

**WOODSTOWN SEWERAGE AUTHORITY
REPORT OF AUDIT
YEAR ENDED JUNE 30, 2018**

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WOODSTOWN SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

AUTHORITY MEMBERS

| | POSITION |
|-------------------|-----------------|
| Michael Quinnette | Chairman |
| Mark Robbins | Vice-Chairman |
| David Layton | Member |
| Brian Pokrzywa | Member |
| Vacant | Member |

OTHER OFFICIALS

| | |
|------------------------|------------------|
| Mark B. Shoemaker | Solicitor |
| James R. Hackett | Treasurer |
| Wendy Williams | Deputy Treasurer |
| Cynthia Dalessio | Secretary |
| Eric Biermann | Engineer |
| Craig Gargano, Esquire | Bond Counsel |

All employees are covered under a crime policy – excess public official bond in the amount of \$1,000,000.00 through the Utilities Authority Joint Insurance Fund.

FINANCIAL SECTION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Kevin A. Bergeron, CPA
Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Authority
Woodstown Sewerage Authority
P.O. Box 286
Woodstown, New Jersey 08098

Report on the Financial Statements

We have audited the accompanying financial statements of the Business-type Activities, each major fund, and the aggregate remaining fund information of the Woodstown Sewerage Authority, a component unit of the Borough of Woodstown, Woodstown, New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Business-type Activities, each major fund, and the aggregate remaining fund information of the Woodstown Sewerage Authority, Woodstown, New Jersey, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Information* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Woodstown Sewerage Authority's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Woodstown 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 Woodstown Sewerage Authority's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC

A handwritten signature in black ink, appearing to read "Nick L. Petroni", with a long horizontal flourish extending to the right.

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

October 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION – PART 1

WOODSTOWN SEWERAGE AUTHORITY
WOODSTOWN, NEW JERSEY

INTRODUCTION

The Woodstown Sewerage Authority, hereafter referred to as the “Authority” is pleased to present the Annual Financial Report developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments” (hereafter “GASB 34”) and related standards.

Mission

The mission of the Authority is to contribute toward the high quality of life expected and enjoyed by all residents of the Authority’s service area, the county, and the region by creatively applying the Authority’s human, technical, and financial resources. By following this general principle, the Authority will provide the facilities and services for meeting today’s and tomorrow’s environmental protection and economic development needs without compromising the accessibility to these resources for meeting the needs and desires of future customers, ratepayers, and generations, at a reasonable cost.

Responsibility and Control

The Authority has prepared and is responsible for the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management’s opinion the financial statements represent fairly, in all material aspects, the financial position, results of operations, and cash flows of the Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority provides management’s analysis of the Authority’s financial condition for the year. This information should be read in conjunction with the financial statements.

Summary of Organization and Business

The Authority is a public body, corporate and politic of the State, created under the name The Woodstown Sewerage Authority, pursuant to an Ordinance of the Borough of Woodstown adopted on August 11, 1947, and the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey as amended and supplemented. The creating Ordinance was filed with the Secretary of State for the State of New Jersey on October 15, 1947.

The service area of the Authority is the entire geographical area of the Borough of Woodstown portions of Pilesgrove Township to the East of the Borough Line including the new Friends Home development, the Westerly edge of the Borough Line including Grandview Drive with residential homes approved in the 1970’s, and the South-Westerly edge of the Borough Line that includes a recycle sewer system at the new Commercial Development that includes an Acme Market. The County Complex located in Mannington Township that includes the Salem County Correctional Facility and the Salem County Vocational School is part of the service area.

The Authority has the power under the Act to acquire, construct, maintain, operate, and use sanitation facilities for the relief of waters in bordering or entering the areas with the Borough of Woodstown from pollution or threatened pollution and for the improvement of conditions affecting the public health.

WOODSTOWN SEWERAGE AUTHORITY
WOODSTOWN, NEW JERSEY

The System

Wastewater Treatment Plant - The existing sewer and wastewater treatment facilities consist of gravity sewer mains, pumping stations, force mains, and a 0.53 million gallon per day tertiary treatment plant. The existing treatment plant, built in 1993 as a secondary wastewater treatment plant, was upgraded with a biological nutrient removal process and numerous other improvements in 2015. The facilities are well maintained.

The current wastewater treatment process consists of the following unit processes: a pumping station with a large flow equalization wet well, a combination grinder/inclined screening system with a helical screw for solids removal, parallel flow chambers for grit and grease removal, dual aeration basins for activated sludge treatment, two secondary clarifiers, a central lift station for clarifier effluent, three parallel biological denitrification filters, and dual ultraviolet disinfection units.

The Authority is currently studying potential plant modifications for improving the performance of the biological denitrification filters. In addition, the Authority has replaced the aerobic digester blowers and is preparing to replace and upgrade the aeration equipment in the activated sludge aeration tanks. Upgrades being evaluated include a new control system to facilitate nitrogen and phosphorous removal within the activated sludge process.

Collection System - The oldest sanitary sewer mains in the collection system are vitrified clay pipe mains well over 80 years old. The collection system conveys flow from most of the Borough of Woodstown, a portion of adjacent areas of Pilesgrove Township, and the Salem County governmental complex in Mannington Township. The collection system is evaluated on an ongoing basis via video inspection, as needed to identify and address problem areas. In 2017, a portion of the sanitary sewer main was replaced on Maple Court. Other areas, including gravity mains on Dickinson Street, have been identified for potential rehabilitation and/or replacement. Ongoing projects to be completed this year are abandonment of a sanitary sewer main on North Main Street between Route 40 and Bowen Avenue and repairs on East Avenue and South Main Street. In addition, portions of the sanitary sewer on Spring Garden Street and Liberty Avenue will be lined with cured-in-place pipe (CIPP) lining and two manholes will be installed on Spring Garden Street. These projects are to be completed prior to and in conjunction with NJDOT lead paving projects on Route 40 and Route 45 and an NJDOT Municipal Aid funded project on Spring Garden Street.

