

BEACHWOOD SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

Comprehensive Annual Financial Report

For the Year Ended December 31, 2014

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section

BEACHWOOD SEWERAGE AUTHORITY

1133 BEACH AVENUE
BEACHWOOD, NEW JERSEY 08722
(732) 240-2608 • FAX: (732) 240-7278

September 28, 2015

To the Board of Commissioners,

The comprehensive annual financial report (CAFR) of the Beachwood Sewerage Authority ("Authority") for the year December 31, 2014, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including disclosures, rests with the management of the Authority. We believe that the data presented is accurate in all the material respects; that the report is presented in a manner designed to fairly set forth the results of operations of the Authority as measured by the financial activity of its funds; that the report fairly presents the net position of the Authority for the year ended; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Authority's financial activities have been included.

This CARF is presented in three main sections:

1. **Introductory Section** provides information on the contents of the report, this transmittal letter and the Authority's organizational structure.
2. **Financial Section** includes the auditor's opinion, management discussion and analysis, basic financial statements and other supplemental information.
3. **Statistical Section** contains additional financial and general information generally presented on a multi-year basis.

Profile of the Government

The Beachwood Sewerage Authority (Authority) was created by the Mayor and Council of the Borough of Beachwood pursuant to the provisions of an Act of legislature of the State of New Jersey under P.L. 1946, c. 148, p.639 known as the "Sewerage Authority Law," as amended and supplemented (Ord. #9/6/72). The Mayor and Council entered in to the Service Contract by ordinance and resolution, respectively, on August 1, 1973. The Authority is a collection system with two (2) pump stations in the Borough of Beachwood.

Organization and Structure

The Authority consists of five (5) regular Commissioners who are appointed by the Mayor and Council of the Borough of Beachwood to staggered terms of five (5) years.

The Chairperson, or in his or her absence, the Vice Chairperson presides over the meetings. The Secretary is responsible for the execution, witnessing and certification of various Authority documents. (See appendix A for current list of Commissioners).

Organization and Structure (Continued)

The Commissioners are also responsible for the annually appointing an Authority attorney, auditor and engineer, along with any other special counsels or consultants as deemed appropriate and necessary. These professionals report to the Commissioners. (See appendix B for the current list of Consultants).

Within the Authority, there are two (2) divisions, the Administrative and the Operational Divisions. The Administrative Division is responsible for the preparation of all the necessary Authority paperwork and documents, along with the day to day finances of the authority and its purchasing. Within the administrative division a Sr. Clerk has the responsibility of attending the Authority's meeting and recording the minutes. Also, there is a bookkeeper responsible for the preparation of the Authority's documents as they pertain to the processing and payment of bills, payroll and the receipt of monies due the Authority and proper disposition. These individuals report directly to the Commissioners.

The Operations Division is responsible for the day to day operation and maintenance of the physical plant. The Operational Division is headed by the Superintendent, who reports directly to the Commissioners.

Local Economy

The Borough of Beachwood is located along the southern banks of the Toms River in Central Ocean County approximately one mile south of Toms River Township, the County Seat. It is surrounded by the Borough of South Toms River to the north and west, the Borough of Pine Beach to the southeast; and the Township of Berkley to the south and west. Residents enjoy a blend of waterfront living, open space and growing recreational opportunities.

Table 1: Population

	<u>1980</u> <u>Census</u>	<u>1990</u> <u>Census</u>	<u>2000</u> <u>Census</u>	<u>2010</u> <u>Census</u>
County of Ocean	346,038	433,203	510,916	576,567
Borough of Beachwood	7,687	9,324	10,375	11,045

Table 2: At Place Employment

	<u>2000</u>	<u>2010</u>
County of Ocean	209,328	237,250
Borough of Beachwood	5,117	5,347

Table 3: Median Household Income

	<u>2000</u>	<u>2010</u>
County of Ocean	\$46,443	\$59,620
Borough of Beachwood	\$59,022	\$78,611

Major Initiatives

None

Completed Projects

Over the past several years the Authority has completed the following major projects:

None

Financial Information

Internal Controls

In developing and evaluating the Authority's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide Authority management with reasonable (but not absolute) assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition and (b) the overall reliability of the financial records for preparing financial statements and for maintaining accountability and control over Authority's assets.

The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of cost and benefits requires estimates and judgment by management.

Budgetary Control

Annually, appropriations are established by the Board of Commissioners to record the current year's fiscal requirements of the Authority. Portions of these appropriations are encumbered as purchase orders and/or contracts are awarded. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. To facilitate this determination, the Authority accounting records are delineated by function and specific activity.

Financial Operating Results

The Management discussion and analysis that follows, summarizes and reviews the changes of the Authority's net position.

Cash and Investment Administration

The Authority's investment policy is to minimize risks while maintaining a competitive yield on its portfolio. During 2014, the Authority continues to invest in the same type of investments as in prior years. All investments are made in accordance with permitted investment vehicles as determined by the State of New Jersey.

Risk Management

The Authority continues to look to the New Jersey Utilities Authority Joint Insurance Fund (NJUAJIF), for its property and casualty insurance coverage. This fund has provided comprehensive and reliable coverage for many years. The relationship has also resulted in thousands of dollars in cost savings on premiums, plus many annual dividends being paid to the Authority.

Risk Management (Continued)

Recently, the NJUAJIF has enhanced its coverage with the additions of Employment Practices Liability Coverage (EPL) and Public Officials Liability Coverage (POL). There has also been the inclusion of extended New Jersey Environmental Joint Insurance Fund (NJEJIF).

A comprehensive listing of the Insurance Coverage can be found on file in the Authority's offices.

Other Information

Independent Audit

The Authority is required to have an annual audit of the books of account, financial records and transactions conducted by independent certified public accounts selected by the Board of Commissioners. This requirement has been complied with. The independent auditor's report on the 2014 financial statements of the Authority has been included in the financial section of this report.

Acknowledgement

The preparation of this report on a timely basis was made possible with the assistance of the following people:

Beverly D. Clayton, Sr. Clerk
Milly Tangen, Bookkeeper
William E. Antonides, Jr., Fee Accountant
Brian K. Logan, Auditor

In addition, the following references were used in compiling the report:

Ocean County Data Book, dated July 2012.

In closing, preparation of the report would not have been possible without the leadership and support of the Board of Commissioners.

