

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
COUNTY OF MORRIS, NEW JERSEY
REPORT ON EXAMINATION OF ACCOUNTS
FOR THE YEARS ENDED
NOVEMBER 30, 2017 AND 2016**

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

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SEWERAGE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
P.O. Box 188, Lincoln Boulevard
Lincoln Park, New Jersey 07035

Report on the Financial Statements

We have audited the accompanying statements of net position of the Pequannock, Lincoln Park and Fairfield Sewerage Authority as of November 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), 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 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, 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pequannock, Lincoln Park and Fairfield Sewerage Authority as of November 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Restatement

The Authority's financial statements for the year ending November 30, 2016 were previously issued with a net pension liability measured at June 30, 2015, a date greater than the end of the Authority's prior fiscal year end. Since the issuance of these financial statements, an actuary hired by the State of New Jersey completed their valuation of the State's Public Employee Pension System (PERS) as of June 30, 2016 and made their report available to all participating local units. The Authority has restated certain prior period balances based on this updated valuation to conform with the requirements of GASB No. 68, as discussed in Note 14 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, and Analysis and schedule of funding progress for the OPEB plan, schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions as listed 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 the 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 Authority's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were 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 supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2018 on our consideration of the Pequannock, Lincoln Park and Fairfield 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 Pequannock, Lincoln Park and Fairfield Sewerage Authority's internal control over financial reporting and compliance.

Very truly yours,

Ferraioli, Wielkatz, Cerullo & Cova, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 1, 2018

Required Supplementary Information - Part I

Management Discussion and Analysis

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Pequannock, Lincoln Park and Fairfield Sewerage Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended November 30, 2017 and 2016. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$48,423,351.74 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$46,150,330.90, as restated.
- Total net position are comprised of the following:
 - (1) Net investment in capital assets of \$37,047,257.70 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted net position of \$75,335.56 restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$11,300,758.48 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$3,962,368.49 to \$37,163,090.50 during the fiscal year.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets), the consumption of net position that is applicable to a future period (deferred outflows of resources), the acquisition of net position that is applicable to a future reporting period (deferred inflows of resources) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end are \$48,423,351.74. This is a \$2,273,020.84 increase over last year's restated net position of \$46,150,330.90. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>FY 2017</u>	<u>Restated FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	25,325,817.10	30,185,181.24	(4,859,364.14)	(16.10)
Capital Assets	<u>60,701,667.96</u>	<u>55,302,351.18</u>	<u>5,399,316.78</u>	9.76
Total Assets	<u>86,027,485.06</u>	<u>85,487,532.42</u>	<u>539,952.64</u>	0.63
Deferred Outflows of Resources	<u>2,012,325.32</u>	<u>2,795,551.01</u>	<u>(783,225.69)</u>	(28.02)
Long-term Debt Outstanding	34,017,760.35	37,760,217.80	(3,742,457.45)	(9.91)
Other Liabilities	<u>3,145,330.15</u>	<u>3,365,241.19</u>	<u>(219,911.04)</u>	(6.53)
Total Liabilities	<u>37,163,090.50</u>	<u>41,125,458.99</u>	<u>(3,962,368.49)</u>	(9.63)
Deferred Inflows of Resources	<u>2,453,368.14</u>	<u>1,007,293.54</u>	<u>1,446,074.60</u>	143.56
Net Investment in Capital Assets	37,047,257.70	37,502,074.95	(454,817.25)	(1.21)
Restricted	75,335.56	72,588.44	2,747.12	3.78
Unrestricted	<u>11,300,758.48</u>	<u>8,575,667.51</u>	<u>2,725,090.97</u>	31.78
Total Net Position	<u>48,423,351.74</u>	<u>46,150,330.90</u>	<u>2,273,020.84</u>	4.93

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative FY 2015 balances in the following table. This comparison has been restated to reflect the financial reporting requirements of GASB No. 68.

Condensed Statement of Net Position

	<u>Restated FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	30,185,181.24	38,972,723.47	(8,787,542.23)	(22.55)
Capital Assets	<u>55,302,351.18</u>	<u>45,791,288.36</u>	<u>9,511,062.82</u>	20.77
Total Assets	<u>85,487,532.42</u>	<u>84,764,011.83</u>	<u>723,520.59</u>	0.85
Deferred Outflows of Resources	<u>2,795,551.01</u>	<u>1,364,983.00</u>	<u>1,430,568.01</u>	104.80
Long-term Debt Outstanding	37,760,217.80	37,461,981.91	298,235.89	0.80
Other Liabilities	<u>3,365,241.19</u>	<u>3,856,940.97</u>	<u>(491,699.78)</u>	(12.75)
Total Liabilities	<u>41,125,458.99</u>	<u>41,318,922.88</u>	<u>(193,463.89)</u>	(0.47)
Deferred Inflows of Resources	<u>1,007,293.54</u>	<u>1,076,108.36</u>	<u>(68,814.82)</u>	(6.39)
Net Investment in Capital Assets	37,502,074.95	34,745,488.15	2,756,586.80	7.93
Restricted	72,588.44	70,043.25	2,545.19	3.63
Unrestricted	<u>8,575,667.51</u>	<u>8,918,432.19</u>	<u>(342,764.68)</u>	(3.84)
Total Net Position	<u>46,150,330.90</u>	<u>43,733,963.59</u>	<u>2,416,367.31</u>	5.53

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$2,273,020.84.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position**

	<u>FY 2017</u>	<u>Restated FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	10,927,629.27	10,992,332.01	(64,702.74)	(0.59)
Non-operating Revenues	<u>836,529.75</u>	<u>1,098,683.85</u>	<u>(262,154.10)</u>	(23.86)
Total Revenues	<u>11,764,159.02</u>	<u>12,091,015.86</u>	<u>(326,856.84)</u>	(2.70)
Depreciation	1,750,915.96	1,798,018.97	(47,103.01)	(2.62)
Other Operating Expense	7,232,250.62	7,369,141.50	(136,890.88)	(1.86)
Other Non-operating Expense	<u>507,971.60</u>	<u>507,488.08</u>	<u>483.52</u>	0.10
Total Expenses	<u>9,491,138.18</u>	<u>9,674,648.55</u>	<u>(183,510.37)</u>	(1.90)
Change in Net Position	2,273,020.84	2,416,367.31	(143,346.47)	(5.93)
Beginning Net Position	<u>46,150,330.90</u>	<u>43,733,963.59</u>	<u>2,416,367.31</u>	5.53
Ending Net Position	<u>48,423,351.74</u>	<u>46,150,330.90</u>	<u>2,273,020.84</u>	4.93

The Authority's operating revenues decreased by \$64,702.74 to \$10,927,629.27 in fiscal year 2017 from \$10,992,332.01 in 2016. Non-operating revenues decreased by \$262,154.10 to \$836,529.75 from \$1,098,683.85 largely due to the terms of a service agreement with the PRBRSA during the year.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and change in net assets is presented with comparative FY 2015 figures in the following table. This comparison has been restated to reflect the changes required by GASB No. 68.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position**

	<u>Restated FY 2016</u>	<u>Restated FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	10,992,332.01	10,783,245.02	209,086.99	1.94
Non-operating Revenues	<u>1,098,683.85</u>	<u>881,698.99</u>	<u>216,984.86</u>	24.61
Total Revenues	<u>12,091,015.86</u>	<u>11,664,944.01</u>	<u>426,071.85</u>	3.65
Depreciation	1,798,018.97	1,761,656.47	36,362.50	2.06
Other Operating Expense	7,369,141.50	7,781,688.59	(412,547.09)	(5.30)
Other Non-operating Expense	<u>507,488.08</u>	<u>678,292.65</u>	<u>(170,804.57)</u>	(25.18)
Total Expenses	<u>9,674,648.55</u>	<u>10,221,637.71</u>	<u>(546,989.16)</u>	(5.35)
Change in Net Position	2,416,367.31	1,443,306.30	973,061.01	67.42
Beginning Net Position	43,733,963.59	37,459,205.56	6,274,758.03	16.75
Capital Contributions		5,113,050.00	(5,113,050.00)	(100.00)
Prior Period Adjustment	<u> </u>	<u>(281,598.27)</u>	<u>281,598.27</u>	(100.00)
Ending Net Position	<u>46,150,330.90</u>	<u>43,733,963.59</u>	<u>2,416,367.31</u>	5.53

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Budgetary Highlights (Continued)

The following tables provides a FY 2017 and FY 2016 budget comparison:

**Budget vs. Actual
FY 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>11,188,400.00</u>	<u>11,227,519.93</u>	<u>39,119.93</u>
Expenses:			
Operating	6,780,630.00	5,838,944.62	941,685.38
Non-Operating	<u>4,407,770.00</u>	<u>4,347,549.57</u>	<u>60,220.43</u>
	<u>11,188,400.00</u>	<u>10,186,494.19</u>	<u>1,001,905.81</u>
Income Before Depreciation	<u> </u>	<u>1,041,025.74</u>	<u>1,041,025.74</u>

**Budget vs. Actual
FY 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>11,218,400.00</u>	<u>11,242,291.64</u>	<u>23,891.64</u>
Expenses:			
Operating	6,917,340.00	5,642,607.50	1,274,732.50
Non-Operating	<u>4,301,060.00</u>	<u>4,256,734.84</u>	<u>44,325.16</u>
	<u>11,218,400.00</u>	<u>9,899,342.34</u>	<u>1,319,057.66</u>
Income Before Depreciation	<u> </u>	<u>1,342,949.30</u>	<u>1,342,949.30</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the Authority had invested \$94,199,224.56 in property, plant and equipment. Included in that amount is \$8,452,050.00 of capital that was contributed to the Authority in the form of federal and state grants and other property. The Authority's net property, plant and equipment at fiscal year end was \$60,701,667.96. This is an increase of \$5,399,316.78 over last year's net property, plant and equipment of \$55,302,351.18. A summary of the Authority's capital assets is presented in the following table:

Capital Assets			
	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>
Land	277,580.51	277,580.51	0.00
Buildings/Force Mains/Interceptors	64,394,037.53	64,394,037.53	0.00
Vehicles and Equipment	<u>29,527,606.52</u>	<u>29,533,173.52</u>	<u>(5,567.00)</u>
Total Property, Plant and Equipment	94,199,224.56	94,204,791.56	(5,567.00)
Less: Accumulated Depreciation	<u>(56,507,220.77)</u>	<u>(54,789,091.12)</u>	<u>(1,718,129.65)</u>
Net Property, Plant and Equipment	37,692,003.79	39,415,700.44	(1,723,696.65)
Construction in Progress	<u>23,009,664.17</u>	<u>15,886,650.74</u>	<u>7,123,013.43</u>
Total Capital Assets	<u>60,701,667.96</u>	<u>55,302,351.18</u>	<u>5,399,316.78</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The Authority's ongoing five year capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below:

Pumping Station Projects	3,375,000.00
Pipeline Projects	1,425,000.00
Treatment Plant Projects ¹⁴	<u>15,800,000.00</u>
	<u>20,600,000.00</u>

Debt Administration

As of November 30, 2017, the Authority had outstanding New Jersey Wastewater Treatment Trust Loans in the amount of \$28,280,633.73. The debt service schedule goes out to 2034. Interest rates range from 0.00% to 5.00%. Full details of the specific bond issues outstanding are found in Note 6 to the financial statements and the supplementary schedules.

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Pequannock, Lincoln Park and Fairfield Sewerage Authority, P.O. Box 188, Lincoln Park, New Jersey 07035.

