilities	522,401.15	650,015.21	620,413.24
Long Term Liabilities	10,719,790.24	13,192,529.00	15,720,268.10
Total Liabilities	11,242,191.39	13,842,544.21	16,340,681.34
Deferred Inflows Of Resources			
Related to Pensions	1,758,624.00	1,081,338.00	1,557.00
Related to OPEB	2,802,979.00	1,300,786.00	
Deferred Revenue	86,773.31	4,115.00	1,505.00
Total Deferred Inflows Of Resources	4,648,376.31	2,386,239.00	3,062.00
Net Position			
Net Investment in Capital Assets	5,272,662.19	4,759,789.48	4,721,019.68
Restricted	555,017.36	555,017.36	551,833.34
Unrestricted (Deficit)	(12,010,345.79)	(11,644,340.04)	(11,297,319.29)
Total Position	\$ (6,182,666.24)	\$ (6,329,533.20)	\$ (6,024,466.27)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
(UNAUDITED)

FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018, 2017 and 2016

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u> (Restated)	<u>Dec. 31, 2016</u> (Restated)
Operating Revenues:			
Service Fees	\$ 4,414,982.37	\$ 4,297,583.07	\$ 4,289,400.03
Connection Fees	31,690.00	4,475.00	5,150.00
Other Operating Revenues	64,595.30	85,625.94	76,875.67
Total Operating Revenues	<u>4,511,267.67</u>	<u>4,387,684.01</u>	<u>4,371,425.70</u>
Operating Expenses:			
Administration	1,179,870.60	1,302,198.27	1,363,806.80
Cost of Providing Services	2,553,429.76	2,712,414.38	2,751,562.39
Depreciation	504,912.55	446,968.24	441,749.04
Total Operating Expenses	<u>4,238,212.91</u>	<u>4,461,580.89</u>	<u>4,557,118.23</u>
Net Non-Operating Expenses	<u>(126,187.80)</u>	<u>(231,170.05)</u>	<u>(146,640.32)</u>
Change in Net Position	<u>146,866.96</u>	<u>(305,066.93)</u>	<u>(332,332.85)</u>
Net Position - Beginning	<u>(6,329,533.20)</u>	<u>(6,024,466.27)</u>	<u>1,987,029.58</u>
Net Position - Ending	<u>\$(6,182,666.24)</u>	<u>\$(6,329,533.20)</u>	<u>\$ 1,654,696.73</u>
Restatement (See Note 10)	<u>-</u>	<u>-</u>	<u>(7,679,163.00)</u>
Net Position - Ending	<u>\$(6,182,666.24)</u>	<u>\$(6,329,533.20)</u>	<u>\$(6,024,466.27)</u>

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 2017, certain actual events during the year caused the Authority to over-expend minor internal line items and over-expend the Salaries and Wages appropriation for Administration. The Authority did not overspend the budget as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
(UNAUDITED)

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2018, the Authority expended \$957,850.57 for capital activities. All expenditures were classified as capital assets.

The proposed five-year capital programs total \$625,000.00. 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

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, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 1,381,083.52	\$ 1,696,175.98
Investments	101,997.25	101,997.25
Investment Income Receivable	2,919.59	1,220.24
Service Fees Receivable (Net of an Allowance for Doubtful Accounts of \$11,055.92 for 2018 and \$16,700.13 for 2017)	849,715.85	706,845.40
Other Accounts Receivable (Net of an Allowance for Doubtful Accounts of \$4,649.57 for 2017)		16,355.94
Total Unrestricted Assets	<u>2,335,716.21</u>	<u>2,522,594.81</u>
Restricted Assets:		
Cash and Cash Equivalents	3,241.98	179,074.35
Investments	315,501.14	126,780.98
Investment Income Receivable	3,916.15	9,136.69
Total Restricted Assets	<u>322,659.27</u>	<u>314,992.02</u>
Total Current Assets	<u>2,658,375.48</u>	<u>2,837,586.83</u>
Capital Assets:		
Completed (Net of Accumulated Depreciation)	5,713,597.54	5,079,841.82
Construction in Progress	52,595.51	281,603.63
Total Capital Assets	<u>5,766,193.05</u>	<u>5,361,445.45</u>
Total Assets	<u>8,424,568.53</u>	<u>8,199,032.28</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	979,813.00	1,661,391.00
Related to OPEB	303,519.93	38,826.73
Total Deferred Outflows of Resources	<u>1,283,332.93</u>	<u>1,700,217.73</u>

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2018 and 2017

LIABILITIES	<u>2018</u>	<u>2017</u> (Restated)
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 95,438.44	\$ 62,304.01
Overpaid Service Charges	41,804.77	36,625.40
Unearned Revenue	217,702.13	217,490.50
Developer's Escrow	14,315.17	8,810.13
Accounts Payable - Related to Pension	105,151.00	214,161.00
Total Current Liabilities Payable from Unrestricted Assets	474,411.51	539,391.04
Current Liabilities Payable from Restricted Assets:		
Accounts Payable		62,428.01
Accrued Interest Payable	2,447.28	2,653.80
Current Portion of Loans Payable	45,542.36	45,542.36
Total Current Liabilities Payable from Restricted Assets	47,989.64	110,624.17
Total Current Liabilities	522,401.15	650,015.21
Long Term Liabilities:		
Compensated Absences	253,892.74	238,327.40
Net Pension Liability	4,162,921.00	5,381,436.00
OPEB Liability	5,749,836.00	6,971,999.00
Accrued Liabilities - Related to Pension	105,152.00	107,081.00
Loans Payable	447,988.50	493,685.60
Total Long Term Liabilities	10,719,790.24	13,192,529.00
Total Liabilities	11,242,191.39	13,842,544.21
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	1,758,624.00	1,081,338.00
Related to OPEB	2,802,979.00	1,300,786.00
Deferred Revenue	86,773.31	4,115.00
Total Deferred Inflows of Resources	4,648,376.31	2,386,239.00
NET POSITION		
Net Investment in Capital Assets	5,272,662.19	4,759,789.48
Restricted	555,017.36	555,017.36
Unrestricted (Deficit)	(12,010,345.79)	(11,644,340.04)
Total Net Position	\$ (6,182,666.24)	\$ (6,329,533.20)

