

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

**Comprehensive Annual Financial Report**

**For the Year Ended December 31, 2021**



**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

October 31, 2022

To the Board of Commissioners,

The comprehensive annual financial report (CAFR) of the Beachwood Sewerage Authority ("Authority") for the year December 31, 2021, 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>2020</u><br><u>Census</u> | <u>2015</u><br><u>Estimate</u> | <u>2010</u><br><u>Census</u> |
|----------------------|------------------------------|--------------------------------|------------------------------|
| County of Ocean      | 637,229                      | 587,079                        | 576,567                      |
| Borough of Beachwood | 10,859                       | 11,175                         | 11,045                       |

Table 2: At Place Employment

|                      | <u>2018</u> | <u>2000</u> |
|----------------------|-------------|-------------|
| County of Ocean      | 148,295     | 120,741     |
| Borough of Beachwood | 4,294       | 3,590       |

Table 3: Median Household Income

|                      | <u>2020</u> | <u>2000</u> |
|----------------------|-------------|-------------|
| County of Ocean      | \$72,679    | \$46,443    |
| Borough of Beachwood | \$81,658    | \$59,022    |

## Major Initiatives

Computer Equipment  
Manhole Castings & Lids  
Root Control  
Building Improvements  
2017 Chevy Silverado  
CC4 Boxes

## Completed Projects

Root Control  
Manhole Covers and CC4 Boxes

## 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 2021, the Authority continues to invest in the same type of investments as in prior years. All investments are made in accordance with permitted investment vehicles as determined by the State of New Jersey.

### Risk Management

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

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 2021 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:

U.S. Census Bureau, Bureau of Labor Statistics, New Jersey Department of Labor, 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,



Robert G. Tapp  
Chairman

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

**2021**

**MEMBERS OF THE AUTHORITY**

**Appendix A**

|                 |               |                      |
|-----------------|---------------|----------------------|
| Robert G. Tapp  | Chairman      | 02/01/18 to 01/31/23 |
| Matthew Brown   | Vice-Chairman | 02/01/19 to 01/31/24 |
| Thomas Abramski | Secretary     | 02/01/21 to 01/31/26 |
| Carl Schmidt    | Treasurer     | 02/01/20 to 01/31/24 |
| John Risk       | Commissioner  | 02/01/17 to 01/31/22 |

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

**2021**

**CONSULTANTS**

**Appendix B**

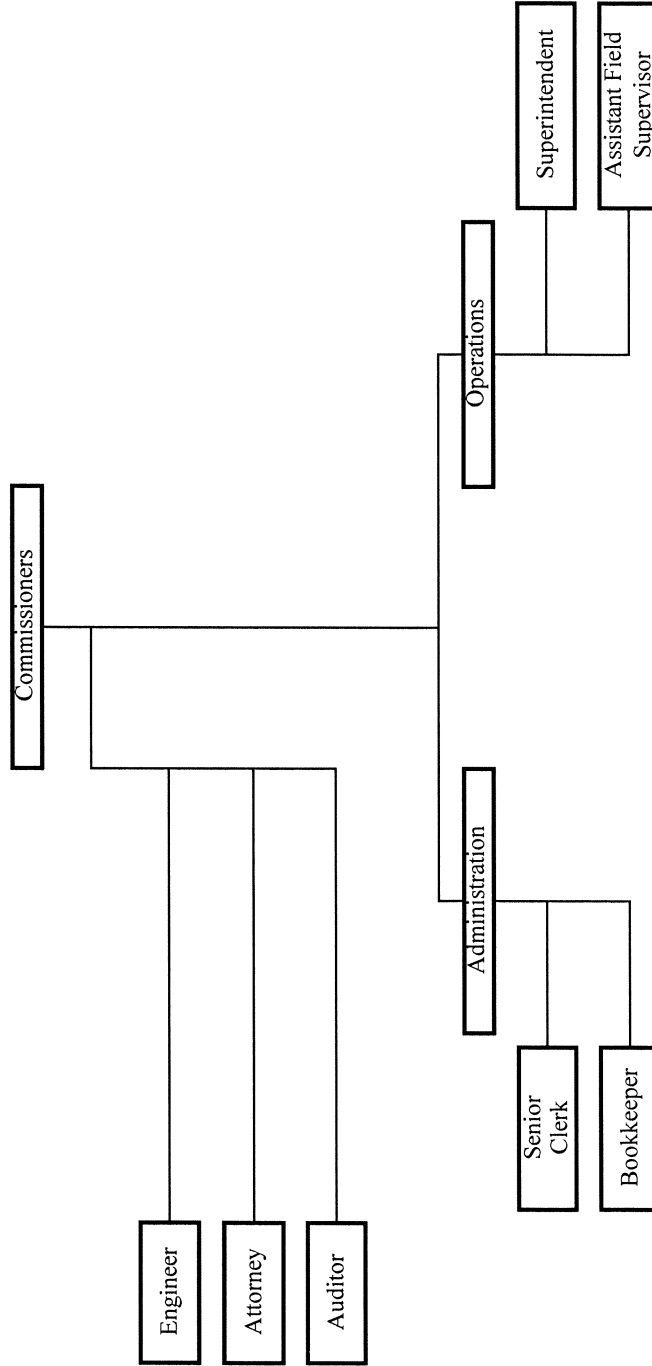
|                           |                 |
|---------------------------|-----------------|
| John Hess                 | Engineer        |
| Suplee, Clooney & Company | Auditor         |
| James Gluck, Esq.         | Attorney        |
| GluckWalrath, LLP         | Bond Counsel    |
| Antonides and Sibia       | Fee Accountants |

Appendix C

2021

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

Organization Chart



**Financial Section**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## **INDEPENDENT AUDITOR'S REPORT**

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, which comprise the statements of net position as of and for the years ended December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Opinion***

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, 2021 and 2020, 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.

### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Beachwood Sewerage Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



## SUPLEE, CLOONEY & COMPANY

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Beachwood Sewerage Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Beachwood Sewerage Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Beachwood Sewerage Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

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

## SUPLEE, CLOONEY & COMPANY

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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 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.

October 31, 2022

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

## 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>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|--------------------------------------|---------------------|---------------------|---------------------|
| Assets:                              |                     |                     |                     |
| Current Assets:                      |                     |                     |                     |
| Unrestricted                         | \$ 1,848,618        | \$ 1,659,891        | \$ 1,595,556        |
| Restricted                           | 19,959              | 22,512              | 3,702               |
| Total Current Assets                 | <u>1,868,577</u>    | <u>1,682,403</u>    | <u>1,599,258</u>    |
| Non-Current Assets:                  |                     |                     |                     |
| Capital Assets - Net of Depreciation | <u>1,451,813</u>    | <u>1,699,778</u>    | <u>1,899,639</u>    |
| Total Non-Current Assets             | <u>1,451,813</u>    | <u>1,699,778</u>    | <u>1,899,639</u>    |
| Total Assets                         | <u>\$ 3,320,390</u> | <u>\$ 3,382,181</u> | <u>\$ 3,498,897</u> |
| Deferred Outflows of Resources       |                     |                     |                     |
| Deferred Pension Outflows            | <u>\$ 73,646</u>    | <u>\$ 150,710</u>   | <u>\$ 199,202</u>   |
| Liabilities:                         |                     |                     |                     |
| Current Liabilities                  | \$ 378,060          | \$ 302,823          | \$ 308,030          |
| Non-Current Liabilities              | <u>474,633</u>      | <u>679,680</u>      | <u>735,356</u>      |
| Total Liabilities                    | <u>\$ 852,693</u>   | <u>\$ 982,503</u>   | <u>\$ 1,043,386</u> |