Financial Statements

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30,**

<u>ASSETS</u>	<u>2017</u>	<u>Restated 2016</u>
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	\$ 19,088,206.54	\$ 16,046,502.80
Petty Cash	500.00	500.00
Total Unrestricted	<u>19,088,706.54</u>	<u>16,047,002.80</u>
Restricted:		
Construction:		
NJ Envir. Infrastructure Receivable	6,161,775.00	14,065,590.00
	<u>6,161,775.00</u>	<u>14,065,590.00</u>
Unemployment Compensation:		
Cash and Cash Equivalents	75,335.56	72,588.44
Total Restricted Assets	<u>6,237,110.56</u>	<u>14,138,178.44</u>
Capital Assets:		
Land	277,580.51	277,580.51
Building, Force Mains and Interceptors	64,394,037.53	64,394,037.53
Vehicles and Equipment	29,527,606.52	29,533,173.52
Less: Accumulated Depreciation	(56,507,220.77)	(54,789,091.12)
Construction in Progress	23,009,664.17	15,886,650.74
Total Capital Assets	<u>60,701,667.96</u>	<u>55,302,351.18</u>
TOTAL ASSETS	<u>\$ 86,027,485.06</u>	<u>\$ 85,487,532.42</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows:		
Deferred Pension-Related Costs	\$ 1,963,009.00	\$ 2,742,125.00
Deferred Loss on Refunding of Bonds	49,316.32	53,426.01
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,012,325.32</u>	<u>\$ 2,795,551.01</u>

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30,**

	<u>2017</u>	<u>Restated 2016</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable - Operations	\$ 288,113.88	\$ 346,224.21
Accounts Payable - Renewal and Replacement	26,423.71	26,330.00
Accrued Interest on NJEIT Bonds	148,381.80	157,072.01
Bonds Payable - Current Portion	1,834,148.05	1,809,403.55
Accounts Payable - Pension Related	279,000.00	267,250.00
	<u>2,576,067.44</u>	<u>2,606,279.77</u>
Payable From Restricted Assets:		
Accounts Payable - Construction	569,262.71	758,961.42
	<u>3,145,330.15</u>	<u>3,365,241.19</u>
Total Current Liabilities		
	<u>3,145,330.15</u>	<u>3,365,241.19</u>
Non-Current Liabilities:		
Accumulated Sick and Vacation Time	420,013.67	383,549.07
Net Pension Liability	6,620,975.00	8,596,907.00
Other Post-Retirement Benefit Obligation	530,286.00	436,128.00
Long Term Portion of Bonds Payable	26,446,485.68	28,343,633.73
	<u>34,017,760.35</u>	<u>37,760,217.80</u>
Total Non-Current Liabilities		
	<u>34,017,760.35</u>	<u>37,760,217.80</u>
Total Liabilities	<u>\$ 37,163,090.50</u>	<u>\$ 41,125,458.99</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows:		
Deferred Pension-Related Inflows	\$ 1,437,763.00	\$ -
Deferred Gain on Refunded Bonds	63,000.00	-
Unamortized Bond Premiums, Net Amortization	952,605.14	1,007,293.54
	<u>2,453,368.14</u>	<u>1,007,293.54</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,453,368.14</u>	<u>\$ 1,007,293.54</u>

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30,**

<u>NET POSITION</u>	<u>2017</u>	<u>Restated 2016</u>
Net Investment in Capital Assets	\$ 37,047,257.70	\$ 37,502,074.95
Restricted for:		
Unemployment Compensation Insurance	75,335.56	72,588.44
Unrestricted:		
Designated	10,547,389.87	8,401,318.64
Undesignated	<u>753,368.61</u>	<u>174,348.87</u>
TOTAL NET POSITION	\$ <u>48,423,351.74</u>	\$ <u>46,150,330.90</u>

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NOVEMBER 30,**

EXHIBIT B

	<u>2017</u>	<u>Restated 2016</u>
Operating Revenue:		
Service Agreements	\$ 10,833,900.00	\$ 10,883,900.00
Interest - Unrestricted	35,845.38	15,461.90
Interest - Restricted	109.34	40.37
Miscellaneous	<u>57,774.55</u>	<u>92,929.74</u>
Total Operating Revenue	<u>10,927,629.27</u>	<u>10,992,332.01</u>
Operating Expenses:		
Salaries and Wages	2,195,973.31	2,130,676.86
Other Expenses	3,895,668.31	4,131,077.64
Renewal and Replacement Fund	1,140,609.00	1,107,387.00
Depreciation Expense	<u>1,750,915.96</u>	<u>1,798,018.97</u>
Total Operating Expenses	<u>8,983,166.58</u>	<u>9,167,160.47</u>
Operating Income	<u>1,944,462.69</u>	<u>1,825,171.54</u>
Non-Operating Revenue (Expenses):		
Interest Income	25,092.09	9,485.28
Interest Expense and Amortization	(368,463.31)	(410,424.51)
Debt Service Obligation-PRBRSA Interest-South	-	328,598.00
Accumulated Sick and Vacation	(36,464.60)	52,515.56
Other Post-Retirement Benefit Obligation	(94,158.00)	(94,158.00)
Cost of Issuance	-	(2,905.57)
Renewal and Replacement Fund - Net	723,074.20	705,580.19
Renewal and Replacement Fund - FEMA Grant	85,725.68	-
Loss on Disposal of Equipment	(8,885.69)	-
Unemployment Insurance - Net	<u>2,637.78</u>	<u>2,504.82</u>
Non-Operating Income (Loss)	<u>328,558.15</u>	<u>591,195.77</u>
Change In Net Position	2,273,020.84	2,416,367.31
Net Position - December 1,	<u>46,150,330.90</u>	<u>43,733,963.59</u>
Net Position - November 30	<u>\$ 48,423,351.74</u>	<u>\$ 46,150,330.90</u>

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
NOVEMBER 30,**

EXHIBIT C
Page 1 of 2

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 10,891,674.55	\$ 10,976,829.74
Cash Paid to Vendors and Employees	(6,226,132.58)	(6,559,389.75)
Interest Received	<u>61,046.81</u>	<u>24,987.55</u>
Net Cash from Operating Activities	<u>4,726,588.78</u>	<u>4,442,427.54</u>
Cash Flows from Financing Activities:		
Receivable from NJEIT	7,903,815.00	8,581,583.00
Capital Expenditures	(7,348,817.14)	(10,721,573.01)
Interest Payment on Bonds	(427,732.23)	(474,161.83)
Principal Payment on Bonds	(1,809,403.55)	(1,777,646.93)
Interest Payment on Loans	-	328,598.00
Principal Payment on Loans	<u>-</u>	<u>(585,186.00)</u>
Net Cash Flows from Financing Activities	<u>(1,682,137.92)</u>	<u>(4,648,386.77)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>3,044,450.86</u>	<u>(205,959.23)</u>
Cash and Cash Equivalents at Beginning of Year	<u>16,119,591.24</u>	<u>16,325,550.47</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,164,042.10</u>	<u>\$ 16,119,591.24</u>
Classified As:		
Unrestricted	19,088,706.54	16,047,002.80
Restricted:		
Unemployment Compensation	<u>75,335.56</u>	<u>72,588.44</u>
	<u>\$ 19,164,042.10</u>	<u>\$ 16,119,591.24</u>

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
NOVEMBER 30,**

EXHIBIT C
Page 2 of 2

	<u>2017</u>	<u>2016</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Net Operating Income / (Loss)	1,944,462.69	1,825,171.54
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,750,915.96	1,798,018.97
Other Interest Income	25,092.09	9,485.28
Renewal and Replacement Expenditures - Net	808,799.88	705,580.19
Unemployment Insurance - Net	2,637.78	2,504.82
Increase / (Decrease) in Payables	<u>194,680.38</u>	<u>101,666.74</u>
Total Adjustments	<u>2,782,126.09</u>	<u>2,617,256.00</u>
Net Cash Provided by Operating Activities	<u>\$ 4,726,588.78</u>	<u>\$ 4,442,427.54</u>

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

Notes to Financial Statements

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

1. GENERAL

The Authority was created by virtue of parallel ordinances adopted by The Township of Pequannock, The Borough of Lincoln Park and The Township of Fairfield in accordance with the provisions of the Sewerage Authorities Law (Chapter 138 of Pamphlet Laws of 1946 of the State of New Jersey, as amended and supplemented).

This was accomplished by Ordinance #70-21 adopted November 10, 1970 by The Township of Pequannock, Ordinance #70-26 adopted January 4, 1971 by The Borough of Lincoln Park and Ordinance #477 adopted November 2, 1970 by the Township of Fairfield. The Pequannock River Basin Regional Sewerage Authority (PRBRSA) became a member of Pequannock, Lincoln Park and Fairfield Sewerage Authority as of December 15, 1987, upon acceptance and completion of the new interceptor - Southern Portion.

The Authority has entered into service agreements with the participating governmental units. Under the terms of the service agreements the participants are to pay annual charges for Sewer Main, Treatment Plant, Operations, Administrative Expenses and Deficiencies. Annual charges are computed in order to provide sufficient revenue to pay or provide for expenses of the Authority with respect to the System including those related to the administration, operation, maintenance and repair thereof, payment of principal (including Sinking Fund Installments) or Redemption Price of and interest on Bonds and any reserves required with respect to the Bonds. Any other monies available to the Authority for application to the aforementioned purposes are also considered in the computations.

The user charge system as adopted by the participating municipalities has been reviewed and approved by the United States Environmental Protection Agency.

The agreements became effective upon their executions and remain in full force. At any time after five years from the date of these agreements and upon two years notice to the Authority, original participants may withdraw, following payment in full of all its obligations to the Authority, including its bonds. A five year written notice is applicable to the Pequannock River Basin Regional Sewerage Authority agreement.

As a public body, under existing statutes, the Authority is exempt from both Federal and State taxes.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The financial statements of the Pequannock, Lincoln Park and Fairfield Sewerage Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise 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 costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described below.

On December 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation, (continued)

- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

B. Reporting Entity

The Authority's financial statements include the accounts of all authority operations. 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.

Based on this criteria, the Authority is a legally separate organization and has no component units.

C. Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

D. Grants

Contributions received from Federal and State grants are recorded in the period received. Grants externally restricted for non-operating purposes are recorded as a change in invested in capital assets, net of related debt.

E. Inventory

Inventory of materials and supplies are not material and therefore are recorded as expenses at the time of purchase. The cost of inventories is not included on the balance sheet.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Building and improvement	75 years
Sewer mains and interceptors	75 years
Pump stations	75 years
P.R.B.R.S.A. interceptor	40 years
Other equipment	40 years
Dechlorification Facility	20 years
Vehicles	1-5 years
Second Incinerator	15 years

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

Property, plant and equipment has been recorded by major categories, there are no formal property records being maintained. The Authority does not maintain a formal inventory of plant, property and equipment.

Example: All equipment which was included with the initial construction of the treatment facility was lumped together as one item of equipment. Proper accounting for fixed assets requires the labeling of each individual asset and the itemization in the property records.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Property, Plant and Equipment, (continued)

The Authority has established the following procedures for capitalized fixed assets:

1. All expenditures made out of the general and construction fund relating to the purchase of new facilities which in the aggregate exceed the then current state bid limit, should be capitalized and recorded as such in the Authority's books and records; and
2. All expenditures made out of the operating (EPA) Renewal and Replacement line item or any other operating or administrative line item should continue to be expensed and recorded as such in the Authority's books and records.

The Authority's management established the useful lives of property, plant and equipment based on the expenditures made out of the Renewal and Replacement budgeted line item adding additional longevity to the asset.

The Authority purchased, at a cost of \$1,067,562.00, various fixtures, machinery, equipment, and sanitary sewer facilities from the Township of Fairfield in which at the time of purchase, had a cost of \$4,162,119.00 to the Township of Fairfield. The \$3,094,557.00 difference between the purchase price and the costs to the Township of Fairfield represents costs financed by grants to the Township of Fairfield. These assets are recorded on the Authority's records at the initial cost of \$1,067,562.00.

During fiscal year 2002, the Two Bridges Sewerage Authority reached a settlement in the action titled "The Pequannock, Lincoln Park and Fairfield Sewerage Authority v. Spectraserv, Inc. et al" under which the Authority received the sum of \$2,112,500.00 as reimbursement for costs incurred for its Second Incinerator Project. As a result of this reimbursement, the cost of the Second Incinerator Project in the Authority's property, plant and equipment has been reduced by the amount of the settlement and the depreciation has been recalculated based on this adjusted cost.

G. Interceptor - Southern Portion

The Authority has entered into a service agreement with the Pequannock River Basin Regional Sewerage Authority (the "PRBRSA") under the terms of the agreement the PRBRSA built a new interceptor for the Authority and upon its completion title was conveyed to the Authority.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

G. Interceptor - Southern Portion, (continued)

The Authority was responsible for the debt service incurred by the PRBRSA to the extent that it related to the cost of the new interceptor. Final payment of this debt was made during the 2016 fiscal year.

H. Deferred Outflows and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

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

Deferred Gain or Loss on Refunding of Bonds - Deferred gain or loss on refunding arising from the issuance of refunding bonds, is recorded as a deferred outflow of resources or deferred inflow of resources. The deferred gain or loss is amortized over the life of the bonds in a systematic and rational method as a component of amortization expense.

