

**EDGEWATER PARK SEWERAGE AUTHORITY
FINANCIAL STATEMENTS, SUPPLEMENTAL
SCHEDULES AND AUDITOR'S OPINIONS
FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2014**

EDGEWATER PARK SEWERAGE AUTHORITY

CONTENTS

Roster of Officials

		PAGE
Independent Auditor's Report		1
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>		5
Required Supplementary Information – Part I		
Management's Discussion and Analysis		7
Basic Financial Statements	Exhibit	
Comparative Statement of Net Position	A	13
Comparative Statement of Revenues, Expenses & Changes In Net Position	B	14
Comparative Statement of Cash Flows	C	15
Notes to Financial Statements		17
Required Supplementary Information – Part II		
	Schedule	
Schedule of Revenues & Expenses – Budget & Actual Non-GAAP Budgetary Basis	1	29
Schedule of Loans Payable	2	31
General Comments and Recommendation		
General Comments:		
Contracts and Agreements Required to be Advertised		35
Contracts and Agreements Requiring Solicitation of Quotations		35
Collection of Service Revenue		36
Examination of Bills		36
Payroll Fund		36
Property, Plant & Equipment		36
Follow-Up of Prior Year Findings		36
Acknowledgement		36

EDGEWATER PARK SEWERAGE AUTHORITY

BOARD OF COMMISSIONERS

AT NOVEMBER 30, 2014

John Alexander
Chairman

Kevin Johnson
Vice Chairman

Lester Holley
Board Member

James Hall
Board Member

Geraldine Wing
Board Member

**EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)**

**INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED NOVEMBER 30, 2014**



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members of the
Edgewater Park Sewerage Authority
County of Burlington
Edgewater Park, New Jersey 08010

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Edgewater Park Sewerage Authority, a component unit of Edgewater Park Township, in the County of Burlington, State of New Jersey, as of and for the fiscal years ended November 30, 2014 and 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Edgewater Park Sewerage Authority as of November 30, 2014, 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information, as listed on 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edgewater Park Sewerage Authority's basic financial statements. The Introductory section, combining and individual non-major fund financial statements, and statistical section 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and

other additional procedures in accordance with auditing standard generally accepted in the United States of America. In my opinion the combining and individual non-major financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated January 15, 2015 on my consideration of the Edgewater Park Sewerage Authority's internal control over financial reporting and on my 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 my 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 Authority's internal control over financial reporting and compliance.

Respectfully submitted,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
January 15, 2015

Page Intentionally Left Blank



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

**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**

To the Chairman and Members of the
Edgewater Park Sewerage Authority
County of Burlington
Edgewater Park, New Jersey 08010

I have audited, 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; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, business-type activities and the aggregate remaining fund information of the Edgewater Park Sewerage Authority, County of Burlington, State of New Jersey, as of and for the fiscal year ended November 30, 2014, and related notes to the financial statements, which collectively comprise the Edgewater Park Sewerage Authority's basic financial statements, and have issued my report thereon dated January 15, 2015.

Internal Control over Financial Reporting

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

My 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 my audit I did not identify deficiencies in internal control that I 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 Edgewater Park Sewerage Authority statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

Respectfully submitted,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
January 15, 2015

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis

EDWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended November 30, 2014

As management of the Edgewater Park Sewerage Authority, (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority for the fiscal year ended November 30, 2014.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority operates one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

The statement of net position presents information about all of the Authority's assets, deferred outflow of resources, liabilities and deferred inflow of resources. The residual of all the other elements is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenue, expenses and changes in net position presents information showing how the net position of the Authority changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Edgewater Park Sewerage Authority
(A component unit of the Township of Edgewater Park)
Statement of Net Position
For the Fiscal Year Ended November 30, 2014 and 2013

	2014	2013
Asset:		
Unrestricted Assets	\$1,403,391	\$1,355,815
Restricted Assets	46,970	42,788
Capital Assets	<u>2,968,166</u>	<u>3,115,971</u>
Total Assets	<u>4,418,527</u>	<u>4,514,574</u>
Deferred Outflows of Resources:		
Loss on Refunding of Debt	<u>88,866</u>	<u> </u>
Total Deferred Outflows of Resources	<u>88,866</u>	<u> </u>
Liabilities:		
Current Liabilities Payable from Unrestricted Assets	242,818	214,124
Current Liabilities Payable from Restrict Assets	187,514	178,018
Noncurrent Liabilities	<u>2,137,405</u>	<u>2,196,119</u>
Total Liabilities	<u>2,567,737</u>	<u>2,588,261</u>
Net Position:		
Net Investment in Capital Assets	677,257	771,090
Unrestricted:		
Designated for Subsequent year's Expenditures	336,637	342,220
Unrestricted	<u>925,762</u>	<u>813,003</u>
Total Net Position	<u>\$1,939,656</u>	<u>\$1,926,313</u>

Financial Highlights

- The position of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,939,656 (*net position*).
- The total net position of the Authority increased by \$13,343, or a .69% increase from the prior fiscal year-end balance. The majority of the increase is attributable to lower interest expense in 2014.

