

BEACHWOOD SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

Comprehensive Annual Financial Report

For the Year Ended December 31, 2017



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

July 16, 2018

To the Board of Commissioners,

The comprehensive annual financial report (CAFR) of the Beachwood Sewerage Authority ("Authority") for the year December 31, 2017, 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 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 CAFR 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 the Legislature of the State of New Jersey under P.L. 1946, c. 148, p.639 known as the "Sewerage Authority Law," and the acts amendatory and supplementary thereto, (Ord. Dated 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 meetings 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>2006</u> <u>Census</u>	<u>2011</u> <u>Census</u>	<u>2016</u> <u>Census</u>
County of Ocean	561,748	578,931	586,166
Borough of Beachwood	10,733	11,060	11,153

Table 2: At Place Employment

	<u>2000</u>	<u>2015</u>
County of Ocean	120,741	146,107
Borough of Beachwood	3,590	4,077

Table 3: Median Household Income

	<u>2000</u>	<u>2015</u>
County of Ocean	\$46,443	\$61,994
Borough of Beachwood	\$59,022	\$71,540

Major Initiatives

Computer Equipment and Software
Security Cameras
Resurfacing of Parking Lot
Sewer System Improvements

Completed Projects

Electrical Panel Upgrades
Installation of Riser Rings

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 2017, 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

Risk Management (Continued)

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.

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 2017 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:

2016 Population Estimates, U.S. Bureau of the Census, the Ocean County Data Book and the Ocean County Government Directory.

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)

2017

MEMBERS OF THE AUTHORITY

Appendix A

Ronald McNabb	Chairman	2/01/2016 to 1/31/2021
Matthew Brown	Vice-Chairman	2/01/2014 to 1/31/2019
Robert G. Tapp	Secretary	2/01/2013 to 1/31/2018
Carl Schmidt	Treasurer	2/01/2015 to 1/31/2020
John Risk	Commissioner	2/01/2012 to 1/31/2017

(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

2017

CONSULTANTS

Appendix B

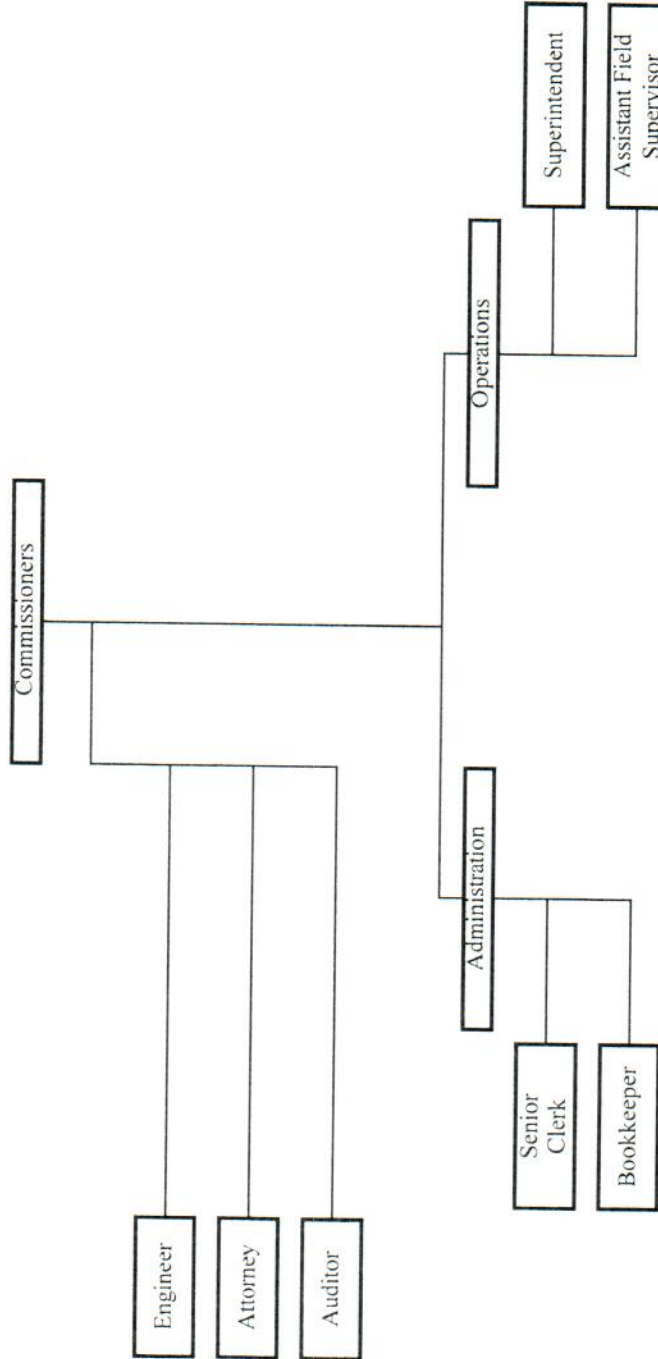
Frank J. Baer, Jr.	Engineer
Suplee, Clooney & Company	Auditor
James Gluck, Esq.	Attorney
Gluck, Walrath & Lanciano, LLP	Bond Counsel
Antonides and Simone	Fee Accountants

Appendix C

2017

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@senco.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 years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

SUPLEE, CLOONEY & COMPANY

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the Beachwood Sewerage Authority, as of December 31, 2017 and 2016, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedules related to accounting and reporting for pensions in Schedules R-1 through R-3 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2018 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.