Capital Improvement Projects:

The anticipated Capital Projects for the Authority over the next five years are:

- a. Plant and interceptor improvements
 - Replacement of aeration tank equipment: diffusers, diffuser frames, hoses, fittings, and controls.
 - Replacement of UV disinfection equipment.
 - Specific improvements for enhancement of the denitrification process will be determined once the study is complete.

WOODSTOWN SEWERAGE AUTHORITY
WOODSTOWN, NEW JERSEY

Capital Improvement Projects (Continued):

- b. Miscellaneous sewer main replacements & repairs
 - Spring Garden Street sanitary sewer main CIPP lining and manhole installation.
 - Liberty Avenue sanitary sewer main CIPP lining.
 - Abandonment of the sanitary sewer on the west side of North Main Street between Bowen Avenue and East/West Avenue (Route 40).
 - Repairs on East Avenue near Maple Court and S. Main Street near Maple Court.
 - Sanitary sewer lining on East Dickinson from Lincoln Avenue to Wilson Avenue.
 - Additional improvements to the collection system will be evaluated and planned in conjunction with the Borough's roadway improvement program and/or proposed development.

It is anticipated that Capital Improvement Projects will be funded with borrowing and/or grant funding through NJDEP/NJEIT, NJDCA-Small Cities, USDA-Rural Development, FEMA, and/or local institutions.

WOODSTOWN SEWERAGE AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

This section of the Woodstown Sewerage Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statement.

Financial Areas of Interest for 2017/2018

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

Reporting the Authority as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the funds used by the Authority to provide programs and activities, the view of the Authority as a whole, looks at all of the financial transactions and asks the question, "How did we do financially during 2017-2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. These basis of accounting take into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in those assets. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority and whether it has improved or diminished. The causes of this change may be the result of many factors, some financial and some non-financial.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide and fund financial statements. The notes to the financial statements can be found listed in the table of contents.

The Authority as a Whole

The Statement of Net Position provides the perspective of the Authority as a whole. Net position may serve over time as a useful indicator of the Authority's financial position.

The Authority's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

WOODSTOWN SEWERAGE AUTHORITY
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018

The Authority as a Whole (Continued)

Table 1 provides a summary of the Authority's Net Position for FY 2018 compared to FY 2017.

| Net Position | | |
|---|-----------------|------------------|
| | FY 2018 | FY 2017 |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,919,742.81 | \$ 4,866,800.71 |
| Current and Other Assets | 195,819.42 | 212,509.93 |
| Restricted Cash and Cash Equivalents | 1,212,168.64 | 1,050,831.26 |
| Capital Assets | 6,519,292.75 | 6,560,875.00 |
| Total Assets | \$ 9,847,023.62 | \$ 12,691,016.90 |
| LIABILITIES | | |
| Current Liabilities | \$ 62,678.45 | \$ 59,728.33 |
| Non-Current Liabilities | | 2,553,428.60 |
| Total Liabilities | 62,678.45 | 2,613,156.93 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Revenue | 3,440.47 | 2,708.38 |
| NET POSITION | | |
| Invested in Capital Assets | | |
| Net of Related Debt | 6,519,292.75 | 3,962,726.73 |
| Restricted | 1,175,232.85 | 1,050,784.66 |
| Unrestricted | 2,086,379.10 | 5,061,640.20 |
| Total Net Position | 9,780,904.70 | 10,075,151.59 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 9,847,023.62 | \$ 12,691,016.90 |

The Authority's combined Net Position at June 30, 2018 and 2017, were \$9,780,904.70 and \$10,075,151.59, respectively. This was a decrease of \$294,246.89.

The Authority's total expenditures for fiscal year 2018 and 2017 plus interest on debt service were \$1,247,322.65 and \$1,243,616.03, (See Exhibit A-2) which is a \$3,706.62 increase over fiscal year 2017. This is a .002% increase over the prior year.

The Authorities consumer accounts receivable fee is calculated using 60% of the dollar amount of the bills issued in January by the Woodstown Water Department. Therefore, we have a good idea of what our revenues will be before we adopt our fiscal budget in June. We participate in the Borough of Woodstown's tax lien sale to collect delinquent rents. In September of each year, the Borough holds a tax lien sale on balances that are due and owing as of December 31st of the preceding year.

In the 2017-2018 budget, we anticipated \$1,210,694.00 in sewer service charges and actual revenue realized was \$1,537,752.96, which resulted in an excess of \$327,058.96 as of June 30, 2018. The current year percentage of collections was 88.84% compared to 87.95% in the prior year.

WOODSTOWN SEWERAGE AUTHORITY
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018

The Authority as a Whole (Continued)

Table 2 shows changes in Net Position for fiscal year 2018 and 2017.