**STATEMENT OF NET POSITION (CONTINUED)**

| Years Ended December 31,            | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|-------------------------------------|---------------------|---------------------|---------------------|
| Deferred Inflows of Resources       |                     |                     |                     |
| Deferred Pension Inflows            | \$ 329,981          | 287,428             | 277,030             |
| Total Deferred Inflows of Resources | \$ <u>329,981</u>   | \$ <u>287,428</u>   | \$ <u>277,030</u>   |
| <br>                                |                     |                     |                     |
| Years Ended December 31,            | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
| Net Position                        |                     |                     |                     |
| Investment in Capital Assets -      |                     |                     |                     |
| Net of Related Debt                 | \$ 1,451,813        | \$ 1,699,778        | \$ 1,899,639        |
| Restricted:                         |                     |                     |                     |
| Bond Service Fund                   |                     |                     |                     |
| Renewal and Replacement             |                     |                     |                     |
| Unrestricted                        | <u>759,549</u>      | <u>563,181</u>      | <u>478,044</u>      |
| Total Net Position                  | \$ <u>2,211,362</u> | \$ <u>2,262,959</u> | \$ <u>2,377,683</u> |

The net position of the Authority decreased by \$166,321 between 2019 and 2021, (\$51,597 from 2020 to 2021 and \$114,724 from 2019 to 2020).

**REVIEW OF REVENUES**

| Years Ended December 31,           | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|------------------------------------|---------------------|---------------------|---------------------|
| Operating Revenues:                |                     |                     |                     |
| Service Fees                       | \$ 1,799,362        | \$ 1,820,554        | \$ 1,734,969        |
| Connection Fees and Other Revenues | <u>244,072</u>      | <u>174,287</u>      | <u>123,755</u>      |
| Total Operating Revenues           | <u>2,043,434</u>    | <u>1,994,841</u>    | <u>1,858,724</u>    |
| <br>                               |                     |                     |                     |
| Non-Operating Revenues:            |                     |                     |                     |
| Interest Revenue                   | <u>2,176</u>        | <u>29,345</u>       | <u>24,735</u>       |
| Total Non-Operating Revenues       | <u>2,176</u>        | <u>29,345</u>       | <u>24,735</u>       |
| <br>                               |                     |                     |                     |
| Total Revenues                     | \$ <u>2,045,610</u> | \$ <u>2,024,186</u> | \$ <u>1,883,459</u> |

The Authority's revenues increased \$21,424 in 2021 when compared to 2020 and \$140,727 in 2020 when compared to 2019.

## REVIEW OF EXPENSES

| Years Ended December 31, | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|--------------------------|---------------------|---------------------|---------------------|
| Operating Expenses:      |                     |                     |                     |
| Personnel Services       | \$ 445,558          | \$ 455,710          | \$ 416,840          |
| Purchase of Services     | 963,472             | 1,014,403           | 1,106,978           |
| Other Operating Expenses | 397,978             | 380,644             | 398,452             |
| Depreciation             | <u>290,199</u>      | <u>288,154</u>      | <u>282,696</u>      |
| Total Operating Expenses | \$ <u>2,097,207</u> | \$ <u>2,138,911</u> | \$ <u>2,204,966</u> |

The Authority's operating expenses decreased \$41,704 in 2021 when compared to 2020 and \$66,055 in 2020 when compared to 2019.

## CAPITAL ASSETS, NET OF DEPRECIATION

In 2021, capital assets had a net decrease (addition, deductions and depreciation) of \$247,965.

| Years Ended December 31, | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|--------------------------|---------------------|---------------------|---------------------|
| Plant and Property       | \$ 596,473          | \$ 596,473          | \$ 596,473          |
| Vehicles and Equipment   | 566,257             | 524,023             | 524,023             |
| Collection System        | 8,882,970           | 8,882,970           | 8,794,677           |
| Road Overlay             | <u>410,115</u>      | <u>410,115</u>      | <u>410,115</u>      |
| Total Capital Assets     | 10,455,815          | 10,413,581          | 10,325,288          |
| Accumulated              |                     |                     |                     |
| Less: Depreciation       | <u>9,004,002</u>    | <u>8,713,803</u>    | <u>8,425,649</u>    |
| Total Net Capital Assets | \$ <u>1,451,813</u> | \$ <u>1,699,778</u> | \$ <u>1,899,639</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.

## FINANCIAL CONTACT

Questions related to any component of the Authority's Comprehensive Annual Report should be addressed to Robert G. Tapp, 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**

**Exhibit A**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Sheet 1 of 2**

|  | <u>2021</u>            | <u>2020</u>            |
|--|------------------------|------------------------|
| <b><u>Assets</u></b>                         |                        |                        |
| Current Assets:                              |                        |                        |
| Unrestricted Assets                          |                        |                        |
| Cash and Cash Equivalents                    | \$ 1,598,789.92        | \$ 1,337,725.53        |
| Petty Cash                                   | 225.00                 | 225.00                 |
| Accounts Receivable                          | 220,752.57             | 245,812.76             |
| Prepaid Expense                              | 28,850.58              | 76,127.07              |
| Total Unrestricted Assets                    | <u>1,848,618.07</u>    | <u>1,659,890.36</u>    |
| Restricted Assets                            |                        |                        |
| Cash and Cash Equivalents                    | 19,959.30              | 22,512.20              |
| Total Current Assets                         | <u>1,868,577.37</u>    | <u>1,682,402.56</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                       | 566,257.57             | 524,023.47             |
| Collection System                            | 8,882,969.72           | 8,882,969.72           |
| Road Overlay                                 | 410,114.91             | 410,114.91             |
|  | <u>10,455,814.98</u>   | <u>10,413,580.88</u>   |
| Less: Accumulated Depreciation               | 9,004,002.19           | 8,713,802.89           |
| Net Capital Assets                           | <u>1,451,812.79</u>    | <u>1,699,777.99</u>    |
| Total Non-Current Assets                     | <u>1,451,812.79</u>    | <u>1,699,777.99</u>    |
| Total Assets                                 | <u>\$ 3,320,390.16</u> | <u>\$ 3,382,180.55</u> |
| <b><u>Deferred Outflows of Resources</u></b> |                        |                        |
| Deferred Pension Outflows                    | <u>\$ 73,646.00</u>    | <u>\$ 150,710.00</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, 2021 AND 2020**

**Exhibit A**

**Sheet 2 of 2**

|   | <u>2021</u>            | <u>2020</u>            |
|---|------------------------|------------------------|
| <b><u>Liabilities</u></b>                   |                        |                        |
| Current Liabilities:                        |                        |                        |
| Advanced Revenue                            | \$ 252,271.47          | \$ 216,352.55          |
| Accounts Payable                            | 103,975.97             | 55,565.94              |
| Funds Held in Custody for Others-Escrow     | 19,959.30              | 22,512.20              |
| Employee Payroll Deductions Payable         | 1,853.76               | 8,392.34               |
| Total Current Liabilities                   | <u>378,060.50</u>      | <u>302,823.03</u>      |
| Non-Current Liabilities:                    |                        |                        |
| Net Pension Liability                       | 451,781.00             | 663,237.00             |
| Compensated Absences                        | 22,851.69              | 16,443.16              |
| Total Non-Current Liabilities               | <u>474,632.69</u>      | <u>679,680.16</u>      |
| Total Liabilities                           | <u>\$ 852,693.19</u>   | <u>\$ 982,503.19</u>   |
| <b><u>Deferred Inflows of Resources</u></b> |                        |                        |
| Deferred Pension Inflows                    | <u>\$ 329,981.00</u>   | <u>\$ 287,428.00</u>   |
| <b><u>Net Position</u></b>                  |                        |                        |
| Net Investment in Capital Assets            | \$ 1,451,812.79        | \$ 1,699,777.99        |
| Unrestricted                                | <u>759,549.18</u>      | <u>563,181.37</u>      |
| Total Net Position                          | <u>\$ 2,211,361.97</u> | <u>\$ 2,262,959.36</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, 2021 AND 2020**