Edgewater Park Sewerage Authority
(A Component Unit of the Township of Edgewater Park)
Statement of Changes in Net Position
For the Fiscal Year Ended November 30, 2014 and 2013

	2014	2013
Revenues:		
Program Revenues:		
Charges for Services	\$1,390,886	\$1,404,516
Other Revenue	28,381	26,924
Nonoperating Revenues:		
Interest Revenue	<u>6,025</u>	<u>7,214</u>
Total Revenues	<u>1,425,292</u>	<u>1,438,654</u>
Expenses:		
Administration:		
Salaries		
Employee Benefits	61,086	48,300
Other Expenses	12,440	4,944
Cost of Providing Service:	142,910	160,949
Operating & Maintenance		
Depreciation	983,881	989,295
Nonoperating Expenses:	159,107	159,943
Cancellation of Cash on Hand with Fiscal Agent		534,371
Amortization of Loss on Refunding	5,924	
Interest on Debt	<u>46,601</u>	<u>64,748</u>
Total Expenses	<u>1,411,949</u>	<u>1,962,550</u>
Increase/(Decrease) in Net Position	13,343	(523,896)
Net Position, October 1	<u>1,926,313</u>	<u>2,450,209</u>
Net Position, November 30	<u>\$1,939,656</u>	<u>\$1,926,313</u>

Total revenues decreased by .93% due to a large commercial customer going out of business in 2014.

Total expenditures increased by 28.06% primarily due to the cancellation of cash on hand with fiscal agent in 2013.

Edgewater Park Sewerage Authority
(A Component Unit of the Township of Edgewater Park)
Capital Assets (Net of Accumulated Depreciation)
For the Fiscal Year Ended November 30, 2014 and 2013

	2014	2013
Land	\$ 58,850	\$ 58,850
Buildings & Improvements		125
Machinery & Equipment	12,242	3,324
Infrastructure	<u>2,897,074</u>	<u>3,053,672</u>
Net Capital Assets	<u>\$2,968,166</u>	<u>\$3,115,971</u>

The Authority's capital assets as of November 30, 2014, totaled \$2,968,166 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure. The total decrease in the Authority's investment in capital assets for the current fiscal year was \$147,805, or a 4.74% decrease. This decrease is mainly due to current year depreciation expense exceeding the additions in capital assets.

Debt

The Authority has entered a 2004 New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for the modernization of Sanitary Sewer Pump Station No. 6 in the amount of \$311,957. The Trust Loan portion of \$155,000 is payable over a twenty year period and bears interest rates ranging from 3.00% to 5.00%. The Fund Loan portion of \$156,957 is a no interest loan payable over a twenty-year period. The outstanding balances of the Trust Loan and Fund Loan are \$100,000 and \$81,263, respectively, as of November 30, 2014.

The Authority has also entered a 2010 New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for upgrades and improvements to certain pump stations and replacement of certain sewer mains of the Authority in the amount of \$2,930,420. During fiscal year ending November 30, 2012 the Authority was able to revise and reduce the Fund Loan Agreement by \$518,256. During fiscal year ending November 30, 2013 the Authority refunded the 2010 Bonds. The Trust Loan portion of \$995,000 is payable over a fifteen year period and bears an interest rate of 5.00%. The Fund Loan portion of \$1,475,420 is a no interest loan payable over a twenty year period. The outstanding balances of the Trust Loan and Fund Loan are \$845,000 and \$1,264,646, respectively, as of November 30, 2014.

For the Future

The Edgewater Park Sewerage Authority is currently in satisfactory financial condition. However, a major concern is the continuation of quality service at an affordable cost to the Authority's consumers. The Authority authorized a sewer service fee increase from \$325 to \$360 in the fiscal year 2013. It is anticipated that service fees will continue to remain flat for 2015.

In conclusion, the Edgewater Park Sewerage Authority has committed itself to providing excellent service to their consumers. The Authority plans to continue its sound fiscal management to meet the challenges of the future.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority. Questions concerning any of the information provided in this report may be directed to the Executive Director of the Authority.