| Changes in Net Position | | | |
|-------------------------------------|-----------------|-----------------|------------------------|
| | FY 2018 | FY 2017 | Increase (Decrease) |
| Revenues: | | | |
| Sewer Service Charges | \$ 1,537,752.96 | \$ 1,597,023.97 | \$ (59,271.01) |
| Miscellaneous | 1,090.00 | 6,989.50 | (5,899.50) |
| USDA Grant/Loan | | 45,329.00 | (45,329.00) |
| Interest on Delinquent Accounts | 36,416.07 | 32,052.53 | 4,363.54 |
| Capital Contributions | 304,696.37 | 188,579.07 | 116,117.30 |
| Interest on Investments | 8,672.17 | 8,707.67 | (35.50) |
| Total Revenue | 1,888,627.57 | 1,878,681.74 | 9,945.83 |
| Expenses: | | | |
| Administrative | 116,648.84 | 107,925.09 | 8,723.75 |
| Costs of Providing Service | 766,076.22 | 736,706.13 | 29,370.09 |
| Interest on Long-Term Debt | 18,318.97 | 55,658.40 | (37,339.43) |
| Capital Outlays | 921,384.12 | 133,764.53 | 787,619.59 |
| Escrow Expenses | | 4,661.86 | (4,661.86) |
| Transfer to Restricted Reserves | | 14,167.69 | (14,167.69) |
| Depreciation Expense | 346,278.62 | 343,326.41 | 2,952.21 |
| Total Expenses | 2,168,706.77 | 1,396,210.11 | 772,496.66 |
| Increase (Decrease) in Net Position | \$ (280,079.20) | \$ 482,471.63 | \$ (762,550.83) |

Capital Assets

The Woodstown Sewerage Authority investment in Capital Assets for its Business-type Activities as of June 30, 2018 and 2017, amounts to \$6,519,292.75 and \$6,560,875.00, respectively (net of accumulated depreciation). This investment in capital assets includes buildings, equipment and furniture, and vehicles (more detailed information about Capital Assets can be found in Note 5 to the financial statements).

| | June 30, 2018 | June 30, 2017 |
|----------------------------|-----------------|-----------------|
| Sewer Mains & Interceptors | \$ 1,416,279.31 | \$ 1,240,729.77 |
| Construction in Progress | 412,367.31 | 400,218.20 |
| Buildings & Improvements | 2,155,961.46 | 2,288,931.03 |
| Vehicles | 4,910.81 | 10,254.57 |
| Other | 6,948.30 | |
| Machinery & Equipment | 2,522,825.56 | 2,620,741.43 |
| | \$ 6,519,292.75 | \$ 6,560,875.00 |

Long-Term Debt

On May 16, 2013, the Authority settled on a U.S. Department of Agriculture loan for \$331,000.00. The balances as of June 30, 2018 and 2017, were \$0 and \$309,018.51.

WOODSTOWN SEWERAGE AUTHORITY
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2018

Long-Term Debt (Continued)

On September 15, 2015, the Authority settled on a U.S. Department of Agriculture loan for \$2,346,000.00. The balances as of June 30, 2018 and 2017, were \$0 and \$2,289,129.76.

Both loans were paid off in October 2017.

Contacting the Authority

This financial report is designed to provide the Authority's customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability of the money it receives. If you have any questions about this report or need additional information, contact the Members, Woodstown Sewerage Authority, P.O. Box 286, Woodstown, NJ 08098, (856) 769-2200.

FINANCIAL STATEMENTS

WOODSTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

| | Total | |
|--------------------------------|------------------------|-------------------------|
| | FY 2018 | FY 2017 |
| ASSETS | | |
| Current Assets: | | |
| Nonrestricted Assets: | | |
| Cash and Cash Equivalents | \$ 1,919,652.81 | \$ 4,866,710.71 |
| Petty Cash and Change Funds | 90.00 | 90.00 |
| Accounts Receivable | 195,819.42 | 212,509.93 |
| Total Nonrestricted Assets | <u>2,115,562.23</u> | <u>5,079,310.64</u> |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 1,212,168.64 | 1,050,831.26 |
| Total Restricted Assets | <u>1,212,168.64</u> | <u>1,050,831.26</u> |
| Capital Assets: | | |
| Property, Plant, and Equipment | 13,616,536.65 | 13,323,989.39 |
| Non-Depreciable Assets | 412,367.31 | 400,218.20 |
| Less: Accumulated Depreciation | (7,509,611.21) | (7,163,332.59) |
| Net Capital Assets | <u>6,519,292.75</u> | <u>6,560,875.00</u> |
| Total Assets | <u>\$ 9,847,023.62</u> | <u>\$ 12,691,016.90</u> |

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

| | Total | |
|--|-----------------|------------------|
| | FY 2018 | FY 2017 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 25,793.00 | |
| Accrued Interest on Bonds | | \$ 15,008.66 |
| Current Portion of Long-Term Debt | | 44,719.67 |
| Total Current Liabilities | 25,793.00 | 59,728.33 |
| Current Liabilities Payable from Restricted Assets: | | |
| Accounts Payable | 18,769.41 | |
| Reserve for Unemployment Claims | 6,568.39 | 6,558.02 |
| Reserve for Escrow Claims | 11,547.65 | 7,609.67 |
| Total Current Liabilities Payable from Restricted Assets | 36,885.45 | 14,167.69 |
| Long-Term Liabilities: | | |
| Loans Payable - Due Beyond One Year | | 2,553,428.60 |
| Total Liabilities | 62,678.45 | 2,627,324.62 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Revenue | 3,440.47 | 2,708.38 |
| Total Deferred Inflows of Resources | 3,440.47 | 2,708.38 |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 6,519,292.75 | 3,962,726.73 |
| Restricted for: | | |
| Capital Projects | 1,175,232.85 | 1,036,616.97 |
| Unassigned | 2,086,379.10 | 5,061,640.20 |
| Total Net Position | 9,780,904.70 | 10,060,983.90 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 9,847,023.62 | \$ 12,691,016.90 |