Sincerely,



Ronald McNabb
Chairman

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

2014

MEMBERS OF THE AUTHORITY

Appendix A

Allison Kobus	Chair	2/01/2010 to 1/31/2015
Matthew Brown	Vice-Chairman	2/01/2014 to 1/31/2019
Ronald McNabb	Treasurer	12/04/2013 to 1/31/2016
Robert Klump	Secretary	2/01/2013 to 6/17/2014
Robert G. Tapp	Secretary	10/01/2014 to 1/31/2018
John Risk	Commissioner	2/19/2014 to 1/31/2017

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

2014

CONSULTANTS

Appendix B

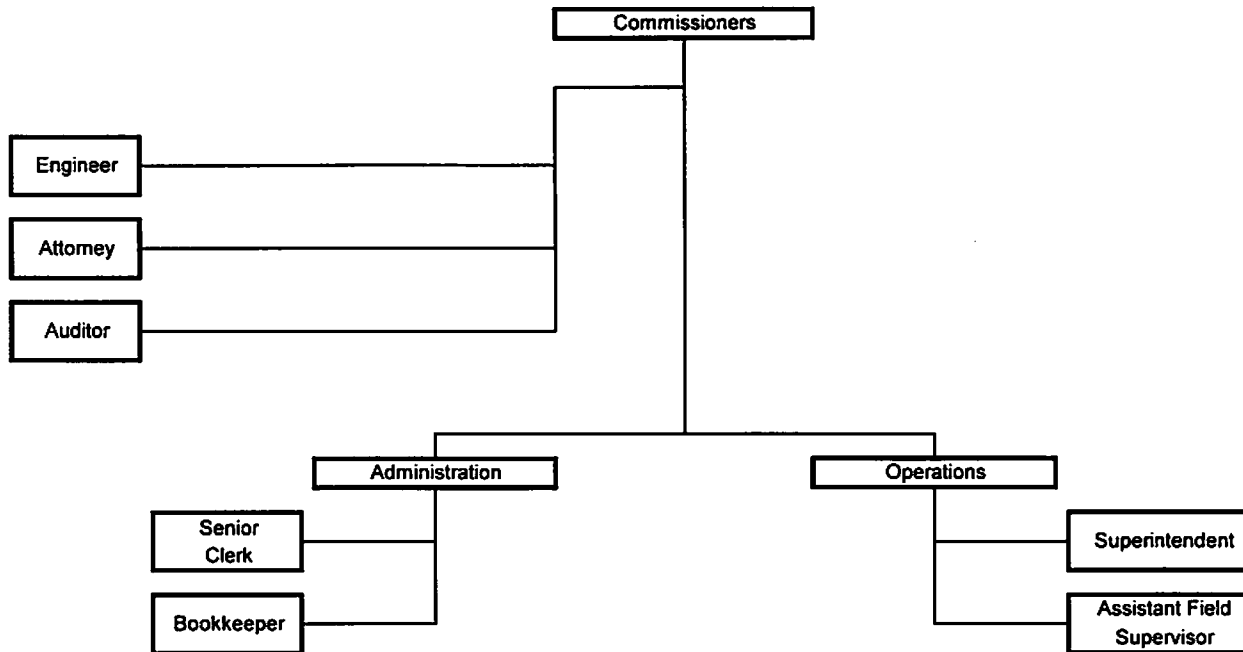
Frank J. Baer, Jr.	Engineer
Suplee, Clooney & Company	Auditor
James Gluck, Esq.	Attorney
Gluck, Walrath & Lanciano, LLP	Bond Counsel

Appendix C

2014

Beachwood Sewerage Authority
(A Component Unit of the Borough of Beachwood)

Organization Chart



Financial Section



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Chairman and Board of Commissioners
Beachwood Sewerage Authority
1133 Beach Avenue
Beachwood, New Jersey 08722

Report on the Financial Statements

We have audited the accompanying financial statements of the Beachwood Sewerage Authority, as of and for the year ended December 31, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

SUPLEE, CLOONEY & COMPANY

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Beachwood Sewerage Authority at December 31, 2014, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified 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 opinions on the financial statements that collectively comprise the Beachwood Sewerage Authority's basic financial statements. The supplementary data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary data schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 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 supplementary data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SUPLEE, CLOONEY & COMPANY

Prior Period Financial Statements

The financial statements of the Beachwood Sewerage Authority as of December 31, 2013 and for the year then ended, were audited by other auditors whose report dated February 15, 2015 expressed an unmodified opinion as to conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2015 on our consideration of the Beachwood Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Beachwood Sewerage Authority's internal control over financial reporting and compliance.



September 28, 2015

Management's Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the Authority's financial condition and operating results and to also inform the reader on Authority financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Transmittal Letter (beginning on page 1) and the Authority's basic financial statements (beginning on page 14).

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. As enterprise funds, the Authority's basic financial statements include:

- **Statement of net position** - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (Exhibit A)
- **Statement of revenues, expenses and changes in net position** - reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (Exhibit B)
- **Statement of cash flows** - reports the Authority's cash flows from operating activities, investing, capital and non-capital activities. (Exhibit C)

STATEMENT OF NET POSITION

Years Ended December 31,	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current Assets:			
Unrestricted	\$ 748,025	\$ 832,524	\$ 914,371
Restricted			
Accounts Receivable	<u>340,875</u>	<u>301,307</u>	<u>335,307</u>
Total Current Assets	<u>1,088,900</u>	<u>1,133,831</u>	<u>1,249,678</u>
Non-Current Assets:			
Restricted Assets	<u>630,526</u>	<u>567,976</u>	<u>537,791</u>
Capital Assets - Net of Depreciation	3,194,978	3,473,656	3,691,583
Unamortized Debt Issuance Costs			<u>38,326</u>
Total Assets	<u>\$ 4,914,404</u>	<u>\$ 5,175,463</u>	<u>\$ 5,517,378</u>
Liabilities:			
Current Liabilities	\$ 81,666	\$ 40,903	\$ 55,144
Non-Current Liabilities	<u>491,174</u>	<u>599,589</u>	<u>692,593</u>
Total Liabilities	<u>\$ 572,840</u>	<u>\$ 640,492</u>	<u>\$ 747,737</u>
Deferred Inflows of Resources			
Deferred Revenue - Service Charges	<u>\$ 165,714</u>	<u>\$ 169,652</u>	<u>\$ 177,001</u>

STATEMENT OF NET POSITION (CONTINUED)

The net position of the Authority decreased to \$4,175,850 during 2014, a \$189,469 decrease over 2013.

Years Ended December 31,	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Position			
Investment in Capital Assets - Net of Related Debt	\$ 2,724,978	\$ 2,893,656	\$ 3,006,583
Restricted:			
Bond Service Fund	47,000	58,000	65,672
Renewal and Replacement	500,000	500,000	500,000
Unrestricted	<u>903,872</u>	<u>913,663</u>	<u>1,020,385</u>
Total Net Position	<u>\$ 4,175,850</u>	<u>\$ 4,365,319</u>	<u>\$ 4,592,640</u>

REVIEW OF REVENUES

Years Ended December 31,	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues:			
Service Fees	\$ 1,667,264	\$ 1,646,917	\$ 1,645,450
Connection Fees and Other Revenues	87,600	130,239	73,758
Total Operating Revenues	<u>1,754,864</u>	<u>1,777,156</u>	<u>1,719,208</u>
Non-Operating Revenues:			
Interest Revenue	270	478	297
Total Non-Operating Revenues	<u>270</u>	<u>478</u>	<u>297</u>
Total Revenues	<u>\$ 1,755,134</u>	<u>\$ 1,777,634</u>	<u>\$ 1,719,505</u>

The Authority's revenues decreased \$22,500 in 2014 when compared to 2013.