Bond Premiums - Bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of amortization expense.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts

The Authority has also established the following restricted account:

Unemployment Compensation Insurance Account:

Employee and employer contributions are transferred to this account for payment of unemployment compensation claims paid by the State Department of Labor and billed to the Authority.

J. Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

K. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management currently uses estimates to determine the useful life of depreciable assets. Actual results could differ from those estimates.

L. Net Position

Net position represent 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 balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Recent Accounting Pronouncements

The Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Authority is currently reviewing what effect this Statement might have on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Authority does not believe this Statement will have any effect on future financial statements.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Recent Accounting Pronouncements, (continued)

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, Certain Debt Extinguishment Issues, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

N. Reclassifications/Restatements

Certain reclassifications have been made to the 2016 amounts to conform with the 2017 financial presentation.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes change funds, petty cash, amounts in deposits, and short term investments with original maturities of three months or less.

As of November 30, 2017, cash and cash equivalents of the Pequannock, Lincoln Park and Fairfield Sewerage Authority consisted of the following:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Total</u>
Cash on Hand	\$500.00	\$500.00
Checking and Savings Accounts	<u>19,163,542.10</u>	<u>19,163,542.10</u>
	<u>\$19,164,042.10</u>	<u>\$19,164,042.10</u>
<u>Analysis</u>		
Restricted Accounts	\$75,335.56	
Unrestricted Accounts	<u>19,088,706.54</u>	
	<u>\$19,164,042.10</u>	

Deposits

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of November 30, 2017, \$-0- of the Authority's bank balance of \$19,190,774.56 was exposed to custodial risk.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of; 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 it may invest in any one issuer.

4. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

The Authority issued bonds in 2015 through the Trust to finance the improvement to the treatment facilities. The proceeds of the Bonds are held by the Trust until the Authority expends funds on the project. The Authority then submits for reimbursement of these expenditures from the Trust. The following is the remaining amount of funds to be received by the Trust:

	<u>Balance</u> <u>Nov. 30, 2016</u>	<u>Less: Funds</u> <u>Received</u>	<u>Balance</u> <u>Nov. 30, 2017</u>
Fund Portion:			
Project No.: S340880-04	\$9,791,457.00	\$5,218,919.00	\$4,572,538.00
Project No.: S340880-05	999,683.00	950,889.00	48,794.00
Trust Portion:			
Project No.: S340880-04	2,961,794.00	1,437,614.00	1,524,180.00
Project No.: S340880-05	<u>312,656.00</u>	<u>296,393.00</u>	<u>16,263.00</u>
	<u>\$14,065,590.00</u>	<u>\$7,903,815.00</u>	<u>\$6,161,775.00</u>

These funds shall be disbursed to the Authority under the terms of its loan agreements with the New Jersey Environmental Infrastructure Trust.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

5. PROPERTY, PLANT AND EQUIPMENT

Reference is made to Note 2 for information related to property. A summary of property, plant and equipment as of November 30, 2017 and 2016 is as follows:

	<u>Balance</u> <u>Nov. 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2017</u>
Land	\$277,580.51	\$	\$	\$277,580.51
Buildings/Force Mains, Interceptors	64,394,037.53			64,394,037.53
Vehicles and Equipment	<u>29,533,173.52</u>	<u>36,105.00</u>	<u>41,672.00</u>	<u>29,527,606.52</u>
Total Property, Plant and Equipment	94,204,791.56	36,105.00	41,672.00	94,199,224.56
Less: Accumulated Depreciation	<u>(54,789,091.12)</u>	<u>(1,750,915.96)</u>	<u>(32,786.31)</u>	<u>(56,507,220.77)</u>
Net Property, Plant and Equipment	39,415,700.44	(1,714,810.96)	8,885.69	37,692,003.79
Construction in Progress	<u>15,886,650.74</u>	<u>7,123,013.43</u>	<u> </u>	<u>23,009,664.17</u>
Net Property, Plant and Equipment	<u>\$55,302,351.18</u>	<u>\$5,408,202.47</u>	<u>\$8,885.69</u>	<u>\$60,701,667.96</u>

	<u>Balance</u> <u>Nov. 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2016</u>
Land	\$277,580.51	\$	\$	\$277,580.51
Buildings/Force Mains, Interceptors	64,394,037.53			64,394,037.53
Vehicles and Equipment	<u>29,533,173.52</u>	<u> </u>	<u> </u>	<u>29,533,173.52</u>
Total Property, Plant and Equipment	94,204,791.56			94,204,791.56
Less: Accumulated Depreciation	<u>(52,991,072.15)</u>	<u>(1,798,018.97)</u>	<u> </u>	<u>(54,789,091.12)</u>
Net Property, Plant and Equipment	41,213,719.41	(1,798,018.97)		39,415,700.44
Construction in Progress	<u>4,577,568.95</u>	<u>11,309,081.79</u>	<u> </u>	<u>15,886,650.74</u>
Net Property, Plant and Equipment	<u>\$45,791,288.36</u>	<u>\$9,511,062.82</u>	<u>\$ </u>	<u>\$55,302,351.18</u>

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

6. BONDS PAYABLE

The following is a summary of the Authority's long-term debt transactions for the fiscal year ended November 30, 2017:

	Interest Rate	Amount Issued	Balance 11/30/2016	Savings Credit from Refunding	Payments	Balance 11/30/2017
2006 Series A	4.00-5.00%	\$4,815,000.00	\$3,130,000.00	\$	\$260,000.00	\$2,870,000.00
2006 Series B	0.00%	4,504,363.00	2,431,846.51		250,455.52	2,181,390.99
2010 Series - Trust (UV)	3.00-5.00%	1,730,000.00	1,375,000.00	63,000.00	80,000.00	1,232,000.00
2009 Series - Fund (UV)	0.00%	1,669,000.00	1,205,388.71		92,722.21	1,112,666.50
2010 Series - Trust (UV Supplemental)	5.00%	550,000.00	416,000.00		25,000.00	391,000.00
2010 Series - Fund (UV Supplemental)	0.00%	1,673,250.00	1,232,921.10		88,065.78	1,144,855.32
2015 Series A1 - Trust	4.00-5.00%	6,295,000.00	6,085,000.00		220,000.00	5,865,000.00
2015 Series A1 - Fund	0.00%	15,070,041.00	14,276,880.96		793,160.04	13,483,720.92
			<u>\$30,153,037.28</u>	<u>\$63,000.00</u>	<u>\$1,809,403.55</u>	<u>\$28,280,633.73</u>
Due Within One Year			1,809,403.55			1,834,148.05
Long-Term Debt			<u>28,343,633.73</u>			<u>26,446,485.68</u>
			<u>\$30,153,037.28</u>			<u>\$28,280,633.73</u>

Presented below is a summary of debt service requirements to maturity.

Fiscal Year	Principal	Interest	Total
2018	\$1,834,148.05	\$450,742.50	\$2,284,890.55
2019	1,858,637.02	422,942.50	2,281,579.52
2020	1,880,870.50	394,842.50	2,275,713.00
2021	1,921,042.33	365,742.50	2,286,784.83
2022	1,940,393.49	334,551.25	2,274,944.74
2023	1,975,675.03	302,407.50	2,278,082.53
2024	2,012,297.84	268,322.50	2,280,620.34
2025	2,049,860.60	230,012.50	2,279,873.10
2026	2,014,998.40	192,502.50	2,207,500.90
2027	1,479,948.03	153,405.00	1,633,353.03
2028	1,503,948.03	133,005.00	1,636,953.03
2029	1,523,948.25	111,625.00	1,635,573.25
2030	1,327,226.00	89,445.00	1,416,671.00
2031	1,213,160.04	71,400.00	1,284,560.04
2032	1,228,160.04	54,600.00	1,282,760.04
2033	1,248,160.04	37,200.00	1,285,360.04
2034	<u>1,268,160.04</u>	<u>19,000.00</u>	<u>1,287,160.04</u>
	<u>\$28,280,633.73</u>	<u>\$3,631,746.25</u>	<u>\$31,912,379.98</u>

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

6. BONDS PAYABLE, (continued)

On November 9, 2006, the Authority issued \$9,319,363 Series 2006 A and B Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used for the improvement, modification and upgrade of the Central Pumping Station, the South Side Pumping Station and the Pine Brook Road Pumping Station. In 2012, the \$139,342 unspent portion of the 2006 USEPA receivable was defeased against the Series 2006 A and B bond principal.

On March 10, 2010, the Authority issued \$1,730,000 Series 2010 - Trust (UV) and \$5,008,000 Series 2009 - Fund (UV) Subordinate Bonds through the New Jersey Infrastructure Trust Program. Of the original \$5,008,000 in Series 2009 - Fund (UV) bonds, \$3,339,000 of principal was forgiven through the American Recovery and Reinvestment Act of 2009 (ARRA), leaving \$1,669,000 principal outstanding. These bonds are being used for the construction of an ultraviolet (UV) disinfection system, installation of a polymer system, installation of a standby generator for the new UV disinfection, effluent pumping and post aeration equipment.

On December 2, 2010, the Authority issued \$550,000 Series 2010B - Trust (UV Supplemental) and \$1,673,250 Series 2010A - Fund (UV Supplemental) Subordinate Bonds through the New Jersey Infrastructure Trust Program. These bonds are being used for the construction of an ultraviolet (UV) disinfection system, installation of a polymer system, installation of a standby generator for new UV disinfection, effluent pumping and post aeration equipment. In 2016, the NJEIT refunded these bonds that resulted in a principal savings credit of \$34,000.00.

On May 28, 2015, the Authority issued \$6,295,000 Series 2015A-1 - Trust and \$20,183,091 Series 2015A-1 - Fund Subordinate Bonds through the New Jersey Infrastructure Trust Program. Of the original \$20,183,091 in 2015A-1 - Fund bonds, \$5,113,050 of principal was forgiven through the New Jersey Infrastructure Trust Program. These bonds are being used for the construction and improvements to pump stations #1 and #2.

7. PENSION

Description of Plans:

Authority employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

7. PENSION PLAN, (continued)

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

7. PENSION PLAN, (continued)

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

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

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual</u>	<u>Percentage</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>
	<u>Cost (APC)</u>	<u>Contributed</u>
11/30/17	\$258,414.00	100%
11/30/16	248,824.00	100%
11/30/15	232,360.00	100%

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

7. **PENSION PLAN, (continued)**

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At November 30, 2017 and 2016, the Authority reported a liability of \$6,620,975.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2017, the Authority's proportion was 0.0284425663 percent, which was a decrease of 0.0005842399 percent from its proportion measured as of June 30, 2016.

For the years ended November 30, 2017 and 2016, the Authority recognized pension expense of \$511,111 and \$877,561, respectively. At November 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$1,333,898.00	\$
Net difference between projected and actual earnings on pension plan investments	200,985.00	1,329,008.00
Changes in proportion and differences between Authority contributions and proportionate share of contributions	149,126.00	104,132.00
Other deferred pension adjustments		4,623.00
Authority contributions subsequent to the measurement date	<u>279,000.00</u>	<u> </u>
Total	<u>\$1,963,009.00</u>	<u>\$1,437,763.00</u>

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

7. **PENSION PLAN, (continued)**

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

The \$279,000.00 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending November 30, 2017, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended November 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended December 31:

2018	\$155,864
2019	235,203
2020	142,521
2021	(189,553)
2022	(138,159)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at November 30, 2017 and 2016 are as follows:

	<u>Nov. 30, 2017</u>	<u>Nov. 30, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Authority's Proportion	0.0284425663%	0.0290268062%

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

7. **PENSION PLAN, (continued)**

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

7. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

7. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	June 30, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Authority's proportionate share of the pension liability	\$8,213,769	\$6,620,975	\$5,293,980

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

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SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
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(continued)

8. POST-RETIREMENT BENEFITS

On December 15, 2008, the Authority implemented the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement provides a more complete, reliable and decision-useful financial statement in regards to the costs and financial obligations that governments occur when they provide postemployment benefits other than pensions (OPEB) as part of the compensation for services rendered by employees. The Authority's current OPEB reimburses eligible employees the cost of health benefits from the State Health Benefit Plan upon retirement subject to certain restrictions and limitations.

The Authority shall reimburse to an eligible employee the cost of health benefits from the State Health Benefit Plan upon retirement subject to the following restrictions and limitations:

1. To be eligible, an employee must have a minimum of twenty-five (25) years of service with the Authority;
2. The retired employee must be at least fifty-seven (57) years old;
3. The Authority's reimbursement to an employee shall not exceed seven hundred (\$700.00) dollars per month;
4. This benefit, the limited reimbursement of retirement benefits, shall be limited to a period of ten (10) years for the eligible employee.
5. This benefit is not available to new employees hired after April 1, 2016.