Page Intentionally Left Blank

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
COMPARATIVE STATEMENT OF NET POSITION
AS OF NOVEMBER 30, 2014 AND 2013

EXHIBIT A

ASSETS	2014	2013
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	\$1,267,247	1,212,094
Consumer Accounts Receivable	135,718	143,721
Other Accounts Receivable	426	
Total Unrestricted Current Assets	<u>1,403,391</u>	<u>1,355,815</u>
Restricted Assets:		
Cash & Cash Equivalents	<u>46,970</u>	<u>42,788</u>
Total Restricted Current Assets	<u>46,970</u>	<u>42,788</u>
Property, Plant & Equipment (Note 6):		
Property, Plant & Equipment	4,905,151	4,893,849
Less: Accumulated Depreciation	<u>1,936,985</u>	<u>1,777,878</u>
Net Property, Plant & Equipment	<u>2,968,166</u>	<u>3,115,971</u>
Total Assets	<u>4,418,527</u>	<u>4,514,574</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding of Debt	<u>88,866</u>	
Total Deferred Outflows of Resources	<u>88,866</u>	
LIABILITIES		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	216,062	191,725
Prepaid Sewer Rents	17,179	11,286
Sewer Rent Overpayments	<u>9,577</u>	<u>11,113</u>
Total Current Liabilities Payable From Unrestricted Assets	<u>242,818</u>	<u>214,124</u>
Current Liabilities Payable From Restricted Assets:		
Customer Escrow Deposits	15,408	11,227
Reserve for Unemployment Claims	3,218	3,218
Accrued Interest	15,384	14,811
Loan Payable	<u>153,504</u>	<u>148,762</u>
Total Current Liabilities Payable From Restricted Assets	<u>187,514</u>	<u>178,018</u>
Noncurrent Liabilities:		
Loan Payable	<u>2,137,405</u>	<u>2,196,119</u>
Total Noncurrent Liabilities	<u>2,137,405</u>	<u>2,196,119</u>
Total Liabilities	<u>2,567,737</u>	<u>2,588,261</u>
NET POSITION		
Net Investment in Capital Assets	677,257	771,090
Unrestricted:		
Designated for Subsequent Year's Expenditures	336,637	342,220
Unrestricted	<u>925,762</u>	<u>813,003</u>
Total Net Position	<u>\$1,939,656</u>	<u>1,926,313</u>

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

EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014	2013
Operating Revenues:		
Charges for Sewer Service	\$1,390,886	1,404,516
Other Revenue	28,381	26,924
	<hr/>	<hr/>
Total Operating Revenues	1,419,267	1,431,440
	<hr/>	<hr/>
Operating Expenses:		
Administration:		
Salaries	61,086	48,300
Employee Benefits	12,440	4,944
Other Expenses	142,910	160,949
Cost of Providing Services:		
Other Expenses	983,882	989,295
Depreciation	159,107	159,943
	<hr/>	<hr/>
Total Operating Expenses	1,359,425	1,363,431
	<hr/>	<hr/>
Operating Income/(Loss)	59,842	68,009
	<hr/>	<hr/>
Nonoperating Revenue/(Expenses):		
Interest on Debt	(46,600)	(64,748)
Cancellation of Cash on Hand with Fiscal Agent		(534,371)
Amortization on Loss from Refunding	(5,924)	
Interest Revenue	6,025	7,214
	<hr/>	<hr/>
Total Nonoperating Revenue/(Expense)	(46,499)	(591,905)
	<hr/>	<hr/>
Change in Net Position	13,343	(523,896)
Net Position - Beginning of Year	1,926,313	2,450,209
	<hr/>	<hr/>
Net Position - End of Year	\$1,939,656	1,926,313
	<hr/> <hr/>	<hr/> <hr/>