July 16, 2018

A handwritten signature in cursive script that reads "Suplee Clooney & Company".

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 assets** - 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 fund net assets** - 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>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Current Assets:			
Unrestricted	\$ 1,004,406	\$ 1,097,149	\$ 1,086,964
Restricted	632,483	632,482	651,674
Total Current Assets	<u>1,636,889</u>	<u>1,729,631</u>	<u>1,738,638</u>
Non-Current Assets:			
Capital Assets - Net of Depreciation	2,434,677	2,702,518	2,931,248
Total Non-Current Assets	<u>2,434,677</u>	<u>2,702,518</u>	<u>2,931,248</u>
Total Assets	\$ <u>4,071,566</u>	\$ <u>4,432,149</u>	\$ <u>4,669,886</u>
Deferred Outflows of Resources			
Deferred Pension Outflows	\$ <u>208,992</u>	\$ <u>309,535</u>	\$ <u>128,555</u>
Liabilities:			
Current Liabilities	\$ 210,102	\$ 248,301	\$ 236,274
Non-Current Liabilities	<u>937,025</u>	<u>1,308,773</u>	<u>1,149,397</u>
Total Liabilities	\$ <u>1,147,127</u>	\$ <u>1,557,074</u>	\$ <u>1,385,671</u>

STATEMENT OF NET POSITION (CONTINUED)

Years Ended December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Deferred Inflows of Resources			
Deferred Pension Inflows	\$ 181,814	839	13,526
Total Deferred Inflows of Resources	\$ <u>181,814</u>	\$ <u>839</u>	\$ <u>13,526</u>
Net Position			
Net Investment in Capital Assets	\$ 2,309,677	\$ 2,457,518	\$ 2,571,248
Restricted:			
Bond Service Fund	12,500	24,500	36,000
Renewal and Replacement	500,000	500,000	500,000
Unrestricted	<u>129,440</u>	<u>201,753</u>	<u>291,996</u>
Total Net Position	\$ <u>2,951,617</u>	\$ <u>3,183,771</u>	\$ <u>3,399,244</u>

The net position of the Authority decreased to \$2,951,617 during 2017, a \$232,154 decrease over 2016.

REVIEW OF REVENUES

Years Ended December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Service Fees	\$ 1,707,016	\$ 1,654,823	\$ 1,670,583
Connection Fees and Other Revenues	113,833	146,224	110,779
Total Operating Revenues	<u>1,820,849</u>	<u>1,801,047</u>	<u>1,781,362</u>
Non-Operating Revenues:			
Interest Revenue	<u>3,353</u>	<u>1,634</u>	<u>641</u>
Total Non-Operating Revenues	<u>3,353</u>	<u>1,634</u>	<u>641</u>
Total Revenues	\$ <u>1,824,202</u>	\$ <u>1,802,681</u>	\$ <u>1,782,003</u>

The Authority's revenues increased \$21,521 in 2017 when compared to 2016.

REVIEW OF EXPENSES

Years Ended December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses:			
Personnel Services	\$ 427,659	\$ 364,040	\$ 340,877
Purchase of Services	953,753	965,741	982,146
Other Operating Expenses	387,041	398,421	315,106
Depreciation	<u>278,347</u>	<u>275,779</u>	<u>269,899</u>
Total Operating Expenses	\$ <u>2,046,800</u>	\$ <u>2,003,981</u>	\$ <u>1,908,028</u>

The Authority's operating expenses increased \$42,819 in 2017 when compared to 2016.

CAPITAL ASSETS, NET OF DEPRECIATION

In 2017, capital assets had a net decrease (addition, deductions and depreciation) of \$267,841.

Years Ended December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plant and Property	\$ 596,473	\$ 596,473	\$ 596,473
Vehicles and Equipment	495,814	485,309	438,260
Collection System	8,794,677	8,794,677	8,794,677
Road Overlay	410,115	410,115	410,115
Total Capital Assets	<u>10,297,079</u>	<u>10,286,574</u>	<u>10,239,525</u>
Less: Accumulated Depreciation	<u>7,862,402</u>	<u>7,584,056</u>	<u>7,308,277</u>
Total Net Capital Assets	\$ <u>2,434,677</u>	\$ <u>2,702,518</u>	\$ <u>2,931,248</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)

STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Exhibit A
Sheet 1 of 2

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets:		
Unrestricted Assets		
Cash and Cash Equivalents	\$ 620,496.67	\$ 745,719.40
Petty Cash	125.00	125.00
Accounts Receivable	289,397.73	268,905.52
Prepaid Expense	94,386.95	82,399.33
Total Unrestricted Assets	<u>1,004,406.35</u>	<u>1,097,149.25</u>
Restricted Assets		
Cash and Cash Equivalents	632,483.12	632,481.95
Total Current Assets	<u>1,636,889.47</u>	<u>1,729,631.20</u>
Non-Current Assets:		
Capital Assets:		
Land	198,197.78	198,197.78
Buildings and Improvements	398,275.00	398,275.00
Vehicles and Equipment	495,814.04	485,309.31
Collection System	8,794,676.88	8,794,676.88
Road Overlay	410,114.91	410,114.91
	<u>10,297,078.61</u>	<u>10,286,573.88</u>
Less: Accumulated Depreciation	7,862,402.19	7,584,055.65
Net Capital Assets	<u>2,434,676.42</u>	<u>2,702,518.23</u>
Total Non-Current Assets	<u>2,434,676.42</u>	<u>2,702,518.23</u>
Total Assets	<u>\$ 4,071,565.89</u>	<u>\$ 4,432,149.43</u>
<u>Deferred Outflows of Resources</u>		
Deferred Pension Outflows	<u>\$ 208,992.00</u>	<u>\$ 309,535.00</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)

STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Exhibit A
Sheet 2 of 2

	<u>2017</u>	<u>2016</u>
<u>Liabilities</u>		
Current Liabilities:		
Advanced Revenue	\$ 153,626.73	\$ 187,510.96
Accounts Payable	43,685.49	53,911.14
Funds Held in Custody for Others - Escrow	2,326.86	2,325.69
Employee Payroll Deductions Payable	10,046.33	3,736.41
Accrued Interest Payable	416.67	816.67
Total Current Liabilities	<u>210,102.08</u>	<u>248,300.87</u>
Non-Current Liabilities:		
Net Pension Liability	791,532.00	1,044,184.00
2003 Series Revenue Bonds Payable:		
Due Within One Year	125,000.00	120,000.00
Due Beyond One Year	125,000.00	125,000.00
Compensated Absences	20,493.29	19,589.30
Total Non-Current Liabilities	<u>937,025.29</u>	<u>1,308,773.30</u>
Total Liabilities	<u>\$ 1,147,127.37</u>	<u>\$ 1,557,074.17</u>
<u>Deferred Inflows of Resources</u>		
Deferred Pension Inflows	<u>\$ 181,814.00</u>	<u>\$ 839.00</u>
<u>Net Position</u>		
Net Investment in Capital Assets	\$ 2,309,676.42	\$ 2,457,518.23
Restricted For 2003 Series Revenue Bonds:		
Bond Reserve Requirement	12,500.00	24,500.00
Renewal and Replacement	500,000.00	500,000.00
Unrestricted	<u>129,440.10</u>	<u>201,753.03</u>
Total Net Position	<u>\$ 2,951,616.52</u>	<u>\$ 3,183,771.26</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)

STATEMENTS OF REVENUES, EXPENSES AND

CHANGES IN NET POSITION

Exhibit B

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Service Fees	\$ 1,707,016.08	\$ 1,654,823.19
Connection Fees	9,600.00	16,450.00
Other	104,232.83	129,773.92
Total Operating Revenue	<u>1,820,848.91</u>	<u>1,801,047.11</u>
Operating Expenses:		
Personnel Services	427,659.28	440,668.99
Purchase of Services	953,753.05	965,740.67
Other Operating Expenses	387,041.09	321,792.20
Depreciation	278,346.54	275,779.47
Total Operating Expenses	<u>2,046,799.96</u>	<u>2,003,981.33</u>
Operating Income/(Deficit)	<u>(225,951.05)</u>	<u>(202,934.22)</u>
Non-Operating Revenues/(Expenses)		
Interest Revenue	3,352.57	1,634.27
Interest on Long-Term Debt	(9,556.26)	(14,172.93)
Total Non-Operating Revenues/(Expenses)	<u>(6,203.69)</u>	<u>(12,538.66)</u>
Change in Net Position	<u>(232,154.74)</u>	<u>(215,472.88)</u>
Net Position - January 1	<u>3,183,771.26</u>	<u>3,399,244.14</u>
Total Net Position December 31	<u>\$ 2,951,616.52</u>	<u>\$ 3,183,771.26</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)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Exhibit C

Sheet 1 of 2

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 1,652,639.64	\$ 1,677,640.82
Payments to Suppliers	(1,367,391.27)	(1,330,871.41)
Payments to Employees	(387,195.51)	(360,477.15)
Other Receipts (Payments)	113,832.83	146,223.92
Net Cash Provided by (Used In) Operating Activities	<u>11,885.69</u>	<u>132,516.18</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(10,504.73)	(47,049.44)
Cash Received from Developers	1.17	(362.16)
Principal Paid on Capital Debt	(120,000.00)	(115,000.00)
Interest Paid on Capital Debt	(9,956.26)	(14,556.26)
Net Cash Used in Capital and Related Financing Activities	<u>(140,459.82)</u>	<u>(176,967.86)</u>
Cash Flows from Investing Activities:		
Interest on Investments	3,352.57	1,634.27
Net Cash Provided by Investing Activities	<u>3,352.57</u>	<u>1,634.27</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(125,221.56)	(42,817.41)
Cash and Cash Equivalents January 1	<u>1,378,326.35</u>	<u>1,421,143.76</u>
Cash and Cash Equivalents December 31	<u>\$ 1,253,104.79</u>	<u>\$ 1,378,326.35</u>
Reconciliation of Cash Equivalents to Amounts Reported on the Statement of Net Position:		
Cash and Investments	\$ 620,621.67	\$ 745,844.40
Other Restricted Cash and Investments	<u>632,483.12</u>	<u>632,481.95</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,253,104.79</u>	<u>\$ 1,378,326.35</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)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Exhibit C