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| | Total | |
|---|------------------------|-------------------------|
| | FY 2018 | FY 2017 |
| REVENUES: | | |
| Sewer Service Charges | \$ 1,537,752.96 | \$ 1,597,023.97 |
| Miscellaneous | 1,090.00 | 6,989.50 |
| Interest on Delinquent Accounts | 36,416.07 | 32,052.53 |
| Total Revenues | <u>1,575,259.03</u> | <u>1,636,066.00</u> |
| EXPENDITURES: | | |
| Administrative: | | |
| Salaries and Wages | 55,149.63 | 49,212.41 |
| Fringe Benefits | 26,665.45 | 24,975.38 |
| Other Expenses | 34,833.76 | 33,737.30 |
| Cost of Providing Services: | | |
| Salaries and Wages | 221,375.62 | 214,316.76 |
| Fringe Benefits | 100,178.88 | 100,354.40 |
| Other Expenses | 444,521.72 | 422,034.97 |
| Depreciation Expense | 346,278.62 | 343,326.41 |
| Total Expenditures | <u>1,229,003.68</u> | <u>1,187,957.63</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>346,255.35</u> | <u>448,108.37</u> |
| Other Financing Sources (Uses) | | |
| Capital Outlay | (921,384.12) | (133,764.53) |
| Prior Year Grant Revenue | | 45,329.00 |
| Debt Service - Interest Payments | (18,318.97) | (55,909.69) |
| Debt Service - Accrued Interest | | 251.29 |
| Interest Earned on Investments | 8,672.17 | 8,707.67 |
| Escrow Expenditures | | (4,661.86) |
| Transfer to Restricted Reserves | | (14,167.69) |
| Capital Contributions to Capital Assets | 304,696.37 | 188,579.07 |
| Total Other Financing Sources and Uses | <u>(626,334.55)</u> | <u>34,363.26</u> |
| Net Change in Net Position | (280,079.20) | 482,471.63 |
| Net Position - July 1 | 10,060,983.90 | 9,578,512.27 |
| Net Position - June 30 | <u>\$ 9,780,904.70</u> | <u>\$ 10,060,983.90</u> |

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 and 2017

| | Total | |
|--|------------------------|------------------------|
| | FY 2018 | FY 2017 |
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 1,600,179.31 | \$ 1,610,293.68 |
| Cash Paid to Suppliers | (461,060.16) | (475,676.47) |
| Cash Paid to Employees | (276,525.25) | (263,529.17) |
| Cash Paid for Employee Benefits | (126,844.33) | (125,329.78) |
| Net Cash Provided (Used) by Operating Activities | <u>735,749.57</u> | <u>745,758.26</u> |
| Cash Flows from Investing Activities: | | |
| Interest Income | 8,672.17 | 8,707.67 |
| Cash Flows from Non-Capital Financing Activities: | | |
| Escrow Fees Received | 11,500.00 | |
| Escrow Fees Disbursed | (7,562.02) | (4,661.86) |
| Unemployment Reserve | 10.37 | |
| Net Cash Provided (Used) by Non-Capital and Related Financing Activities | <u>3,948.35</u> | <u>(4,661.86)</u> |
| Cash Flows from Capital & Related Financing Activities: | | |
| Current Year Capital Projects | (902,614.71) | (188,579.07) |
| Principal Payments on Debt | (2,598,148.27) | (43,784.31) |
| USDA Grant Receipts | | 45,329.00 |
| Interest Paid on Debt | (33,327.63) | (55,909.69) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(3,534,090.61)</u> | <u>(242,944.07)</u> |
| Net Increase in Cash and Cash Equivalents | (2,785,720.52) | 506,860.00 |
| Cash and Cash Equivalents at Beginning of Year | 5,917,631.97 | 5,410,771.97 |
| Cash and Cash Equivalents at End of Year | <u>\$ 3,131,911.45</u> | <u>\$ 5,917,631.97</u> |
| Reconciliation to Balance Sheet: | | |
| Unrestricted Cash and Cash Equivalents | \$ 1,919,742.81 | \$ 4,866,800.71 |
| Restricted Cash and Cash Equivalents | 1,212,168.64 | 1,050,831.26 |
| Total Cash and Cash Equivalents | <u>\$ 3,131,911.45</u> | <u>\$ 5,917,631.97</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) for Operating Activities: | | |
| Operating Income (Loss) | \$ 346,255.35 | \$ 448,108.37 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities: | | |
| Depreciation Expense | 346,278.62 | 343,326.41 |
| (Increase) Decrease in Accounts Receivable | 16,690.51 | (45,368.07) |
| Increase (Decrease) in Accounts Payable | 25,793.00 | |
| Increase (Decrease) in Sewer Overpayments | 732.09 | (308.45) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 735,749.57</u> | <u>\$ 745,758.26</u> |

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Woodstown Sewerage Authority is an instrumentality of the State of New Jersey, established to function as a sewerage authority. The Board consists of officials who are appointed by the Borough of Woodstown and are responsible for the fiscal control of the Authority. A treasurer is appointed by the Board and is responsible for the financial aspect of the Authority.

The financial statements of the Woodstown Sewerage Authority have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to enterprise funds of state and local governments.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies established in (GAAP) and used by the Authority are discussed below.

Reporting Entity

The Woodstown Sewerage Authority was created by an ordinance under the Sewerage Authorities Law of the State of New Jersey, (Chapter 138 of the Pamphlet Laws of 1946, approved April 23, 1946).

The Authority's corporate existence began on August 11, 1947, and was created to acquire, construct, maintain, and operate or improve works for the collection and treatment or disposal of sewerage or other wastes.

The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority is a component unit of the Borough of Woodstown. The Authority does issue separate financial statements from the Borough.

However, if the Borough presented its financial statements in accordance with (GAAP), these financial statements would be included with the Borough's on a blended basis.

Based on the aforementioned criteria, the Authority has no component units.

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

All activities of the Authority are accounted for within a single Proprietary (Enterprise) Fund. Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user costs.