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

EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2014 AND 2013

EXHIBIT C

	2014	2013
Cash Flows from Operating Activities:		
Receipts from Customers	\$1,402,820	1,386,799
Receipts from Other Operating Revenue	28,381	26,924
Payments to Employees	(61,086)	(48,300)
Payments for Employee Benefits	(12,440)	(4,944)
Payments to Suppliers	(1,102,455)	(1,143,883)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	255,220	216,596
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities:		
Escrow Deposit Activity	4,180	2,507
	<hr/>	<hr/>
Net Cash Provided for Noncapital Financing Activities	4,180	2,507
	<hr/>	<hr/>
Cash Flows from Capital & Related Financing Activities:		
Capital Acquisitions	(11,301)	(15,532)
Cancellation of Cash on Hand with Fiscal Agent		(534,371)
Loan Reduction Adjustment		(36,534)
Debt Service:		
Principal	(148,762)	(149,085)
Interest	(46,027)	(74,876)
	<hr/>	<hr/>
Net Cash Provided for Capital & Related Financing Activities	(206,090)	(810,398)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest & Dividends	6,025	7,214
	<hr/>	<hr/>
Net Cash Provided by Investing Activities	6,025	7,214
	<hr/>	<hr/>
Net Increase in Cash & Cash Equivalents	59,335	(584,081)
Cash & Cash Equivalents - Beginning of Year	1,254,882	1,838,963
	<hr/>	<hr/>
Cash & Cash Equivalents - End of Year	\$1,314,217	1,254,882
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation on Net Income to Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	\$59,842	68,009
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation	159,107	159,943
Working Capital Changes Which Provided/(Used) by Cash:		
Accounts Receivable	7,577	(28,709)
Accounts Payable	24,337	6,361
Prepaid Sewer Rents	5,893	5,920
Sewer Overpayments	(1,536)	5,072
	<hr/>	<hr/>
Net Cash Provided/(Used) by Operating Activities	\$255,220	216,596
	<hr/> <hr/>	<hr/> <hr/>

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

Page Intentionally Left Blank

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2014**

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Edgewater Park Sewerage Authority have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The Authority has implemented these standards for the fiscal year-ending November 30, 2003 and thereafter. With the implementation of GASB Statement 34, the Authority has prepared required supplementary information titled *Management’s Discussion and Analysis*, which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the Authority has implemented the following GASB Statements in the current fiscal year: Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*; Statement 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* and Statement 38 – *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures*, Statement 44 – *Economic Condition Reporting* and Statement 45 – *Post Employment Benefits Other than Pensions* and Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Statement 65- *Items Previously Reported as Assets and Liabilities*.

The accompanying financial statements have been prepared on an accrual basis and in conformity with generally accepted accounting principles applicable to Enterprise Funds of State and local governments.

The accompanying financial statements present the financial position of the Authority, the results of operations of the Authority and the cash flows of the proprietary fund. The financial statements are presented as of November 30, 2013.

A. Reporting Entity

The Township of Edgewater Park incorporated in 1945 is located in western Burlington County, New Jersey along the Delaware River approximately fifteen miles from the City of Philadelphia and covers an area of approximately 2.86 square miles. The present population according to the 2010 census is 8,881.

The Township, by ordinance in 1945 created the Edgewater Park Sewerage Authority (“Authority”). The Authority is organized under the provisions P.L. 1957 Chapter 138 (the Act). The Act grants power to every municipality of the State to acquire, construct, maintain, operate or improve works for the collection, treatment, purification or disposal of sewerage or other wastes through establishment of a municipal utilities. The Authority is governed by a five-member board. Members of the Board are appointed by the Township Committee for five-year terms on a staggered basis. The members of the Board oversee the Authority’s operation.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 1. Summary of Significant Accounting Policies (continued):

The Authority was created to construct and operate a wastewater collection system within the municipal boundaries of the Township. The Authority has also entered into a service agreement with the Township of Willingboro for the collection and treatment of a portion of sewer discharged from the Authority's system.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

The Edgewater Park Sewerage Authority is a component unit of the Township of Edgewater Park as described in Governmental Accounting Standards Board Statement No. 14 due to the existence of a service agreement between the Authority and the Township. These financial statements would be either blended or discreetly present as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

B. Basis of Presentation – Fund Accounting

The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. The financial statements of the Authority are maintained in accordance with the principles of fund accounting applicable to Proprietary Funds, except for the accounting of operating inventory as stated below. A proprietary fund is used to account for governmental activities that are similar to activities that may be performed by a commercial enterprise. The Authority accounts for its operations in an enterprise fund.

Enterprise funds are used to account for operations, the measurement of which is a determination of net profit from operations, which includes an accounting for all cost allocations, including depreciation, associated with the fund. The costs of services rendered by the fund are financed primarily through user charges. The accrual method as used by business enterprises is the basis of accounting for proprietary funds.

Proprietary funds are reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting". This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB) Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements.

GASB Statement No. 20 also states that proprietary activities may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Authority has not elected to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 1. Summary of Significant Accounting Policies (continued):

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for the periods beginning after December 15, 2011, the Authority has implemented this Statement for the fiscal year ended November 30, 2013 and retroactively for the fiscal year ended November 30, 2012.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the Authority has implemented this Statement for the fiscal year ended November 30, 2013.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resource measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Fund equity is segregated into net investment in capital assets and retained earnings components. Operating statements for enterprise funds present increases (revenues) and decreases (expenses) in changes in net position.