Sheet 2 of 2

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating Income	\$ (225,951.05)	\$ (202,934.22)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by (Used By) Operating Activities:		
Depreciation	278,346.54	275,779.47
Changes in Current Assets and Current Liabilities:		
1 (Increase)/Decrease in Receivables	(20,492.21)	(17,405.34)
2 (Increase)/Decrease in Prepaid Expenses	(11,987.62)	(16,405.33)
3 (Increase)/Decrease in Deferred Pension Outflows	100,543.00	(180,980.00)
4 Increase/(Decrease) in Advanced Revenue	(33,884.23)	40,222.97
5 Increase/(Decrease) in Accounts Payable	(10,225.65)	(26,933.21)
6 Increase/(Decrease) in Accrued Liabilities	6,309.92	(517.05)
7 Increase/(Decrease) in Net Pension Liability	(252,652.00)	270,296.00
8 Increase/(Decrease) in Compensated Absences	903.99	4,079.89
9 Increase/(Decrease) in Deferred Pension Inflows	180,975.00	(12,687.00)
Total Adjustments	<u>237,836.74</u>	<u>335,450.40</u>
Net Cash Provided by Operating Activities	<u>\$ 11,885.69</u>	<u>\$ 132,516.18</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)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Impact of Recently Issued Accounting Pronouncements

Adopted Accounting Pronouncements

The following GASB Statements became effective for the year ended December 31, 2017:

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The adoption of this Statement had no impact on the Authority's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. 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 fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the Authority's financial statements.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Impact of Recently Issued Accounting Principles (Continued)

Recently Issued Accounting Pronouncements (Continued)

Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. This statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the Authority's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. This statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the Authority's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. This statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the Authority's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the Authority's financial statements.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Impact of Recently Issued Accounting Principles (Continued)

Recently Issued Accounting Pronouncements (Continued)

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. This statement will be effective for the year ended December 31, 2020. Management does not expect this Statement to have a material impact on the Authority's financial statements.

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 G), 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.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 9)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 inflow 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:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Revenue - Deferred revenue arises when resources associated with revenue transactions are received or reported as a receivable before the period when resources are required to be used or when use is first permitted in which the enabling legislation includes time requirements.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Bond Funds (Continued)

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.

N. 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 PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: July 1, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 was \$20,493, 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 2016 and 2017.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

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.

BEACHWOOD SEWERAGE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- a. (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.
- 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, 2017.

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 7, 2017.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

D. Restricted Cash

The restricted cash at December 31 of \$632,483 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.

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 \$1,252,980 and the bank balance amount was \$1,250,395. Of this amount \$500,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$750,395.

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.

BEACHWOOD SEWERAGE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017 the Authority's bonded debt was \$125,000.

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

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>125,000</u>	\$ <u>5,156</u>	\$ <u>130,156</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

The Authority's long-term liability activity for the years ended December 31, 2017 and 2016 are as follows:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Due in</u> <u>One Year</u>
Bonds	\$ 245,000	\$	\$ 120,000	\$ 125,000	\$ 125,000
Compensated Absences	19,589	904		20,493	
Net Pension Liability	<u>1,044,184</u>		<u>252,652</u>	<u>791,532</u>	
Total Long-Term Liabilities	<u>\$ 1,308,773</u>	<u>\$ 904</u>	<u>\$ 120,000</u>	<u>\$ 937,025</u>	<u>\$ 125,000</u>

	<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Due in</u> <u>One Year</u>
Bonds	\$ 360,000	\$	\$ 115,000	\$ 245,000	\$ 120,000
Compensated Absences	15,509	4,080		19,589	
Net Pension Liability	<u>773,888</u>	<u>270,296</u>		<u>1,044,184</u>	
Total Long-Term Liabilities	<u>\$ 1,149,397</u>	<u>\$ 274,376</u>	<u>\$ 115,000</u>	<u>\$ 1,308,773</u>	<u>\$ 120,000</u>

NOTE 7. PENSION PLANS

Accounting and Financial Reporting for Pensions - GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" and is effective for fiscal years beginning after June 15, 2015. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) of the participating authority as of December 31, 2017. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the authority, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at December 31, 2017. As of the date of this report, the State of New Jersey has not allocated any unfunded net pension liability to the authority and the amount to disclose in the notes to the financial statements is not presently known, but is probably material.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7. PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (PERS)

At June 30, 2017, the State reported a net pension liability of \$791,532 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to 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. At June 30, 2017, the Authority's proportion was 0.00340 percent, which was a decrease of 0.00013 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$60,365 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2017 billing was \$31,321.