REVIEW OF EXPENSES

Years Ended December 31,	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Expenses:			
Personnel Services	\$ 331,970	\$ 322,168	\$ 321,242
Purchase of Services	1,010,873	1,027,565	1,004,274
Other Operating Expenses	300,745	329,661	158,463
Depreciation	<u>278,678</u>	<u>262,529</u>	<u>258,123</u>
Total Operating Expenses	<u>\$ 1,922,266</u>	<u>\$ 1,941,923</u>	<u>\$ 1,742,102</u>

The Authority's operating expenses decreased \$19,657 in 2014 when compared to 2013.

CAPITAL ASSETS, NET OF DEPRECIATION

In 2014, capital assets had a net decrease (addition, deductions and depreciation) of \$278,678.

Years Ended December 31,	<u>2014</u>	<u>2013</u>	<u>2012</u>
Plant and Property	\$ 596,473	\$ 596,473	\$ 596,473
Vehicles and Equipment	432,091	432,091	409,087
Collection System	8,794,677	8,794,677	8,773,079
Road Overlay	<u>410,115</u>	<u>410,115</u>	<u>410,115</u>
Total Capital Assets	10,233,356	10,233,356	10,188,754
Less: Accumulated Depreciation	<u>7,038,378</u>	<u>6,759,700</u>	<u>6,497,171</u>
Total Net Capital Assets	\$ <u>3,194,978</u>	\$ <u>3,473,656</u>	\$ <u>3,691,583</u>

The Authority makes necessary replacements to its plant and equipment, due to obsolescence or normal retirement, through the budgetary process. That process is also used for additions that might require long term funding. The cost of laterals, which extend the service system, are paid for by the consumer who benefits from the construction. The latter costs are treated as contributed capital because they are borne by the consumer.

DEBT OUTSTANDING

Principal payments, together with interest, are payable annually until final installment of principal due in December of the year 2018.

FINANCIAL CONTACT

Questions related to any component of the Authority's Comprehensive Annual Report should be addressed to Ronald McNabb, Chairman, Beachwood Sewerage Authority, 1133 Beach Avenue, Beachwood, NJ 08722.

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Exhibit A
Sheet 1 of 2

	2014	2013
<u>Assets</u>		
Current Assets:		
Unrestricted Assets		
Cash and Cash Equivalents	\$ 748,024.60	\$ 832,524.29
Accounts Receivable	340,875.44	301,306.42
Total Unrestricted Assets	1,088,900.04	1,133,830.71
Restricted Assets		
Cash and Cash Equivalents	630,525.87	567,975.86
Total Current Assets	1,719,425.91	1,701,806.57
Non-Current Assets:		
Capital Assets:		
Land	198,197.78	198,197.78
Buildings and Improvements	398,275.00	398,275.00
Vehicles and Equipment	432,091.27	432,091.27
Collection System	8,794,676.88	8,794,676.88
Road Overlay	410,114.91	410,114.91
	10,233,355.84	10,233,355.84
Less: Accumulated Depreciation	7,038,377.48	6,759,699.68
Net Capital Assets	3,194,978.36	3,473,656.16
Total Non-Current Assets	3,194,978.36	3,473,656.16
Total Assets	\$ 4,914,404.27	\$ 5,175,462.73

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

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Exhibit A
Sheet 2 of 2

	<u>2014</u>	<u>2013</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 75,706.13	\$ 26,274.07
Funds Held in Custody for Others-Escrow	364.33	9,961.58
Employee Payroll Deductions Payable	4,038.50	2,777.95
Accrued Interest Payable	1,556.83	1,889.06
Total Current Liabilities	<u>81,665.79</u>	<u>40,902.66</u>
Non-Current Liabilities:		
2003 Series Revenue Bonds Payable:		
Due within One Year	110,000.00	110,000.00
Due beyond One Year	360,000.00	470,000.00
Compensated Absences	21,173.55	19,589.30
Total Non-Current Liabilities	<u>491,173.55</u>	<u>599,589.30</u>
Total Liabilities	<u>\$ 572,839.34</u>	<u>\$ 640,491.96</u>
<u>Deferred Inflows of Resources</u>		
Deferred Revenue - Service Charges	<u>\$ 165,714.44</u>	<u>\$ 169,651.67</u>
<u>Net Position</u>		
Net Investment in Capital Assets	2,724,978.36	2,893,656.17
Restricted For 2003 Series Revenue Bonds:		
Bond Reserve Requirement	47,000.00	58,000.00
Renewal and Replacement	500,000.00	500,000.00
Unrestricted	<u>903,872.13</u>	<u>913,662.93</u>
Total Net Position	<u>\$ 4,175,850.49</u>	<u>\$ 4,365,319.10</u>

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

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Exhibit B

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Service Fees	\$ 1,667,264.29	\$ 1,646,916.63
Connection Fees	6,750.00	28,600.00
Other	80,849.36	101,639.38
Total Operating Revenue	<u>1,754,863.65</u>	<u>1,777,156.01</u>
Operating Expenses:		
Personnel Services	331,970.57	322,167.42
Purchase of Services	1,010,872.80	1,027,565.40
Other Operating Expenses	300,744.78	329,661.04
Depreciation	278,677.80	262,529.12
Total Operating Expenses	<u>1,922,265.95</u>	<u>1,941,922.98</u>
Operating Income/(Deficit)	<u>(167,402.30)</u>	<u>(164,766.97)</u>
Non-Operating Revenues/(Expenses)		
Interest Earned on Deposits	270.22	477.90
Interest Expense on Long-Term Debt	(22,336.53)	(36,855.94)
Amortization of Debt Issuance Costs - 2003 Revenue Bonds		(38,325.76)
Total Non-Operating Revenues/(Expenses)	<u>(22,066.31)</u>	<u>(74,703.80)</u>
Income (Loss) Before Capital Contributions	<u>(189,468.61)</u>	<u>(239,470.77)</u>
Capital Contributions		12,150.00
Change in Net Position	<u>(189,468.61)</u>	<u>(227,320.77)</u>
Total Net Position January 1	<u>4,365,319.10</u>	<u>4,592,639.87</u>
Total Net Position December 31	<u>\$ 4,175,850.49</u>	<u>\$ 4,365,319.10</u>

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

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Exhibit C

Sheet 1 of 2

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 1,689,888.13	\$ 1,735,530.69
Payments to Suppliers	(1,250,165.41)	(1,320,254.84)
Payments to Employees	(320,067.21)	(323,631.46)
Other Receipts (Payments)	390.60	44,536.99
Net Cash Provided by (Used In) Operating Activities	<u>120,046.11</u>	<u>136,181.38</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets		(32,452.19)
Developer Cash Disbursed in Excess of Received	(9,597.25)	(24,525.00)
Principal Paid on Capital Debt	(110,000.00)	(105,000.00)
Interest Paid on Capital Debt	(22,668.76)	(26,343.76)
Net Cash Used in Capital and Related Financing Activities	<u>(142,266.01)</u>	<u>(188,320.95)</u>
Cash Flows from Investing Activities:		
Interest on Investments	<u>270.22</u>	<u>477.90</u>
Net Cash Provided by Investing Activities	<u>270.22</u>	<u>477.90</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(21,949.68)	(51,661.67)
Cash and Cash Equivalents January 1	<u>1,400,500.15</u>	<u>1,452,161.82</u>
Cash and Cash Equivalents December 31	<u>\$ 1,378,550.47</u>	<u>\$ 1,400,500.15</u>
Reconciliation of Cash Equivalents to Amounts Reported on the Statement of Net Position:		
Cash and Investments	\$ 748,024.60	\$ 832,524.29
Other Restricted Cash and Investments	<u>630,525.87</u>	<u>567,975.86</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,378,550.47</u>	<u>\$ 1,400,500.15</u>