|   | <b><u>2021</u></b>            | <b><u>2020</u></b>            |
|---|-------------------------------|-------------------------------|
| Operating Revenues:                     |                               |                               |
| Service Fees                            | \$ 1,799,361.95               | \$ 1,820,554.03               |
| Connection Fees                         | 41,650.00                     | 19,600.00                     |
| Other                                   | 202,421.46                    | 154,687.42                    |
| Total Operating Revenue                 | <u>2,043,433.41</u>           | <u>1,994,841.45</u>           |
| Operating Expenses:                     |                               |                               |
| Personnel Services                      | 445,558.41                    | 448,245.65                    |
| Purchase of Services                    | 963,471.84                    | 1,021,866.93                  |
| Other Operating Expenses                | 397,977.69                    | 380,644.33                    |
| Depreciation                            | 290,199.30                    | 288,153.81                    |
| Total Operating Expenses                | <u>2,097,207.24</u>           | <u>2,138,910.72</u>           |
| Operating Income/(Deficit)              | <u>(53,773.83)</u>            | <u>(144,069.27)</u>           |
| Non-Operating Revenues/(Expenses)       |                               |                               |
| Interest Revenue                        | 2,176.44                      | 29,345.35                     |
| Total Non-Operating Revenues/(Expenses) | <u>2,176.44</u>               | <u>29,345.35</u>              |
| Change in Net Position                  | <u>(51,597.39)</u>            | <u>(114,723.92)</u>           |
| Net Position - January 1                | <u>2,262,959.36</u>           | <u>2,377,683.28</u>           |
| Total Net Position December 31          | <u><u>\$ 2,211,361.97</u></u> | <u><u>\$ 2,262,959.36</u></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, 2021 AND 2020**

**Exhibit C**

**Sheet 1 of 2**

|   | <u>2021</u>            | <u>2020</u>            |
|---|------------------------|------------------------|
| Cash Flows from Operating Activities:   |                        |                        |
| Receipts from Customers   | \$ 1,858,164.62        | \$ 1,836,266.98        |
| Payments to Suppliers and Employees   | (1,803,290.47)         | (1,926,358.99)         |
| Other Receipts (Payments)   | 246,247.90             | 174,287.42             |
| Net Cash Provided by (Used In) Operating Activities   | <u>301,122.05</u>      | <u>84,195.41</u>       |
| Cash Flows from Capital and Related Financing Activities:                                   |                        |                        |
| Acquisition of Capital Assets   | (42,234.10)            | (88,292.84)            |
| Cash Received from Developers   | (2,552.90)             | 18,810.07              |
| Net Cash Used in Capital and Related Financing Activities                                   | <u>(44,787.00)</u>     | <u>(69,482.77)</u>     |
| Cash Flows from Investing Activities:   |                        |                        |
| Interest on Investments   | 2,176.44               | 29,345.35              |
| Net Cash Provided by Investing Activities   | <u>2,176.44</u>        | <u>29,345.35</u>       |
| Net Increase/(Decrease) in Cash and Cash Equivalents  | 258,511.49             | 44,057.99              |
| Cash and Cash Equivalents January 1   | <u>1,360,462.73</u>    | <u>1,316,404.74</u>    |
| Cash and Cash Equivalents December 31   | <u>\$ 1,618,974.22</u> | <u>\$ 1,360,462.73</u> |
| Reconciliation of Cash Equivalents to Amounts Reported<br>on the Statement of Net Position: |                        |                        |
| Cash and Investments  | \$ 1,599,014.92        | \$ 1,337,950.53        |
| Other Restricted Cash and Investments   | <u>19,959.30</u>       | <u>22,512.20</u>       |
| Cash and Cash Equivalents at End of Year  | <u>\$ 1,618,974.22</u> | <u>\$ 1,360,462.73</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, 2021 AND 2020**

**Exhibit C**

**Sheet 2 of 2**

|   | <u>2021</u>          | <u>2020</u>         |
|---|----------------------|---------------------|
| Reconciliation of Operating Income to Net Cash Provided |                      |                     |
| by Operating Activities:                                |                      |                     |
| Operating Income  | \$ (53,773.83)       | \$ (144,069.27)     |
| Adjustments to Reconcile Operating Income to Net Cash   |                      |                     |
| Provided by (Used By) Operating Activities:             |                      |                     |
| Depreciation  | 290,199.30           | 288,153.81          |
| Changes in Current Assets and Current Liabilities       |                      |                     |
| (Increase)/Decrease in Receivables                      | 25,060.19            | 16,942.22           |
| (Increase)/Decrease in Prepaid Expenses                 | 47,276.49            | (56,029.01)         |
| Increase/(Decrease) in Accounts Payable                 | 48,410.03            | (21,130.16)         |
| Increase/(Decrease) in Accrued Liabilities              | (6,538.58)           | (1,657.39)          |
| Increase/(Decrease) in Net Pension Liability            | (211,456.00)         | (57,035.00)         |
| (Increase)/Decrease in Deferred Pension Outflows        | 77,064.00            | 48,492.00           |
| Increase/(Decrease) in Deferred Pension Inflows         | 42,553.00            | 10,398.00           |
| Increase/(Decrease) in Advanced Revenue                 | 35,918.92            | (1,229.27)          |
| Increase/(Decrease) in Compensated Absences             | 6,408.53             | 1,359.48            |
| Total Adjustments                                       | <u>354,895.88</u>    | <u>228,264.68</u>   |
| Net Cash Provided by Operating Activities               | <u>\$ 301,122.05</u> | <u>\$ 84,195.41</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, 2021**

**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, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Impact of Recently Issued Accounting Pronouncements**

**Accounting Pronouncements Adopted in Current Year**

The following GASB Statements became effective for the fiscal year ended December 31, 2021:

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has determined that the implementation of these Statements did not have a significant impact on the Authority's financial statements.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Requirements of this pronouncement related to section 1, paragraph 4 are effective immediately. All other requirements will be effective for reporting periods beginning June 15, 2021. Management has determined the implementation of certain provisions within this Statement did not have a significant impact on the Authority's financial statements.

**Accounting Pronouncements Effective in Future Reporting Periods**

Statement No. 87, *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Impact of Recently Issued Accounting Pronouncements**

**Accounting Pronouncements Effective in Future Reporting Periods (Continued)**

Statement No. 91, *Conduit Debt Obligations*. Provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2022. Management does not expect this Statement to have a material impact to the Authority's financial statements.

Statement No. 93, *Replacement of Interbank Offered Rates*. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

Management has not yet determined the impact of these Statements 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 Notes 5 and 8), 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, 2021**

**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 Notes 5 and 8).

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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 |

**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:

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Deferred Outflows and Deferred Inflows of Resources (Continued)**

**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.

**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.



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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. 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, 2020
- Measurement Date: June 30, 2021
- Measurement Period: July 1, 2020 to June 30, 2021

**N. 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, 2021 was \$22,852, and this amount is accounted for as an expense and liability in the financial statements.

**O. 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 2021 and 2020.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost. U.S Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost.

**A. Deposits**

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

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

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

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

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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)**

**B. Investments (Continued)**

- a. (4) Bonds or other obligations of the Borough, or bonds or other obligations of the school district of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Local government investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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, 2021.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)**

**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 2, 2021.

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

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

**D. Restricted Cash**

The restricted cash at December 31 of \$19,959 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)**

**E. Custodial Credit Risks (Continued)**

**Concentration of Credit Risk**

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

At year-end the carrying amount of the Authority's deposits was \$1,618,749 and the bank balance amount was \$1,661,678. Of this amount \$250,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$1,411,678.