In the Statement of Net Position, the Business-type Activity column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts: invested in capital assets, net of related debt; assigned net position; and unassigned net position. The Authority first utilizes restricted resources to finance qualifying activities.

The Authority does not allocate indirect costs such as depreciation expense.

The Government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

A. Cash and Cash Equivalents

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

For purposes of determining cash equivalents, the Authority considers all investments with an original maturity of three months or less as cash equivalents.

New Jersey authorities are limited to the types of investments and types of financial institutions they may invest in. NJSA17:9-41 et seq. provides a list of permissible investments that may be purchased by New Jersey authorities.

Additionally, the Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

NJSA 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks), and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least 5% of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical costs or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is computed using the straight-line method over the estimated useful lives:

| | |
|------------------------------|------------|
| Buildings and Improvements | 40 Years |
| Sewer Mains and Interceptors | 40 Years |
| Pump Station | 40 Years |
| Other Equipment | 5-15 Years |

C. Revenues – Exchange and Non-Exchange Transactions

Substantially all Proprietary Fund revenue is accrued. Subsidies and grants to Proprietary Funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met are reported as advances by the provider and deferred revenue by the recipient.

D. Expenditures

Expenses are recognized when the related fund liability is incurred. Inventory costs reported in the period when inventory items are used, rather than in the period purchased.

E. Compensated Absences

The Authority's policy regarding vacation and sick time does not allow for the accumulation of time from one year to the next. The only employees of the Authority are the members.

F. Interfund Receivables/Payables

Transfers between Governmental and Business-type Activities on the Authority-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses in the Enterprise Fund. Repayment from funds responsible for particular expenditures/expenses, to the funds that initially paid for them, are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Position, except for amounts due between Governmental and Business-type Activities or Governmental and Agency Funds, which are presented as internal balances.

G. Budgets/Budgetary Control

The Woodstown Sewerage Authority must adopt an annual budget in accordance with NJAC 5:31-2. NJAC 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets/Budgetary Control (Continued)

of the Authority's fiscal year. The governing body may amend the budget at any time during the year. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board.

H. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the Authority-wide financial statements. In general, Governmental Fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from Governmental Funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

J. Allocation of Indirect Expenses

The Authority reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

M. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position (Continued)

external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance Reserves

Fund Balance - The Authority reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Authority's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision-making authority, which, for the Authority, is the Board. Such formal action consists of an affirmative vote by the Board, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Authority's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board, to which the Board has delegated the authority to assign amounts to be used for specific purposes. Such authority of the Treasurer is established by way of a formal job description for the position, approved by the Board.

Unassigned - The unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances, are available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Recent Accounting Pronouncements Not Yet Effective

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations." This statement, which is effective for fiscal periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities." This statement, which is effective for fiscal periods beginning after December 31, 2018, will not have any effect on the Authority's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases." This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Authority's financial reporting.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." This statement, which is effective for fiscal periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred before the end of a Construction Period." This statement, which is effective for fiscal periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61." This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Authority's financial reporting.

NOTE 2: RESTRICTED ASSETS

Restricted assets represent cash, investments, and receivables maintained in accordance with formal actions of the Authority or by agreement for the purpose of funding certain improvements and extensions to the utility system.

NOTE 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash to be deposited only in New Jersey banking institutions that participate in the Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statue NJSA 18A:20-37 that are treated as cash equivalents. The carrying amount of the Authority's cash and cash equivalents at June 30, 2018 and 2017, was \$3,131,911.45 and \$5,917,631.97, respectively. As of June 30, 2018 and 2017, \$0 of the Authority's bank balance of \$3,195,418.26 and \$5,969,220.63, respectively, was exposed to Custodial Credit Risk.

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 4: INVESTMENTS

The Authority did not have any investments as of June 30, 2018 and 2017.

Interest Rate Risk - The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, NJSA 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk - NJSA 18A:20-37 limits Authority investments to those specified in the Statutes. The type of allowable investments are: Bonds of the United States of America or of the Authority or the local units in which the Authority is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets for the year ending June 30, 2018:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|-----------------------------------|-------------------------|-----------------------|-----------|--------------------------|
| Sewer Mains & Interceptors | \$ 2,221,028.63 | \$ 229,465.48 | | \$ 2,450,494.11 |
| Construction in Progress | 400,218.20 | 12,149.11 | | 412,367.31 |
| Pump Station | 5,325,857.30 | | | 5,325,857.30 |
| Machinery & Equipment | 5,732,297.13 | 63,081.78 | | 5,795,378.91 |
| Other | 7,400.00 | | | 7,400.00 |
| Vehicles | 37,406.33 | | | 37,406.33 |
| Totals at Historical Cost | <u>13,724,207.59</u> | <u>304,696.37</u> | | <u>14,028,903.96</u> |
| Accumulated Depreciation: | | | | |
| Sewer Mains & Interceptors | 980,298.86 | 53,915.94 | | 1,034,214.80 |
| Pump Station | 3,036,926.27 | 132,969.57 | | 3,169,895.84 |
| Equipment | 3,118,800.00 | 153,753.35 | | 3,272,553.35 |
| Other | 155.70 | 296.00 | | 451.70 |
| Vehicles | 27,151.76 | 5,343.76 | | 32,495.52 |
| Total Accumulated Depreciation | <u>7,163,332.59</u> | <u>346,278.62</u> | | <u>7,509,611.21</u> |
| Business-Type Capital Assets, Net | <u>\$ 6,560,875.00</u> | <u>\$ (41,582.25)</u> | None | <u>\$ 6,519,292.75</u> |

Depreciation was charged as unallocated.