Enterprise funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

D. Budgetary Data

The Edgewater Park Sewerage Authority must adopt an annual budget in accordance with *N.J.A.C.5:31-2*. *N.J.A.C.5:31-2* requires the governing body to introduce the annual authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 1. Summary of Significant Accounting Policies (continued):

The legal level of budgetary control is established at the detail shown on the Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected.

E. Contributed Capital

Contributed Capital consists primarily of sewer lines and pumping stations constructed by local developers and donated to the Authority. These items are recorded at estimated fair market value. The sewer lines and pumping stations are recorded as contributed capital in the period received.

F. Property, Plant and Equipment

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings & Improvements	30 years
Infrastructure	10-75 years
Machinery & Equipment	5-15 years

Property, Plant and Equipment owned by the Authority are recorded at cost. Repairs and maintenance are recorded as expenses.

G. Statement of Cash Flows

For purpose of the statement of cash flows, the Authority considers investments with maturities of three months or less to be cash equivalents.

H. Investment Securities

State laws authorize the Authority to invest in obligations of the U.S. Treasury and other instruments allowed under *N.J.S.40A:5-14*. Cash and Investments include bank balances and investments that at the balance sheet date were entirely insured. Investments are shown at market value.

I. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events of the date of the financial statements. Accordingly, upon settlement, actual results may differ.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

J. Escrow Funds

Escrow funds represent engineer review fee deposits held in trust from developers in order to pay engineering, legal and administrative expenses.

K. Net Position

Net Position is distributed into the following two categories:

Restricted – represents net assets that are set aside as required by the Authority’s bond resolution. Other reserved retained earnings include amounts set aside as net investment in capital assets, renewals and reserves and debt service requirements.

Unrestricted – represents cumulative earnings that are currently available and may be appropriated for any lawful purpose.

Note 2. Cash and Cash Equivalents and Investments

The Authority is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at November 30, 2014 and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	<u>\$1,314,217</u>
Total Deposits	<u>\$1,314,217</u>
Reconciliation of Comparative Statement of Net Position:	
Unrestricted Assets:	
Cash & Cash Equivalents	\$1,267,247
Restricted Assets:	
Cash & Cash Equivalents	<u>46,970</u>
Total Reconciliation of Comparative Statement Net Position	<u>\$1,314,217</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$1,315,267 at November 30, 2014. Of the bank balance \$265,035 was fully insured by the FDIC (Federal Depository Insurance Corporation) and \$1,050,232 was secured by a collateral pool held by the bank, but not in the Authority’s name, as

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 2. Cash and Cash Equivalents and Investments (continued):

required by New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described in Note 3 of these financial statements.

Investment Interest Rate Risk – The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at November 30, 2015, are provided in the above schedule.

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or 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 obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

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

Note 3. Governmental Unit Deposit Protection Act (GUDPA)

The Authority has deposited cash in 2014 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act. In addition to savings and checking accounts the Authority invests monies in certificates of deposits from time to time.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 3. Governmental Unit Deposit Protection Act (GUDPA) (continued):

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 3. Governmental Unit Deposit Protection Act (GUDPA) (continued):

The Authority requests copies of these approval forms semiannually to assure that all depositories are complying with requirements.

Note 4. Pension Plan

A. Plan Description

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries. The State of New Jersey P.E.R.S. program was established as of January 1, 1955.

The program was established under the provisions of *N.J.S.A.43:15A*, which assigns authority to establish and amend, benefit provisions to the plan's board of trustees. P.E.R.S. issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625, or calling (609) 984-1684.

B. Funding Policy

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. The System's Board of Trustees is primarily responsible for the administration of the System.

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 System terminate.

Plan members are required to contribute 6.78% of their annual covered salary for P.E.R.S through June 30, 2014 and 6.92% thereafter, and the Authority is required to contribute at an actuarially determined rate. The current rate represents approximately 1.25% for P.E.R.S. of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the plan's board of trustees. The Authority's contributions to P.E.R.S. for the years ending November 30, 2014, 2013 and 2012 were \$671, \$674 and \$4,304, respectively, equal to the required contributions for each year.

Note 5. Other Agreements

The Authority has entered into an agreement with the Township of Willingboro Sewerage Authority, which provides for the treatment and disposal of sewerage and other waste collected in Edgewater Park by the Willingboro Sewerage Authority at various rates based upon water consumption. This agreement expires December 2, 2045.