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, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
Operating Revenues:		
Service Fees	\$ 4,176,991.99	\$ 4,063,006.91
Intergovernmental Service Fees	237,990.38	234,576.16
Connection Fees	31,690.00	4,475.00
Other Operating Revenues	64,595.30	85,625.94
Total Operating Revenues	<u>4,511,267.67</u>	<u>4,387,684.01</u>
Operating Expenses:		
Administration:		
Salaries and Wages	551,232.04	526,750.36
Employee Benefits	411,166.63	608,525.58
Other Expenses	217,471.93	166,922.33
Total Administration	<u>1,179,870.60</u>	<u>1,302,198.27</u>
Cost of Providing Service:		
Salaries and Wages	1,160,367.75	1,082,049.94
Employee Benefits	715,645.67	930,970.86
Other Expenses	677,416.34	699,393.58
Total Cost of Providing Service	<u>2,553,429.76</u>	<u>2,712,414.38</u>
Depreciation	<u>504,912.55</u>	<u>446,968.24</u>
Total Operating Expenses	<u>4,238,212.91</u>	<u>4,461,580.89</u>
Operating Income (Loss)	<u>273,054.76</u>	<u>(73,896.88)</u>
Non-operating Income (Expenses):		
Investment Income	18,831.36	13,654.81
Interest on Loans	(6,063.74)	(6,563.73)
Gain (Loss) on Disposal of Capital Assets	11,044.58	(55,761.13)
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	(150,000.00)	(182,500.00)
Net Non-operating Expenses	<u>(126,187.80)</u>	<u>(231,170.05)</u>
Change in Net Position	<u>146,866.96</u>	<u>(305,066.93)</u>
Net Position - Beginning, as Originally Stated	(6,329,533.20)	1,654,696.73
Restatement (See Note 10)	-	(7,679,163.00)
Net Position - Beginning, as Restated	(6,329,533.20)	(6,024,466.27)
Change in Net Position	<u>146,866.96</u>	<u>(305,066.93)</u>
Net Position - Ending	<u>\$ (6,182,666.24)</u>	<u>\$ (6,329,533.20)</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
Cash Flows Provided by (Used in) Operating Activities:		
Receipts from Customers and Users	\$ 4,277,502.92	\$ 4,326,625.61
Payments to Employees	(2,778,099.95)	(2,696,234.47)
Payments to Suppliers	(856,248.80)	(896,988.97)
Other Operating Receipts	195,299.55	105,821.39
Net Cash Provided by Operating Activities	<u>838,453.72</u>	<u>839,223.56</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities:		
Interest on Loans	(6,425.00)	(6,925.00)
Principal Paid on Loans	(45,542.36)	(45,542.36)
Cash Received for Sale of Disposed Assets	59,235.00	
Acquisitions of Capital Assets	(1,020,278.58)	(495,802.07)
Net Cash Used in Capital and Related Financing Activities	<u>(1,013,010.94)</u>	<u>(548,269.43)</u>
Cash Flows Used in Noncapital Financing Activities:		
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	(150,000.00)	(182,500.00)
Cash Flows Provided by (Used in) Investing Activities:		
Proceeds from Maturities of Investments	126,780.98	327,666.29
Purchases of Investments	(315,501.14)	(153,778.23)
Investment Income	22,352.55	10,806.90
Net Cash Provided by (Used in) Investing Activities	<u>(166,367.61)</u>	<u>184,694.96</u>
Change in Cash and Cash Equivalents	(490,924.83)	293,149.09
Cash and Cash Equivalents--Beginning of Year	<u>1,875,250.33</u>	<u>1,582,101.24</u>
Cash and Cash Equivalents--End of Year	<u>\$ 1,384,325.50</u>	<u>\$ 1,875,250.33</u>

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY
 Comparative Statements of Cash Flows
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Flows Provided by Operating Activities:		
Operating Income (Loss)	\$ 273,054.76	\$ (73,896.88)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:		
Depreciation Expense	504,912.55	446,968.24
Pension Liability Expense - GASB 68	29,410.00	276,630.00
Other Post Employment Benefits - GASB 75	15,336.80	178,866.26
Changes in Assets, Liabilities and Deferred Inflows of Resources:		
Service Fees Receivable	(142,870.45)	26,644.32
Intergovernmental Receivable		4,539.16
Other Accounts Receivable	16,355.94	11,971.67
Accounts Payable	33,134.43	(30,673.06)
Overpaid Service Charges	5,179.37	(2,140.94)
Developer's Escrow	5,505.04	
Unearned Revenue	211.63	1,138.78
Deferred Revenue	82,658.31	2,610.00
Compensated Absences	15,565.34	(3,433.99)
Net Cash Provided by Operating Activities	<u>\$ 838,453.72</u>	<u>\$ 839,223.56</u>

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

PENNSAUKEN SEWERAGE AUTHORITY
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

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 adopted 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 years ended December 31, 2018 and 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:

	<u>Years</u>
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 Premiums

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 premiums are presented as an adjustment of the face amount on the loans.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources: connection fee funds received prior to providing sewer services, defined benefit pension plans and postemployment benefit plans.

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.

Other Postemployment Benefits – State Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**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 and gain on the disposal of capital assets.

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.

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.

Impact of Recently Issued Accounting Policies**Recently Issued and Adopted Accounting Pronouncements**

For the year ended December 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) 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 cumulative effect of adopting this Statement totaled \$7,679,163.00, and was recognized as a restatement of the Authority's December 31, 2016, net position on the Comparative Statements of Revenues, Expenses and Changes in Net Position (see note 10).

Also, the Authority adopted 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 adoption of this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted 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 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. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Recently Issued Accounting Pronouncements (Cont'd)**

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. 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.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The Statement will become effective for the Authority in the fiscal year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement will become effective for the Authority in the fiscal 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.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**General Bond Resolution (Cont'd)**

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, 2018, 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, 2018, the balance in the bond reserve account meets the requirements of the Bond Resolution. 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, 2018 is 1,625.83% 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, 2018 and 2017 is calculated as follows:

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Operating Revenues:		
Utility Service Charges	\$ 4,414,982.37	\$ 4,297,583.07
Other Operating Revenues	96,285.30	90,100.94
Net Investment Income	<u>18,831.36</u>	<u>13,654.81</u>
Total Revenues	<u>\$ 4,530,099.03</u>	<u>\$ 4,401,338.82</u>
Operating Expenses:		
Administrative	\$ 1,179,870.60	\$ 1,302,198.27
Cost of Providing Service	2,553,429.76	2,712,414.38
GASB 68 & 75 Expense	<u>(44,746.80)</u>	<u>(428,538.27)</u>
Total Operating Expenses	<u>\$ 3,688,553.56</u>	<u>\$ 3,586,074.38</u>
Net Revenues	\$ 841,545.47	\$ 815,264.44
	----- = 1625.83% ----- = 1559.99%	
Debt Service	51,760.84	52,260.83

This ratio meets the required debt service coverage of 110% for the Series 2010 NJ EIT Loans for the years ended December 31, 2018 and 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, 2018 and 2017, the Authority's bank balance of \$1,410,985.13 and \$1,966,009.86 were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Insured by FDIC	\$ 250,000.00	\$ 250,000.00
Insured by GUDPA	940,790.59	1,270,738.10
Uninsured and Uncollateralized	<u>220,194.54</u>	<u>445,271.76</u>
Total	<u>\$1,410,985.13</u>	<u>\$1,966,009.86</u>

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 \$417,498.39 as of December 31, 2018 and \$228,778.23 as of December 31, 2017 investments in Certificates of Deposits are held in the name of the Authority and are covered by GUDPA.

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 25.00% of the Authority's total investment.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

As of December 31, 2018 and 2017, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value Hierarchy</u>		<u>Fair Value</u>	<u>Fair Value</u>
		<u>Level*</u>	<u>Credit Rating</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
GUDPA Insured:					
First Colonial Certificate of Deposit	4/28/2018	Level 1	N/A		\$ 75,000.00
First Colonial Certificate of Deposit	7/23/2018	Level 1	N/A		51,780.98
Susquehanna Certificate of Deposit	4/29/2019	Level 1	N/A	\$ 101,997.25	101,997.25
First Colonial Certificate of Deposit	12/24/2019	Level 1	N/A	183,789.69	
First Colonial Certificate of Deposit	4/29/2021	Level 1	N/A	78,371.93	
First Colonial Certificate of Deposit	12/31/2021	Level 1	N/A	53,339.52	
				<u>\$ 417,498.39</u>	<u>\$ 228,778.23</u>

* 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.