NOTE 6: BONDS PAYABLE AND LOANS PAYABLE

Bonds Payable

On May 16, 2013, the Authority settled on a U.S. Department of Agriculture loan in the amount of \$331,000.00 for the Harris Acres project. The loan has an interest rate of 2.125% payable over 40 years. Principle payments are due on May 15 and November 15. The remaining balances as of June 30, 2018 and 2017, were \$0 and \$309,018.51.

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 6: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Bonds and Loans Payable

On September 15, 2015, the Authority settled on a U.S. Department of Agriculture loan in the amount of \$2,346,000.00 for Improvements to Sanitary Sewer Treatment Plant. The loan has an interest rate of 2.125% payable over 40 years. Principle payments are due on September 15 and March 15. The remaining balances as of June 30, 2018 and 2017 were \$0 and \$2,289,129.76.

During the fiscal year 2018, the following changes occurred in the Authority debt:

| | Balance July 1, 2017 | Issued/ Authorized | Retired/ Reduction | Balance June 30, 2018 |
|---|-------------------------|-----------------------|-----------------------|--------------------------|
| Issued: | | | | |
| USDA Loan | \$ 309,018.51 | | \$ 309,018.51 | |
| USDA Loan #2 | 2,289,129.76 | | 2,289,129.76 | |
| Net Debt Issued | 2,598,148.27 | | 2,598,148.27 | |
| Net Bonds and Notes Issued and Authorized But Not Issued | \$ 2,598,148.27 | None | \$ 2,598,148.27 | None |

NOTE 7: PENSION PLANS

Description of Plans - All eligible employees of the Authority are covered by the Public Employees' Retirement System, (PERS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, Authority or public agency provided the employee is not a member of another State-administered retirement system or other state or local jurisdiction.

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.20% of employees' annual compensation. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to

WOODSTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 7: PENSION PLANS (CONTINUED)

Funding Policy (Continued) - contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority's contributions for Public Employees' Retirement System paid to the Borough of Woodstown through a Shared Service Agreement, for the years ending June 30, 2018, 2017, and 2016, were \$25,793.00, \$27,343.00, and \$23,808.00, respectively, equal to the required contributions for each year. The Authority does not have any pension obligation other than a prorated portion of the pension bill calculated annually by the Chief Financial Officer of the Borough of Woodstown.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing, multiple-employer defined contribution pension fund which was established on July 1, 2007, under provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (NJAC 43:15C-1 et seq.). The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provision are established by NJSA 43:15C-1 et seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the Authority's contributes amounts for each pay period to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The Authority did not make any contributions towards DCRP for the fiscal year 2018, 2017, and 2016, as no employees participated in this plan.

NOTE 8: POST-EMPLOYMENT BENEFITS

The Authority does not provide for any post-retirement benefits to retirees.

NOTE 9: LABOR CONTRACTS

As of June 30, 2018, there are no collective bargaining units for the Woodstown Sewerage Authority. All salaries were paid through a Shared Service Agreement with the Borough of Woodstown. Any compensated absences liability is calculated by the Borough.

NOTE 10: NET POSITION

Net Position for the Authority at June 30, 2018 and 2017, was \$9,780,904.70 and \$10,060,983.90, respectively; \$1,175,232.85 has been restricted for capital projects; \$6,519,292.75 is invested in capital assets; and \$2,086,379.10 is unassigned.

WOODSTOWN SEWERAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018 AND 2017

NOTE 11: JOINT VENTURES

On March 22, 2005, Woodstown Sewerage Authority entered into a Shared Service Agreement with the Borough of Woodstown to provide employees to the Sewerage Authority effective April 1, 2005. The total expenditures for compensation, fringe benefits, insurance, and computer services are billed to the Sewerage Authority based on the actual costs.

NOTE 12: RISK MANAGEMENT

The Authority is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough maintains commercial insurance coverage for property, liability, and surety bonds. The Woodstown Sewerage Authority is a member of the Gloucester, Salem, and Cumberland Counties Utilities Authority Joint Insurance Fund and the Authority Excess Liability Fund which includes other municipalities throughout the region. The Authority is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Gloucester, Salem, and Cumberland Counties Utilities Authority Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have not been any claims in excess of coverage and no reduction in coverage during the year.

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. This Authority is billed quarterly for amounts due to the State. The following is a summary of Authority Contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's expendable trust fund for the current and previous two years:

| <u>Fiscal Year</u> | <u>Authority Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|--------------------------------|-------------------------------|--------------------------|-----------------------|
| 2017-2018 | None | None | None | \$ 6,568.39 |
| 2016-2017 | None | None | None | 6,558.02 |
| 2015-2016 | None | None | None | 6,548.20 |

NOTE 13: COMMITMENTS AND CONTINGENCIES

It is the counsel's opinion that the Woodstown Sewerage Authority there is litigation and/or contingent liability that is pending against the Woodstown Sewerage Authority regarding a developer. It does not appear there will be a dollar judgment imposed against the Authority.

NOTE 14: SUBSEQUENT EVENTS

Management has reviewed and evaluation all events and transactions that occurred between June 30, 2018 and October 31, 2018, the date which the financial statements were issued for possible disclosure and recognition in the financial statements, and no additional items have come to the attention of the Authority that would require disclosure.

SUPPLEMENTARY INFORMATION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Honorable Chairman and Members
of the Authority
Woodstown Sewerage Authority
P.O. Box 286
Woodstown, New Jersey 08098

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 Business-type Activities, each major fund, and the aggregate remaining fund information of the Woodstown Sewerage Authority, a component unit of the Borough of Woodstown as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Woodstown Sewerage Authority's basic financial statements and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Woodstown 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board, State of New Jersey as items 2018-002 and 2018-003.