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences Between Expected and Actual Experience	\$ 18,638	\$
Changes of Assumptions	159,466	158,882
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,390	
Changes in Proportion	<u>25,498</u>	<u>22,932</u>
	\$ <u>208,992</u>	\$ <u>181,814</u>

Other local amounts reported by the State as the Town's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$ 4,960
2019	4,960
2020	4,960
2021	4,960
2022	4,960
Thereafter	<u>2,378</u>
	\$ <u>27,178</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7. PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2017 and 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective Deferred Outflows of Resources	\$ 6,424,455,842	\$ 14,330,192,881
Collective Deferred Inflows of Resources	5,700,625,981	1,010,823,212
Collective Net Position Liability - Local Authority's Proportion	23,278,401,588 0.00340%	29,617,131,759 0.00353%

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. These actuarial valuations used the following assumptions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25%	3.08%
Salary Increases (Based on Age)		
Through 2026	1.65 - 4.15%	1.65 - 4.15%
Thereafter	2.65 - 5.15%	2.65 - 5.15%
Investment Rate of Return	7.00%	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 20011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7. PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and June 30, 2016 are summarized in the following table:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%		
Cash equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment grade credit	10.00%	3.78%	8.00%	1.79%
Public high yield	2.50%	6.82%		
Global diversified credit	5.00%	7.10%		
Credit oriented hedge funds	1.00%	6.60%		
Debt related private equity	2.00%	10.63%		
Debt related real estate	1.00%	6.61%		
Private real asset	2.50%	11.83%	9.00%	12.40%
Equity related real estate	6.25%	9.23%		
U.S. equity	30.00%	8.19%	26.00%	8.53%
Non-U.S. developed markets equity	11.50%	9.00%	13.25%	6.83%
Emerging markets equity	6.50%	11.64%	6.50%	9.95%
Buyouts/venture capital	8.25%	13.08%		
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation Indexed Bonds			1.50%	3.44%
Hedge Funds/Absolute Returns			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex. US			5.00%	5.63%
REIT			5.25%	5.63%
	<u>100.00%</u>		<u>100.00%</u>	

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7. PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer 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 liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1- percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2017</u>		
	<u>1%</u>	<u>At Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
Authority's Proportionate Share of the Pension Liability	\$ 981,949	\$ 791,532	\$ 632,891
	<u>June 30, 2016</u>		
	<u>1%</u>	<u>At Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Authority's Proportionate Share of the Pension Liability	\$ 1,279,526	\$ 1,044,184	\$ 849,889

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7. PENSION PLANS (CONTINUED)

A. Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

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 millican gallons for the years 2017 and 2016.

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, 2017.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017 and 2016 \$12,500 and \$24,500, respectively, were the balances in the Bond Reserve bank account. The amount on hand for 2017 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, 2017 and 2016, \$500,000 was the balance on deposit for the renewal and replacement requirement.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11. CAPITAL ASSETS

The following is a schedule of the Authority's Capital Assets, and transactions in the accounts for the years 2017 and 2016:

	Balance	Increased by	Balance
	Dec. 31, 2016	Current Year	Dec. 31, 2017
		Additions	
Non-depreciable Assets:			
Land	\$ 198,198	\$	\$ 198,198
Depreciable Assets:			
Buildings and Improvements	398,275		398,275
Vehicles and Equipment	485,309	10,505	495,814
Collection System	8,794,677		8,794,677
Road Overlay	410,115		410,115
Total Historical Cost	<u>10,286,574</u>	<u>10,505</u>	<u>10,297,079</u>
Less Accumulated Depreciation:			
Buildings	203,103	9,720	212,823
Vehicles and Equipment	233,516	27,049	260,565
Collection System	6,912,040	231,325	7,143,365
Road Overlay	235,397	10,253	245,650
Total Accumulated Depreciation	<u>7,584,056</u>	<u>278,347</u>	<u>7,862,403</u>
Total Capital Assets Net	<u>\$ 2,702,518</u>	<u>\$ (267,842)</u>	<u>\$ 2,434,676</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11. CAPITAL ASSETS (CONTINUED)

	Balance Dec. 31, 2015	Increased by Current Year Additions	Balance Dec. 31, 2016
Non-depreciable Assets:			
Land	\$ 198,198	\$	\$ 198,198
Depreciable Assets:			
Buildings and Improvements	398,275		398,275
Vehicles and Equipment	438,260	47,049	485,309
Collection System	8,794,677		8,794,677
Road Overlay	410,115		410,115
Total Historical Cost	10,239,525	47,049	10,286,574
Less Accumulated Depreciation:			
Buildings	193,383	9,720	203,103
Vehicles and Equipment	212,222	21,294	233,516
Collection System	6,677,527	234,513	6,912,040
Road Overlay	225,145	10,252	235,397
Total Accumulated Depreciation	7,308,277	275,779	7,584,056
Total Capital Assets Net	\$ 2,931,248	\$ (228,730)	\$ 2,702,518

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12. PERFORMANCE BOND (CONTINUED)

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 2017 and 2016, 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 obligation.

NOTE 14. CONTINGENT LIABILITIES (SUBSEQUENT EVENTS)

Beachwood Sewerage Authority has evaluated subsequent events occurring after the financial statement date through July 16, 2018 which is the date the financial statements were available to be issued. No items were noted for disclosure or adjustment.



SUPLEE, CLOONEY & COMPANY

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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 BASIC 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, 2017, and the related notes to the financial statements, which collectively comprise Beachwood Sewerage Authority's financial statements, and have issued our report thereon dated July 16, 2018.

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.

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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.