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:

<u>Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 723,545.53	\$ 4,171,347.78	\$ 4,034,121.54	82.41%
2017	757,262.55	4,055,934.12	4,089,651.23	84.97%
2016	729,234.22	4,044,186.06	4,016,157.73	84.14%

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

During the year ended December 31, 2018, the following changes in capital assets occurred:

	Balance <u>Jan. 1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2018</u>
Capital Assets not being Depreciated					
Land & Land Improvements	\$ 105,400.00				\$ 105,400.00
Construction in Progress	281,603.63	\$ 22,300.48	\$(251,308.60)		52,595.51
Total Capital Assets not being Depreciated	387,003.63	22,300.48	(251,308.60)	\$ -	157,995.51
Capital Assets being Depreciated					
Infrastructure	9,164,498.90				9,164,498.90
Buildings	6,322,918.47		251,308.60	11,665.29	6,562,561.78
Vehicles	1,006,411.34	892,041.09		444,699.00	1,453,753.43
Equipment	1,436,775.64	43,509.00		32,434.66	1,447,849.98
Total Capital Assets being Depreciated	17,930,604.35	935,550.09	251,308.60	488,798.95	18,628,664.09
Total Capital Assets	18,317,607.98	957,850.57	-	488,798.95	18,786,659.60
Less Accumulated Depreciation	12,956,162.53	504,912.55	-	440,608.53	13,020,466.55
Capital Assets, Net	\$ 5,361,445.45	\$ 452,938.02	\$ -	\$ 48,190.42	\$ 5,766,193.05

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets (Cont'd)**

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

	Balance <u>Jan. 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2017</u>
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 4: DETAIL NOTES – LIABILITIES**Long Term Liabilities**

During the year ended December 31, 2018 and 2017, the following changes occurred in long-term obligations:

	(Restated)				
	Balance			Balance	Due Within
	Jan. 1, 2018	Additions	Reductions	Dec. 31, 2018	One Year
Loans Payable:					
NJFIT Loans	\$ 537,435.57		\$ (45,542.36)	\$ 491,893.21	\$ 45,542.36
Issuance Premiums	1,792.39		(154.74)	1,637.65	
Total Loans Payable	539,227.96	\$ -	(45,697.10)	493,530.86	45,542.36
Other Liabilities					
Net Pension Liability	5,381,436.00	2,304,722.00	(3,523,237.00)	4,162,921.00	
Net OPEB Obligation	6,971,999.00	1,768,550.00	(2,990,713.00)	5,749,836.00	
Other Liabilities -					
Related to Pension	107,081.00	105,152.00	(107,081.00)	105,152.00	
Compensated Absences	238,327.40	19,503.16	(3,937.82)	253,892.74	
Total Other Liabilities	12,698,843.40	4,197,927.16	(6,624,968.82)	10,271,801.74	-
Total Long Term Liabilities	\$ 13,238,071.36	\$ 4,197,927.16	\$ (6,670,665.92)	\$ 10,765,332.60	\$ 45,542.36
	(Restated)				
	Balance			Balance	Due Within
	Jan. 1, 2017	Additions	Reductions	Dec. 31, 2017	One Year
Loans Payable:					
NJFIT 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	8,055,092.00	386,646.68	(1,469,739.68)	6,971,999.00	
Accrued 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	15,180,885.39	2,543,920.02	(5,025,962.01)	12,698,843.40	-
Total Long Term Liabilities	\$ 15,765,810.45	\$ 2,543,920.02	\$ (5,071,659.11)	\$ 13,238,071.36	\$ 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 <u>Dec. 31,</u>	Interest Free Loan <u>Principal</u>	Loan <u>Principal</u>	Total <u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	35,542.36	15,000.00	50,542.36	4,125.00	54,667.36
2024-2028	164,181.41	75,000.00	239,181.41	11,775.00	250,956.41
2029		15,000.00	15,000.00	600.00	15,600.00
	<u>\$ 341,893.21</u>	<u>\$ 150,000.00</u>	491,893.21	<u>\$ 37,700.00</u>	<u>\$ 529,593.21</u>
Premium on Loan			1,637.65		
Current Maturities			<u>(45,542.36)</u>		
Long-Term Portion			<u>\$ 447,988.50</u>		

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, 2018 and 2017 is estimated at \$97,718.74 and \$89,083.40, 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, 2018 and 2017 is estimated at \$156,174.00 and \$149,244.00, 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
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans**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' 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' 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 New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (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.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****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 |

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.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****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 seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. 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 2018. 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, 2018 and 2017 was 13.89% and 14.52% 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, 2018, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2018 was \$210,303.00, and was paid by April 1, 2019. Based on the 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, which was paid by April 1, 2018. Employee contributions to the Plan during the years ended December 31, 2018 and 2017 were \$114,832.40 and \$107,188.62, respectively.

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, 2018 and 2017, there were no employees participating in DCRP.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS

At December 31, 2018, the Authority's proportionate share of the net pension liability was \$4,162,921.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018. 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, 2018 measurement date, the Authority's proportion was .0211428451%, which was a decrease of .0019748764% from its proportion measured as of June 30, 2017.

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)**

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.

For the years ended December 31, 2018 and 2017, the Authority recognized pension expense of \$243,571.00 and \$480,069.00, respectively. These amounts were based on the plan's June 30, 2018 and 2017 measurement dates, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience	\$ 79,388.00	\$ 21,465.00	\$ 126,714.00	\$ -
Changes of Assumptions	685,980.00	1,331,081.00	1,084,174.00	1,080,199.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	39,048.00	36,644.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	214,445.00	367,030.00	306,778.00	1,139.00
Authority Contributions Subsequent to the Measurement Date	105,152.00	-	107,081.00	-
	<u>\$ 1,084,965.00</u>	<u>\$ 1,758,624.00</u>	<u>\$ 1,661,391.00</u>	<u>\$ 1,081,338.00</u>

The deferred outflows of resources related to pensions totaling \$105,152.00 and \$107,081.00 will be included as a reduction of the net pension liability in the years ended December 31, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2020 and April 1, 2019 contractually required contribution, prorated from the pension plans measurement date of June 30, 2018 and June 30, 2017 to the Authority's year end of December 31, 2018 and 2017.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	-
June 30, 2018	-	5.63
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
June 30, 2018	-	5.63
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
June 30, 2018	-	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
June 30, 2018	5.63	5.63

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,		
2019	\$	41,691.00
2020		(42,319.00)
2021		(325,115.00)
2022		(323,602.00)
2023		(129,466.00)
		<u>\$ (778,811.00)</u>

Actuarial Assumptions – PERS

The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 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, 2018 and 2017. These actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	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, 2018 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 Conduent modified 2014 projection scale. Postretirement 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. 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, 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).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 2017) 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' 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)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66%. The respective single blended discount rates were based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, 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 50% 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 2046; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046, 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, 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.

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, 2018, the plans measurement date, calculated using a discount rate of 5.66%, 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 <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 5,234,393.00</u>	<u>\$ 4,162,921.00</u>	<u>\$ 3,264,024.00</u>

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 <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 6,676,037.00</u>	<u>\$ 5,381,436.00</u>	<u>\$ 4,302,873.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan****General Information about the OPEB Plan**

Plan Description and Benefits Provided - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug benefit coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****General Information about the OPEB Plan (Cont'd)**

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Authority was billed monthly by the Plan and for the years ended December 31, 2018 and 2017, the Authority paid \$180,629.77 and \$170,397.41, respectively. These amounts represent 11.93% and 11.55% of the Authority's covered payroll. Retiree contributions for the years ended December 31, 2018 and 2017 were not made available by the Plan.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At December 31, 2018, the Authority's proportionate share of the net OPEB liability was \$4,992,168.00. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the Authority's proportion was .031865% which was an increase of .001365% from its proportion measured as of the June 30, 2017 measurement date.