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.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

October 31, 2018

WOODSTOWN SEWERAGE AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | | Actual | Variance of Actual Data to Budget | |
|---|---------------------|-------------------|---------------------|--------------------------------------|----------------|
| | Original | Transfers | | Dollars | % |
| Revenues: | | | | | |
| Sewer Service Charges: | | | | | |
| Residential/Commercial | \$ 1,073,694.00 | | \$ 1,406,189.51 | \$ (332,495.51) | -30.97% |
| Shared Service Agreement | 137,000.00 | | 131,563.45 | 5,436.55 | 3.97% |
| Miscellaneous Income: | | | | | |
| Miscellaneous | | | 1,090.00 | (1,090.00) | |
| Interest on Delinquent Accounts | | | 36,416.07 | (36,416.07) | |
| Total Revenues | 1,210,694.00 | | 1,575,259.03 | (364,565.03) | -30.11% |
| Expenditures: | | | | | |
| Administrative: | | | | | |
| Shared Service Agreement: | | | | | |
| Salaries | 47,000.00 | \$ 1,500.00 | 48,249.63 | 250.37 | 0.52% |
| Members' Salaries | 7,500.00 | | 6,900.00 | 600.00 | 8.00% |
| Total Administrative Salaries | 54,500.00 | 1,500.00 | 55,149.63 | 850.37 | 1.52% |
| Fringe Benefits: | | | | | |
| Shared Service Agreement: | | | | | |
| Social Security System | 3,450.00 | | 3,395.38 | 54.62 | 1.58% |
| Medicare | 800.00 | | 673.56 | 126.44 | 15.81% |
| Unemployment Compensation | 150.00 | | 35.51 | 114.49 | 76.33% |
| Public Employees' Retirement System | 5,000.00 | | 5,000.00 | | |
| Health Benefits | 18,000.00 | | 17,561.00 | 439.00 | 2.44% |
| Total Administrative Fringe Benefits | 27,400.00 | | 26,665.45 | 734.55 | 2.68% |
| Other Expenses: | | | | | |
| Auditor | 20,000.00 | | 17,100.00 | 2,900.00 | 14.50% |
| Solicitor | 15,000.00 | (1,500.00) | 7,729.22 | 5,770.78 | 42.75% |
| Office Supplies | 11,000.00 | | 8,618.27 | 2,381.73 | 21.65% |
| Mail/Postage | 2,100.00 | | 1,386.27 | 713.73 | 33.99% |
| Memberships/Dues/Subscriptions | 2,000.00 | | 2,000.00 | 2,000.00 | 100.00% |
| Total Administrative Other Expenses | 50,100.00 | (1,500.00) | 34,833.76 | 13,766.24 | 28.33% |
| Total Administrative | 132,000.00 | | 116,648.84 | 15,351.16 | 11.63% |

WOODSTOWN SEWERAGE AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | | Actual | Variance of Actual Data to Budget | |
|-------------------------------------|------------|-------------|------------|--------------------------------------|--------|
| | Original | Transfers | | Dollars | % |
| Cost of Providing Services: | | | | | |
| Shared Service Agreement: | | | | | |
| Salaries | 230,000.00 | | 205,187.60 | 24,812.40 | 10.79% |
| Overtime | 23,000.00 | | 16,188.02 | 6,811.98 | 29.62% |
| Total Salaries and Wages | 253,000.00 | | 221,375.62 | 31,624.38 | 12.50% |
| Fringe Benefits: | | | | | |
| Social Security System | 16,000.00 | | 12,958.84 | 3,041.16 | 19.01% |
| Medicare | 3,600.00 | | 3,030.62 | 569.38 | 15.82% |
| Unemployment Compensation | 400.00 | | 195.70 | 204.30 | 51.08% |
| Public Employees' Retirement System | 25,000.00 | | 20,899.59 | 4,100.41 | 16.40% |
| Health Benefits | 81,000.00 | | 63,094.13 | 17,905.87 | 22.11% |
| Total Fringe Benefits | 126,000.00 | | 100,178.88 | 25,821.12 | 20.49% |
| Other Expenses: | | | | | |
| Communications | 4,000.00 | | 3,979.76 | 20.24 | 0.51% |
| Schooling | 4,000.00 | | 160.00 | 3,840.00 | 96.00% |
| Road Expenses | 6,000.00 | | 3,383.80 | 2,616.20 | 43.60% |
| Vehicle Maintenance Expense | 6,000.00 | | 1,568.86 | 4,431.14 | 73.85% |
| Sludge Disposal | 80,000.00 | | 59,642.18 | 20,357.82 | 25.45% |
| Chlorine/Chemicals | 80,000.00 | (12,000.00) | 42,203.19 | 25,796.81 | 37.94% |
| Natural Gas | 10,000.00 | (2,000.00) | 6,385.52 | 1,614.48 | 20.18% |
| Operating Supplies | 15,000.00 | | 13,698.72 | 1,301.28 | 8.68% |
| Sewer Samples | 12,000.00 | | 9,430.50 | 2,569.50 | 21.41% |
| Electric | 130,000.00 | (5,000.00) | 96,824.27 | 28,175.73 | 22.54% |
| Video Lines | 10,000.00 | 8,000.00 | 16,920.00 | 1,080.00 | 6.00% |
| Machinery & Equipment Repair | 50,000.00 | | 46,724.12 | 3,275.88 | 6.55% |
| Construction/Improvement | 25,000.00 | | 2,800.00 | 22,200.00 | 88.80% |
| Miscellaneous | 2,000.00 | 9,000.00 | 10,714.37 | 285.63 | 2.60% |
| Insurance | 42,000.00 | | 28,273.78 | 13,726.22 | 32.68% |
| Licenses/Permits | 12,000.00 | | 9,864.15 | 2,135.85 | 17.80% |
| Property Upkeep | 12,000.00 | 2,000.00 | 11,471.00 | 2,529.00 | 18.06% |
| Plant Equipment | 15,000.00 | | 11,098.00 | 3,902.00 | 26.01% |