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

BEACHWOOD SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

COMPARATIVE STATEMENTS OF CASH FLOWS

Exhibit C

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Sheet 2 of 2

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating Income	\$ (167,402.30)	\$ (164,766.97)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by (Used By) Operating Activities:		
Depreciation	278,677.80	262,529.12
Escrow Accounts		0.75
Changes in Current Assets and Current Liabilities		
(Increase)/Decrease in Receivables	(39,569.02)	34,000.45
Increase/(Decrease) in Accounts Payable	49,432.06	11,799.52
Increase/(Decrease) in Contracts Payable		(2,370.00)
Increase/(Decrease) in Accrued Liabilities	1,260.55	1,159.24
Increase/(Decrease) in Deferred Revenue	(3,937.23)	(7,348.93)
Increase/(Decrease) in Compensated Absences	1,584.25	1,178.20
Total Adjustments	<u>287,448.41</u>	<u>300,948.35</u>
Net Cash Provided by Operating Activities	<u>\$ 120,046.11</u>	<u>\$ 136,181.38</u>

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

BEACHWOOD BOROUGH SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Authority, a public body corporate and politic of the Borough of Beachwood, County of Ocean, State of New Jersey was organized and exists under the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey and the acts amendatory and supplementary thereto. The Authority was created by ordinance of the Borough of Beachwood on September 6, 1972. The Authority members are appointed by the governing body of the Borough for terms of five years.

GASB Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. In accordance with this statement the Authority is a component unit of the Borough and should be reported in the financial statements of the Borough. However, the Bureau of Authority Regulation, Department of Community Affairs, (“DCA”) State of New Jersey requires that the financial statements of the Authority and Borough be reported separately.

B. Basis of Accounting

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Accounting Standards Board (FASB) Statements for private-sector accounting and financial reporting issued prior to December 1, 1989, generally are followed in the basic financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The Authority also has the option of following subsequent FASB statements subject to this same limitation. The Authority has elected not to follow subsequent FASB statements.

The Authority is a special purpose government engaged only in business-type activities. For these governments, only enterprise fund financial statements are presented.

In June 1999, the GASB adopted its Statement No. 34 “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.” The adoption of Statement No. 34 required the Authority to make several changes to the presentation of its basic financial statements in addition to requiring the presentation of the Authority’s Management’s Discussion and Analysis (MD&A). MD&A is considered to be required supplemental data and precedes the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. New Accounting Standards

During fiscal years 2014 and 2013, the Authority adopted the following GASB statements:

GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

GASB 65, Items Previously Reported as Assets and Liabilities, although not required to be implemented until next year, the Authority elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB 66, Technical Corrections - 2012, an Amendment of GASB Statements 10 and 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

D. Basis of Presentation - Financial Statements

The accounts of the Authority are organized on the basis of funds, in accordance with the 2003 Bond Resolution (see Note 1M), each of which is considered a separate accounting activity. The operations of each system are accounted for with a separate set of self-balancing accounting records that comprise its assets, deferred outflows, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one fund type and one broad fund category, as follows:

Proprietary Fund Type

Enterprise Fund - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be finance or recovered primarily through user charges.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation - Financial Statements (Continued)

Proprietary Fund Type (Continued)

During the course of its operations, the Authority has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balance of interfund amounts receivable and payable have been eliminated and therefore are not reported in the financial statements.

Reclassifications

Certain reclassifications have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets, all deferred outflows and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 10)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow private-sector standards issued subsequent to December 1, 1989.

F. Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are wastewater service charges. Revenues from service charges are recognized as the related services are provided. Revenues from connection fees are recognized when paid. Overpayment of service charges are recorded at year-end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenues and Expenses (Continued)

Operating expenses include the costs associated with the conveyance of water and wastewater, treatment of wastewater, administrative expenses, and depreciation of capital assets.

All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

G. Inventory

The costs of inventories of materials and supplies are recorded as expenditures at the time individual items are purchased. The cost of inventories is negligible and not recorded on the balance sheet.

H. Budgets

Budgets which are required by state statute are adopted in accordance with regulations promulgated by the Bureau of Authority Regulation (the "Bureau"). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the Bureau. A capital program adopted by the Authority is management's five year plan for financing the estimated cost of addition or replacement of major fixed assets used in the Authority's operation.

Budgets are adopted on a basis consistent with GAAP with the following exceptions:

- Principal retired is budgeted as an operating expense
- Depreciation is not budgeted
- Capital expenses are treated as non-operating expenses

I. Property, Plant and Equipment

The Authority records its property and equipment at cost. Contributed property and equipment are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expense, whereas additions and improvements to property and equipment are capitalized. Upon retirement or other disposition, the costs and related accumulated depreciation of property and equipment are removed from their accounts and any gains or losses are included in operations. Interest cost on debt related to construction is capitalized.

Depreciation is determined on a straight line basis for all property and equipment provided annually on the following estimated useful lives:

Buildings, Collection System, Pump Station and Laterals	40 years
Equipment and Vehicles	5-20 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Authority only had one item that qualified for reporting in this category. It is the deferred charge on refunding of debt which results from the loss on a debt refunding reported in the statement of net position. A deferred charge on refunding of debt results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the effective interest method. This resource was fully expensed in 2013.

K. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuances costs (other than prepaid insurance) are treated as an expense.

L. Net Position

In the statement of net position, there are three classes of net position:

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.

Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - any portion of net position not already classified as either net investment in capital assets or net position - restricted is classified as net position - unrestricted.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Bond Funds

The Authority issued \$2,720,000 Revenue Bonds, Series 2003, dated December 1, 2003, which in 2004 refunded all of its outstanding 1980 Bonds and 1992 Junior Lien Bonds, and certain costs incurred in connection with the authorization, issuance, and delivery of the Series 2003 Bonds. In accordance with the priorities of the Bond Resolution, the Authority is required to establish funds for various purposes related to the operation of the Authority and the repayment of the 2003 Bonds. With the exception of the Operating Fund, all of the following funds stipulated in the Bond Resolution are to be held and administered by a Trustee:

Revenue Fund
Operating Fund
Bond Service Fund
Sinking Fund
Bond Reserve Fund
Renewal and Replacement Fund
Subordinated Debt Fund
General Fund

The Bond Resolution requires that all Authority revenues are to be deposited in the Revenue Fund, and after reserving amounts to pay operating expenses it directs the Trustee to transfer remaining revenues into the other funds semi-annually, beginning May 1 of each year, in the following order:

First: Into the Bond Service Fund in an amount that equals the Bond Service Requirement. On December 1 in each year the requirement must equal all interest accrued to June 1 of the following year and one half of the principal due on the Series 2003 Revenue Bonds in the same year. On June 1 in each year the requirement must equal all interest and principal payable on December 1 in the particular year.

Second: Into the Sinking Fund in an amount that meets the Sinking Fund requirement;

Third: Into the Bond Reserve Fund in an amount that equals the Bond Reserve Requirement.