At December 31, 2017, the Authority's proportionate share of the net OPEB liability was \$6,226,816.00. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2016 through June 30, 2017. For the June 30, 2017 measurement date, the Authority's proportion was .030500% which was a decrease of .003206% from its proportion measured as of the June 30, 2016 measurement date.

OPEB Expense - At December 31, 2018, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2018 measurement date is \$145,722.00. As previously mentioned, for the year ended December 31, 2018, the Authority made contributions to the Plan totaling \$180,629.77.

At December 31, 2017, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2017 measurement date is \$339,083.00. As previously mentioned, for the year ended December 31, 2017, the Authority made contributions to the Plan totaling \$170,397.41.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2018 and 2017, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 1,013,588.00	\$ -	\$ -
Changes of Assumptions	-	1,266,329.00	-	691,124.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	2,638.00	-	1,067.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	271,529.00	523,062.00	-	609,662.00
Authority Contributions Subsequent to the Measurement Date	29,352.93	-	37,759.73	-
	<u>\$ 303,519.93</u>	<u>\$ 2,802,979.00</u>	<u>\$ 38,826.73</u>	<u>\$ 1,300,786.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Authority reported \$29,352.93 and \$37,759.73 as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date and will be included as a reduction of the Authority's net OPEB liability in the year ending December 31, 2019 and 2018, respectively. The Authority will amortize the other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Year Ending <u>Dec. 31,</u>	
2019	\$ (382,959.00)
2020	(382,959.00)
2021	(382,959.00)
2022	(383,238.00)
2023	(383,688.00)
Thereafter	<u>(613,009.00)</u>
	<u>\$ (2,528,812.00)</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Actuarial Assumptions**

The actuarial valuation at June 30, 2018 and 2017 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2017 valuation were based on the results of the Public Employees' Retirement System (PERS) experience study. The PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Actuarial Assumptions (Cont'd)**

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB liability as of June 30, 2018, the plans measurement date, for the Authority calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's Proportionate Share of the Net OPEB Liability	\$ 5,857,133.00	\$ 4,992,168.00	\$ 4,301,257.00

The net OPEB liability as of June 30, 2017, the plans measurement date, for the Authority calculated using a discount rate of 3.58%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Authority's Proportionate Share of the Net OPEB Liability	\$ 7,344,715.00	\$ 6,226,816.00	\$ 5,339,782.00

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

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The Authority's proportionate share of the net OPEB liability as of June 30, 2018, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,164,269.00	\$ 4,992,168.00	\$ 6,063,593.00

The Authority's proportionate share of the net OPEB liability as of June 30, 2017, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Authority's Proportionate Share of the Net OPEB Liability	\$ 5,174,666.00	\$ 6,226,816.00	\$ 7,596,837.00

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Authority has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides reimbursement for dental and vision coverage and a portion of Medicare part B premiums for the retiree, spouse and eligible dependents with full vesting occurring at retirement age 62 with 15 years of service or no minimum age requirement with 25 years of service. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered by Benefit Terms - At December 31, 2018 and 2017, the following employees were covered by the benefit terms:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	26	26
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	11	11
	<u>37</u>	<u>37</u>

Contributions

Employees are not required to contribute to the plan.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****Net OPEB Liability**

The Authority's total OPEB liability of \$757,668.00 as of December 31, 2018 and \$745,183.00 as of December 31, 2017 was measured as of January 1, 2017. The liabilities were determined by an actuarial valuation as of January 1, 2017 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement dates of December 31, 2018 and December 31, 2017.

Actuarial Assumptions and Other Inputs

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25% Annually
Salary Increases	5.00% Annually
Discount Rate	3.75%
Healthcare Cost Trend Rates	
Dental	2.00%
Vision	2.00%
Medicare Part B	0.00%

The discount rate was based on the 20 year Municipal AA bond rate.

Mortality rates were based on RP-2000 Mortality Tables for Males and Females projected 17 years using Scale AA.

An experience study was not performed on the actuarial assumptions used in the January 1, 2017 valuation since the plan had insufficient data to produce a study with credible results. Mortality rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended December 31, 2018 and 2017, respectively:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Balance at Beginning of Year	\$ 745,183.00	\$ 735,003.00
Changes for the Year:		
Service Cost	19,850.00	18,905.00
Interest Cost	28,025.00	27,591.00
Benefit Payments	(35,390.00)	(36,316.00)
Actuarial Assumption Changes	-	-
Actuarial Demographic Gains / (Losses)	-	-
Net Changes	<u>12,485.00</u>	<u>10,180.00</u>
Balance at End of Year	<u>\$ 757,668.00</u>	<u>\$ 745,183.00</u>

There were no changes of benefit terms or changes of assumptions at December 31, 2018 or 2017.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	December 31, 2018		
	1.00% Decrease (2.75%)	Current Discount Rate (3.75%)	1.00% Increase (4.75%)
Total OPEB Liability	<u>\$ 853,732.00</u>	<u>\$ 757,668.00</u>	<u>\$ 677,164.00</u>

	December 31, 2017		
	1.00% Decrease (2.75%)	Current Discount Rate (3.75%)	1.00% Increase (4.75%)
Total OPEB Liability	<u>\$ 841,023.00</u>	<u>\$ 745,183.00</u>	<u>\$ 665,037.00</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	December 31, 2018		
	1.00% Decrease (Various)	Healthcare Cost Trend Rate (Various)	1.00% Increase (Various)
Total OPEB Liability	<u>\$ 660,105.00</u>	<u>\$ 757,668.00</u>	<u>\$ 877,653.00</u>

	December 31, 2017		
	1.00% Decrease (Various)	Healthcare Cost Trend Rate (Various)	1.00% Increase (Various)
Total OPEB Liability	<u>\$ 654,688.00</u>	<u>\$ 745,183.00</u>	<u>\$ 856,140.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Summary of State and Authority Plans**

At December 31, 2018, the Authority reported deferred outflows of resources, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	(Restated) Balance <u>December 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2018</u>
Deferred Outflows of Resources - Related to OPEB				
State Plan	\$ 38,826.73	\$ 340,869.29	\$ (76,176.09)	\$ 303,519.93
Authority Plan	-	-	-	-
Total Deferred Outflows of Resources - Related to OPEB	<u>\$ 38,826.73</u>	<u>\$ 340,869.29</u>	<u>\$ (76,176.09)</u>	<u>\$ 303,519.93</u>
Net OPEB Liability				
State Plan	\$ 6,226,816.00	\$ 1,720,675.00	\$ (2,955,323.00)	\$ 4,992,168.00
Authority Plan	745,183.00	47,875.00	(35,390.00)	757,668.00
Total Net OPEB Liability	<u>\$ 6,971,999.00</u>	<u>\$ 1,768,550.00</u>	<u>\$ (2,990,713.00)</u>	<u>\$ 5,749,836.00</u>
Deferred Inflows of Resources - Related to OPEB				
State Plan	\$ 1,300,786.00	\$ 1,923,568.36	\$ (421,375.36)	\$ 2,802,979.00
Authority Plan	-	-	-	-
Total Deferred Inflows of Resources - Related to OPEB	<u>\$ 1,300,786.00</u>	<u>\$ 1,923,568.36</u>	<u>\$ (421,375.36)</u>	<u>\$ 2,802,979.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Summary of State and Authority Plans (Cont'd)**

At December 31, 2017, the Authority reported deferred outflows of resources, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	(Restated) Balance		(Restated) Balance	
	<u>December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2017</u>
Deferred Outflows of Resources - Related to OPEB				
State Plan	\$ -	\$ 38,978.12	\$ (151.38)	\$ 38,826.73
Authority Plan	-	-	-	-
Total Deferred Outflows of Resources - Related to OPEB	<u>\$ -</u>	<u>\$ 38,978.12</u>	<u>\$ (151.38)</u>	<u>\$ 38,826.73</u>
Net OPEB Liability				
State Plan	\$ 7,320,089.00	\$ 340,150.68	\$ (1,433,423.68)	\$ 6,226,816.00
Authority Plan	735,003.00	46,496.00	(36,316.00)	745,183.00
Total Net OPEB Liability	<u>\$ 8,055,092.00</u>	<u>\$ 386,646.68</u>	<u>\$ (1,469,739.68)</u>	<u>\$ 6,971,999.00</u>
Deferred Inflows of Resources - Related to OPEB				
State Plan	\$ -	\$ 1,485,441.38	\$ (184,655.38)	\$ 1,300,786.00
Authority Plan	-	-	-	-
Total Deferred Inflows of Resources - Related to OPEB	<u>\$ -</u>	<u>\$ 1,485,441.38</u>	<u>\$ (184,655.38)</u>	<u>\$ 1,300,786.00</u>

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.