Funding Policy

The Authority's funding policy is to establish a liability to fund the Net OPEB Obligation (NOO). Valuation calculations have been determined under the presumption that the Authority will eventually fund the entire actuarially calculated accrued liability. Information regarding funding status can be found in the Required Supplementary Information section of this report.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

8. POST-RETIREMENT BENEFITS, (continued)

liabilities (or funding excess) over a period not to exceed 10 years. Under State guidelines, the Authority is required to obtain an actuarial calculation every three years. The following table shows the components of the Authority's last annual OPEB cost (for the 2016 fiscal year), the amount actually contributed to the plan, and changes in the Authority's net OPEB Obligation.

Components of Net OPEB Obligation

<u>Description</u>	<u>Calculated Amount</u>
Annual Required Contribution (ARC)	\$94,158
Interest on Net OPEB Obligation (NOO)	0
Adjustment to Annual Required Contribution (ARC)	<u>0</u>
Annual OPEB Cost (Expense)	94,158
Age Adjusted Contributions Made	<u>0</u>
Change in Net OPEB Obligation (NOO)	94,158
 Net OPEB Obligation (NOO) - Beginning of Year	 <u>436,128</u>
Net OPEB Obligation (NOO) - End of Year	<u><u>\$530,286</u></u>

Annual Required Contribution (ARC): The ARC is the employer's periodic required contribution to a defined benefit OPEB plan. The ARC is the sum of two parts: (1) the Normal cost, which is the cost for OPEB benefits attributable to the current year of service, and (2) an Amortization payment, which is a catch-up payment for past service costs to fund the Unfunded Actuarial Accrued Liability (UAAL) over the amortization period. Under GASB 45, it is not required that entities actually pay the ARC each year, but it does need to be calculated and disclosed in the public employer's annual financial statements.

Interest on Net OPEB Obligation (NOO): An adjustment to the prior year financial statement's Net OPEB Obligation (NOO) to reflect interest on the obligation over the past year. It is calculated as (Prior Year NOO) x (Discount Rate). This is one of two adjustments made to the prior year NOO when deriving the current year's NOO. The other calculation is the Adjustment to the Annual Required Contribution.

Adjustment to Annual Required Contribution (ARC): An adjustment to the prior year financial statement's Net OPEB (NOO) to approximate the amount included in the ARC for amortization of past contributions in excess of, or less than, the ARC. It is removed from the ARC via this adjustment, so that the current ARC will not be over- or understated due to past overcontributions or contribution deficiencies. This is one of two adjustments made to the prior year NOO when deriving the current year's NOO. The other calculation is the interest on Net OPEB Obligation.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

8. POST-RETIREMENT BENEFITS, (continued)

Annual OPEB Cost (Expense): A measure of the annual cost of an OPEB plan, under accrual accounting guidelines. It is calculated as the ARC plus the interest on the NOO plus the adjustment to the ARC.

Age Adjusted Contributions Made: Contributions made for OPEB in relation to the employer's Annual Requirement Contribution (ARC), adjusted to include the effect of any implicit subsidy inherent in the retiree premiums. This age adjusted contribution may differ from the actual contribution made, because, if premiums for retiree OPEB are not representative of the true cost of their benefits, GASB 45 methodology requires that the premiums be adjusted to better reflect those true cost levels.

Change in Net OPEB Obligation (NOO): The change in the value of the NOO from the beginning of the reporting period to the end of the reporting period. It is calculated as the difference between the OPEB Cost, which is the accrual-based cost of the OPEB plan for the current period, and the age adjusted contribution toward OPEB made during the same period. It serves as a measure of how much the NOO will move up or down during the current period; contributions in excess of cost will reduce the NOO, whereas contributions less than cost will increase the NOO.

Net OPEB Obligation (NOO) - Beginning of Year: The cumulative difference between the annual OPEB cost and the actual contributions made by the employer. At any entity's transition to GASB 45 accounting, the NOO may be set to zero. For any reporting period, the Beginning NOO is the NOO from the prior period's financial statements.

Net OPEB Obligation (NOO) - End of Year: The Ending NOO is derived by adjusting the beginning NOO by the calculated Change in NOO. See above definition for Change in NOO.

Actual Contribution, or Contribution: Contributions made for OPEB in relation to the employer's Annual Required Contribution (ARC) include: (1) payments of benefits directly to or on behalf of a retiree or beneficiary, (2) premium payments to an insurer, or (3) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer or plan administrator. Revocable assets that are set aside for future benefits do not qualify as OPEB assets according to GASB 45.

Revocable assets that are set aside for future benefits do not qualify as OPEB assets according to GASB 45.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

8. POST-RETIREMENT BENEFITS, (continued)

Funded Status and Funding Progress

As of November 30, 2017 and 2016, the Authority established a liability of \$530,286 and \$436,128, respectively, for the purpose of funding this obligation. The actuarial accrued liability for benefits was \$990,414 and the actuarial value of assets was \$530,286 resulting in an unfunded actuarial accrued liability (UAAL) of \$460,128. The covered payroll (annual payroll of active employees covered by the plan) was \$2,195,973.31 and the ratio of the UAAL to the covered payroll was 20.95%.

Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

9. COMPENSATED ABSENCES

The Authority accounts for compensated absences (e.g., unused vacation sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

9. COMPENSATED ABSENCES, (continued)

Authority employees are granted varying amounts of vacation and sick leave in accordance with the Authority's personnel policy and union agreements. Upon termination, employees are paid for accrued vacation. The Authority's policy permits employees to accumulate unused sick leave and carry forward certain amounts to subsequent years. Upon retirement, employees shall be paid by the Authority for the unused sick leave in accordance with the Authority's agreements with the employee union.

At November 30, 2017 and 2016, compensated absences accrued for Authority employees were \$420,013.67 and \$383,549.07, respectively.

10. DEFERRED COMPENSATION PLAN

Employees of the Pequannock, Lincoln Park and Fairfield Sewerage Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

11. COMMITMENTS AND CONTINGENCIES

The Authority's attorney has informed management of no commitments and contingencies.

12. DESIGNATION OF UNRESTRICTED NET POSITION

The Authority's Revenue Account maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

	<u>2017</u>	<u>2016</u>
Accrued Vacation and Retirement Benefits	\$79,986.33	\$116,450.93
Renewal and Replacement	6,506,747.72	5,718,885.60
Subsequent Year's Budget Appropriation	100,826.00	300,000.00
Construction Fund	2,150,347.32	570,824.61
Operations and Maintenance	<u>1,709,482.50</u>	<u>1,695,157.50</u>
	<u>\$10,547,389.87</u>	<u>\$8,401,318.64</u>

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

12. DESIGNATION OF UNRESTRICTED NET POSITION, (continued)

At November 30, 2017, the Authority reported a total amount of \$10,547,389.87 of Unrestricted Net Position - Designated for the purposes described on the preceding page.

The remaining, undesignated portion of the Authority's net position was comprised of the following at November 30, 2017 and 2016, as restated:

	<u>2017</u>	Restated <u>2016</u>
Pension Related	(\$6,374,729.00)	\$(6,122,032.00)
Available for Use in Future Budgets	<u>7,128,097.61</u>	<u>6,296,380.87</u>
	<u>\$753,368.61</u>	<u>\$174,348.87</u>

13. SUBSEQUENT EVENTS

The Authority has entered into an Agreement with Worth Construction, Inc. ("Worth") for the upgrading of certain portions of the Authority's facility for an original contract amount of \$17,716,000.00. The project completion has been delayed and both parties have raised claims against each other for excess costs. Worth has alleged damages in excess of one million and the Authority has experienced damages including, but not limited to, increased engineering costs; Authority manpower and liquidated damages. The parties have been attempting to amicably resolve the issues and complete the project. If litigation is instituted, the Authority will vigorously oppose all Worth's claims and seek damages for the costs incurred by the Authority.

The Authority has evaluated subsequent events through May 1, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

14. PRIOR PERIOD ADJUSTMENTS

Pension Obligation

At November 30, 2016, the Authority had not updated the net pension obligation, pension-related deferred outflow, accounts payable – pension or deferred inflow accounts to a measurement date acceptable under current accounting standards because the actuarial information was not available at that time. Since issuing the November 30, 2016 financial statements, the Authority has since received the State of New Jersey prepared GASB No. 68 valuation and has adjusted the November 30, 2016 balances as follows:

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(continued)

14. PRIOR PERIOD ADJUSTMENTS, (continued)

	Balance Nov. 30, 2016 as Previously <u>Reported</u>	Retroactive <u>Adjustments</u>	Balance Nov. 30, 2016 as <u>Restated</u>
Deferred Outflows of Resources:			
Deferred Pension-Related Costs	\$1,364,983.00	\$1,377,142.00	\$2,742,125.00
Liabilities:			
Accounts Payable - Pension Related	266,500.00	750.00	267,250.00
Net Pension Liability	6,496,910.00	2,099,997.00	8,596,907.00
Deferred Inflows of Resources:			
Deferred Pension-Related Inflows	104,458.00	(104,458.00)	0.00
Net Position:			
Unrestricted: Undesignated	793,495.87	(619,147.00)	174,348.87

15. INTERACCOUNT ADVANCES

At November 30, 2017, the following inter-account advances were outstanding between restricted and unrestricted accounts:

	Due from <u>Other Accounts</u>	Due to <u>Other Accounts</u>
Unrestricted Accounts:		
Revenue Account:		
Due to Renewal and Replacement Account	\$	\$799,118.59
Due to Construction Fund		978,495.00
Renewal & Replacement Account:		
Due from Construction Account	1,100,000.00	
Due from Revenue Account	799,118.59	
Construction Account:		
Due to Renewal and Replacement Account		1,100,000.00
Due from Revenue Account	978,495.00	
	<u>\$2,877,613.59</u>	<u>2,877,613.59</u>

Advances between restricted and unrestricted accounts should be settled upon occurrence.

Required Supplementary Information - Part II

SCHEDULE RSI-1

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of Funding Progress for the OPEB Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
11/30/17	\$530,286	\$990,414	\$460,128	46.46%	\$2,195,973	20.95%
11/30/16	436,128	990,414	554,286	44.03	2,130,677	26.01
11/30/15	341,970	595,027	253,057	57.47	2,155,572	11.74
11/30/14	281,598	595,027	313,429	47.33	2,145,873	14.61
11/30/13	221,226	595,027	373,801	37.18	2,133,753	17.52

SCHEDULE RSI-2

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions to the OPEB Plan

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
11/30/17	\$94,158	\$0	0.00%	\$94,158
11/30/16	94,158	0	0.00	94,158
11/30/15	60,372	0	0.00	60,372
11/30/14	60,372	0	0.00	60,372
11/30/13	60,372	0	0.00	60,372

SCHEDULE RSI-3

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Four Fiscal Years

	<u>Measurement Date Ending June 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0284425663	0.0290268062%	0.0289420490%	0.0281858400%
Authority's Proportionate Share of the Net Pension Liability	\$6,620,975.00	\$8,596,907.00	\$6,496,910.00	\$5,277,160.00
Authority's Covered-Employee Payroll	\$2,195,973.31	\$2,130,676.86	\$2,155,572.33	\$2,145,873.21
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	301.51%	403.48%	301.40%	245.92%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SCHEDULE RSI-4

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Four Fiscal Years

	Fiscal Year ended November 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractual Required Contribution	\$258,414.00	\$248,824.00	\$232,360.00	\$205,183.00
Contributions in Relation to the Contractually Required Contribution	<u>(258,414.00)</u>	<u>(248,824.00)</u>	<u>(232,360.00)</u>	<u>(205,183.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$2,195,973.31	\$2,130,676.86	\$2,155,572.33	\$2,145,873.21
Contributions as a Percentage of Authority's Covered-Employee Payroll	11.77%	11.68%	10.78%	9.56%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Notes to Required Supplementary Information
For the Year ended November 30, 2017

Other Postemployment Benefits

A summary of the inputs used in the FY 2017 OPEB calculation, the last actuarial valuation, are as follows:

<u>Description</u>	<u>Value</u>
Actual Contribution	\$94,158
Total OPEB Retiree Premium	N/A
Age Adjustment Factor	1
Annual Required Contribution (ARC)	\$94,158
Payroll Growth Rate	2.50%
Discount Rate	2.00%
Net OPEB Obligation (NOO)	\$94,158
Actuarial Value of Assets	\$530,286
Amortization Period	24 Years
Actuarial Accrued Liability (AAL)	\$990,414
Fiscal Year End Date	11/30/17
Valuation Date	11/30/17
Amortization Method	Level Percent of Payroll Amortization

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017, in accordance with Paragraph 44 of GASB Statement No. 67.