Fourth: Into the Renewal and Replacement Fund in an amount that equals the Renewal and replacement Requirement

Fifth: Into the Subordinated Debt Fund, in an amount that equals the Subordinated Debt Requirement.

Sixth: Into the General Fund for any balance remaining in the Revenue Fund after giving effect to the foregoing required transfers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Unamortized Debt Issuance Costs

Bond discounts and costs associated with the issuance of long term bonded debt are amortized on a straight line basis over the life of the related debt. The unamortized debt issuance costs were charged off in 2013.

O. Compensated Absences

Employees of the Authority are allowed to accumulate sick leave at the rate of ten days for each year of service, but not in an amount that would exceed thirty days in any three year period. Vacation days must be taken in the year they are earned. It is estimated that the cost of unpaid sick leave at December 31, 2014 was \$21,174, and this amount is accounted for as an expense and liability in the financial statements.

P. Estimates

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

NOTE 2. SERVICE CONTRACT WITH BOROUGH OF BEACHWOOD

The Authority has a contract with the Borough that stipulates the Borough will pay an annual charge for any year the Authority's expenditures exceed its service charges, other proceeds specified in the contract, and reserves on hand. There was no charge to the Borough under these terms for the years 2013 and 2014.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, change funds, 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. U.S Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

B. Investments

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Authority may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Authority:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of the school district of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Local government investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

b. Any investment instruments in which the security is not physically held by the Authority shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Authority and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or their withdrawal provisions, the Authority had no investments in qualified securities at December 31, 2014.

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every authority shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the members and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan. The Authority adopted its Cash Management Plan on February 3, 2014.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

D. Restricted Cash

The restricted cash at December 31 of \$630,526 consists of escrow deposits for review and inspection of developers' projects and amounts restricted in accordance with the bond resolution.

E. Custodial Credit Risks

Interest Rate Risk

Interest rate is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's limits its credit risk by investing in direct obligations of the United States government, its agencies or instrumentalities secured by the full faith and credit of the government of the United States. U.S. government securities carry an underlying rating of AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Authority has no policy on credit risk however; investments are limited to securities guaranteed by the U.S. Government.

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

E. Custodial Credit Risks (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in any one issuer. 100% of the Authority's investments are in obligations of the United States or its agencies or instrumentalities.

At year-end the carrying amount of the Authority's deposits was \$1,378,550 and the bank balance amount was \$1,350,821. Of this amount \$412,752 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$937,705. An amount of \$364 was on deposit in the name of various developers for escrow and is either insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the escrow depository.

NOTE 4. RULES AND REGULATIONS

Rate schedules for user fees, connection fees, lateral installations and other matters under the jurisdiction of the Authority are established in accordance with the Rules and Regulations of the Authority as adopted and amended.

NOTE 5. DEBT

A. Long-Term Revenue Bonds

The Authority authorized financing of \$2,720,000 Sewer Revenue Bonds, Series 2003 (the "Bonds"), pursuant to a resolution adopted by the Authority on November 18, 2003.

The Bonds were issued to provide funds to currently refund all of the Authority's outstanding 1980 Sewer Revenue Bonds (Series A) and its outstanding Revenue Bonds (Junior Lien Series 1992) (collectively the "Refunded Bonds") to establish a reserve for debt service of the Authority, and to finance the costs and expenses connected with the issuance of the Bonds.

On the date of issuance of the Bonds the Authority called the outstanding 1980 Bonds for optional redemption on February 1, 2004, at 100% of their principal amount and interest accrued to the redemption date, and called the outstanding 1992 Junior Lien Bonds at 101% of their principal amount together with accrued interest to February 1, 2004. In addition the Authority entered into an Escrow Deposit Agreement with Commerce Bank, National Association, to act as agent for the Authority for the deposit of the proceeds of the Bonds and other Authority funds, for the payment of the principal and interest on the Refunded Bonds which payment was made February 1, 2004.

The Bonds are dated December 1, 2003, and mature in installments payable annually on their anniversary date commencing in 2004. Interest, computed at variable rates from 2.50% to 4.125%, is payable on the outstanding bonds on June 1, and December 1, until the final principal maturity of the bonds due December 1, 2018.

At December 31, 2014 the Authority's bonded debt was \$470,000.

NOTE 5. DEBT (CONTINUED)

A. Long-Term Revenue Bonds (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding for the Next Five Years and Thereafter

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 110,000	\$ 18,681	\$ 128,681
2016	115,000	14,556	129,556
2017	120,000	9,956	129,956
2018	<u>125,000</u>	<u>5,156</u>	<u>130,156</u>
	\$ <u>470,000</u>	\$ <u>48,349</u>	\$ <u>518,349</u>

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

The Authority's long-term liability activity for the years ended December 31, 2014 and 2013 are as follows:

	<u>Balance Jan. 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2014</u>
Bonds	\$ 580,000.00	\$	\$ 110,000.00	\$ 470,000.00
Compensated Absences	<u>19,589.00</u>	<u>1,585.00</u>		<u>21,174.00</u>
Total Long-Term Liabilities	\$ <u>599,589.00</u>	\$ <u>1,585.00</u>	\$ <u>110,000.00</u>	\$ <u>491,174.00</u>

	<u>Balance Jan. 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2013</u>
Bonds	\$ 685,000.00	\$	\$ 105,000.00	\$ 580,000.00
Bond Issuance Discount	(10,818.00)		(10,818.00)	
Compensated Absences	<u>18,411.00</u>	<u>1,178.00</u>		<u>19,589.00</u>
Total Long-Term Liabilities	\$ <u>692,593.00</u>	\$ <u>1,178.00</u>	\$ <u>94,182.00</u>	\$ <u>599,589.00</u>

NOTE 7. PENSION PLANS

Substantially all of the Authority's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits ("the Division"): the Public Employees' Retirement System ("the PERS") or the Defined Contribution Retirement Program ("the DCRP"). 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 the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Defined Contribution Retirement Program (DCRP)

The DCRP was established in 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.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Division. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

The contribution requirements of plan members are determined by State statute. Plan members are required to contribute 5.5% of their annual covered salary and the Authority is required to contribute 3% of the annual salary. The employee contributions along with the Authority's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were no Authority employees enrolled in the DCRP for the years ended December 31, 2014, 2013 and 2012.

NOTE 7. PENSION PLANS (CONTINUED)

Other Information

The Authority's contributions, equal to the required contribution for each fiscal year, were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	<u>PERS</u>	<u>PERS</u>	<u>PERS</u>
Normal Contribution	\$ 4,511	\$ 6,796	\$ 7,933
Accrued Liability	19,833	16,249	15,866
Total Regular Pension Contribution	24,344	23,045	23,799
Non-Contributory Group Life Insurance	414	1,372	1,516
Total Due	\$ <u>24,758</u>	\$ <u>24,417</u>	\$ <u>25,315</u>

NOTE 8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Joint Insurance Fund. The Joint Insurance Fund is both an insured and self-administered group of authorities established for the purpose of insuring for risks connected with property damage, general liability, motor vehicles and equipment liability, and workmen's compensation.