**NOTE 4. RULES AND REGULATIONS**

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

**NOTE 5. DEBT**

**A. Long-Term Revenue Bonds**

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

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

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

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

**BEACHWOOD SEWERAGE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 5. DEBT**

**A. Long-Term Revenue Bonds (Continued)**

At December 31, 2021 the Authority's bonded debt was \$-0-.

The Authority's long-term liability activity for the years ended December 31, 2021 and 2020 are as follows:

|                             | <u>Balance</u><br><u>Jan. 1, 2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>Dec. 31, 2021</u> | <u>Due in</u><br><u>One Year</u> |
|-----------------------------|---------------------------------------|------------------|-------------------|--|----------------------------------|
| Compensated Absences        | \$ 16,443                             | \$ 6,409         | \$                | \$ 22,852                              | \$                               |
| Net Pension Liability       | <u>663,237</u>                        | <u></u>          | <u>211,456</u>    | <u>451,781</u>                         | <u></u>                          |
| Total Long-Term Liabilities | <u>\$ 679,680</u>                     | <u>\$ 6,409</u>  | <u>\$ 211,456</u> | <u>\$ 474,633</u>                      | <u>\$ -0-</u>                    |

|                             | <u>Balance</u><br><u>Jan. 1, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>Dec. 31, 2020</u> | <u>Due in</u><br><u>One Year</u> |
|-----------------------------|---------------------------------------|------------------|-------------------|--|----------------------------------|
| Compensated Absences        | \$ 15,084                             | \$ 1,359         | \$                | \$ 16,443                              | \$                               |
| Net Pension Liability       | <u>720,272</u>                        | <u></u>          | <u>57,035</u>     | <u>663,237</u>                         | <u></u>                          |
| Total Long-Term Liabilities | <u>\$ 735,356</u>                     | <u>\$ 1,359</u>  | <u>\$ 57,035</u>  | <u>\$ 679,680</u>                      | <u>\$ -0-</u>                    |

**NOTE 6. 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 7. 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 \$4,039 per million gallons for the years 2021 and 2020.

**BEACHWOOD SEWERAGE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 8. 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. 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, 2021 and 2020 \$-0- was the balance on deposit for the renewal and replacement requirement.

**NOTE 9. CAPITAL ASSETS**

The following is a schedule of the Authority’s Capital Assets, and transactions in the accounts for the years 2021 and 2020:

|                                | <b><u>Balance</u></b><br><b><u>Dec. 31, 2020</u></b> | <b><u>Increased by</u></b><br><b><u>Current Year</u></b><br><b><u>Additions</u></b> | <b><u>Balance</u></b><br><b><u>Dec. 31, 2021</u></b> |
|--------------------------------|--|---|--|
| Non-depreciable Assets:        |  |   |  |
| Land                           | \$ 198,198   | \$  | \$ 198,198   |
| Depreciable Assets:            |  |   |  |
| Buildings and Improvements     | 398,275  |   | 398,275  |
| Vehicles and Equipment         | 524,024  | 42,234  | 566,258  |
| Collection System              | 8,882,970  |   | 8,882,970  |
| Road Overlay                   | 410,115  |   | 410,115  |
| Total Historical Cost          | <u>10,413,582</u>                                    | <u>42,234</u>   | <u>10,455,816</u>                                    |
| Less Accumulated Depreciation: |  |   |  |
| Buildings                      | 241,983  | 9,720   | 251,703  |
| Vehicles and Equipment         | 356,984  | 31,322  | 388,306  |
| Collection System              | 7,838,427  | 238,904   | 8,077,331  |
| Road Overlay                   | 276,409  | 10,253  | 286,662  |
| Total Accumulated Depreciation | <u>8,713,803</u>                                     | <u>290,199</u>  | <u>9,004,002</u>                                     |
| Total Capital Assets Net       | \$ <u>1,699,779</u>                                  | \$ <u>(247,965)</u>   | \$ <u>1,451,813</u>                                  |

**BEACHWOOD SEWERAGE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 9. CAPITAL ASSETS (CONTINUED)**

|                                | <b>Balance</b>       | <b>Increased by</b> | <b>Balance</b>       |
|--------------------------------|----------------------|---------------------|----------------------|
|                                | <b>Dec. 31, 2019</b> | <b>Current Year</b> | <b>Dec. 31, 2020</b> |
|                                |                      | <b>Additions</b>    |                      |
| Non-depreciable Assets:        |                      |                     |                      |
| Land                           | \$ 198,198           | \$                  | \$ 198,198           |
| Depreciable Assets:            |                      |                     |                      |
| Buildings and Improvements     | 398,275              |                     | 398,275              |
| Vehicles and Equipment         | 524,024              |                     | 524,024              |
| Collection System              | 8,794,677            | 88,293              | 8,882,970            |
| Road Overlay                   | 410,115              |                     | 410,115              |
| Total Historical Cost          | 10,325,289           | 88,293              | 10,413,582           |
| Less Accumulated Depreciation: |                      |                     |                      |
| Buildings                      | 232,263              | 9,720               | 241,983              |
| Vehicles and Equipment         | 323,242              | 33,742              | 356,984              |
| Collection System              | 7,603,988            | 234,439             | 7,838,427            |
| Road Overlay                   | 266,156              | 10,253              | 276,409              |
| Total Accumulated Depreciation | 8,425,649            | 288,154             | 8,713,803            |
| Total Capital Assets Net       | \$ 1,899,640         | \$ (199,861)        | \$ 1,699,779         |

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 10. 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**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 10. 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 2021 and 2020, 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 11. 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 12. CONTINGENT LIABILITIES (SUBSEQUENT EVENTS)**

Beachwood Sewerage Authority has evaluated subsequent events occurring after the financial statement date through October 31, 2022 which is the date the financial statements were available to be issued. No items were noted for disclosure or adjustment.

**NOTE 13. PENSION OBLIGATIONS**

**A. Public Employees' Retirement System (PERS)**

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Plan Description (Continued)**

The following represents the membership tiers for PERS:

| <b><u>Tier</u></b> | <b><u>Definition</u></b>   |
|--------------------|--|
| 1                  | Members who were enrolled prior to July 1, 2007  |
| 2                  | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3                  | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4                  | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011    |
| 5                  | Members who were eligible to enroll on or after June 28, 2011                              |

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

**Basis of Presentation** - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**BEACHWOOD SEWERAGE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2021, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2021, The Authority's contractually required contribution to PERS plan was \$44,492.

**Net Pension Liability and Pension Expense** - At December 31, 2021, the Authority's proportionate share of the PERS net pension liability is valued to be \$451,781. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The Authority's proportion measured as of June 30, 2021, was 0.0038136266%, which was a decrease of 0.0002534713% from its proportion measured as of June 30, 2020.

**Collective Balances at December 31, 2021 and December 31, 2020**

|   | <b><u>Dec. 31, 2021</u></b> | <b><u>Dec. 31, 2020</u></b> |
|---|-----------------------------|-----------------------------|
| Actuarial Valuation Date (including roll forward) | July 1, 2020                | July 1, 2019                |
| Deferred Outflows of Resources                    | \$ 73,646                   | \$ 150,710                  |
| Deferred Inflows of Resources                     | 329,981                     | 287,428                     |
| Net Pension Liability                             | 451,781                     | 663,237                     |
| Authority's Portion of the Plan's Total           |                             |                             |
| Net Pension Liability                             | 0.0038136266%               | 0.0040670979%               |

For the year ended December 31, 2021, the Authority had an allocated pension expense of \$47,177.