Supplementary Schedules

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2017

	Net Investment in Capital Assets	Restricted State Unemployment Insurance	Unrestricted				Total Unrestricted: Designated	Undesignated	Total
			Accrued Vacation and Retirement Benefits	Renewal and Replacement	Subsequent Year's Budget Appropriation	Construction Fund			
Operating Revenue:									
Service Agreements							-	10,833,900.00	10,833,900.00
Interest - Unrestricted		109.34		15,167.24		9,924.85	25,092.09	35,845.38	60,937.47
Interest - Restricted							-	109.34	109.34
Industrial and Misc. Permits							-	57,774.55	57,774.55
Total Operating Revenue	-	109.34	-	15,167.24	-	9,924.85	-	10,927,519.93	10,952,721.36
Operating Expense:									
Salaries and Wages							-	2,195,973.31	2,195,973.31
Other Expenses							-	3,895,668.31	3,895,668.31
Replacement Fund							-	1,140,609.00	1,140,609.00
Depreciation Expense	1,750,915.96						-	-	1,750,915.96
Total Operating Expense	1,750,915.96	-	-	-	-	-	-	7,232,250.62	8,983,166.58
Operating Income	(1,750,915.96)	109.34	-	15,167.24	-	9,924.85	-	3,695,269.31	1,969,554.78
Non-Operating Revenue (Expense):									
Interest Expense							-	-	(419,042.02)
Amortization	50,578.71						-	50,578.71	50,578.71
Accumulated Sick and Vacation - Net							-	(36,464.60)	(36,464.60)
Renewal and Replacement Fund							-	-	-
Expenditures - Net				808,799.88			-	808,799.88	808,799.88
Other Post-Retirement Benefit Obligation							-	(94,158.00)	(94,158.00)
Loss on Disposal of Equipment	(8,885.69)	2,637.78					-	(8,885.69)	(8,885.69)
Unemployment Ins. Claims - Net							-	2,637.78	2,637.78
Total Non-Operating Revenue (Expense)	41,693.02	2,637.78	(36,464.60)	808,799.88	-	-	772,335.28	(513,200.02)	303,466.06
Net Income (Loss) Before Transfers	(1,709,222.94)	2,747.12	(36,464.60)	823,967.12	-	9,924.85	797,427.37	3,182,069.29	2,273,020.84
Transfers:									
NJ EIT Received	(7,903,815.00)					7,903,815.00	7,903,815.00	-	-
Capital Purchases	7,348,817.14			(36,105.00)		(7,312,712.14)	(7,348,817.14)	-	-
Bond Principal Paid	1,809,403.55						-	(1,809,403.55)	-
Budget Transfers						978,495.00	978,495.00	(978,495.00)	-
Other Transfers					(199,174.00)		(184,849.00)	184,849.00	-
Increase/(Decrease) in Net Assets	(454,817.25)	2,747.12	(36,464.60)	787,862.12	(199,174.00)	1,579,522.71	2,146,071.23	579,019.74	2,273,020.84
Net Position - Dec. 1, 2016	37,502,074.95	72,588.44	116,450.93	5,718,885.60	300,000.00	570,824.61	8,401,318.64	174,348.87	46,150,330.90
Net Position - November 30, 2017	37,047,257.70	75,335.56	79,986.33	6,506,747.72	100,826.00	2,150,347.32	10,547,389.87	753,368.61	48,423,351.74

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY

**SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash and Cash Equivalents-December 1, 2016	72,588.44	16,046,502.80	16,119,091.24
Cash Receipts:			
Service Agreements		10,833,900.00	10,833,900.00
NJEIT Reimbursements		7,903,815.00	7,903,815.00
Other	2,637.78	55,136.77	57,774.55
Interest Earned	109.34	60,937.47	61,046.81
	<u>2,747.12</u>	<u>18,853,789.24</u>	<u>18,856,536.36</u>
Total Cash Receipts	<u>2,747.12</u>	<u>18,853,789.24</u>	<u>18,856,536.36</u>
Cash Disbursements:			
Operations		6,226,132.58	6,226,132.58
Construction In Progress		7,348,817.14	7,348,817.14
Bond Principal		1,809,403.55	1,809,403.55
Interest on Bonds		427,732.23	427,732.23
	<u>-</u>	<u>15,812,085.50</u>	<u>15,812,085.50</u>
Total Cash Disbursements	<u>-</u>	<u>15,812,085.50</u>	<u>15,812,085.50</u>
Cash and Cash Equivalents-November 30, 2017	<u><u>75,335.56</u></u>	<u><u>19,088,206.54</u></u>	<u><u>19,163,542.10</u></u>
Balance Comprised Of:			
Cash	<u>75,335.56</u>	<u>19,088,206.54</u>	<u>19,163,542.10</u>
	<u><u>75,335.56</u></u>	<u><u>19,088,206.54</u></u>	<u><u>19,163,542.10</u></u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	FY 2017 Adopted Budget	FY 2017 Budget As Amended	2017 Actual	Excess / (Deficit)	Prior Year Actual
Retained Earnings Appropriated:					
Unrestricted Accounts	\$ -	\$ 300,000.00	\$ 300,000.00	\$ -	\$ 250,000.00
Service Agreements	11,133,900.00	10,833,900.00	10,833,900.00	-	10,883,900.00
Industrial Permits and Miscellaneous	42,500.00	42,500.00	57,774.55	15,274.55	92,929.74
Unrestricted and Restricted Accounts- Interest on Investments (1)	<u>12,000.00</u>	<u>12,000.00</u>	<u>35,845.38</u>	<u>23,845.38</u>	<u>15,461.90</u>
Total Revenue	<u>\$ 11,188,400.00</u>	<u>\$ 11,188,400.00</u>	<u>\$ 11,227,519.93</u>	<u>\$ 39,119.93</u>	<u>\$ 11,242,291.64</u>
Analysis of Miscellaneous Revenue:					
IPP Permits			41,900.00		38,500.00
Sewer Extension			2,260.00		-
Scrap Metal			2,485.57		3,506.14
Legal Settlement			24.96		-
Sale of Authority Equipment, Net Accounting Losses			11,146.25		13,435.63
Vendor Rebate Program			-		35,181.17
Miscellaneous			<u>(42.23)</u>		<u>2,306.80</u>
Total Miscellaneous Revenue			<u>57,774.55</u>		<u>92,929.74</u>

(1) Interest Earned on Unemployment and Renewal and Replacement Accounts are not included in this amount.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Acct. No.	FY 2017 Adopted Budget	FY 2017 Budget as Amended	Paid Or Charged	Excess / (Deficit)	Prior Year Actual
Salaries and Wages:						
Administrative		\$ 500,680.00	\$ 500,680.00	\$ 361,600.24	\$ 139,079.76	\$ 421,532.31
Operating and Maintenance		1,866,850.00	1,866,850.00	1,834,373.07	32,476.93	1,709,144.55
		<u>2,367,530.00</u>	<u>2,367,530.00</u>	<u>2,195,973.31</u>	<u>171,556.69</u>	<u>2,130,676.86</u>
Employee Benefits:						
Pension (PERS)	21.11	262,300.00	262,300.00	258,414.00	3,886.00	248,824.00
Health Benefits	21.12	601,500.00	601,500.00	462,209.94	139,290.06	487,494.86
Health Benefits - Retired	21.12R	-	-	8,400.00	(8,400.00)	-
Social Security (OASI)	21.13	181,100.00	181,100.00	152,589.01	28,510.99	147,555.45
Temporary Disability Insurance	21.15	4,500.00	4,500.00	3,296.91	1,203.09	4,746.14
		<u>1,049,400.00</u>	<u>1,049,400.00</u>	<u>884,909.86</u>	<u>164,490.14</u>	<u>888,620.45</u>
Financial Services:						
Administrative Fee-Debt Service	31.13	107,500.00	107,500.00	107,447.00	53.00	107,447.00
Insurance	31.15	7,000.00	7,000.00	6,315.00	685.00	6,313.00
		<u>114,500.00</u>	<u>114,500.00</u>	<u>113,762.00</u>	<u>738.00</u>	<u>113,760.00</u>
Professional Expenses:						
Mileage and Expense	31.21	23,000.00	23,000.00	13,463.20	9,536.80	13,764.20
Dues and Subscriptions	31.22	15,000.00	15,000.00	10,552.56	4,447.44	10,778.86
Conferences, Meetings and Training	31.24	10,000.00	10,000.00	11,782.27	(1,782.27)	7,050.38
		<u>48,000.00</u>	<u>48,000.00</u>	<u>35,798.03</u>	<u>12,201.97</u>	<u>31,593.44</u>
Office:						
Equipment	31.31	52,000.00	52,000.00	55,373.78	(3,373.78)	2,487.67
Advertising	31.32	2,000.00	2,000.00	1,184.34	815.66	1,026.56
Office Supplies	31.33	10,000.00	10,000.00	8,601.57	1,398.43	7,862.46
Postage	31.34	4,000.00	4,000.00	3,016.36	983.64	2,836.44
Telephone	31.35	20,500.00	20,500.00	16,114.98	4,385.02	14,997.52
Miscellaneous	31.36	6,000.00	6,000.00	1,994.51	4,005.49	2,343.77
Lease Lines	31.37	28,000.00	28,000.00	26,737.44	1,262.56	25,928.16
Payroll Processing	31.38	8,000.00	8,000.00	5,881.25	2,118.75	5,853.15
		<u>130,500.00</u>	<u>130,500.00</u>	<u>118,904.23</u>	<u>11,595.77</u>	<u>63,335.73</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Acct. No.	FY 2017 Adopted Budget	FY 2017 Budget as Amended	Paid Or Charged	Excess / (Deficit)	Prior Year Actual
Energy:						
Plant Electric	51.11	\$ 670,000.00	670,000.00	601,041.22	\$ 68,958.78	\$ 667,466.00
Pump Station Electric	51.12	150,000.00	150,000.00	113,066.46	36,933.54	117,924.96
Fuel Oil	51.13	105,000.00	105,000.00	80,789.54	24,210.46	39,269.03
Water	51.14	15,000.00	15,000.00	11,372.17	3,627.83	11,530.63
		<u>940,000.00</u>	<u>940,000.00</u>	<u>806,269.39</u>	<u>133,730.61</u>	<u>836,190.62</u>
Chemicals:						
Odor Control Chemicals	51.21	28,000.00	28,000.00	17,152.90	10,847.10	20,409.13
Sodium Hypochlorite	51.23	6,000.00	6,000.00	7,393.94	(1,393.94)	8,083.56
Alum/PAC	51.25	97,000.00	97,000.00	48,383.07	48,616.93	35,116.42
Propane	51.26	-	-	157.26	(157.26)	379.83
		<u>131,000.00</u>	<u>131,000.00</u>	<u>73,087.17</u>	<u>57,912.83</u>	<u>63,988.94</u>
Equipment, Maintenance and Repairs:						
Tools and Supplies	51.31	114,400.00	114,400.00	151,926.44	(37,526.44)	95,914.85
Tools and Supplies-Solids Handling	51.31s	15,600.00	15,600.00	460.64	15,139.36	8,421.23
Electrical Repairs	51.32	31,200.00	31,200.00	26,799.32	4,400.68	22,932.87
Electrical Supplies-Solids Handling	51.32s	5,200.00	5,200.00	-	5,200.00	-
Mechanical Repairs	51.33	47,800.00	47,800.00	44,420.07	3,379.93	53,769.16
Mechanical Repairs-Solids Handling	51.33s	12,500.00	12,500.00	4,090.00	8,410.00	8,052.00
Lubricants, Oil, Gasoline, etc.	51.34	20,800.00	20,800.00	12,605.79	8,194.21	12,165.84
Paint	51.35	3,100.00	3,100.00	3,847.81	(747.81)	2,385.13
Motor Vehicle Repairs/Registrations	51.36	10,400.00	10,400.00	11,487.27	(1,087.27)	7,608.51
Rentals	51.38	4,200.00	4,200.00	1,525.00	2,675.00	773.50
		<u>265,200.00</u>	<u>265,200.00</u>	<u>257,162.34</u>	<u>8,037.66</u>	<u>212,023.09</u>
Miscellaneous:						
Housekeeping	51.41	31,000.00	31,000.00	16,605.93	14,394.07	22,504.05
Lab Supplies	51.42	38,000.00	38,000.00	22,877.13	15,122.87	33,365.29
Uniforms and Clothing	51.43	10,000.00	10,000.00	7,398.06	2,601.94	7,834.31
Training and Safety Equipment	51.44	30,000.00	30,000.00	11,676.56	18,323.44	14,440.56
Plant Tours/Meetings	51.47	4,000.00	4,000.00	2,744.20	1,255.80	2,791.13
Insurance O&M	51.48	210,000.00	210,000.00	182,668.64	27,331.36	172,863.44
		<u>323,000.00</u>	<u>323,000.00</u>	<u>243,970.52</u>	<u>79,029.48</u>	<u>253,798.78</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Acct. No.	FY 2017 Adopted Budget	FY 2017 Budget as Amended	Paid Or Charged	Excess / (Deficit)	Prior Year Actual
Contracts and Professional Services:						
Garbage / Debris Disposal	51.51	\$ 20,000.00	20,000.00	14,866.21	\$ 5,133.79	\$ 15,281.52
Computer Support Services	51.52	90,000.00	90,000.00	78,269.00	11,731.00	77,286.77
Engineer	51.53	40,000.00	40,000.00	78,438.74	(38,438.74)	40,349.01
Lawn and Shrub Maintenance	51.54	20,000.00	20,000.00	12,946.43	7,053.57	15,285.91
Sludge Disposal	51.55D	465,000.00	465,000.00	381,863.00	83,137.00	360,495.00
Sludge Hauling	51.55H	315,000.00	315,000.00	243,266.00	71,734.00	231,718.12
Instrumentation	51.56	60,000.00	60,000.00	51,573.30	8,426.70	27,159.25
Auditor	51.57	25,000.00	25,000.00	22,750.00	2,250.00	22,300.00
Legal	51.58	60,000.00	60,000.00	24,694.55	35,305.45	30,702.83
		<u>1,095,000.00</u>	<u>1,095,000.00</u>	<u>908,667.23</u>	<u>186,332.77</u>	<u>820,578.41</u>
State Requirements:						
Licensing	51.61	1,500.00	1,500.00	1,440.00	60.00	1,350.00
Permits and Fees	51.62	50,000.00	50,000.00	33,096.09	16,903.91	42,854.99
Engineering	51.63	100,000.00	100,000.00	87,478.01	12,521.99	113,266.48
Training	51.64	45,000.00	45,000.00	46,343.75	(1,343.75)	38,314.50
Outside Lab	51.65	45,000.00	45,000.00	23,943.28	21,056.72	21,977.71
Auditor	51.67	5,000.00	5,000.00	3,280.00	1,720.00	9,617.50
Legal	51.68	70,000.00	70,000.00	4,859.41	65,140.59	660.00
		<u>316,500.00</u>	<u>316,500.00</u>	<u>200,440.54</u>	<u>116,059.46</u>	<u>228,041.18</u>
Sub-Total Operating		<u>6,780,630.00</u>	<u>6,780,630.00</u>	<u>5,838,944.62</u>	<u>941,685.38</u>	<u>5,642,607.50</u>
Debt Service:						
Bond Principal		1,809,403.55	1,809,403.55	1,809,403.55	-	1,777,646.93
Interest on Bonds		479,262.45	479,262.45	419,042.02	60,220.43	465,112.91
Service Agreement		-	-	-	-	256,588.00
Sub-Total Debt Service		<u>2,288,666.00</u>	<u>2,288,666.00</u>	<u>2,228,445.57</u>	<u>60,220.43</u>	<u>2,499,347.84</u>
Reserves:						
Renewal and Replacement		1,140,609.00	1,140,609.00	1,140,609.00	-	1,107,387.00
Capital Improvement		978,495.00	978,495.00	978,495.00	-	650,000.00
Grand Total		<u>\$ 11,188,400.00</u>	<u>\$ 11,188,400.00</u>	<u>\$ 10,186,494.19</u>	<u>\$ 1,001,905.81</u>	<u>\$ 9,899,342.34</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Acct. No.	FY 2017 Adopted Budget	FY 2017 Budget as Amended	Paid Or Charged	Excess / (Deficit)	Prior Year Actual
Excess(Deficit) of Revenues Over Expenses	\$	-	\$ -	\$ 1,041,025.74	\$ -	\$ 1,342,949.30
Reconciliation of Budgetary Basis to GAAP:						
Retained Earnings Appropriated:						
Unrestricted Accounts				(300,000.00)	-	(250,000.00)
Interest Earned on Unemployment, Construction, and Renewal and Replacement Accounts				10,034.19	-	40.37
Loss on Disposal of Equipment				(8,885.69)	-	-
Net Adjustment for OPEB				(94,158.00)	-	(94,158.00)
Depreciation Expense				(1,750,915.96)	-	(1,798,018.97)
Amortization				50,578.71	-	54,688.40
Bond Principal				1,809,403.55	-	1,777,646.93
Loan Principal				-	-	585,186.00
Capital Improvement Fund - Net				978,495.00	-	654,050.76
Cost of Issuance				-	-	(2,905.57)
Accumulated Sick and Vacation - Net				(36,464.60)	-	52,515.56
Renewal and Replacement Fund - Net				823,967.12	-	711,014.71
Pension Expense (GASB 68)				(252,697.00)	-	(619,147.00)
Unemployment Insurance				2,637.78	-	2,504.82
Total Adjustments		-	-	1,231,995.10	-	1,073,418.01
Change In Net Position	\$	-	\$ -	\$ 2,273,020.84	\$ -	\$ 2,416,367.31