Note 6: INTERGOVERNMENTAL AGREEMENTS (CONT'D)**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: 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 8: 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, 2018, which can be obtained from:

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

Note 9: 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.

Note 10: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

As indicated in note 1 to the financial statements, the Authority adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the year ended December 31, 2018. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Authority's net OPEB obligation. The cumulative effect on the financial statements as reported for December 31, 2016 is as follows:

	As Previously Reported December 31, 2016	Net OPEB Liability (1)	As Restated December 31, 2016
Net Position:			
Net Investment in Capital Assets	\$ 4,721,019.68		\$ 4,721,019.68
Restricted	551,833.35		551,833.35
Unrestricted (Deficit)	<u>(3,618,156.30)</u>	\$ (7,679,163.00)	<u>(11,297,319.30)</u>
Total Net Position	<u>\$ 1,654,696.73</u>	<u>\$ (7,679,163.00)</u>	<u>\$ (6,024,466.27)</u>
State Plan		\$ (7,320,089.00)	
Authority Plan		<u>(359,074.00)</u>	
		<u>\$ (7,679,163.00)</u>	

(1) Represents the change in the Authority's Net OPEB Liability as of December 31, 2016

Note 10: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS (CONT'D)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the year ended December 31, 2017:

Statement of Net Position - December 31, 2017

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase / (Decrease)</u>	<u>Restated Balance</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	\$ -	\$ 38,826.73	\$ 38,826.73
Total Deferred Inflows of Resources	<u>1,661,391.00</u>	<u>38,826.73</u>	<u>1,700,217.73</u>
LIABILITIES			
Long-term Liabilities:			
Net OPEB Liability	<u>402,887.00</u>	<u>6,569,112.00</u>	<u>6,971,999.00</u>
Total Long-term Liabilities	<u>6,623,417.00</u>	<u>6,569,112.00</u>	<u>13,192,529.00</u>
Total Liabilities	<u>7,273,432.21</u>	<u>6,569,112.00</u>	<u>13,842,544.21</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	<u>-</u>	<u>1,300,786.00</u>	<u>1,300,786.00</u>
Total Deferred Inflows of Resources	<u>1,085,453.00</u>	<u>1,300,786.00</u>	<u>2,386,239.00</u>
NET POSITION			
Unrestricted (Deficit)	<u>(3,813,268.77)</u>	<u>(7,831,071.27)</u>	<u>(11,644,340.04)</u>
Total Net Position	<u>1,501,538.07</u>	<u>(7,831,071.27)</u>	<u>(6,329,533.20)</u>

Note 10: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS (CONT'D)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the year ended December 31, 2017 (Cont'd):

Statement of Revenues, Expenses and Changes in Net Position - December 31, 2017

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase / (Decrease)</u>	<u>Restated Balance</u>
Operating Expenses:			
Administration:			
Employee Benefits	\$ 532,571.45	\$ 75,954.13	\$ 608,525.58
Total Administration	<u>1,226,244.14</u>	<u>75,954.13</u>	<u>1,302,198.27</u>
Cost of Providing Service:			
Employee Benefits	<u>855,016.73</u>	<u>75,954.13</u>	<u>930,970.86</u>
Total Cost of Providing Service	<u>2,636,460.25</u>	<u>75,954.13</u>	<u>2,712,414.38</u>
Total Operating Expenses	<u>4,309,672.62</u>	<u>151,908.27</u>	<u>4,461,580.89</u>
Operating Income (Loss)	<u>78,011.39</u>	<u>(151,908.27)</u>	<u>(73,896.88)</u>
Change in Net Position	<u>(153,158.66)</u>	<u>(151,908.27)</u>	<u>(305,066.93)</u>
Net Position - Beginning	<u>1,654,696.73</u>	<u>(7,679,163.00)</u>	<u>(6,024,466.27)</u>
Net Position - Ending	<u>1,501,538.07</u>	<u>(7,831,071.27)</u>	<u>(6,329,533.20)</u>

REQUIRED SUPPLEMENTARY INFORMATION

PENNSAUKEN SEWERAGE AUTHORITY
 Required Supplementary Information
 Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios - Authority Plan
 Last Two Years

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ 19,850.00	\$ 18,905.00
Interest Cost	28,025.00	27,591.00
Benefit Payments	<u>(35,390.00)</u>	<u>(36,316.00)</u>
Net Change in Total OPEB Liability	12,485.00	10,180.00
Total OPEB Liability - Beginning of Fiscal Year	<u>745,183.00</u>	<u>735,003.00</u>
Total OPEB Liability - End of Fiscal Year	<u>\$ 757,668.00</u>	<u>\$ 745,183.00</u>
Covered-Employee Payroll	\$ 1,894,985.00	\$ 1,804,748.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	39.98%	41.29%

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 Proportionate Share
 of the Net OPEB Liability - State Plan
 Last Two Plan Years

	<u>Measurement Date Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.031865%	0.030500%
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,992,168.00	\$ 6,226,816.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,446,662.00	\$ 1,514,606.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	345.08%	411.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.03%

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 OPEB Contributions - State Plan
 Last Two Years

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Authority's Required Contributions	\$ 180,629.77	\$ 170,397.41
Authority's Contributions in Relation to the Required Contribution	<u>(180,629.77)</u>	<u>(170,397.41)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 1,514,225.00	\$ 1,474,863.00
Authority's Contributions as a Percentage of Covered Payroll	11.93%	11.55%

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 Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Six Plan Years

	<u>Measurement Date Ending June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's Proportion of the Net Pension Liability	0.0211484510%	0.0231177215%	0.0228999629%
Authority's Proportionate Share of the Net Pension Liability	\$ 4,162,921.00	\$ 5,381,436.00	\$ 6,782,312.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,506,088.00	\$ 1,586,304.00	\$ 1,575,356.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	276.41%	339.24%	430.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0213162988%	0.0213287332%	0.0204123649%
Authority's Proportionate Share of the Net Pension Liability	\$ 4,785,082.00	\$ 3,993,322.00	\$ 3,901,209.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 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	324.76%	270.73%	279.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 Pension Contributions
 Public Employees' Retirement System (PERS)
 Last Six Years

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 210,303.00	\$ 214,161.00	\$ 203,440.00
Contributions in Relation to Contractually Required Contribution	<u>(210,303.00)</u>	<u>(214,161.00)</u>	<u>(241,297.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 1,514,225.00	\$ 1,474,863.00	\$ 1,555,135.00
Authority's Contributions as a Percentage of Covered Payroll	13.89%	14.52%	13.08%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 183,263.00	\$ 175,931.00	\$ 153,803.00
Contributions in Relation to Contractually Required Contribution	<u>(183,263.00)</u>	<u>(175,931.00)</u>	<u>(153,803.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 1,577,112.00	\$ 1,502,070.00	\$ 1,476,176.00
Authority's Contributions as a Percentage of Covered Payroll	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, 2018

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

Changes in Benefit Terms

None

Changes in Assumptions

In 2017, the discount rate changed to 3.58% from 2.85%. In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

Note 2: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - AUTHORITY PLAN

Changes in Benefit Terms

None

Changes in Assumptions

For 2017, the discount rate changed from 4.00% as of December 31, 2016 to 3.75% as of December 31, 2017.