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 6. Schedule of Capital Assets at November 30, 2014

	Balance November 30, 2013	Additions	Balance November 30, 2014
Land	\$ 58,850		\$ 58,850
Building & Building Improvements	43,393		43,393
Machinery & Equipment	242,560	\$ 11,302	253,862
Infrastructure	4,549,046		4,549,046
Subtotal	<u>4,893,849</u>	<u>11,302</u>	<u>4,905,151</u>
Less: Accumulated Depreciation	<u>(1,777,878)</u>	<u>(159,107)</u>	<u>(1,936,985)</u>
Total	<u>\$3,115,971</u>	<u>\$(147,805)</u>	<u>\$ 2,968,166</u>

Note 7. Receivables

All receivables are considered to be collectible in full due to the statutory provisions provided to authorities. Receivables as of year-end for the Authority are as follows:

Consumer	<u>\$135,718</u>
Total Accounts Receivable	<u>\$135,718</u>

Note 8. Long-Term Debt

A. NJEIT Loans Dated February 1, 2004

The Authority has entered into a New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for the modernization of Sanitary Sewer Pump Station No. 6 in the amount of \$311,957. The Trust Loan portion of \$155,000 is payable over a twenty year period and bears interest rates ranging from 3.00% to 5.00%. The Fund Loan portion of \$156,957 is a no interest loan payable over a twenty year period. As of November 30, 2014 is as follows:

	Balance November 30, 2013	Retired	Balance November 30, 2014	Due Within One Year
Trust Loan Payable	\$110,000	\$ 10,000	\$100,000	\$ 10,000
Fund Loan Payable	90,985	9,722	81,263	9,464
Total	<u>\$200,985</u>	<u>\$ 19,722</u>	<u>\$181,263</u>	<u>\$ 19,464</u>

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 8. Long-Term Debt (continued):

Future principal and interest payments are as follows:

Fiscal Year Ending November 30	Principal	Interest	Total
2015	\$ 19,464	\$ 4,663	\$ 24,127
2016	19,206	4,262	23,468
2017	18,948	3,862	22,810
2018	18,625	3,363	21,988
2019	18,302	2,863	21,165
2020-2024	<u>86,718</u>	<u>6,887</u>	<u>93,605</u>
Total	<u>\$181,263</u>	<u>\$25,900</u>	<u>\$207,163</u>

B. NJEIT Loans Dated October 7, 2010

The Authority entered into a New Jersey Environmental Infrastructure Trust and Fund Loan Agreement for the upgrades and improvements to certain pump stations and replacement of certain sewer mains of the Authority in the amount of \$2,930,420. During fiscal year ending November 30, 2011 the Authority was able to revise and reduce the Fund Loan Agreement by \$518,256. During fiscal year ending November 30, 2013 the Authority has refunded its loan agreement. The Trust Loan portion of \$1,455,000 was refunded to become \$995,000 and is payable over a fifteen year period that bears an interest rate of 5.00%. The Fund Loan portion of \$957,164 was refunded to become \$1,475,420 at a no interest loan payable over a twenty year period. As of November 30, 2014 the loan payable is as follows:

	Balance November 30, 2013	Retired	Refunded	Balance November 30, 2014	Due Within One Year
Trust Loan Payable	\$1,355,000	\$ 50,000	(460,000)	\$ 845,000	\$ 55,000
Fund Loan Payable	<u>788,896</u>	<u>79,040</u>	<u>554,790</u>	<u>1,264,646</u>	<u>79,040</u>
Total	<u>\$2,143,896</u>	<u>\$129,040</u>	<u>94,790</u>	<u>\$2,109,646</u>	<u>\$134,040</u>

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 8. Long-Term Debt (continued):

Future principal and interest payments are as follows:

Fiscal Year Ending November 30	Principal	Interest	Total
2015	\$ 134,040	\$ 65,250	\$ 199,290
2016	139,041	62,500	201,541
2017	139,040	59,500	198,540
2018	144,040	56,500	200,540
2019	144,041	53,250	197,291
2020-2024	780,202	213,250	993,452
2025-2029	550,202	106,250	656,452
2030	79,040	5,750	84,790
Total	<u>\$2,109,646</u>	<u>\$622,250</u>	<u>\$2,731,896</u>

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; employee health and accident claims, and natural disasters. The Authority has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The Authority maintains commercial insurance for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Service Fees

The following is a five year comparison of service fee billings and the related collections:

Fiscal Year Ending November 30,	Balance December 1	Service Fees	Total	Cash Collections	Percentage
2014	\$143,721	1,390,886	1,534,607	1,398,889	91.16%
2013	115,012	1,404,516	1,519,528	1,375,807	90.54%
2012	123,434	1,302,416	1,425,850	1,310,838	91.93%
2011	101,799	1,294,068	1,395,867	1,272,434	91.16%
2010	79,382	1,230,747	1,310,129	1,208,330	93.23%

THE EDGEWATER PARK SEWERAGE AUTHORITY
(A Component Unit of the Township of Edgewater Park)
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014

Note 11. Service Organization's SAS 70 and 88 Requirement

The Authority utilizes NJ American Water Company, Inc. to provide consumption data of the Authority's customers' water usage. This data is used to bill the commercial customers of the Authority, as sewer charges are based on the amount of water consumed. Statement of Auditing Standards (SAS) 70 and 88 requires the Authority to receive an internal control report from service organizations providing such services mentioned above. The Authority has requested an internal control report from NJ American Water Company, Inc. and they have refused to accommodate the Authority's request.