July 16, 2018



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, 2017

Sheet 1 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016

(NON-GAAP BUDGETARY BASIS)

	Amended Budget	Actual	Variance Positive (Negative)	2016 Actual
Anticipated Revenues				
Operating Revenues:				
Charges for Service Fees	\$ 1,694,728.00	\$ 1,707,016.08	\$ 12,288.08	\$ 1,654,823.19
Connection Fees	15,000.00	9,600.00	(5,400.00)	16,450.00
Other	65,000.00	104,232.83	39,232.83	129,773.92
Total Operating Revenues	1,774,728.00	1,820,848.91	46,120.91	1,801,047.11
Budget Appropriations				
Operating Appropriations:				
Administration:				
Salaries and Wages	124,112.00	133,237.73	(9,125.73)	124,859.12
Fringe Benefits	37,500.00	35,467.22	2,032.78	38,152.11
Other Expenses	108,700.00	83,618.03	25,081.97	89,706.17
Total Administration	270,312.00	252,322.98	17,989.02	252,717.40
Cost of Providing Services:				
Salaries and Wages	188,660.00	185,075.68	3,584.32	162,615.38
Fringe Benefits	38,700.00	45,012.65	(6,312.65)	38,413.38
Other Expenses	1,277,500.00	1,257,176.11	20,323.89	1,197,826.70
Total Cost of Providing Services	1,504,860.00	1,487,264.44	17,595.56	1,398,855.46
Total Operating Appropriations	1,775,172.00	1,739,587.42	35,584.58	1,651,572.86
Excess (Deficit) of Operating Revenues over Appropriations	(444.00)	81,261.49	81,705.49	149,474.25
Non-Operating Revenues:				
Interest on Investments		3,352.57	3,352.57	1,634.27
Total Non-Operating Revenues		3,352.57	3,352.57	1,634.27
Non-Operating Appropriations:				
Interest on Long-Term Debt	9,957.00	9,556.26	400.74	14,172.93
Capital Outlay		10,504.73	(10,504.73)	47,049.44
Long-Term Principal Payments	120,000.00	120,000.00		115,000.00
Total Non-Operating Appropriations	129,957.00	140,060.99	(10,103.99)	176,222.37
Total Operating and Non-Operating Appropriations	1,905,129.00	1,879,648.41	25,480.59	1,827,795.23
Unreserved Retained Earnings to Balance Budget	130,401.00	130,401.00		53,307.00
Total Appropriations - Unreserved Retained Earnings	\$ 1,774,728.00	1,749,247.41	25,480.59	1,774,488.23
Excess/(Deficit) of Revenues over Appropriations		\$ 74,954.07	\$ 74,954.07	\$ 28,193.15

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)
SCHEDULE OF REVENUES AND APPROPRIATIONS
COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016
(NON-GAAP BUDGETARY BASIS)

Schedule 1

Sheet 2 of 4

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2016 Actual</u>
Administration				
Salaries and Wages:				
Board Members	\$	\$ 9,300.00	\$	\$ 8,850.00
Clerical		112,901.69		105,189.08
Legal		11,036.04		10,820.04
Total Salaries and Wages	<u>124,112.00</u>	<u>133,237.73</u>	<u>(9,125.73)</u>	<u>124,859.12</u>
Fringe Benefits:				
Public Employees' Retirement System		12,000.00		11,000.00
Federal & State Taxes		8,513.25		10,659.27
Worker's Compensation Insurance		383.86		1,544.57
Hospitalization Insurance		9,651.44		10,117.47
Health Benefits Waiver		4,918.67		4,830.80
Total Fringe Benefits	<u>37,500.00</u>	<u>35,467.22</u>	<u>2,032.78</u>	<u>38,152.11</u>
Other Expenses:				
Advertising		1,827.95		875.75
Audit and Accounting		23,205.00		22,500.00
Electric		2,511.15		2,222.56
Engineering		15,135.00		21,770.00
Computer Maintenance		11,314.04		9,241.00
Heat		1,618.41		1,660.80
Insurance		6,198.55		6,890.24
Miscellaneous		2,872.96		3,096.58
Miscellaneous Other		2,119.14		1,337.58
Office Supplies		3,888.06		6,444.82
Postage		4,136.03		5,153.99
Telephone		3,891.74		3,612.85
Trustees Administrative Fee		4,900.00		4,900.00
Total Other Expenses	<u>108,700.00</u>	<u>83,618.03</u>	<u>25,081.97</u>	<u>89,706.17</u>
Total Administration	<u>\$ 270,312.00</u>	<u>\$ 252,322.98</u>	<u>\$ 17,989.02</u>	<u>\$ 252,717.40</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, 2017