Note 3: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018

For 2016, 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 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.

SUPPLEMENTARY SCHEDULES

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Revenues, Expenses and Changes in Net Position
 Unrestricted and Restricted Accounts
 For the Year Ended December 31, 2018

	Operating	General	Restricted			Total
			Bond Service	Bond Reserve	Renewal and Replacement	
Operating Revenues:						
Service Fees	\$ 4,176,991.99					\$ 4,176,991.99
Intergovernmental Service Fees	237,990.38					237,990.38
Connection Fees	31,690.00					31,690.00
Other Operating Revenues	64,595.30					64,595.30
	<u>4,511,267.67</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,511,267.67</u>
Operating Expenses:						
Administration:						
Salaries and Wages	551,232.04					551,232.04
Employee Benefits	411,166.63					411,166.63
Other Expenses	217,471.93					217,471.93
Cost of Providing Service:						
Salaries and Wages	1,160,367.75					1,160,367.75
Employee Benefits	715,645.67					715,645.67
Other Expenses	677,416.34					677,416.34
Depreciation	504,912.55					504,912.55
	<u>4,238,212.91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,238,212.91</u>
Operating Income	273,054.76					273,054.76
Non-operating Income (Expenses):						
Investment Income	7,195.94	3,737.31	230.86	510.56	7,156.69	18,831.36
Gain on Disposal of Capital Assets		11,044.58				11,044.58
Interest on Loans			(6,063.74)			(6,063.74)
Contribution to Pennsauken Township		(150,000.00)				(150,000.00)
Change in Net Position before Transfers	280,250.70	(135,218.11)	(5,832.88)	510.56	7,156.69	146,866.96
Transfers	(280,250.70)	282,085.07	5,832.88	(510.56)	(7,156.69)	-
Change in Net Position	-	146,866.96	-	-	-	146,866.96
Net Position - Beginning, as restated	250,000.00	(6,884,550.56)	-	55,017.36	250,000.00	(6,329,533.20)
Net Position December 31, 2018:						
Net Investment in Capital Assets		\$ 5,272,662.19				\$ 5,272,662.19
Restricted	\$ 250,000.00		\$ -	\$ 55,017.36	\$ 250,000.00	\$ 555,017.36
Unrestricted		\$ (12,010,345.79)				\$ (12,010,345.79)

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Cash Receipts and Disbursements
For the Year Ended December 31, 2018

	Operating <u>Account</u>	General <u>Account</u>	Revenue <u>Account</u>	Restricted			<u>Total</u>
				<u>Bond Service</u>	<u>Bond Reserve</u>	<u>Renewal and Replacement</u>	
Cash, Cash Equivalents and Investments Jan. 1, 2018	\$ 1,429,978.57	\$ 255,482.87	\$ 112,711.79		\$ 54,603.48	\$ 251,251.85	\$ 2,104,028.56
Cash Receipts:							
Investment Income	6,052.25	2,059.95	1,121.70	\$ 230.86	1,596.42	11,291.37	22,352.55
Service Fees Receivable	3,780,005.64						3,780,005.64
Intergovernmental Service Fees	237,990.38						237,990.38
Other Accounts Receivable	38,447.90						38,447.90
Other Operating Income	64,595.30						64,595.30
Deferred Revenue	114,348.31						114,348.31
Overpaid Service Fees	41,804.77						41,804.77
Sale of Disposed Assets	59,235.00						59,235.00
Other Liabilities	269,156.13						269,156.13
Transfers in				52,426.50			52,426.50
Total Cash Receipts and Investments Available	6,041,614.25	257,542.82	113,833.49	52,657.36	56,199.90	262,543.22	6,784,391.04
Cash Disbursements:							
Budget Appropriations	3,726,859.78			690.00			3,727,549.78
Loan Interest Payments				6,425.00			6,425.00
Loan Principal				45,542.36			45,542.36
Accounts Payable	124,732.02						124,732.02
Capital Assets	957,850.57						957,850.57
Other Accounts Receivable	22,091.96						22,091.96
Other Liabilities	45,948.96						45,948.96
Transfers out			52,426.50				52,426.50
Total Cash Disbursements	4,877,483.29	-	52,426.50	52,657.36	-	-	4,982,567.15
Cash, Cash Equivalents and Investments Dec. 31, 2018	\$ 1,164,130.96	\$ 257,542.82	\$ 61,406.99	\$ -	\$ 56,199.90	\$ 262,543.22	\$ 1,801,823.89
Analysis of Balance:							
Cash & Cash Equivalents	\$ 1,164,130.96	\$ 155,545.57	\$ 61,406.99		\$ 2,860.38	\$ 381.60	\$ 1,384,325.50
Investments							
Certificate of Deposits		101,997.25			53,339.52	262,161.62	417,498.39
	\$ 1,164,130.96	\$ 257,542.82	\$ 61,406.99	\$ -	\$ 56,199.90	\$ 262,543.22	\$ 1,801,823.89

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, 2018

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Budget Revenues:					
Operating Revenues:					
Service Fees:					
Residential	\$ 2,559,000.00		\$ 2,559,000.00	\$ 2,714,135.51	\$ 155,135.51
Business/Commercial	1,205,500.00		1,205,500.00	1,462,856.48	257,356.48
Intergovernmental	236,000.00		236,000.00	237,990.38	1,990.38
Total Service Fees	4,000,500.00	\$ -	4,000,500.00	4,414,982.37	414,482.37
Connection Fees:					
Residential	5,000.00		5,000.00	31,690.00	26,690.00
Business/Commercial	25,000.00		25,000.00		(25,000.00)
Intergovernmental	1,000.00		1,000.00		(1,000.00)
Total Connection Fees	31,000.00	-	31,000.00	31,690.00	690.00
Other Operating Revenues:					
Filing Fees	500.00		500.00	2,360.00	1,860.00
Interest and Fines on Delinquents	40,000.00		40,000.00	38,431.49	(1,568.51)
Miscellaneous	15,500.00		15,500.00	23,803.81	8,303.81
Total Other Operating Revenues	56,000.00	-	56,000.00	64,595.30	8,595.30
Total Operating Revenues	4,087,500.00	-	4,087,500.00	4,511,267.67	423,767.67
Non-Operating Revenues:					
Investment Income					
Unrestricted Accounts	5,000.00		5,000.00	10,933.25	5,933.25
Restricted Accounts	1,000.00		1,000.00	7,898.11	6,898.11
Total Investment Income	6,000.00	-	6,000.00	18,831.36	12,831.36
Total Budget Revenues	4,093,500.00	-	4,093,500.00	4,530,099.03	436,599.03
Operating Appropriations:					
Administration:					
Salaries and Wages					
Management	260,000.00		260,000.00	256,727.00	3,273.00
Office Administration	245,000.00	27,200.00	272,200.00	276,505.04	(4,305.04)
Commissioners	18,000.00		18,000.00	18,000.00	
Total Salaries and Wages	523,000.00	27,200.00	550,200.00	551,232.04	(1,032.04)
Employee Benefits:					
Public Employees Retirement System	101,720.00	6,000.00	107,720.00	107,599.20	120.80
Social Security Tax	50,000.00		50,000.00	42,965.40	7,034.60
Unemployment Comp Insurance	4,000.00		4,000.00	2,896.82	1,103.18
Health Insurance	150,000.00	(10,000.00)	140,000.00	134,218.43	5,781.57
Vision/Dental/Prescription Insurance	55,000.00	(5,000.00)	50,000.00	48,869.28	1,130.72
Employee Sick time Payback	64,000.00	(10,000.00)	54,000.00	53,762.55	237.45
Total Employee Benefits	424,720.00	(19,000.00)	405,720.00	390,311.68	15,408.32