**BEACHWOOD SEWERAGE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|  | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|--|--|---|
| Differences between expected and actual experience   | \$ 7,125   | \$ 3,234  |
| Changes of assumptions   |  | 160,837   |
| Net difference between projected and actual earnings on pension plan investments                               | 2,353  | 119,011   |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | <u>64,168</u>  | <u>46,899</u>                                       |
|  | <u>\$ 73,646</u>                                     | <u>\$ 329,981</u>                                   |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense are as follows:

| <b><u>Year Ending<br/>December 31</u></b> | <b><u>PERS</u></b>  |
|---|---------------------|
| 2022                                      | \$ (103,147)        |
| 2023                                      | (72,659)            |
| 2024                                      | (48,442)            |
| 2025                                      | (35,556)            |
| 2026                                      | <u>3,469</u>        |
|   | <u>\$ (256,335)</u> |

**BEACHWOOD SEWERAGE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between Expected and Actual Experience  |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2016  | 5.57  | -  |
| June 30, 2017  | 5.48  | -  |
| June 30, 2018  | -   | 5.63   |
| June 30, 2019  | 5.21  | -  |
| June 30, 2020  | 5.16  | -  |
| June 30, 2021  | -   | 5.13   |
| <br>Changes of Assumptions   |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2016  | 5.57  | -  |
| June 30, 2017  | -   | 5.48   |
| June 30, 2018  | -   | 5.63   |
| June 30, 2019  | -   | 5.21   |
| June 30, 2020  | -   | 5.16   |
| June 30, 2021  | 5.13  | -  |
| <br>Differences between projected and actual investment earnings on pension plan investments |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2017  | 5   | -  |
| June 30, 2018  | 5   | -  |
| June 30, 2019  | 5   | -  |
| June 30, 2020  | 5   | -  |
| June 30, 2021  | 5   | -  |

**BEACHWOOD SEWERAGE AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Changes in Proportion and Differences between<br>Authority Contributions and Proportionate<br>Share of Contributions |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2016  | 5.57  | 5.57   |
| June 30, 2017  | 5.48  | 5.48   |
| June 30, 2018  | 5.63  | 5.63   |
| June 30, 2019  | 5.21  | 5.21   |
| June 30, 2020  | 5.16  | 5.16   |
| June 30, 2021  | 5.13  | 5.13   |

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

|  | <b><u>PERS</u></b>           |
|--|------------------------------|
| Inflation rate:  |                              |
| Price  | 2.75%                        |
| Wage   | 3.25%                        |
| Salary Increases:  |                              |
| Through 2026   | 2.00 - 6.00% Based on Age    |
| Thereafter   | 3.00 - 7.00% Based on Age    |
| Investment Rate of Return  | 7.00%                        |
| Mortality Rate Table   | Pub-2010                     |
| Period of Actuarial Experience<br>Study upon which Actuarial<br>Assumptions were based | July 1, 2014 - June 30, 2018 |

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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.

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

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**(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Long-Term Expected Rate of Return (Continued)**

|                                   | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected<br/>Real<br/>Rate of<br/>Return</b> |
|-----------------------------------|------------------------------|---|
| U.S. equity                       | 27.00%                       | 8.09%   |
| Non-U.S. developed markets equity | 13.50%                       | 8.71%   |
| Emerging markets equity           | 5.50%                        | 10.96%  |
| Private equity                    | 13.00%                       | 11.30%  |
| Real estate                       | 8.00%                        | 9.15%   |
| Real assets                       | 3.00%                        | 7.40%   |
| High yield                        | 2.00%                        | 3.75%   |
| Private credit                    | 8.00%                        | 7.60%   |
| Investment grade credit           | 8.00%                        | 1.68%   |
| Cash equivalents                  | 4.00%                        | 0.50%   |
| U.S. treasuries                   | 5.00%                        | 0.95%   |
| Risk mitigation strategies        | 3.00%                        | 3.35%   |
|                                   | 100.00%                      |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Municipal bond rates of 2.21% as of June 30, 2020 and 2.16% as of June 30, 2021 were used in the development of the blended GASB discount rate after the Plan's fiduciary net position was no longer sufficient to make future benefit payments, when applicable. As selected by the State Treasurer, the rates are based on the Bond Buyer GO 20-Bond Municipal Bond Index. Based on the long-term rate of return of 7.00% and the municipal bond rate of 2.21% as of June 30, 2020 and the long-term rate of return of 7.00% and the municipal bond rate of 2.16% as of June 30, 2021, the blended GASB discount rates are 7.00% as of June 30, 2020 and 7.00% as of June 30, 2021. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.



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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13. PENSION OBLIGATIONS (CONTINUED)**

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

**Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|  | <b><u>Decrease</u></b><br><b><u>(6.00%)</u></b> | <b><u>Discount</u></b><br><b><u>(7.00%)</u></b> | <b><u>Increase</u></b><br><b><u>(8.00%)</u></b> |
|--|---|---|---|
| Authority's proportionate share of the pension liability | \$ 615,234                                      | \$ 451,781                                      | \$ 313,068                                      |



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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 the Beachwood Sewerage Authority as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Beachwood Sewerage Authority's financial statements, and have issued our report thereon dated October 31, 2022.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Beachwood Sewerage Authority's internal control over financial reporting (internal control) as a basis for designing 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 the Beachwood Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Beachwood Sewerage Authority's internal control.

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

## SUPLEE, CLOONEY & COMPANY

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Beachwood Sewerage Authority's financial statements are free of 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 financial statements. 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.

October 31, 2022



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**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, 2021**

Sheet 1 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2020**

**(NON-GAAP BUDGETARY BASIS)**

|  | <u>Amended<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> | <u>2020 Actual</u>  |
|--|---------------------------|---------------------|---|---------------------|
| <b>Anticipated Revenues</b>  |                           |                     |   |                     |
| Operating Revenues:  |                           |                     |   |                     |
| Charges for Service Fees   | \$ 1,808,520.00           | \$ 1,799,361.95     | \$ (9,158.05)                               | \$ 1,820,554.03     |
| Connection Fees  | 10,000.00                 | 41,650.00           | 31,650.00                                   | 19,600.00           |
| Other  | 84,300.00                 | 202,421.46          | 118,121.46                                  | 154,687.42          |
| Total Operating Revenues   | <u>1,902,820.00</u>       | <u>2,043,433.41</u> | <u>140,613.41</u>                           | <u>1,994,841.45</u> |
| <b>Budget Appropriations</b>   |                           |                     |   |                     |
| Operating Appropriations:  |                           |                     |   |                     |
| Administration:  |                           |                     |   |                     |
| Salaries and Wages   | 159,300.00                | 158,832.95          | 467.05                                      | 153,231.51          |
| Fringe Benefits  | 38,500.00                 | 45,956.55           | (7,456.55)                                  | 42,198.52           |
| Other Expenses   | 98,300.00                 | 75,226.63           | 23,073.37                                   | 74,085.25           |
| Total Administration   | <u>296,100.00</u>         | <u>280,016.13</u>   | <u>16,083.87</u>                            | <u>269,515.28</u>   |
| Cost of Providing Services:  |                           |                     |   |                     |
| Salaries and Wages   | 167,620.00                | 175,961.83          | (8,341.83)                                  | 195,697.50          |
| Fringe Benefits  | 56,600.00                 | 64,807.08           | (8,207.08)                                  | 57,118.12           |
| Other Expenses   | 1,291,500.00              | 1,345,689.45        | (54,189.45)                                 | 1,416,317.23        |
| Total Cost of Providing Services   | <u>1,515,720.00</u>       | <u>1,586,458.36</u> | <u>(70,738.36)</u>                          | <u>1,669,132.85</u> |
| Total Operating Appropriations   | <u>1,811,820.00</u>       | <u>1,866,474.49</u> | <u>(54,654.49)</u>                          | <u>1,938,648.13</u> |
| Excess (Deficit) of Operating Revenues over<br>Appropriations                                      | <u>91,000.00</u>          | <u>176,958.92</u>   | <u>85,958.92</u>                            | <u>56,193.32</u>    |
| Non-Operating Revenues:  |                           |                     |   |                     |
| Interest on Investments  |                           | 2,176.44            | 2,176.44                                    | 29,345.35           |
| Total Non-Operating Revenues   |                           | <u>2,176.44</u>     | <u>2,176.44</u>                             | <u>29,345.35</u>    |
| Non-Operating Appropriations:  |                           |                     |   |                     |
| Renewal & Replacement  | 35,000.00                 |                     | 35,000.00                                   |                     |
| Capital Outlay   | 56,000.00                 | 82,295.44           | (26,295.44)                                 | 14,500.28           |
| Total Non-Operating Appropriations   | <u>91,000.00</u>          | <u>82,295.44</u>    | <u>8,704.56</u>                             | <u>14,500.28</u>    |
| Total Operating and Non-Operating Appropriations<br>Unreserved Retained Earnings to Balance Budget | <u>1,902,820.00</u>       | <u>1,948,769.93</u> | <u>(45,949.93)</u>                          | <u>1,953,148.41</u> |
| Total Appropriations - Unreserved Retained<br>Earnings   | <u>1,902,820.00</u>       | <u>1,948,769.93</u> | <u>(45,949.93)</u>                          | <u>1,953,148.41</u> |
| Excess/(Deficit) of Revenues over Appropriations   | <u>\$</u>                 | <u>\$ 96,839.92</u> | <u>\$ 96,839.92</u>                         | <u>\$ 71,038.39</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, 2021**