Sheet 3 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016

(NON-GAAP BUDGETARY BASIS)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2016 Actual</u>
<u>Cost of Providing Service</u>				
Salaries and Wages	\$ 188,660.00	\$ 185,075.68	\$ 3,584.32	\$ 162,615.38
Fringe Benefits:				
Public Employees' Retirement System		19,587.00		18,639.00
Federal & State Taxes		17,383.33		12,617.63
Worker's Compensation Insurance		4,000.00		3,000.00
Health Benefits Waiver		4,042.32		4,156.75
Total Fringe Benefits	<u>38,700.00</u>	<u>45,012.65</u>	<u>(6,312.65)</u>	<u>38,413.38</u>
Other Expenses:				
Contracted Services		230,288.78		159,589.04
Electric		8,215.18		7,274.11
Fuel for Vehicles		3,943.70		2,707.99
Heat		2,106.29		1,926.00
Computer Equipment		2,426.73		
Manhole Casting & Lids		4,475.28		
Root Control		4,942.72		
Parking Lot, Generator, Canopy		19,126.99		
CC4 Boxes		10,904.50		
Manholes				6,594.50
Electric Panels				30,630.00
Riser Rings				108.21
Sewerage Treatment Charges		953,753.05		965,740.67
Supplies		8,044.22		15,063.61
Telephone		2,738.09		1,310.16
Vehicle Maintenance		6,210.58		6,882.41
Total Other Expenses	<u>1,277,500.00</u>	<u>1,257,176.11</u>	<u>20,323.89</u>	<u>1,197,826.70</u>
Total Cost of Providing Service	<u>\$ 1,504,860.00</u>	<u>\$ 1,487,264.44</u>	<u>\$ 17,595.56</u>	<u>\$ 1,398,855.46</u>

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)
SCHEDULE OF REVENUES AND APPROPRIATIONS
COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016
(NON-GAAP BUDGETARY BASIS)

Schedule 1

Sheet 4 of 4

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2016 Actual</u>
Capital Outlay:				
Security Cameras	\$	\$ 10,504.73	\$	\$
Camera				47,049.44
Total Capital Outlay	<u>\$</u>	<u>\$ 10,504.73</u>	<u>\$ (10,504.73)</u>	<u>\$ 47,049.44</u>
<u>Increase/(Decrease) to Reconcile Budgetary</u>				
<u>Basis to GAAP Basis</u>				
Excess/(Deficit) from Above - Budgetary Basis		\$ 74,954.07		\$ 28,193.15
Long-Term Debt Principal Payments		120,000.00		115,000.00
Capital Outlay		10,504.73		47,049.44
Annual Pension Contribution		31,587.00		29,639.00
Net Pension Expense		(60,453.00)		(106,268.00)
Depreciation Expense		(278,346.54)		(275,779.47)
Retained Earnings Appropriated		<u>(130,401.00)</u>		<u>(53,307.00)</u>
Change in Net Position		<u>\$ (232,154.74)</u>		<u>\$ (215,472.88)</u>

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

YEAR ENDED DECEMBER 31, 2017

Schedule 2

	Balance Dec. 31, 2016	Increased by 2017 Service Fees	Decreased by Collected in 2017	Balance Dec. 31, 2017
Residential	\$ 266,611.63	\$ 1,624,480.08	\$ 1,611,470.99	\$ 279,620.72
Commercial	2,293.89	76,488.00	69,004.88	9,777.01
Board of Education	<u> </u>	<u>6,048.00</u>	<u>6,048.00</u>	<u> </u>
	<u>\$ 268,905.52</u>	<u>\$ 1,707,016.08</u>	<u>\$ 1,686,523.87</u>	<u>\$ 289,397.73</u>
Current Year Receipts			\$ 1,499,012.91	
Advanced Revenue Applied			<u>187,510.96</u>	
			<u>\$ 1,686,523.87</u>	

(1) The user charges do not include interest on delinquent payments. In 2017 interest on delinquent payments amounted to \$67,456.24 and is reflected as other operating revenues/receipts.

BEACHWOOD SEWERAGE AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST TEN YEARS

Measurement Date Ending June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2014	0.0032775925%	\$ 613,655	237,812	258.04%	52.08%
2015	0.0034474705%	773,888	206,065	375.56%	47.92%
2016	0.0035256082%	1,044,184	236,108	442.25%	40.14%
2017	0.0034002840%	791,532	245,212	322.79%	48.10%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

BEACHWOOD SEWERAGE AUTHORITY

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST TEN YEARS

Fiscal Year Ending <u>June 30,</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contributions</u>	Contribution Deficiency (<u>Excess</u>)	Authority's Covered- Employee <u>Payroll</u>	Contributions as a Percentage of Covered- Employee <u>Payroll</u>
2014	\$ 27,020	\$ 27,020	\$ -0-	237,812.00	11.36%
2015	29,639	29,639	-0-	206,065.00	14.38%
2016	31,321	31,321	-0-	236,108.00	13.27%
2017	31,500	31,500	-0-	245,212.00	12.85%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

BEACHWOOD SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)

NOTE TO RSI III

FOR THE YEAR ENDED DECEMBER 31, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (2.85%) to the current measurement date (3.58%), resulting in a change in the discount rate from 3.98% to 5.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

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Statistical Section

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

OPERATING REVENUES BY SOURCE

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2008

(UNAUDITED)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Revenues:										
Service Fees	\$ 1,707,016.08	\$ 1,654,823.19	\$ 1,670,583.23	\$ 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
Connection Fees and Other	113,832.83	146,223.92	110,779.15	87,599.36	130,239.38	73,757.19	74,006.63	68,468.21	27,318.59	12,430.00
Operating Revenues	\$ 1,820,848.91	\$ 1,801,047.11	\$ 1,781,362.38	\$ 1,754,863.65	\$ 1,777,156.01	\$ 1,719,207.53	\$ 1,684,802.87	\$ 1,678,776.76	\$ 1,683,753.45	\$ 1,659,918.72
Total Operating Revenues										