WOODSTOWN SEWERAGE AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | | Actual | Variance of Actual Data to Budget | |
|--|-------------------|-----------|-------------------|--------------------------------------|----------|
| | Original | Transfers | | Dollars | % |
| Consulting Engineer | 15,000.00 | | 8,945.51 | 6,054.49 | 40.36% |
| Contract Services | 70,000.00 | | 60,433.99 | 9,566.01 | 13.67% |
| Total Other Expenses | 600,000.00 | | 444,521.72 | 155,478.28 | 25.91% |
| Total Cost of Providing Services | 979,000.00 | | 766,076.22 | 212,923.78 | 21.75% |
| Total Operating Expenses | 1,111,000.00 | | 882,725.06 | 228,274.94 | 20.55% |
| Operating Income (Loss) | 99,694.00 | | 692,533.97 | (592,839.97) | -594.66% |
| Non-Operating Revenue (Expense) | | | | | |
| Debt Service: | | | | | |
| Principal | (2,598,149.00) | (2.00) | (2,598,148.27) | (2.73) | 0.00% |
| Interest | (54,974.00) | 2.00 | (54,972.00) | (36,653.03) | 66.68% |
| Interest on Investments | | | 8,672.17 | (8,672.17) | |
| Depreciation | | | (346,278.62) | 346,278.62 | |
| | (2,653,123.00) | | (2,954,073.69) | 300,950.69 | -11.34% |
| Increase (Decrease) in Budgeted Net Position | \$ (2,553,429.00) | | \$ (2,261,539.72) | \$ (893,790.66) | |

WOODSTOWN SEWERAGE AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2018

USDA Loans

| Date of Issue | Amount of Issue | Description | Balance July 1, 2017 | Redeemed | Balance June 30, 2018 |
|---------------|-----------------|----------------------|----------------------|---------------------|-----------------------|
| 05/16/13 | \$ 331,000.00 | Harris Acres Project | \$ 309,018.51 | \$ 309,018.51 | |
| 09/15/15 | 2,346,000.00 | Plant Upgrades | 2,289,129.76 | 2,289,129.76 | |
| | | | <u>2,598,148.27</u> | <u>2,598,148.27</u> | <u>None</u> |

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertisement for the following items:

Digester Blower Temporary Tank and Equipment for Denitrification

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of NJSA 40A:11-6.

NJSA 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of assessments on or before the date when they would become delinquent.

The governing body on February 14, 1980, adopted the following resolution authorizing interest to be charged on delinquent assessments:

BE IT RESOLVED, by the Authority Members of the Woodstown Sewerage Authority, County of Salem, State of New Jersey, that in accordance with Chapter 435 Laws of 1979, approved February 14, 1980, that all Sewer Bills are due and payable when presented for payment and that interest at the rate of 8% per annum be charged on all delinquent Sewer Rents after September 30th of the year presented for payment until the date paid.

This resolution was revised on December 26, 1990, to allow for quarterly collections on sewer rents. This resolution was further revised effective January 1, 1997, for interest to be charged at the rate of 18% per annum.

Collection of Interest on Delinquent Taxes and Assessments (Continued)

It appears from the examination of the collector's records that interest was collected in accordance with the foregoing resolution.

Treasurer

There is a material weakness in procedures that need to be corrected.

1. The General Ledger does not contain journal entries to record billing adjustments, depreciation, adjust interfunds, and record the capital budget, which are required to prevent the financial statements from being materially misstated.
2. The individual statements of accounting for Developer's Escrow required by NJSA 40:55D-53.2 were not prepared and sent to each applicant during the year. However statements were sent on August 29, 2018.
3. The subsidiary cash receipts ledger for Sewer Rents is not integrated with the General ledger. A monthly reconciliation was not performed during the year between the subsidiary ledgers and the General Ledger. Numerous errors were made in the recording of the cash receipts.

Fixed Assets

A fixed asset accounting and reporting system has been established as required and depreciation is being properly calculated.

Payment of Claims

Bills were found to be paid with the required claimant's certification and acknowledgment of receipt as required by NJSA 40A:5-16.

Follow-up on Prior Year Findings

A Corrective Action Plan was filed with the governing body for the prior year, but corrective action was not fully implemented.

STATUS OF PRIOR RECOMMENDATIONS

2017-001

Finding: The General Ledger does not contain journal entries to record billing adjustments, depreciation, adjust interfunds, and record the capital budget which are required to prevent the financial statements from being materially misstated.

Corrective action was not implemented.

FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS

*2018-001 Finding: The General Ledger does not contain journal entries to record billing adjustments, depreciation, adjust interfunds, and record the capital budget which are required to prevent the financial statements from being materially misstated.

Recommendation: The Treasurer ensure required journal entries are made to the general ledger to prevent the financial statements from being materially misstated.

SIGNIFICANT DEFICIENCY

2018-002 Finding: The subsidiary cash receipts ledger for Sewer Rents is not integrated with the General ledger. A monthly reconciliation was not performed during the year between the subsidiary ledgers and the General Ledger. Numerous errors were made in the recording of the cash receipts.

Recommendation: Procedures be established to ensure cash receipts are reconciled monthly between the subsidiary ledger and the General Ledger.

*These recommendations appeared in prior reports and corrective action was not taken.

Acknowledgment

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any question arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

We received the complete cooperation of all the officials of the Authority and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252