NOTE 9. SERVICE AGREEMENT WITH OCEAN COUNTY UTILITIES AUTHORITY

The Authority entered an agreement with the Ocean County Utilities Authority (the "O.C.U.A.") for treatment and disposal of sewerage from the Authority's collection system. The agreement requires the O.C.U.A. to establish a charge for service on the basis of estimated flows. The annual charge for treatment was \$3,882 per million gallons for the years 2014 and 2013.

NOTE 10. RESTRICTED NET POSITION - AMOUNTS REQUIRED BY GENERAL BOND RESOLUTION

The General Bond Resolution (the "Resolution") for the 2003 Series Revenue Bonds requires the Authority to maintain funds in designated trustee administered bank accounts to insure compliance with such Resolution. The trustee controlled accounts include the following:

A. Bond Service Requirement

The General Bond Resolution stipulates the trustee is to calculate amounts required one month before debt service installments are due (June and December) and transfer the required amounts to the Bond Service Requirement bank account.

There was no bond service requirement at December 31, 2014.

NOTE 10. RESTRICTED NET POSITION - AMOUNTS REQUIRED BY GENERAL BOND RESOLUTION (CONTINUED)

B. Bond Reserve Requirement

This Reserve was established to cure deficiencies occurring in the Bond Service Reserve.

The General Bond Resolution requires the Trustee to calculate three prescribed reserve amounts with the option to deposit the lowest of the three for the Bond Reserve Requirement.

At December 31, 2014 and 2013 \$47,000 and \$58,000 respectively were the balances in the Bond Reserve bank account. The amount on hand for 2014 was the lowest required reserve amount calculated by the Trustee.

C. Renewal and Replacement Requirement

This Reserve was established to pay reasonable and necessary expenses for system repairs, renewals, replacements or certain maintenance items.

The Trustee also can cure deficiencies in the Bond Reserve Requirement bank account using available funds in this reserve.

At December 31, 2014 and 2013, \$500,000 was the balance on deposit for the renewal and replacement requirement.

NOTE 11. CAPITAL ASSETS

The following is a schedule of the Authority's Capital Assets, and transactions in the accounts for the years 2014 and 2013:

	<u>Balance Dec. 31, 2013</u>	<u>Increased by Current Year Additions</u>	<u>Adjustment to Prior Year Balances</u>	<u>Balance Dec. 31, 2014</u>
Non-depreciable Assets:				
Land	\$ 198,198	\$	\$	\$ 198,198
Depreciable Assets:				
Buildings and Improvements	398,275			398,275
Vehicles and Equipment	441,539		9,448	432,091
Collection System	8,785,229		(9,448)	8,794,677
Road Overlay	410,115			410,115
Total Historical Cost	<u>10,233,356</u>			<u>10,233,356</u>
Less Accumulated Depreciation:				
Buildings	173,943	9,720		183,663
Vehicles and Equipment	172,733	24,134		196,867
Collection System	6,208,385	234,571		6,442,956
Road Overlay	204,639	10,253		214,892
Total Accumulated Depreciation	<u>6,759,700</u>	<u>278,678</u>		<u>7,038,378</u>
Total Capital Assets Net	<u>\$ 3,473,656</u>	<u>\$ (278,678)</u>	<u>\$</u>	<u>\$ 3,194,978</u>

NOTE 11. CAPITAL ASSETS (CONTINUED)

	<u>Balance Dec. 31, 2012</u>	<u>Increased by Current Year Additions</u>	<u>Balance Dec. 31, 2013</u>
Non-depreciable Assets:			
Land	\$ 198,198	\$	\$ 198,198
Depreciable Assets:			
Buildings and Improvements	398,275		398,275
Vehicles and Equipment	409,087	32,452	441,539
Collection System	8,773,079	12,150	8,785,229
Road Overlay	410,115		410,115
Total Historical Cost	<u>10,188,754</u>	<u>44,602</u>	<u>10,233,356</u>
Less Accumulated Depreciation:			
Buildings	164,223	9,720	173,943
Vehicles and Equipment	150,397	22,336	172,733
Collection System	5,988,165	220,220	6,208,385
Road Overlay	194,386	10,253	204,639
Total Accumulated Depreciation	<u>6,497,171</u>	<u>262,529</u>	<u>6,759,700</u>
Total Capital Assets Net	<u>\$ 3,691,583</u>	<u>\$ (217,927)</u>	<u>\$ 3,473,656</u>

The basic financial statements utilize a net asset presentation. New assets are categorized as Invested in Capital Assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the portion of net assets that are associated with non-liquid, capital assets, less outstanding capital asset related debt. Restricted assets are liquid assets generated from revenues that have third-party (statutory or bond covenant) limitation on their use. Unrestricted assets represent unrestricted liquid assets.

NOTE 12. PERFORMANCE BOND

The cost of the construction of laterals, which provide connection to the Authority's collection system, are based on the components of labor and material in a linear foot of construction. The commissioners of the Authority, in exercising their responsibility to determine whether expenditures in any category will exceed the statutory limitation for bid, annually estimate the number of laterals that will be constructed in a given year. The estimate of the number of units, and the unit price of construction, form the basis for the competitive bid process required by New Jersey law. The letting of a contract to a successful bidder on these terms is not a guarantee that the value of the actual work will necessarily approach the value of the contract award. Under certain circumstances, it is possible that this value may exceed the award, but the purpose of the commissioner's estimates is to minimize such a result.

Consistent with New Jersey contract law, the commissioners have required that the successful bidder, in the instance of the foregoing lateral construction, provide a performance bond equal to 100% of the amount bid. For the years 2014 and 2013, the successful bidder entered into a Surety and Security Agreement (the "Agreement") with the Authority pledging deposited funds equal to the contract award which would inure to the benefit of the Authority in the event of default. The Agreement was held to conform to contract law by the Authority's attorney.

NOTE 13. CONTINGENT LIABILITIES

Pending Litigation

It is the opinion of the Authority officials that there is no litigation threatened or pending that would materially affect the financial position of the Authority or adversely affect the Authority to levy, collect and enforce the collection of user charges or other revenue for the payment of its bonds or other obligations.

NOTE 14. SUBSEQUENT EVENTS

Beachwood Sewerage Authority has evaluated subsequent events occurring after the financial statement date through September 28, 2015 which is the date the financial statements were available to be issued. No items were noted for disclosure or adjustment.



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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**

Chairman and Board of Commissioners
Beachwood Sewerage Authority
1133 Beach Avenue
Beachwood, New Jersey 08722

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Beachwood Sewerage Authority as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Beachwood Sewerage Authority's financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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.

SUPLEE, CLOONEY & COMPANY

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beachwood Sewerage 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*.