Sheet 2 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2020**

**(NON-GAAP BUDGETARY BASIS)**

|                                     | <b>Amended<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2020 Actual</b> |
|-------------------------------------|---------------------------|---------------|---|--------------------|
| <b>Administration</b>               |                           |               |   |                    |
| Salaries and Wages:                 |                           |               |   |                    |
| Board Members                       | \$                        | \$ 9,300.00   | \$  | \$ 9,300.00        |
| Clerical                            |                           | 137,586.95    |   | 132,219.51         |
| Legal                               |                           | 11,946.00     |   | 11,712.00          |
| Total Salaries and Wages            | 159,300.00                | 158,832.95    | 467.05                                      | 153,231.51         |
| Fringe Benefits:                    |                           |               |   |                    |
| Public Employees' Retirement System |                           | 15,000.00     |   | 15,000.00          |
| Federal & State Taxes               |                           | 13,185.25     |   | 12,919.48          |
| Worker's Compensation Insurance     |                           | 983.00        |   | 1,000.00           |
| Hospitalization Insurance           |                           | 13,116.50     |   | 8,852.80           |
| Hospitalization Waiver              |                           | 3,671.80      |   | 4,426.24           |
| Total Fringe Benefits               | 38,500.00                 | 45,956.55     | (7,456.55)                                  | 42,198.52          |
| Other Expenses:                     |                           |               |   |                    |
| Advertising                         |                           | 562.35        |   | 309.85             |
| Audit and Accounting                |                           | 25,135.00     |   | 15,850.00          |
| Electric                            |                           | 2,090.41      |   | 2,113.01           |
| Engineering                         |                           | 3,739.50      |   | 9,991.40           |
| Equipment Maintenance               |                           | 199.90        |   | 354.95             |
| Computer Maintenance                |                           | 10,407.00     |   | 10,396.90          |
| Heat                                |                           | 2,321.50      |   | 2,333.20           |
| Insurance                           |                           | 11,086.00     |   | 8,776.00           |
| Miscellaneous                       |                           | 1,365.94      |   | 850.57             |
| Miscellaneous Other                 |                           | (1,470.62)    |   | 3,670.46           |
| Office Supplies                     |                           | 7,270.13      |   | 6,087.71           |
| Postage                             |                           | 5,655.03      |   | 6,295.02           |
| Telephone                           |                           | 6,864.49      |   | 7,056.18           |
| Total Other Expenses                | 98,300.00                 | 75,226.63     | 23,073.37                                   | 74,085.25          |
| Total Administration                | \$ 296,100.00             | \$ 280,016.13 | \$ 16,083.87                                | \$ 269,515.28      |

**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, 2021**

Sheet 3 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2020**

**(NON-GAAP BUDGETARY BASIS)**

|                                     | <b>Amended<br/>Budget</b> | <b>Actual</b>   | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2020 Actual</b> |
|-------------------------------------|---------------------------|-----------------|---|--------------------|
| <b>Cost of Providing Service</b>    |                           |                 |   |                    |
| Salaries and Wages                  | \$ 167,620.00             | \$ 175,961.83   | \$ (8,341.83)                               | \$ 195,697.50      |
| Fringe Benefits:                    |                           |                 |   |                    |
| Public Employees' Retirement System |                           | 29,493.00       |   | 24,251.00          |
| Federal & State Taxes               |                           | 14,170.19       |   | 15,941.49          |
| Worker's Compensation Insurance     |                           | 2,000.00        |   | 3,257.00           |
| Hospitalization                     |                           | 15,901.50       |   | 9,848.64           |
| Hospitalization Waiver              |                           | 3,242.39        |   | 3,819.99           |
| Total Fringe Benefits               | 56,600.00                 | 64,807.08       | (8,207.08)                                  | 57,118.12          |
| Other Expenses:                     |                           |                 |   |                    |
| Contracted Services                 |                           | 246,206.94      |   | 370,504.55         |
| Electric                            |                           | 8,084.12        |   | 7,688.68           |
| Fuel for Vehicles                   |                           | 4,298.60        |   | 4,150.32           |
| Heat                                |                           | 2,072.78        |   | 2,667.63           |
| Sewerage Treatment Charges          |                           | 1,061,679.42    |   | 1,014,402.93       |
| Supplies                            |                           | 11,224.47       |   | 7,419.02           |
| Telephone                           |                           | 3,618.50        |   | 2,848.66           |
| Vehicle Maintenance                 |                           | 8,504.62        |   | 6,635.44           |
| Total Other Expenses                | 1,291,500.00              | 1,345,689.45    | (54,189.45)                                 | 1,416,317.23       |
| Total Cost of Providing Service     | \$ 1,515,720.00           | \$ 1,586,458.36 | \$ (70,738.36)                              | \$ 1,669,132.85    |



**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, 2021**

Sheet 4 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2020**

**(NON-GAAP BUDGETARY BASIS)**

|  | <u>Amended<br/>Budget</u> | <u>Actual</u>         | <u>Variance<br/>Positive<br/>(Negative)</u> | <u>2020 Actual</u>     |
|--|---------------------------|-----------------------|---|------------------------|
| Capital Outlay:  |                           |                       |   |                        |
| Computer Equipment   | \$ 6,000.00               | \$ 6,889.68           | \$  | \$                     |
| Manhole Casting & Lids   |                           | 2,018.50              |   | 855.00                 |
| Root Control   | 10,000.00                 | 9,380.88              |   | 9,359.47               |
| Building Improvements  |                           | 4,235.00              |   |                        |
| 2017 Chevy Silverado   | 40,000.00                 | 42,234.10             |   |                        |
| CC4 Boxes  |                           | 17,537.28             |   | 4,285.81               |
|  | <u>56,000.00</u>          | <u>82,295.44</u>      | <u>(26,295.44)</u>                          | <u>14,500.28</u>       |
| Total Capital Outlay   | \$                        | \$                    | \$  | \$                     |
| <b><u>Increase/(Decrease) to Reconcile Budgetary<br/>Basis to GAAP Basis</u></b> |                           |                       |   |                        |
| Excess/(Deficit) from Above - Budgetary Basis                                    |                           | \$ 96,839.92          |   | \$ 71,038.39           |
| Reserve for Encumbrances- Net Change   |                           | 7,858.89              |   | 21,562.66              |
| Capital Outlay   |                           | 42,234.10             |   | 88,292.84              |
| Annual Pension Contribution  |                           | 44,492.00             |   | 38,883.00              |
| Net Pension Expense  |                           | 47,177.00             |   | (46,347.00)            |
| Depreciation Expense   |                           | (290,199.30)          |   | (288,153.81)           |
| Change in Net Position   |                           | <u>\$ (51,597.39)</u> |   | <u>\$ (114,723.92)</u> |