Note 12. Unrestricted Net Position Appropriated

The following schedule details the amount of unrestricted net position balance available at the end of the current year and five previous years and the amounts utilized in the subsequent year's budget:

Fiscal Year Ending November 30,	Balance November 30,	Utilized in Budget of Succeeding Year	Percentage
2014	\$1,262,399	\$336,637	26.67%
2013	1,155,223	342,220	29.62%
2012	1,133,891	387,302	34.17%
2011	754,107	396,672	52.60%
2010	783,758	260,023	33.18%

REQUIRED SUPPLEMENTARY INFORMATION – PART II

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF ANTICIPATED REVENUES, OPERATING APPROPRIATIONS, PRINCIPAL
PAYMENTS AND NONOPERATING APPROPRIATIONS COMPARED TO BUDGET
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014			2013		
	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL
Revenues:						
Operating Revenues:						
Service Fees	\$1,343,510	1,343,510	1,390,886	\$1,343,150	1,343,150	1,404,516
Other	5,000	5,000	26,464	5,000	5,000	26,554
Total Operating Revenues	<u>1,348,510</u>	<u>1,348,510</u>	<u>1,417,350</u>	<u>1,348,150</u>	<u>1,348,150</u>	<u>1,431,070</u>
Nonoperating Revenues:						
Miscellaneous			1,917			370
Interest on Investments & Deposits	2,500	2,500	6,025	2,500	2,500	7,214
Total Nonoperating Revenues	<u>2,500</u>	<u>2,500</u>	<u>7,942</u>	<u>2,500</u>	<u>2,500</u>	<u>7,584</u>
Total Revenues	<u>1,351,010</u>	<u>1,351,010</u>	<u>1,425,292</u>	<u>1,350,650</u>	<u>1,350,650</u>	<u>1,438,654</u>
Expenses:						
Administration:						
Salaries & Wages:						
Authority Members	9,428	9,428	8,605	9,428	9,428	8,605
Secretary/Treasurer	23,000	23,000	23,429	27,000	27,000	14,792
Assistant Secretary	33,000	33,000	29,052	28,000	28,000	24,903
Total Salaries & Wages	<u>65,428</u>	<u>65,428</u>	<u>61,086</u>	<u>64,428</u>	<u>64,428</u>	<u>48,300</u>
Employee Benefits:						
Public Employees Retirement System	4,000	4,000	8,046	4,000	4,000	628
Social Security	6,000	6,000	3,991	6,000	6,000	3,965
Unemployment Compensation Insurance	2,000	2,000	403	2,000	2,000	351
Workers' Compensation Insurance	1,625	1,625		1,625	1,625	
Total Employee Benefits	<u>13,625</u>	<u>13,625</u>	<u>12,440</u>	<u>13,625</u>	<u>13,625</u>	<u>4,944</u>
Other Expenses:						
Legal Services & Costs	30,000	30,000	20,000	30,000	30,000	22,625
Auditing Fees	20,000	20,000	13,650	16,000	16,000	15,850
Contracted Services	45,000	45,000	41,420	45,000	45,000	40,000
Office Expenses	30,000	30,000	12,522	30,000	30,000	4,972
Miscellaneous Expenses	28,000	28,000	18,849	28,000	28,000	39,941
Rent Expense	12,600	12,600	12,600	12,000	12,000	12,300
Other Insurance Premiums	30,000	30,000	23,869	30,000	30,000	25,261
Total Other Expenses	<u>195,600</u>	<u>195,600</u>	<u>142,910</u>	<u>191,000</u>	<u>191,000</u>	<u>160,949</u>
Total Administration	<u>274,653</u>	<u>274,653</u>	<u>216,436</u>	<u>269,053</u>	<u>269,053</u>	<u>214,193</u>