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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 28, 2015



Supplemental Information

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2014

Sheet 1 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2013

(NON-GAAP BUDGETARY BASIS)

	Amended Budget	Actual	Variance Positive (Negative)	2013 Actual
<u>Anticipated Revenues</u>				
Operating Revenues:				
Charges for Service Fees	\$ 1,650,600.00	\$ 1,602,679.37	\$ (47,920.63)	\$ 1,646,916.63
Connection Fees	6,000.00	65,000.00	59,000.00	28,600.00
Other	63,000.00	86,793.68	23,793.68	57,103.14
Total Operating Revenues	1,719,600.00	1,754,473.05	34,873.05	1,732,619.77
<u>Budget Appropriations</u>				
Operating Appropriations:				
Administration:				
Salaries and Wages	113,200.00	114,734.96	(1,534.96)	107,181.92
Fringe Benefits	41,100.00	31,588.64	9,511.36	29,358.01
Other Expenses	101,288.00	87,884.45	13,403.55	85,295.30
Total Administration	255,588.00	234,208.05	21,379.95	221,835.23
Cost of Providing Services:				
Salaries and Wages	148,500.00	148,391.15	108.85	144,102.33
Fringe Benefits	47,868.00	37,255.82	10,612.18	41,525.16
Other Expenses	1,238,875.00	1,219,783.20	19,091.80	1,271,931.14
Total Cost of Providing Services	1,435,243.00	1,405,430.17	29,812.83	1,457,558.63
Total Operating Appropriations	1,690,831.00	1,639,638.22	51,192.78	1,679,393.86
Excess (Deficit) of Operating Revenues over Appropriations	28,769.00	114,834.83	86,065.83	53,225.91
Non-Operating Revenues:				
Interest on Investments		270.22	270.22	477.90
Other Non-Operating Revenues		390.60	390.60	44,536.24
Total Non-Operating Revenues		660.82	660.82	45,014.14
Non-Operating Appropriations:				
Long-Term Debt:				
Principal	110,000.00	110,000.00		105,000.00
Interest	22,669.00	22,336.53	332.47	26,037.51
Capital Outlay		3,949.93	(3,949.93)	32,452.19
Total Non-Operating Appropriations	132,669.00	136,286.46	(3,617.46)	163,489.70
Excess Operating and Non-Operating Revenues (Under) Appropriations	(103,900.00)	(20,790.81)	(83,109.19)	(65,249.65)
Unreserved Retained Earnings to Balance Budget	103,900.00	20,790.81	83,109.19	65,249.65

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2014

Sheet 2 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2013

(NON-GAAP BUDGETARY BASIS)

	Amended Budget	Actual	Variance Positive (Negative)	2013 Actual
Administration				
Salaries and Wages:				
Board Members	\$	\$ 8,100.00	\$	\$ 9,300.00
Clerical		96,234.92		87,881.96
Legal		10,400.04		9,999.96
Total Salaries and Wages	113,200.00	114,734.96	(1,534.96)	107,181.92
Fringe Benefits:				
Public Employees' Retirement System		10,000.00		9,000.00
Social Security		9,359.27		8,228.55
Unemployment Compensation Insurance				690.53
Worker's Compensation Insurance		2,000.00		1,753.13
Hospitalization Insurance		9,345.27		9,685.80
Accumulated Sick Leave		884.10		
Total Fringe Benefits	41,100.00	31,588.64	9,511.36	29,358.01
Other Expenses:				
Advertising		781.30		703.00
Audit and Accounting		20,300.00		19,000.00
Electric		3,120.41		4,234.76
Engineering		22,762.00		22,443.00
Equipment Maintenance				59.95
Computer Maintenance		8,174.04		7,854.35
Heat		2,734.97		2,884.73
Insurance		6,980.70		4,472.79
Miscellaneous		2,880.18		5,242.69
Miscellaneous Other		754.39		
Office Supplies		5,986.94		4,858.96
Postage		5,214.27		4,885.75
Telephone		3,295.25		3,755.32
Trustees Administrative Fee		4,900.00		4,900.00
Total Other Expenses	101,288.00	87,884.45	13,403.55	85,295.30
Total Administration	\$ 255,588.00	\$ 234,208.05	\$ 21,379.95	\$ 221,835.23

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2014

Sheet 3 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2013

(NON-GAAP BUDGETARY BASIS)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
<u>Cost of Providing Service</u>				
Salaries and Wages	\$ 148,500.00	\$ 148,391.15	\$ 108.85	\$ 144,102.33
Fringe Benefits:				
Public Employees' Retirement System		14,758.00		15,417.00
Social Security		11,569.85		11,123.68
Unemployment Compensation Insurance				620.48
Worker's Compensation Insurance		2,581.69		3,500.00
Hospitalization Insurance		7,646.13		9,685.80
Accumulated Sick Leave		700.15		1,178.20
Total Fringe Benefits	<u>47,868.00</u>	<u>37,255.82</u>	<u>10,612.18</u>	<u>41,525.16</u>
Other Expenses:				
Contracted Services		166,599.56		219,933.86
Electric		5,645.80		3,944.36
Fuel for Vehicles		3,055.96		3,442.70
Heat		2,378.74		2,380.51
Sewerage Treatment Charges		1,031,447.40		1,027,565.40
Supplies		4,429.77		7,397.03
Telephone		1,499.52		1,501.59
Vehicle Maintenance		4,726.45		5,765.69
Total Other Expenses	<u>1,238,875.00</u>	<u>1,219,783.20</u>	<u>19,091.80</u>	<u>1,271,931.14</u>
Total Cost of Providing Service	<u>\$ 1,435,243.00</u>	<u>\$ 1,405,430.17</u>	<u>\$ 29,812.83</u>	<u>\$ 1,457,558.63</u>

BEACHWOOD SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2014

Sheet 4 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2013

(NON-GAAP BUDGETARY BASIS)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
Capital Outlay:				
Riser/Castings	\$	\$ 2,776.00	\$	\$ 2,555.00
Computers		1,173.93		1,129.99
Camera				12,872.20
Pumps				15,895.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Outlay	\$	\$ 3,949.93	\$ (3,949.93)	\$ 32,452.19
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Increase/(Decrease) to Reconcile Budgetary Basis to GAAP Basis</u>				
Excess/(Deficit) from Above - Budgetary Basis		\$ (20,790.81)		\$ (65,249.65)
Long-Term Debt Principal Payments		110,000.00		105,000.00
Contributed Capital				12,150.00
Capital Outlay				32,452.19
Amortization of Debt Issuance Costs - 2003 Revenue Bonds				(38,325.76)
Amortization of Bond Discount - 2003 Revenue Bonds				(10,818.43)
Depreciation Expense		<u>(278,677.80)</u>		<u>(262,529.12)</u>
Change in Net Position	\$	<u>(189,468.61)</u>	\$	<u>(227,320.77)</u>

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)
ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES

YEAR ENDED DECEMBER 31, 2014

Schedule 2

	Balance Dec. 31, 2013	Increased by 2014 Service Fees	Decreased by Collected in 2014	Balance Dec. 31, 2014
Residential	\$ <u>275,568.48</u>	\$ <u>1,602,914.29</u>	\$ <u>1,541,164.46</u>	\$ <u>337,318.31</u>
Commercial	3,885.21	59,853.75	60,955.89	2,783.07
Board of Education		4,496.25	4,496.25	
Municipal	(1) _____	_____	_____	_____
	(2) \$ <u>279,453.69</u>	\$ <u>1,667,264.29</u>	\$ <u>1,606,616.60</u>	\$ <u>340,101.38</u>