**BEACHWOOD SEWERAGE AUTHORITY**

**(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)**

**ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES**

**YEAR ENDED DECEMBER 31, 2021**

**Schedule 2**

|                    | <b>Balance<br/>Dec. 31, 2020</b> | <b>Increased by<br/>2021<br/>Service Fees</b> | <b>Decreased by<br/>Collected<br/>in 2021</b> | <b>Balance<br/>Dec. 31, 2021</b> |
|--------------------|----------------------------------|---|---|----------------------------------|
| Residential        | \$ 240,801.52                    | \$ 1,757,028.49                               | \$ 1,778,447.87                               | \$ 219,382.14                    |
| Commercial         | 5,011.24                         | 39,807.75                                     | 43,448.56                                     | 1,370.43                         |
| Board of Education | <u>                    </u>      | <u>2,525.71</u>                               | <u>2,525.71</u>                               | <u>                    </u>      |
|                    | <u>\$ 245,812.76</u>             | <u>\$ 1,799,361.95</u>                        | <u>\$ 1,824,422.14</u>                        | <u>\$ 220,752.57</u>             |

- (1) The user charges do not include interest on delinquent payments. In 2021 interest on delinquent payments amounted to \$65,953.05.

**BEACHWOOD SEWERAGE AUTHORITY**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE**

Schedule "R-1"

**OF THE NET PENSION LIABILITY**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**LAST TEN YEARS**

| Measurement<br>Date End<br>June 30 | Authority's<br>Proportion of<br>the Net Pension<br>Liability (Asset) | Authority's   |                                 | Authority's<br>Proportion Share<br>of the Net Pension<br>Liability (Asset)<br>as a percentage<br>of it's Covered-<br>Employee Payroll | Plan Fiduciary<br>Net Position<br>as a percentage<br>of the total<br>Pension Liability |
|------------------------------------|--|---|---------------------------------|---|--|
|                                    |  | Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset) | Covered-<br>Employee<br>Payroll |   |  |
| 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%   |
| 2018                               | 0.0034916865%  | 687,496   | 278,402                         | 246.94%   | 53.60%   |
| 2019                               | 0.0039974075%  | 720,272   | 271,575                         | 265.22%   | 56.27%   |
| 2020                               | 0.0040670979%  | 663,237   | 261,915                         | 253.23%   | 58.32%   |
| 2021                               | 0.0038136266%  | 451,781   | 237,873                         | 189.93%   | 70.33%   |

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**

Schedule "R-2"

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**LAST TEN YEARS**

| <b>Fiscal Year<br/>Ending<br/>June 30</b> | <b>Contractually<br/>Required<br/>Contribution</b> | <b>Contributions in<br/>Relation to the<br/>Contractually<br/>Required<br/>Contributions</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Authority's<br/>Covered-<br/>Employee<br/>Payroll</b> | <b>Contributions as<br/>a Percentage of<br/>Covered-<br/>Employee<br/>Payroll</b> |
|---|--|--|---|--|---|
|   | <b>\$</b>  | <b>\$</b>  | <b>\$</b>                                       | <b>\$</b>  |   |
| 2014                                      | 27,020   | 27,020   | -0-   | 237,812  | 11.36%  |
| 2015                                      | 29,639   | 29,639   | -0-   | 206,065  | 14.38%  |
| 2016                                      | 31,321   | 31,321   | -0-   | 236,108  | 13.27%  |
| 2017                                      | 31,500   | 31,500   | -0-   | 245,212  | 12.85%  |
| 2018                                      | 34,731   | 34,731   | -0-   | 278,402  | 12.48%  |
| 2019                                      | 38,883   | 38,883   | -0-   | 271,575  | 14.32%  |
| 2020                                      | 44,492   | 44,492   | -0-   | 261,915  | 16.99%  |
| 2021                                      | 44,662   | 44,662   | -0-   | 237,873  | 18.78%  |

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**

Schedule "R-3"

**REPORTING FOR PENSION (GASB 68)**

**NOTE TO RSI III**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

Change in benefit terms

None

Change in assumptions

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

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## **Statistical Section**

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

Schedule 3

OPERATING REVENUES BY SOURCE

FOR THE YEARS ENDED DECEMBER 31, 2021 THROUGH 2012

(UNAUDITED)

|                           | December 31     |                 |                 |                 |                 |                 |                 |                 |                 |                 |  |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
|                           | 2021            | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            | 2014            | 2013            | 2012            |  |
| Operating Revenues:       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |  |
| Service Fees              | \$ 1,799,361.95 | \$ 1,820,554.03 | \$ 1,734,968.64 | \$ 1,686,845.20 | \$ 1,707,016.08 | \$ 1,654,823.19 | \$ 1,670,583.23 | \$ 1,667,264.29 | \$ 1,646,916.63 | \$ 1,645,450.34 |  |
| Connection Fees and Other |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |  |
| Operating Revenues        | 244,071.46      | 174,287.42      | 123,754.91      | 127,293.05      | 113,832.83      | 146,223.92      | 110,779.15      | 87,599.36       | 130,239.38      | 73,757.19       |  |
| Total Operating Revenues  | \$ 2,043,433.41 | \$ 1,994,841.45 | \$ 1,858,723.55 | \$ 1,814,138.25 | \$ 1,820,848.91 | \$ 1,801,047.11 | \$ 1,781,362.38 | \$ 1,754,863.65 | \$ 1,777,156.01 | \$ 1,719,207.53 |  |



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

Schedule 4

OPERATING EXPENSES BY SOURCE

FOR THE YEARS ENDED DECEMBER 31, 2021 THROUGH 2012

(UNAUDITED)

|                          | December 31     |                 |                 |                 |                 |                 |                 |                 |                 |                 |  |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
|                          | 2021            | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            | 2014            | 2013            | 2012            |  |
| Operating Expenses:      |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |  |
| Personnel Services       | \$ 445,558.41   | \$ 448,245.65   | \$ 416,839.64   | \$ 459,802.99   | \$ 427,659.28   | \$ 364,039.99   | \$ 340,877.21   | \$ 331,970.57   | \$ 322,167.42   | \$ 321,242.45   |  |
| Purchase of Services     | 963,471.84      | 1,021,866.93    | 1,106,977.72    | 918,169.21      | 953,753.05      | 965,740.67      | 982,146.00      | 1,010,872.80    | 1,027,565.40    | 1,004,273.40    |  |
| Other Operating Expenses | 397,977.69      | 380,644.33      | 398,552.46      | 416,881.73      | 387,041.09      | 398,421.20      | 315,105.83      | 929,052.85      | 329,661.04      | 158,463.37      |  |
| Depreciation             | 290,199.30      | 288,153.81      | 282,696.47      | 280,350.42      | 278,346.54      | 275,779.47      | 269,898.70      | 278,677.80      | 262,529.12      | 258,122.74      |  |
| Total Operating Expenses | \$ 2,097,207.24 | \$ 2,138,910.72 | \$ 2,205,066.29 | \$ 2,075,404.35 | \$ 2,046,799.96 | \$ 2,003,981.33 | \$ 1,908,027.74 | \$ 2,550,574.02 | \$ 1,941,922.98 | \$ 1,742,101.96 |  |