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF ANTICIPATED REVENUES, OPERATING APPROPRIATIONS, PRINCIPAL
PAYMENTS AND NONOPERATING APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014			2013		
	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL	ORIGINAL BUDGET	BUDGET AFTER TRANSFERS	ACTUAL
Operating & Maintenance Expenses:						
Contracted Services	11,000	11,000	11,000	18,000	18,000	13,000
Electric Power	36,000	36,000	28,706	50,000	50,000	30,011
Treatment Fees	900,000	900,000	741,597	900,000	900,000	727,058
Repair & Maintenance	185,000	185,000	174,504	185,000	185,000	181,981
Telephone	25,000	25,000	12,843	25,000	25,000	12,845
Engineer Services	30,000	30,000	7,083	60,000	60,000	18,919
Other Expenses	10,000	10,000	8,149	6,000	6,000	5,481
Total Operating & Maintenance Expenses	1,197,000	1,197,000	983,882	1,244,000	1,244,000	989,295
Total Cost of Providing Service	1,197,000	1,197,000	983,882	1,244,000	1,244,000	989,295
Debt Service:						
Principal on Loans	148,764	148,764	148,763	149,086	149,086	149,085
Interest on Loans	72,813	72,813	46,600	75,813	75,813	64,748
Total Debt Service	221,577	221,577	195,363	224,899	224,899	213,833
Total Operating Expenses & Debt Service	1,693,230	1,693,230	1,395,681	1,737,952	1,737,952	1,417,321
Total Expenses & Other Cost Funded by Operating Revenues	(\$342,220)	(342,220)	29,611	(\$387,302)	(387,302)	21,333

RECONCILIATION TO OPERATING INCOME

Excess Anticipated Revenues Over Operating Expenses & Debt Service		\$29,611			21,333
Increased by:					
Loan Principal	\$148,763			149,085	
Loan Interest	46,600	195,363		64,748	213,833
Subtotal		224,974			235,166
Decreased by:					
Depreciation	159,107			159,943	
Interest Earned on Deposits	6,025	165,132		7,214	167,157
Operating Income (Exhibit B)		\$59,842			68,009

EDGEWATER PARK SEWERAGE AUTHORITY
SCHEDULE OF LOANS PAYABLE
FOR THE YEAR ENDED NOVEMBER 30, 2014

PURPOSE	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE		ISSUED	REFUNDED	DECREASED	BALANCE
	DATE	AMOUNT		DATE	AMOUNT	NOVEMBER 31, 2013	NOVEMBER 31, 2014				
2004 New Jersey Environmental Infrastructure Fund Loan (continued):	10/13/04	156,957	N/A	2/1/21	601						
				8/1/21	7,056						
				2/1/22	440						
				8/1/22	6,894						
				2/1/23	278						
				8/1/23	6,733						
				2/1/24	141						
			8/1/24	6,595							
					81,263		90,985			9,722	81,263
2010 New Jersey Environmental Infrastructure Trust Loan	12/2/10	1,455,000	5.000%	8/1/15	55,000						
			5.000%	8/1/16	60,000						
			5.000%	8/1/17	60,000						
			5.000%	8/1/18	65,000						
			5.000%	8/1/19	65,000						
			5.000%	8/1/20	70,000						
			5.000%	8/1/21	75,000						
			5.000%	8/1/22	75,000						
			5.000%	8/1/23	80,000						
			5.000%	8/1/24	85,000						
		5.000%	8/1/25	90,000							
		5.000%	8/1/26	65,000							
				845,000		1,355,000		(460,000)	50,000		845,000

Page Intentionally Left Blank

EDGEWATER PARK SEWERAGE AUTHORITY

**COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED NOVEMBER 30, 2014**



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

To the Chairman and Members of the
Edgewater Park Sewerage Authority
Edgewater Park, New Jersey 08010

I have audited the financial accounts and transactions of the Edgewater Park Sewerage Authority in the County of Burlington for the year ended November 30, 2014. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum 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 resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.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.

The Minutes indicate that no bids were requested by public advertising for the year.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any instances where individual payments, contracts or agreements in excess of \$2,625 "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 advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Collection of Service Revenue

It appears from an examination of the billing records that service revenue was collected in accordance with the Authority's policy.

Collection of Interest on Delinquent Service Fees

Sewer usage is billed in four cycles on a quarterly basis, with one cycle billed monthly. Bills not paid within four weeks of the billing date are considered delinquent. Delinquent accounts are charged interest of eighteen percent (18%) per annum on the total amount due.

It appears from the examination of the billing records that interest was collected in accordance with the Authority's policy.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant and Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Follow-up on Prior Years' Findings

In accordance with government auditing standards, my procedures included a review of all prior year findings. The previous year audit finding has been corrected.

Acknowledgment

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



Brent W. Lee
Certified Public Accountant

January 15, 2015