- (1) The Borough of Beachwood, the Beachwood Public Library, the Beachwood Water Company and the Beachwood First Aid and Fire Companies are exempt from user charges.
- (2) The user charges do not include interest on delinquent payments. In 2014 interest on delinquent payments amounted to \$80,458.76

Statistical Section

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

OPERATING REVENUES BY SOURCE

Schedule 3

FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2005

(UNAUDITED)

	December 31									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues:										
Service Fees	\$ 1,667,264.29	\$ 1,646,916.63	\$ 1,645,450.34	\$ 1,610,796.24	\$ 1,610,308.55	\$ 1,656,434.86	\$ 1,647,488.72	\$ 1,630,562.92	\$ 1,599,523.08	\$ 1,535,704.83
Connection Fees and Other Operating Revenues	<u>87,599.36</u>	<u>130,239.38</u>	<u>73,757.19</u>	<u>74,006.63</u>	<u>68,468.21</u>	<u>27,318.59</u>	<u>12,430.00</u>	<u>17,310.00</u>	<u>24,140.00</u>	<u>85,392.82</u>
Total Operating Revenues	<u>\$ 1,754,863.65</u>	<u>\$ 1,777,156.01</u>	<u>\$ 1,719,207.53</u>	<u>\$ 1,684,802.87</u>	<u>\$ 1,678,776.76</u>	<u>\$ 1,683,753.45</u>	<u>\$ 1,659,918.72</u>	<u>\$ 1,647,872.92</u>	<u>\$ 1,623,663.08</u>	<u>\$ 1,621,097.65</u>

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

OPERATING EXPENSES BY SOURCE

Schedule 4

FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2005

(UNAUDITED)

	December 31									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Expenses:										
Personnel Services	\$ 331,970.57	\$ 322,167.42	\$ 321,242.45	\$ 305,178.04	\$ 323,992.35	\$ 283,796.83	\$ 271,077.59	\$ 270,582.03	\$ 245,673.39	\$ 237,549.12
Purchase of Services	1,010,872.80	1,027,565.40	1,004,273.40	968,884.90	1,050,931.20	962,856.00	926,421.60	951,246.09	937,418.20	885,954.55
Other Operating Expenses	300,744.78	329,661.04	158,463.37	180,242.49	154,133.78	132,919.34	133,597.21	138,176.39	122,949.98	127,726.79
Depreciation	278,677.80	262,529.12	258,122.74	243,810.66	275,713.82	250,127.46	247,446.29	249,824.69	258,494.93	256,895.45
Total Operating Expenses	\$ <u>1,922,265.95</u>	\$ <u>1,941,922.98</u>	\$ <u>1,742,101.96</u>	\$ <u>1,698,116.09</u>	\$ <u>1,804,771.15</u>	\$ <u>1,629,699.63</u>	\$ <u>1,578,542.69</u>	\$ <u>1,609,829.20</u>	\$ <u>1,564,536.50</u>	\$ <u>1,508,125.91</u>

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

SERVICE FEES (RATES)

FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2005

Schedule 5

(UNAUDITED)

	December 31									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Sewer</u>										
Minimum per Year (All Customers)	\$ 420.00	\$ 416.00	\$ 416.00	\$ 408.00	\$ 408.00	\$ 408.00	\$ 408.00	\$ 404.00	\$ 400.00	\$ 396.00
Per 1,000 Gallons in Excess of 75,000 per Year per Unit (Commercial Customers Only)	3.75	3.50	3.25	3.00	3.00	3.00	2.82	2.56	2.56	2.56

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CONNECTION FEES (RATES)

FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2005

Schedule 6

(UNAUDITED)

	December 31									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sewer Connection Fee	\$ 2,250.00	\$ 2,200.00	\$ 2,150.00	\$ 2,000.00	\$ 2,050.00	\$ 2,000.00	\$ 1,950.00	\$ 1,900.00	\$ 1,850.00	\$ 1,800.00

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

NUMBER OF SEWER CUSTOMERS

FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2005

Schedule 7

(UNAUDITED)

	December 31									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Customers	3,931	3,899	3,825	3,821	3,813	3,814	3,795	3,787	3,769	3,751

GENERAL TAX RATE (PER \$100 OF ASSESSED VALUATION)

FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2005

Schedule 8

(UNAUDITED)

	December 31									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Borough of Beachwood	\$ 1.783	\$ 1.768	\$ 1.724	\$ 1.69	\$ 1.635	\$ 1.545	\$ 1.476	\$ 1.385	\$ 3.275	\$ 3.107

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

TEN LARGEST SEWER CUSTOMERS

Schedule 9

FOR THE YEAR ENDED DECEMBER 31, 2014

(UNAUDITED)

<u>Name</u>	<u>Description</u>	<u>Billing</u>
Superclean Laundromat	Laundromat	8,640.00
Sand Castle Diner	Diner	3,183.75
Toms River Intermediate South	Intermediate School	2,283.75
Beachwood Elementary School	Elementary School	2,212.50
Stone Fire Grill	Restaurant	2,156.25
Viking Management	Store	1,680.00
Sorcher, Lawrence & Joyce	Commercial Rentals	1,260.00
Sobieski, James & Grazia	Commercial Rentals	1,260.00
Dacel, LLC	Commercial Rentals	1,260.00

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

Schedule 10

RATIO OF ANNUAL DEBT SERVICE TO
TOTAL OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2005

(UNAUDITED)

47 Year	Principal	Interest	Total Debt Service	Operating Expenses	Ratio of Debt Service to Total Operating Expense
2014	\$ 110,000.00	\$ 22,336.53	\$ 132,336.53	\$ 1,922,265.95	0.069
2013	105,000.00	26,037.51	131,037.51	1,941,922.98	0.067
2012	250,000.00	34,781.26	284,781.26	1,742,101.96	0.163
2011	245,000.00	42,437.52	287,437.52	1,698,116.09	0.169
2010	240,000.00	49,337.52	289,337.52	1,804,771.15	0.160
2009	230,000.00	55,375.00	285,375.00	1,629,699.63	0.175
2008	225,000.00	60,718.78	285,718.78	1,578,542.69	0.181
2007	220,000.00	65,393.76	285,393.76	1,609,829.20	0.177
2006	215,000.00	70,768.76	285,768.76	1,564,536.50	0.183
2005	210,000.00	76,018.76	286,018.76	1,508,125.91	0.190
	<u>\$ 2,050,000.00</u>	<u>\$ 503,205.40</u>	<u>\$ 2,553,205.40</u>	<u>\$ 16,999,912.06</u>	

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

POPULATION 2010, 2000 AND 1990 CENSUS

Schedule 11

	December 31		
	<u>2010</u>	<u>2000</u>	<u>1990</u>
Borough of Beachwood	11,045	10,375	9,324

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)
MUNICIPAL LABOR FORCE ESTIMATES 2012, 2011 AND 2010
(UNAUDITED)

Schedule 12

	Potential Labor Force			Number of Residents Employed			Number of Residents Unemployed			Unemployment Rate		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Borough of Beachwood	6,548	6,428	6,820	5,829	5,737	6,118	719	691	703	11.0%	10.7%	10.3%

BEACHWOOD SEWERAGE AUTHORITY

DECEMBER 31, 2014

GENERAL COMMENTS AND RECOMMENDATIONS

NONE