(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, 2018

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Administration (Cont'd):					
Other Expenses:					
Auditing Fees	\$ 37,000.00		\$ 37,000.00	\$ 32,700.00	\$ 4,300.00
Legal Fees	20,000.00		20,000.00	18,200.00	1,800.00
Other Professional Fees	20,000.00	\$ (200.00)	19,800.00	11,965.50	7,834.50
Public Official Liability Insurance	7,000.00	1,100.00	8,100.00	8,058.98	41.02
Office Supplies and Expenses	15,000.00		15,000.00	9,789.86	5,210.14
Postage	16,000.00	(5,000.00)	11,000.00	9,746.68	1,253.32
Advertising/Printing	15,000.00		15,000.00	7,680.09	7,319.91
Telephone Expense	23,000.00		23,000.00	19,338.25	3,661.75
Miscellaneous Expenses	6,085.00		6,085.00	3,635.78	2,449.22
Service Contracts	15,000.00	1,500.00	16,500.00	15,561.29	938.71
Equipment Rental	4,500.00		4,500.00	2,988.00	1,512.00
Building Utilities/Expenses	35,000.00	(9,600.00)	25,400.00	19,409.31	5,990.69
Building Repairs	17,900.00		17,900.00	14,417.97	3,482.03
Civic Involvement	32,500.00		32,500.00	32,500.00	
Education/Seminars	8,000.00	4,000.00	12,000.00	11,480.22	519.78
Total Other Expenses	271,985.00	(8,200.00)	263,785.00	217,471.93	46,313.07
Total Administration Department	1,219,705.00	-	1,219,705.00	1,159,015.65	60,689.35
Cost of Providing Service:					
Salaries and Wages					
Operations and Maintenance	943,000.00	25,000.00	968,000.00	962,183.38	5,816.62
Management	198,000.00		198,000.00	198,184.37	(184.37)
Total Salaries and Wages	1,141,000.00	25,000.00	1,166,000.00	1,160,367.75	5,632.25
Employee Benefits:					
Public Employees Retirement System	101,720.00	6,000.00	107,720.00	107,599.00	121.00
Social Security Tax	95,000.00		95,000.00	94,048.20	951.80
Unemployment Comp Insurance	6,000.00		6,000.00	4,972.75	1,027.25
Health Insurance	340,000.00	(20,000.00)	320,000.00	300,301.24	19,698.76
Vision/Dental/Prescription Insurance	126,700.00	(5,000.00)	121,700.00	112,865.60	8,834.40
Uniforms	8,000.00		8,000.00	2,324.88	5,675.12
Employee Sick time Payback	97,500.00	(10,000.00)	87,500.00	69,642.15	17,857.85
Total Employee Benefits	774,920.00	(29,000.00)	745,920.00	691,753.82	54,166.18

(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, 2018

	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	\$ 34,768.22	\$ 5,231.78
Insurance:					
General and Auto Liability	27,500.00	\$ (6,500.00)	21,000.00	20,867.48	132.52
Workers Compensation	53,000.00	(6,500.00)	46,500.00	46,460.06	39.94
Property	46,500.00	(1,500.00)	45,000.00	44,853.40	146.60
JIF Fund Expense	10,000.00	(5,000.00)	5,000.00	4,522.06	477.94
Uninsured Liabilities	10,000.00		10,000.00		10,000.00
Service Contracts O & M	30,000.00		30,000.00	11,389.00	18,611.00
Utilities/Pumping Stations	200,000.00		200,000.00	161,216.59	38,783.41
Trash Removal	12,000.00		12,000.00	4,835.89	7,164.11
Operations/Maintenance Expense	31,000.00	2,000.00	33,000.00	27,271.13	5,728.87
Safety Expense	5,000.00		5,000.00	2,021.83	2,978.17
Maintenance of Grounds and Structures	3,000.00		3,000.00	1,344.63	1,655.37
Vehicle Repair & Parts	40,000.00		40,000.00	9,321.59	30,678.41
Fuel, Oil, Mileage Expense	50,000.00		50,000.00	24,290.13	25,709.87
Chemicals	2,000.00	3,000.00	5,000.00		5,000.00
Collection System Expense	60,400.00		60,400.00	25,345.84	35,054.16
Permits & Licensing	2,500.00	3,500.00	6,000.00	5,651.00	349.00
Emergency Main Repairs	283,000.00	15,000.00	298,000.00	253,257.49	44,742.51
Total Other Expenses	905,900.00	4,000.00	909,900.00	677,416.34	232,483.66
Total Cost of Providing Service	2,821,820.00	-	2,821,820.00	2,529,537.91	292,282.09
Principal Payments on Debt in Lieu of Depreciation	45,550.00	-	45,550.00	45,542.36	7.64
Total Operating Appropriations	4,087,075.00	-	4,087,075.00	3,734,095.92	352,979.08
Non-Operating Appropriations:					
Contribution to Pennsauken Township	150,000.00		150,000.00	150,000.00	
Interest on Loans	6,425.00		6,425.00	6,218.48	206.52
Total Non-Operating Appropriations:	156,425.00	-	156,425.00	156,218.48	206.52
Total Budget Appropriations	4,243,500.00	-	4,243,500.00	3,890,314.40	353,185.60
Unrestricted Net Position to Balance Budget	(150,000.00)	-	(150,000.00)	-	(150,000.00)
Total Appropriations and Unrestricted Net Position	4,093,500.00	-	4,093,500.00	3,890,314.40	203,185.60
Excess Anticipated Budget Revenues Over Operating and Non-Operating Appropriations	\$ -	\$ -	\$ -	\$ 639,784.63	\$ (639,784.63)

(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, 2018

<u>Reconciliation of Excess Budget Revenues</u>		
<u>over Budget Appropriations to Operating Income</u>		\$ 639,784.63
Add:		
Loan Principal	\$ 45,542.36	
Loan Interest	6,218.48	
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	150,000.00	
		201,760.84
Less:		
Interest on Investments	18,831.36	
GASB 68 Expense	29,410.00	
GASB 75 Expense	15,336.80	
Depreciation	504,912.55	
		568,490.71
Operating Income (Exhibit B)		\$ 273,054.76
 <u>Analysis of Charges to Appropriations</u>		
Cash Disbursed		\$ 3,727,549.78
Accounts Payable		95,438.44
Compensated Absences		15,565.34
Loan Principal		45,542.36
Loan Interest		6,218.48
Total Budget Appropriations		\$ 3,890,314.40

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Service Fees Receivable
 For the Year Ended December 31, 2018