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

**SERVICE FEES (RATES)**

**FOR THE YEARS ENDED DECEMBER 31, 2021 THROUGH 2012**

Schedule 5

**(UNAUDITED)**

|                                  | December 31 |           |           |           |           |           |           |           |           |           |
|----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                  | 2021        | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      |
| <b>Sewer</b>                     |             |           |           |           |           |           |           |           |           |           |
| Minimum per Year (All Customers) | \$ 456.00   | \$ 456.00 | \$ 440.00 | \$ 424.00 | \$ 424.00 | \$ 420.00 | \$ 420.00 | \$ 420.00 | \$ 416.00 | \$ 416.00 |
| Per 1,000 Gallons in Excess of   |             |           |           |           |           |           |           |           |           |           |
| 75,000 per Year per Unit         | 4.03        | 4.03      | 4.00      | 4.00      | 4.00      | 4.00      | 4.00      | 3.75      | 3.50      | 3.25      |
| (Commercial Customers Only)      |             |           |           |           |           |           |           |           |           |           |

**CONNECTION FEES (RATES)**

**FOR THE YEARS ENDED DECEMBER 31, 2021 THROUGH 2012**

Schedule 6

**(UNAUDITED)**

|                      | December 31 |             |             |             |             |             |             |             |             |             |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                      | 2021        | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        | 2012        |
| Sewer Connection Fee | \$ 2,450.00 | \$ 2,450.00 | \$ 2,450.00 | \$ 2,450.00 | \$ 2,400.00 | \$ 2,350.00 | \$ 2,300.00 | \$ 2,250.00 | \$ 2,200.00 | \$ 2,150.00 |

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

**NUMBER OF SEWER CUSTOMERS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 THROUGH 2012**

Schedule 7

**(UNAUDITED)**

|           | December 31 |       |       |       |       |       |       |
|-----------|-------------|-------|-------|-------|-------|-------|-------|
|           | 2021        | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  |
| Customers | 3,972       | 3,952 | 3,951 | 3,944 | 3,941 | 3,939 | 3,934 |
|           |             |       |       |       |       | 3,931 | 3,899 |
|           |             |       |       |       |       |       | 3,825 |

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 THROUGH 2012**

Schedule 8

**(UNAUDITED)**

|                      | December 31 |          |          |          |          |          |          |
|----------------------|-------------|----------|----------|----------|----------|----------|----------|
|                      | 2021        | 2020     | 2019     | 2018     | 2017     | 2016     | 2015     |
| Borough of Beachwood | \$ 2.566    | \$ 2.531 | \$ 2.415 | \$ 2.395 | \$ 2.351 | \$ 2.332 | \$ 1.831 |
|                      |             |          |          |          |          | \$ 1.783 | \$ 1.768 |
|                      |             |          |          |          |          |          | \$ 1.724 |

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

**TEN LARGEST SEWER CUSTOMERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Schedule 9**

**(UNAUDITED)**

| <b><u>Name</u></b>             | <b><u>Description</u></b> | <b><u>Billing</u></b> |
|--------------------------------|---------------------------|-----------------------|
| Okor, Inc.                     | Laundromat                | \$ 3,848.10           |
| Habcore, Inc.                  | Apartment Rentals         | 3,648.00              |
| Sand Castle Diner              | Diner                     | 2,764.03              |
| Champagne Room LLC             | Apartment Rentals         | 2,736.00              |
| Toms River Intermediate South  | Intermediate School       | 1,869.37              |
| Alberto Family Limited Partner | Apartment Rentals         | 1,824.00              |
| Quick Chek                     | Convenience Store         | 1,583.24              |
| Alexander Development          | Apartment Rentals         | 1,368.00              |
| Dacel, LLC                     | Apartment Rentals         | 1,368.00              |
| Lipschitz, Issac & Yosef       | Apartment Rentals         | 1,368.00              |

**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, 2021 THROUGH 2012**

**(UNAUDITED)**

| <b>Year</b> | <b>Principal</b>     | <b>Interest</b>      | <b>Total Debt Service</b> | <b>Operating Expenses</b> | <b>Ratio of Debt Service to Total Operating Expense</b> |
|-------------|----------------------|----------------------|---------------------------|---------------------------|---|
| 2021        | \$ 0.00              | 0.00                 | 0.00                      | \$ 2,097,207.24           | 0.000   |
| 2020        | 0.00                 | 0.00                 | 0.00                      | 2,138,910.72              | 0.000   |
| 2019        | 0.00                 | 0.00                 | 0.00                      | 2,204,966.29              | 0.000   |
| 2018        | 125,000.00           | 4,739.59             | 129,739.59                | 2,075,404.35              | 0.063   |
| 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            | 284,781.26                | 1,941,922.98              | 0.147   |
| 2012        | 250,000.00           | 34,781.26            | 287,437.52                | 1,742,101.96              | 0.165   |
|             | <b>\$ 935,000.00</b> | <b>\$ 140,766.94</b> | <b>\$ 1,221,348.52</b>    | <b>\$ 20,681,030.59</b>   |   |

**BEACHWOOD SEWERAGE AUTHORITY**  
**(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)**  
**POPULATION 2020, 2015 AND 2010 CENSUS ESTIMATES**

**Schedule 11**

|                      | <b>December 31</b> |                    |                    |
|----------------------|--------------------|--------------------|--------------------|
|                      | <b><u>2020</u></b> | <b><u>2015</u></b> | <b><u>2010</u></b> |
| Borough of Beachwood | 10,859             | 11,175             | 11,045             |

BEACHWOOD SEWERAGE AUTHORITY  
 (A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)  
MUNICIPAL LABOR FORCE ESTIMATES 2021 THROUGH 2012

Schedule 12

(UNAUDITED)

|                              | 2021 | 2020 | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012   |
|------------------------------|------|------|-------|-------|-------|-------|-------|-------|-------|--------|
| Borough of Beachwood         | *    | *    | 6,416 | 6,242 | 6,352 | 6,347 | 6,343 | 6,264 | 6,259 | 6,548  |
| Potential Labor Force        | *    | *    | 6,180 | 5,983 | 6,070 | 6,038 | 5,957 | 5,848 | 5,740 | 5,829  |
| Number of Residents Employed | *    | *    | 236   | 259   | 282   | 309   | 386   | 416   | 519   | 719    |
| Unemployment                 | *    | *    | 3.70% | 4.10% | 4.40% | 4.90% | 6.10% | 6.60% | 8.30% | 11.00% |
| Unemployment Rate            |      |      |       |       |       |       |       |       |       |        |

\* Currently Unavailable

**BEACHWOOD SEWERAGE AUTHORITY**

**(A COMPONENT UNIT OF THE BOROUGH OF BEACHWOOD)**

**MUNICIPAL LABOR FORCE ESTIMATES 2021, 2020 AND 2019**

Schedule 12

**(UNAUDITED)**

|                      | <u>Potential Labor Force</u> |             | <u>Number of Residents</u> |             | <u>Unemployment</u> |             | <u>Unemployment Rate</u> |             |
|----------------------|------------------------------|-------------|----------------------------|-------------|---------------------|-------------|--------------------------|-------------|
|                      | <u>2021</u>                  | <u>2020</u> | <u>2021</u>                | <u>2020</u> | <u>2021</u>         | <u>2020</u> | <u>2021</u>              | <u>2020</u> |
| Borough of Beachwood | 6,751                        | 6,457       | 6,374                      | 5,853       | 377                 | 604         | 5.6%                     | 9.4%        |
|                      |                              | 6,495       |                            | 6,266       |                     | 229         |                          | 3.5%        |