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

SUPPLEMENTAL SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS PAYABLE

Balance - December 1, 2016	30,153,037.28
Decreased by:	
Bonds Redeemed	(1,809,403.55)
Bonds Refunded (Principal Savings Credit)	<u>(63,000.00)</u>
Balance - November 30, 2017	<u><u>28,280,633.73</u></u>
Current Portion	1,834,148.05
Long-Term Portion	<u>26,446,485.68</u>
	<u><u>28,280,633.73</u></u>

Analysis of Balance:

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2006A
TRUST AGREEMENT SCHEDULE**

Date	Principal	Coupons	Interest	Debt Service
02/01/18			60,843.75	60,843.75
08/01/18	270,000.00	4.000%	60,843.75	330,843.75
02/01/19			55,443.75	55,443.75
08/01/19	280,000.00	4.000%	55,443.75	335,443.75
02/01/20			49,843.75	49,843.75
08/01/20	290,000.00	4.000%	49,843.75	339,843.75
02/01/21			44,043.75	44,043.75
08/01/21	305,000.00	4.125%	44,043.75	349,043.75
02/01/22			37,753.13	37,753.13
08/01/22	315,000.00	4.125%	37,753.12	352,753.12
02/01/23			31,256.25	31,256.25
08/01/23	330,000.00	4.250%	31,256.25	361,256.25
02/01/24			24,243.75	24,243.75
08/01/24	345,000.00	5.000%	24,243.75	369,243.75
02/01/25			15,618.75	15,618.75
08/01/25	360,000.00	4.250%	15,618.75	375,618.75
02/01/26			7,968.75	7,968.75
08/01/26	<u>375,000.00</u>	4.250%	<u>7,968.75</u>	<u>382,968.75</u>
	<u><u>2,870,000.00</u></u>		<u><u>654,031.25</u></u>	<u><u>3,524,031.25</u></u>

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2006B
FUND LOAN REPAYMENT SCHEDULE

<u>Date</u>	<u>Principal</u>
02/01/18	38,865.44
08/01/18	211,334.58
02/01/19	35,416.05
08/01/19	214,272.94
02/01/20	31,838.92
08/01/20	217,083.55
02/01/21	28,134.02
08/01/21	222,960.28
02/01/22	24,115.73
08/01/22	225,329.73
02/01/23	19,965.69
08/01/23	230,761.31
02/01/24	15,486.29
08/01/24	235,863.52
02/01/25	9,976.86
08/01/25	239,935.71
02/01/26	5,090.23
08/01/26	174,960.14
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	2,181,390.99
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**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010 TRUST (UV)
TRUST AGREEMENT SCHEDULE**

<u>Date</u>	<u>Principal</u>	<u>Coupons</u>	<u>Interest</u>	<u>Debt Service</u>
02/01/18			25,065.00	25,065.00
08/01/18	85,000.00	5.000%	25,065.00	110,065.00
02/01/19			22,940.00	22,940.00
08/01/19	85,000.00	4.000%	22,940.00	107,940.00
02/01/20			21,240.00	21,240.00
08/01/20	90,000.00	5.000%	21,240.00	111,240.00
02/01/21			19,440.00	19,440.00
08/01/21	94,000.00	3.000%	19,440.00	113,440.00
02/01/22			17,560.00	17,560.00
08/01/22	95,000.00	4.000%	17,560.00	112,560.00
02/01/23			15,660.00	15,660.00
08/01/23	99,000.00	4.000%	15,660.00	114,660.00
02/01/24			13,680.00	13,680.00
08/01/24	104,000.00	4.000%	13,680.00	117,680.00
02/01/25			11,600.00	11,600.00
08/01/25	109,000.00	4.000%	11,600.00	120,600.00
02/01/26			9,420.00	9,420.00
08/01/26	114,000.00	3.500%	9,420.00	123,420.00
02/01/27			7,140.00	7,140.00
08/01/27	114,000.00	4.000%	7,140.00	121,140.00
02/01/28			4,860.00	4,860.00
08/01/28	119,000.00	4.000%	4,860.00	123,860.00
02/01/29			2,480.00	2,480.00
08/01/29	124,000.00	4.000%	2,480.00	126,480.00
	<u>1,232,000.00</u>		<u>342,170.00</u>	<u>1,574,170.00</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2009 FUND (UV)
FUND LOAN REPAYMENT SCHEDULE**

<u>Date</u>	<u>Principal</u>
02/01/18	30,907.40
08/01/18	61,814.81
02/01/19	30,907.40
08/01/19	61,814.81
02/01/20	30,907.40
08/01/20	61,814.81
02/01/21	30,907.40
08/01/21	61,814.81
02/01/22	30,907.40
08/01/22	61,814.81
02/01/23	30,907.40
08/01/23	61,814.81
02/01/24	30,907.40
08/01/24	61,814.81
02/01/25	30,907.40
08/01/25	61,814.81
02/01/26	30,907.40
08/01/26	61,814.81
02/01/27	30,907.40
08/01/27	61,814.81
02/01/28	30,907.40
08/01/28	61,814.81
02/01/29	30,907.40
08/01/29	61,814.79
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	1,112,666.50
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**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010B TRUST (SUPPLEMENTAL)
TRUST AGREEMENT SCHEDULE**

<u>Date</u>	<u>Principal</u>	<u>Coupons</u>	<u>Interest</u>	<u>Debt Service</u>
02/01/18			9,412.50	9,412.50
08/01/18	25,000.00	5.000%	9,412.50	34,412.50
02/01/19			8,787.50	8,787.50
08/01/19	25,000.00	5.000%	8,787.50	33,787.50
02/01/20			8,162.50	8,162.50
08/01/20	23,000.00	5.000%	8,162.50	31,162.50
02/01/21			7,587.50	7,587.50
08/01/21	27,000.00	5.000%	7,587.50	34,587.50
02/01/22			6,912.50	6,912.50
08/01/22	27,000.00	5.000%	6,912.50	33,912.50
02/01/23			6,237.50	6,237.50
08/01/23	27,000.00	5.000%	6,237.50	33,237.50
02/01/24			5,562.50	5,562.50
08/01/24	28,000.00	5.000%	5,562.50	33,562.50
02/01/25			4,862.50	4,862.50
08/01/25	32,000.00	5.000%	4,862.50	36,862.50
02/01/26			4,062.50	4,062.50
08/01/26	32,000.00	5.000%	4,062.50	36,062.50
02/01/27			3,262.50	3,262.50
08/01/27	32,000.00	5.000%	3,262.50	35,262.50
02/01/28			2,542.50	2,542.50
08/01/28	36,000.00	5.000%	2,542.50	38,542.50
02/01/29			1,732.50	1,732.50
08/01/29	36,000.00	5.000%	1,732.50	37,732.50
02/01/30			922.50	922.50
08/01/30	41,000.00	5.000%	922.50	41,922.50
	<u>391,000.00</u>		<u>140,095.00</u>	<u>531,095.00</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010A FUND (SUPPLEMENTAL)
FUND LOAN REPAYMENT SCHEDULE**