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

Schedule 4

OPERATING EXPENSES BY SOURCE

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2008

(UNAUDITED)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Expenses:										
Personnel Services	\$ 427,659.28	\$ 440,668.99	\$ 340,877.21	\$ 331,970.57	\$ 322,167.42	\$ 321,242.45	\$ 305,178.04	\$ 323,992.35	\$ 283,796.83	\$ 271,077.59
Purchase of Services	953,753.05	965,740.67	982,146.00	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
Other Operating Expenses	387,041.09	321,792.20	315,105.83	929,052.85	329,661.04	158,463.37	180,242.49	154,133.78	132,919.34	133,597.21
Depreciation	278,346.54	275,779.47	269,898.70	278,677.80	262,529.12	258,122.74	243,810.66	275,713.82	250,127.46	247,446.29
Total Operating Expenses	\$ 2,046,799.96	\$ 2,003,981.33	\$ 1,908,027.74	\$ 2,550,574.02	\$ 1,941,922.98	\$ 1,742,101.96	\$ 1,698,116.09	\$ 1,804,771.15	\$ 1,629,699.63	\$ 1,578,542.69

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

SERVICE FEES (RATES)

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2008

Schedule 5

(UNAUDITED)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Sewer										
Minimum per Year (All Customers)	\$ 424.00	\$ 420.00	\$ 420.00	\$ 420.00	\$ 416.00	\$ 416.00	\$ 408.00	\$ 408.00	\$ 408.00	\$ 408.00
Per 1,000 Gallons in Excess of 75,000 per Year per Unit	4.00	4.00	4.00	3.75	3.50	3.25	3.00	3.00	3.00	2.82
(Commercial Customers Only)										

CONNECTION FEES (RATES)

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2008

Schedule 6

(UNAUDITED)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Sewer Connection Fee	\$ 2,400.00	\$ 2,350.00	\$ 2,300.00	\$ 2,250.00	\$ 2,200.00	\$ 2,150.00	\$ 2,000.00	\$ 2,050.00	\$ 2,000.00	\$ 1,950.00

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

NUMBER OF SEWER CUSTOMERS

Schedule 7

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2008

(UNAUDITED)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Customers	<u>3,941</u>	<u>3,939</u>	<u>3,934</u>	<u>3,931</u>	<u>3,899</u>	<u>3,825</u>	<u>3,821</u>	<u>3,813</u>	<u>3,814</u>	<u>3,795</u>

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

Schedule 8

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2008

(UNAUDITED)

	December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Borough of Beachwood	<u>\$ 2.351</u>	<u>\$ 2.332</u>	<u>\$ 1.831</u>	<u>\$ 1.783</u>	<u>\$ 1.768</u>	<u>\$ 1.724</u>	<u>\$ 1.69</u>	<u>\$ 1.635</u>	<u>\$ 1.545</u>	<u>\$ 1.476</u>

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

TEN LARGEST SEWER CUSTOMERS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 9

(UNAUDITED)

<u>Name</u>	<u>Description</u>	<u>Billing</u>
Okor, Inc.	Super Clean Laundromat	9,818.00
Sand Castle Diner	Diner	4,362.00
Toms River Intermediate South	Intermediate School	3,146.00
Beachwood Elementary School	Elementary School	2,902.00
Stone Fire Grill	Restaurant	2,190.00
Socher, Lawrence & Joyce	Commercial Rental	1,590.00
Sobieski, James & Grazia	Commercial Rental	1,590.00
Dacel, LLC	Commercial Rental	1,590.00
Rossics & Russo Associates, LLC	201 Beachwood Blvd	1,272.00
Rossics & Russo Associates, LLC	62 Railroad Avenue	1,272.00

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, 2017 THROUGH 2008

(UNAUDITED)

Year	Principal	Interest	Total Debt Service	Operating Expenses	Ratio of Debt Service to Total Operating Expense
2017	\$ 120,000.00	\$ 9,556.26	\$ 129,556.26	\$ 2,017,933.96	0.064
2016	115,000.00	14,172.93	129,172.93	2,003,981.33	0.064
2015	110,000.00	18,324.43	128,324.43	1,908,027.74	0.067
2014	110,000.00	22,336.53	132,336.53	2,550,574.02	0.052
2013	105,000.00	36,855.94	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
	\$ 1,750,000.00	\$ 343,896.17	\$ 2,083,077.74	\$ 18,875,671.55	

BEACHWOOD SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)
POPULATION 2016, 2011 AND 2006 CENSUS ESTIMATES

Schedule 11

	December 31		
	<u>2016</u>	<u>2011</u>	<u>2006</u>
Borough of Beachwood	11,153	11,060	10,733

BEACHWOOD SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)

MUNICIPAL LABOR FORCE ESTIMATES 2015, 2014 AND 2013

Schedule 12

(UNAUDITED)

	<u>Potential Labor Force</u>			<u>Number of Residents</u>			<u>Unemployment</u>			<u>Unemployment Rate</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Borough of Beachwood	6,389	6,264	6,259	6,014	5,848	5,740	375	416	519	5.9%	6.6%	8.3%

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

DECEMBER 31, 2017

GENERAL COMMENTS AND RECOMMENDATIONS

NONE