Balance Jan. 1, 2018		\$ 723,545.53
Increased by:		
Residential Charges	\$ 2,708,491.30	
Business/Commercial	1,462,856.48	
		4,171,347.78
		4,894,893.31
Decreased by:		
Collections	3,780,005.64	
Unearned Revenue Realized	217,490.50	
Overpayment Applied	36,625.40	
		4,034,121.54
Balance Dec. 31, 2018		\$ 860,771.77
<u>Analysis of Balance:</u>		
Service Fees Receivable		\$ 524,702.05
Unbilled Revenue		336,069.72
Balance Dec. 31, 2018		\$ 860,771.77

Schedule 5

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Investment Income Receivable
 For the Year Ended December 31, 2018

	<u>Balance</u> <u>Jan. 1, 2018</u>	<u>Investment</u> <u>Earnings</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Unrestricted Earnings:				
Operating Account		\$ 6,052.25	\$ 6,052.25	
Revenue Trustee Fund	\$ 78.29	1,143.69	1,121.70	\$ 100.28
General Account	1,141.95	3,737.31	2,059.95	2,819.31
	1,220.24	10,933.25	9,233.90	2,919.59
Restricted Earnings:				
Bond Reserve Account	1,123.41	510.56	1,596.42	37.55
Bond Service Account		230.86	230.86	
Renewal and Replacement Fund	8,013.28	7,156.69	11,291.37	3,878.60
	9,136.69	7,898.11	13,118.65	3,916.15
	\$ 10,356.93	\$ 18,831.36	\$ 22,352.55	\$ 6,835.74

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Intergovernmental Service Fees Receivable
 For the Year Ended December 31, 2018

	<u>Cherry Hill</u>	<u>Merchantville</u>	<u>Total</u>
Increased by:			
Charges Billed	\$ 32,333.36	\$ 205,657.02	\$ 237,990.38
	32,333.36	205,657.02	237,990.38
Decreased by:			
Cash Collections	\$ 32,333.36	\$ 205,657.02	\$ 237,990.38

Schedule 7

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Other Accounts Receivable
 For the Year Ended December 31, 2018

	<u>Refunds Receivable</u>	<u>Lend a Hand Program</u>	<u>Total</u>
Balance Jan. 1, 2018	\$ 15,095.93	\$ 5,909.58	\$ 21,005.51
Decreased by:			
Allowance for Doubtful Accounts	-	4,649.57	4,649.57
Balance Jan. 1, 2018 - Net Amount	15,095.93	1,260.01	16,355.94
Increased by:			
Disbursed	22,091.96		22,091.96
	37,187.89	1,260.01	38,447.90
Decreased by:			
Cash Collections	\$ 37,187.89	\$ 1,260.01	\$ 38,447.90

PENNSAUKEN SEWERAGE AUTHORITY

Schedule of Capital Assets--Completed
For the Year Ended December 31, 2018

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
Administration:				
Infrastructure	\$ 190,940.08			\$ 190,940.08
Land	63,100.00			63,100.00
Buildings	768,868.96	\$ 251,308.60	\$ 11,665.29	1,008,512.27
Vehicles	56,708.00		27,943.00	28,765.00
Equipment	261,655.29		21,392.26	240,263.03
Operations:				
Infrastructure	8,973,558.82			8,973,558.82
Land	42,300.00			42,300.00
Buildings	5,554,049.51			5,554,049.51
Vehicles	949,703.34	892,041.09	416,756.00	1,424,988.43
Equipment	1,175,120.35	43,509.00	11,042.40	1,207,586.95
	18,036,004.35	1,186,858.69	488,798.95	18,734,064.09
Less: Depreciation	12,956,162.53	504,912.55	440,608.53	13,020,466.55
	<u>\$ 5,079,841.82</u>	<u>\$ 681,946.14</u>	<u>\$ 48,190.42</u>	<u>\$ 5,713,597.54</u>
From Construction in Progress Disbursed		\$ 251,308.60 <u>935,550.09</u>		
		<u>\$ 1,186,858.69</u>		
Loss on Net Book Value			\$ (48,190.42)	
Cash Received for Sale of Disposed Assets			<u>59,235.00</u>	
Gain on Disposal of Capital Assets			<u>\$ 11,044.58</u>	

Schedule 9**PENNSAUKEN SEWERAGE AUTHORITY**

Schedule of Construction in Progress
For the Year Ended December 31, 2018

Balance Jan. 1, 2018	\$ 281,603.63
Increased by:	
Disbursed	<u>22,300.48</u>
	303,904.11
Decreased by:	
Transferred to Completed	<u>251,308.60</u>
Balance Dec. 31, 2018	<u>\$ 52,595.51</u>

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Overpaid Service Fees
 For the Year Ended December 31, 2018

Balance Jan. 1, 2018	\$ 36,625.40
Increased by:	
Cash Received	41,804.77
	78,430.17
Decreased by:	
Applied to Service Fees Receivable	36,625.40
Balance Dec. 31, 2018	\$ 41,804.77

Schedule 11

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Other Liabilities
 For the Year Ended December 31, 2018

	<u>Turn On/Off Fees Payable</u>	<u>Unearned Revenue</u>	<u>Planning Escrow Fees</u>	<u>Total</u>
Balance Jan. 1, 2018		\$ 217,490.50	\$ 8,810.13	\$ 226,300.63
Increased by:				
Received	\$ 19,954.00	217,702.13	31,500.00	269,156.13
	19,954.00	435,192.63	40,310.13	495,456.76
Decreased by:				
Disbursed	19,954.00		25,994.96	45,948.96
Realized		217,490.50		217,490.50
	19,954.00	217,490.50	25,994.96	263,439.46
Balance Dec. 31, 2018	\$ -	\$ 217,702.13	\$ 14,315.17	\$ 232,017.30

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Accrued Interest Payable
 For the Year Ended December 31, 2018

Balance Jan. 1, 2018		\$	2,653.80
Increased by:			
Interest Charges - 2018 Budget	\$	6,218.48	
Loan Premium Amortized		<u>(154.74)</u>	
			<u>6,063.74</u>
			8,717.54
Decreased by:			
Cash Disbursed		6,425.00	
Loan Premium Amortized		<u>(154.74)</u>	
			<u>6,270.26</u>
Balance Dec. 31, 2018		\$	<u><u>2,447.28</u></u>

Schedule 13

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Deferred Revenue (Connection Fees)
 For the Year Ended December 31, 2018

Balance Jan. 1, 2018		\$	4,115.00
Add:			
Receipts			<u>114,348.31</u>
			118,463.31
Less:			
Realized as Connection Fee Revenue			<u>31,690.00</u>
Balance Dec. 31, 2018		\$	<u><u>86,773.31</u></u>

PENNSAUKEN SEWERAGE AUTHORITY
 Schedule of Sewer Revenue Loans
 For the Year Ended December 31, 2018

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities</u>		<u>Rate</u>	<u>Balance Jan. 1, 2018</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Trust Loan, Series 2010A (Non-Interest Bearing)	03/10/10	\$ 699,000.00	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				
				<u>341,893.21</u>				
					\$ 377,435.57	\$ 35,542.36	\$ 341,893.21	

(Continued)

PENNSAUKEN SEWERAGE AUTHORITY

PART II

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2018

36000

PENNSAUKEN SEWERAGE AUTHORITY
Schedule of Findings and Recommendations
For the Year Ended December 31, 2018

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.

None

PENNSAUKEN SEWERAGE AUTHORITY
Summary Schedule of Prior Year Findings and Recommendations
For the Year Ended December 31, 2018

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.

FINANCIAL STATEMENT FINDINGS

Finding No. 2017-001

Condition

During our test of bids and contracts, we found the Authority over-expended one professional service contract for engineering services.

Current Status

The condition has been resolved.

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