Date	Principal
02/01/18	29,355.26
08/01/18	58,710.52
02/01/19	29,355.26
08/01/19	58,710.52
02/01/20	29,355.26
08/01/20	58,710.52
02/01/21	29,355.26
08/01/21	58,710.52
02/01/22	29,355.26
08/01/22	58,710.52
02/01/23	29,355.26
08/01/23	58,710.52
02/01/24	29,355.26
08/01/24	58,710.52
02/01/25	29,355.26
08/01/25	58,710.52
02/01/26	29,355.26
08/01/26	58,710.52
02/01/27	29,355.26
08/01/27	58,710.52
02/01/28	29,355.26
08/01/28	58,710.52
02/01/29	29,355.26
08/01/29	58,710.52
02/01/30	29,355.26
08/01/30	58,710.70
	<u>1,144,855.32</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2015A-1 TRUST
TRUST AGREEMENT SCHEDULE**

<u>Date</u>	<u>Principal</u>	<u>Coupons</u>	<u>Interest</u>	<u>Debt Service</u>
02/01/18			130,050.00	130,050.00
08/01/18	230,000.00	5.000%	130,050.00	360,050.00
02/01/19			124,300.00	124,300.00
08/01/19	245,000.00	5.000%	124,300.00	369,300.00
02/01/20			118,175.00	118,175.00
08/01/20	255,000.00	5.000%	118,175.00	373,175.00
02/01/21			111,800.00	111,800.00
08/01/21	270,000.00	5.000%	111,800.00	381,800.00
02/01/22			105,050.00	105,050.00
08/01/22	280,000.00	5.000%	105,050.00	385,050.00
02/01/23			98,050.00	98,050.00
08/01/23	295,000.00	5.000%	98,050.00	393,050.00
02/01/24			90,675.00	90,675.00
08/01/24	310,000.00	5.000%	90,675.00	400,675.00
02/01/25			82,925.00	82,925.00
08/01/25	325,000.00	5.000%	82,925.00	407,925.00
02/01/26			74,800.00	74,800.00
08/01/26	340,000.00	5.000%	74,800.00	414,800.00
02/01/27			66,300.00	66,300.00
08/01/27	360,000.00	4.000%	66,300.00	426,300.00
02/01/28			59,100.00	59,100.00
08/01/28	375,000.00	4.000%	59,100.00	434,100.00
02/01/29			51,600.00	51,600.00
08/01/29	390,000.00	4.000%	51,600.00	441,600.00
02/01/30			43,800.00	43,800.00
08/01/30	405,000.00	4.000%	43,800.00	448,800.00
02/01/31			35,700.00	35,700.00
08/01/31	420,000.00	4.000%	35,700.00	455,700.00
02/01/32			27,300.00	27,300.00
08/01/32	435,000.00	4.000%	27,300.00	462,300.00
02/01/33			18,600.00	18,600.00
08/01/33	455,000.00	4.000%	18,600.00	473,600.00
02/01/34			9,500.00	9,500.00
08/01/34	475,000.00	4.000%	9,500.00	484,500.00
	<u>5,865,000.00</u>		<u>2,495,450.00</u>	<u>8,360,450.00</u>

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2015A-1 FUND
FUND LOAN REPAYMENT SCHEDULE**

Date	Principal
02/01/18	264,386.68
08/01/18	528,773.36
02/01/19	264,386.68
08/01/19	528,773.36
02/01/20	264,386.68
08/01/20	528,773.36
02/01/21	264,386.68
08/01/21	528,773.36
02/01/22	264,386.68
08/01/22	528,773.36
02/01/23	264,386.68
08/01/23	528,773.36
02/01/24	264,386.68
08/01/24	528,773.36
02/01/25	264,386.68
08/01/25	528,773.36
02/01/26	264,386.68
08/01/26	528,773.36
02/01/27	264,386.68
08/01/27	528,773.36
02/01/28	264,386.68
08/01/28	528,773.36
02/01/29	264,386.68
08/01/29	528,773.36
02/01/30	264,386.68
08/01/30	528,773.36
02/01/31	264,386.68
08/01/31	528,773.36
02/01/32	264,386.68
08/01/32	528,773.36
02/01/33	264,386.68
08/01/33	528,773.36
02/01/34	264,386.68
08/01/34	528,773.60
	<hr/>
	13,483,720.92
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SCHEDULE 6**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY****SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
UNRESERVED
UTILIZING PRECEDING ACCOUNTING METHOD
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	<u>Unreserved</u>
Operating Revenue:	
Service Agreements	\$ 10,833,900.00
Interest - Unrestricted	35,845.38
Miscellaneous	<u>57,774.55</u>
Total Operating Revenue	<u>10,927,519.93</u>
Operating Expenses:	
Salaries and Wages	2,195,973.31
Other Expenses	3,642,971.31
Replacement Fund	1,140,609.00
Capital Improvement Fund	<u>978,495.00</u>
Total Operating Expenses	<u>7,958,048.62</u>
Operating Income	<u>2,969,471.31</u>
Non-Operating Revenue (Expenses):	
Interest Expense	(419,042.02)
Payment of Principal on Bonds	<u>(1,809,403.55)</u>
Total Non-Operating Revenues and (Expenses)	<u>(2,228,445.57)</u>
Net Increase (Decrease) in Retained Earnings Before Transfers	741,025.74
Transfers:	
Other Post-Retirement Benefit Obligation	(94,158.00)
Decrease in Operation and Maintenance Fund	<u>(14,325.00)</u>
Net Increase (Decrease) in Retained Earnings	632,542.74
Retained Earnings - December 1, 2016	<u>6,596,380.87</u>
Retained Earnings - November 30, 2017	\$ <u><u>7,228,923.61</u></u>
Analysis:	
Designated for Subsequent Year's Budget	100,826.00
Undesignated, Available for Use in Future Budgets (Note 12)	<u>7,128,097.61</u>
	\$ <u><u>7,228,923.61</u></u>

NOTE:

This schedule is being generated for management purposes only.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
FIXED ASSET SCHEDULE**

	Direct Cost Original	Indirect Costs	Total Cost	Date Placed In Service	Estimated Useful Life (years)	Beg. Accumulated Depreciation, As Adjusted	Depreciation Expense	Ending Accumulated Depreciation
WASTEWATER TREATMENT PLANT								
Structure	\$ 15,038,176.38	\$ 3,854,735.38	\$ 18,912,911.76	May 1, 1979	75.00	\$ 9,477,470.25	\$ 252,172.16	\$ 9,729,642.41
Equipment *	\$ 13,879,178.45	\$ 3,620,960.40	\$ 17,500,138.85	May 1, 1979	40.00	\$ 16,692,554.63	\$ 444,147.79	\$ 17,136,702.42
SOUTH SIDE PUMPING STATION								
Structure	\$ 1,017,770.30	\$ 300,513.03	\$ 1,318,283.33	May 1, 1979	75.00	\$ 660,606.41	\$ 17,577.11	\$ 678,183.52
Equipment	\$ 501,289.87	\$ 148,013.86	\$ 649,303.73	May 1, 1979	40.00	\$ 610,074.92	\$ 16,232.59	\$ 626,307.51
PIPELINES	\$ 5,676,524.73	\$ 1,333,690.35	\$ 7,210,215.08	July 1, 1980	75.00	\$ 3,500,959.97	\$ 96,136.20	\$ 3,597,096.17
FORCE MAIN, INTERCEPTOR & OUTFALL	\$ 1,479,036.05	\$ 411,229.58	\$ 1,890,265.63	May 1, 1979	75.00	\$ 947,233.09	\$ 25,203.54	\$ 972,436.63
CENTRAL PUMPING STATION								
Structure	\$ 1,290,529.50	\$ 381,048.03	\$ 1,671,577.53	July 1, 1980	75.00	\$ 811,643.75	\$ 22,287.70	\$ 833,931.45
Equipment	\$ 635,633.96	\$ 187,680.35	\$ 823,314.31	July 1, 1980	40.00	\$ 749,559.10	\$ 20,582.86	\$ 770,141.96
PINE BROOK ROAD PIPELINES	\$ 795,919.10	\$ 204,725.18	\$ 1,000,644.28	November 1, 1980	75.00	\$ 481,421.04	\$ 13,341.92	\$ 494,762.96
PINE BROOK ROAD PUMPING STATION								
Structure	\$ 330,773.00	\$ 97,648.72	\$ 428,421.72	November 1, 1980	75.00	\$ 206,118.46	\$ 5,712.29	\$ 211,830.75
Equipment	\$ 168,918.04	\$ 42,095.64	\$ 211,013.68	November 1, 1980	40.00	\$ 190,351.90	\$ 5,275.34	\$ 195,627.24
TOWNSHIP OF FAIRFIELD - SEWERAGE FACILITY								
Structure	\$ 1,203,846.17	\$ 1,203,846.17	\$ 2,407,692.34	May 1, 1979	75.00	\$ 603,260.66	\$ 16,051.28	\$ 619,311.94
Equipment	\$ 592,939.16	\$ 592,939.16	\$ 1,185,878.32	May 1, 1979	40.00	\$ 557,115.78	\$ 14,823.48	\$ 571,939.26
LAND ACQUISITION	\$ 214,303.84	\$ 63,276.67	\$ 277,580.51	May 1, 1979	Unlimited			
BELT FILTER PRESSES	\$ 725,387.22	\$ 183,700.50	\$ 909,087.72	June 1, 1982	40.00	\$ 784,088.13	\$ 22,727.19	\$ 806,815.32
SLUDGE/SEPTAGE FACILITY								
Structure	\$ 213,809.64	\$ 81,336.38	\$ 295,146.22	June 1, 1985	75.00	\$ 123,961.37	\$ 3,935.28	\$ 127,896.65
Equipment	\$ 213,809.65	\$ 81,336.57	\$ 295,146.22	June 1, 1985	40.00	\$ 232,427.71	\$ 7,378.66	\$ 239,806.37
BEAVER BROOK ROAD MANHOLES	\$ 15,000.00	\$ 15,000.00	\$ 30,000.00	July 1, 1980	75.00	\$ 7,283.02	\$ 200.00	\$ 7,483.02
C.O. ANALYZER *	\$ 33,371.10	\$ 33,371.10	\$ 66,742.20	December 1, 1990	10	\$ 33,371.10	\$ -	\$ 33,371.10
COMPACTOR	\$ 30,644.00	\$ 30,644.00	\$ 61,288.00	December 1, 1990	10	\$ 30,644.00	\$ -	\$ 30,644.00
SLIDEGATE	\$ 4,960.00	\$ 4,960.00	\$ 9,920.00	December 1, 1990	10	\$ 4,960.00	\$ -	\$ 4,960.00
STACK EXTENSION *	\$ 6,158.00	\$ 6,158.00	\$ 12,316.00	December 1, 1990	10	\$ 6,158.00	\$ -	\$ 6,158.00
PRBRS INTERCEPTOR - SOUTH	\$ 5,411,212.00	\$ 4,044,718.24	\$ 9,455,930.24	December 1, 1987	40.00	\$ 6,855,549.48	\$ 236,398.26	\$ 7,091,947.74
WASTEWATER TREATMENT PLANT								
Incinerator air permits *	\$ -	\$ 14,522.42	\$ 14,522.42	June 1, 1992	75.00	\$ 14,522.42	\$ -	\$ 14,522.42
Sludge & Septage Facility								
Structure	\$ 75,128.42	\$ 6,950.00	\$ 82,078.42	June 1, 1992	75.00	\$ 26,812.30	\$ 1,094.38	\$ 27,906.68
Equipment	\$ 75,128.43	\$ 6,949.99	\$ 82,078.42	June 1, 1992	40.00	\$ 50,273.02	\$ 2,051.96	\$ 52,324.98
Dechlorination Facilities	\$ 381,089.01	\$ 132,357.56	\$ 513,446.57	June 1, 1993	20.00	\$ 513,446.57	\$ -	\$ 513,446.57
STP Plant Studies	\$ 276,567.45	\$ 276,567.45	\$ 553,134.90	June 1, 1993	75.00	\$ 86,659.97	\$ 3,687.57	\$ 90,347.54
2ND INCINERATOR *	\$ 3,640,682.70	\$ 1,831,754.35	\$ 5,472,437.05	November 1, 1994	15.00	\$ 5,472,437.05	\$ -	\$ 5,472,437.05
2ND INCINERATOR Modifications *	\$ 1,652,123.49	\$ 1,652,123.49	\$ 3,304,246.98	May 31, 2003	7.00	\$ 1,652,123.49	\$ -	\$ 1,652,123.49
GARAGE	\$ 348,568.92	\$ 93,955.80	\$ 442,524.72	November 1, 1995	75.00	\$ 123,906.33	\$ 5,900.33	\$ 129,806.66
GARAGE (Add'l Costs)	\$ 49.23	\$ 49.23	\$ 98.46	December 1, 1996	75.00	\$ 13.17	\$ 0.66	\$ 13.83
GARAGE (MEZZANINE)	\$ 10,645.00	\$ 10,645.00	\$ 21,290.00	December 1, 2000	75.00	\$ 2,270.90	\$ 141.93	\$ 2,412.83
GRIT REMOVAL CHAMBER	\$ 208,409.54	\$ 42,353.96	\$ 250,763.50	November 1, 1995	40.00	\$ 131,650.88	\$ 6,269.09	\$ 137,919.97
GRIT REMOVAL CHAMBER	\$ 4,160.80	\$ 4,160.80	\$ 8,321.60	December 1, 1996	40.00	\$ 2,080.40	\$ 104.02	\$ 2,184.42
ODOR CONTROL PROJECTS	\$ 68,155.96	\$ 68,155.96	\$ 136,311.92	December 1, 1996	10.00	\$ 68,155.96	\$ -	\$ 68,155.96
FRONT GATE	\$ 18,786.19	\$ 18,786.19	\$ 37,572.38	December 1, 1996	10.00	\$ 18,786.19	\$ -	\$ 18,786.19
NOISE ABATEMENT	\$ 3,000.00	\$ 3,000.00	\$ 6,000.00	December 1, 1996	10.00	\$ 3,000.00	\$ -	\$ 3,000.00
MODULAR STORAGE BUILDING	\$ 11,796.31	\$ 11,796.31	\$ 23,592.62	August 1, 2003	20.00	\$ 7,864.25	\$ 589.82	\$ 8,454.07
PNEUMATIC TIRE FORKLIFT	\$ 15,489.00	\$ 15,489.00	\$ 30,978.00	November 1, 2003	5.00	\$ 15,489.00	\$ -	\$ 15,489.00
COPIER	\$ 8,047.00	\$ 8,047.00	\$ 16,094.00	January 1, 2005	5.00	\$ 8,047.00	\$ -	\$ 8,047.00
2006 Ford Utility Truck	\$ 48,500.00	\$ 48,500.00	\$ 97,000.00	September 1, 2005	10.00	\$ 48,500.00	\$ -	\$ 48,500.00
INCINERATOR AND PIPING IMPROVEMENTS *	\$ 94,439.99	\$ 94,439.99	\$ 188,879.98	November 30, 2005	15.00	\$ 94,439.99	\$ -	\$ 94,439.99
BISULFITE FLOWMETER / TRANSMITTER	\$ 10,492.00	\$ 10,492.00	\$ 20,984.00	March 1, 2006	20.00	\$ 5,639.45	\$ 524.60	\$ 6,164.05
THICKENERS FLOWMETER / TRANSMITTER	\$ 6,855.00	\$ 6,855.00	\$ 13,710.00	April 1, 2006	20.00	\$ 3,656.00	\$ 342.75	\$ 3,998.75

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
FIXED ASSET SCHEDULE

	Direct Cost Original	Indirect Costs	Total Cost	Date Placed In Service	Estimated Useful Life (years)	Beg. Accumulated Depreciation, As Adjusted	Depreciation Expense	Ending Accumulated Depreciation
BUILDING MODIFICATION PROJECT	\$ 1,650,127.69		\$ 1,650,127.69	November 30, 2006	75.00	\$ 220,017.01	\$ 22,001.70	\$ 242,018.71
BUILDING EXPANSION STUDY	\$ 21,125.60		\$ 21,125.60	November 30, 2006	75.00	\$ 2,816.72	\$ 281.67	\$ 3,098.39
MAG METER / TRANSMITTER	\$ 5,699.00		\$ 5,699.00	November 30, 2006	20.00	\$ 2,849.50	\$ 284.95	\$ 3,134.45
2006 Ford Truck	\$ 23,779.00		\$ 23,779.00	November 30, 2006	10.00	\$ 23,779.00	\$ -	\$ 23,779.00
OXYGEN DUAL ANALYZER / SENSORS *	\$ 1,514.00		\$ 1,514.00	November 30, 2006	20.00	\$ 1,514.00	\$ -	\$ 1,514.00
COMPRESSOR	\$ 1,005.00		\$ 1,005.00	April 1, 2007	5.00	\$ 1,005.00	\$ -	\$ 1,005.00
ASH LAGOON PROJECT	\$ 82,896.61		\$ 82,896.61	November 30, 2007	20.00	\$ 37,303.47	\$ 4,144.83	\$ 41,448.30
INDICATOR / MAGMETER	\$ 25,045.00		\$ 25,045.00	November 30, 2007	10.00	\$ 22,540.50	\$ 2,504.50	\$ 25,045.00
PILOT ALUM FACILITY	\$ 111,195.91		\$ 111,195.91	November 30, 2007	20.00	\$ 50,038.18	\$ 5,559.80	\$ 55,597.98
LOWER INCINERATOR PHOSPHORUS / FILTRATE PROJECT	\$ 22,296.08		\$ 22,296.08	November 30, 2007	20.00	\$ 10,033.22	\$ 1,114.80	\$ 11,148.02
NITROGEN / PHOSPHORUS ANALYZER	\$ 55,147.69		\$ 55,147.69	November 30, 2008	10.00	\$ 44,118.16	\$ 5,514.77	\$ 49,632.93
PINE BROOK PUMPING STATION UPGRADE	\$ 1,045,958.60		\$ 1,045,958.60	November 30, 2008	40.00	\$ 224,881.12	\$ 26,148.97	\$ 251,030.09
2010 FORD RANGER PICK-UP TRUCK	\$ 16,347.00		\$ 16,347.00	March 23, 2010	7.00	\$ 15,763.21	\$ 583.79	\$ 16,347.00
2010 TOYOTA HIGHLANDER TRUCK	\$ 34,086.00		\$ 34,086.00	April 20, 2010	7.00	\$ 32,381.71	\$ 1,704.29	\$ 34,086.00
DCBM/THM REDUCTION - AMONIA DRIP	\$ 28,801.11		\$ 28,801.11	November 30, 2010	20.00	\$ 8,640.34	\$ 1,440.06	\$ 10,080.40
HVAC PROJECT	\$ 219,669.44		\$ 219,669.44	November 30, 2011	20.00	\$ 54,917.35	\$ 10,983.47	\$ 65,900.82
CPS, SPS & PBPS UPGRADE	\$ 7,836,366.02		\$ 7,836,366.02	November 30, 2011	40.00	\$ 979,545.75	\$ 195,909.15	\$ 1,175,454.90
UV DISINFECTION PROJECT	\$ 8,835,455.72		\$ 8,835,455.72	December 1, 2011	40.00	\$ 1,046,292.48	\$ 220,886.40	\$ 1,267,178.88
TREATMENT PLANT IMPROVEMENTS	\$ 283,746.34		\$ 283,746.34	November 30, 2013	40.00	\$ 21,280.98	\$ 7,093.66	\$ 28,374.64
GOAB SWITCH / SUBSTATION	\$ 40,000.00		\$ 40,000.00	November 30, 2015	1.00	\$ 40,000.00	\$ -	\$ 40,000.00
2017 FORD F250 TRUCK	\$ 36,105.00		\$ 36,105.00	February 1, 2017	7.00		\$ 3,868.39	\$ 3,868.39
GRAND TOTAL	\$ 76,552,893.93	\$ 17,646,330.64	\$ 94,199,224.56			\$ 54,756,304.81	\$ 1,750,915.96	\$ 56,507,220.77

* Impaired Asset

SCHEDULE 8**ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS**

The following officials were in office as of November 30, 2017:

<u>Name</u>	<u>Office</u>	<u>Term Expires January 31</u>
Mr. Raymond T. Kerwin	Chairman	2021
Mr. Richard Phelan	Vice Chairman	2021
Mr. Anthony G. Campisi, Jr.	Secretary	2021
Mr. Robert A. Voorman	Treasurer	2022
Mr. Arthur J. Schmidt	Member	2020
Mr. David A. Runfeldt	Member	2020
Mr. Raymond Verdonik	Member	2018
Mr. Jerry J. Notte	Member	2020
Mr. Robert N. Bongiovanni	Executive Director	
Mott MacDonald	Consulting Engineer	
Cleary Giacobbe Alfieri Jacobs, LLC	Legal Counsel	
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.	Auditors	

The Authority members are insured with the following coverage:

	<u>Amount of Surety Bond</u>
Public Official Liability Bond	\$5,000,000.00

Single Audit Section

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkottz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
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Newton Office
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
P.O. Box 188, Lincoln Boulevard
Lincoln Park, New Jersey 07035

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Pequannock, Lincoln Park and Fairfield Sewerage Authority, as of and for the year ended November 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2018.

Internal Control Over Financial Reporting

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

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



The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
Page 2.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pequannock, Lincoln Park and Fairfield 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ferraioli, Wielkatz, Cerullo & Cova, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 1, 2018

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE AND N.J. OMB CIRCULAR 15-08

The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
P.O. Box 188, Lincoln Boulevard
Lincoln Park, New Jersey 07035

Report on Compliance for Each Major Federal and State Program

We have audited the Pequannock, Lincoln Park and Fairfield Sewerage Authority's compliance with the types of compliance requirements described in the Office of Management and Budget (OMB)'s *Compliance Supplements* and N.J. OMB Circular 15-08 that could have a direct and material effect on each of the Pequannock, Lincoln Park and Fairfield Sewerage Authority's major federal and state programs for the year ended November 30, 2017. The Pequannock, Lincoln Park and Fairfield Sewerage Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Pequannock, Lincoln Park and Fairfield Sewerage Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards, the Uniform Guidance and N.J. OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Pequannock, Lincoln Park and Fairfield Sewerage Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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The Pequannock, Lincoln Park and Fairfield
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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Pequannock, Lincoln Park and Fairfield Sewerage Authority's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Pequannock, Lincoln Park and Fairfield Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended November 30, 2017.

Report on Internal Control Over Compliance

Management of the Pequannock, Lincoln Park and Fairfield Sewerage Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pequannock, Lincoln Park and Fairfield Sewerage Authority's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and N.J. OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pequannock, Lincoln Park and Fairfield Sewerage Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
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Report on Schedule of Expenditures of Federal and State Awards by Uniform Guidance

We have audited the financial statements of the Pequannock, Lincoln Park and Fairfield Sewerage Authority as of and for the year ended November 30, 2017, and have issued our report there dated May 1, 2018 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and N.J. OMB Circular 15-08 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the management and the New Jersey State Department of Community Affairs, other state and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Ferraioli, Wielkatz, Cerullo & Cova, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 1, 2018

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED NOVEMBER 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title/Cluster	CFDA Number	State Agency Account Number	Award	Receipts	Period		Expenditures	Cumulative Expenditures
					From	To		
U.S. Department of Homeland Security: <i>Pass Through New Jersey State Police</i> Disaster Grants - Public Assistance	97.036	066-1200-100-A92	85,726	85,726	12/01/16	11/30/17	-	85,726
U.S. Department of Environmental Protection: <i>Pass Through New Jersey Department of Environmental Protection</i> Capitalization Grants for Clean Water State Revolving Funds Project No: S340880-04 Project No: S340880-04 Principal forgiveness portion Project No: S340880-05 Project No: S340880-05 Principal forgiveness portion	66.458	042-4860-510-009			12/01/16	11/30/17		
			\$ 12,797,785	3,896,792	12/01/16	11/30/17	2,987,914	9,846,433
			\$ 5,713,297	1,322,127	12/01/16	11/30/17	1,013,758	3,340,758
			\$ 2,272,256	687,098	12/01/16	11/30/17	542,832	2,272,256
			\$ 770,944	263,791	12/01/16	11/30/17	214,842	770,944
Total Federal Financial Assistance			6,255,534				4,759,346	16,316,117

See accompanying notes to schedules of Federal and State Awards.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED NOVEMBER 30, 2017

State Funding Department	State Account Number	Award	Receipts	Period		Expenditures	Cumulative Expenditures
				From	To		
<u>Jersey Department of Environmental Protection:</u>							
NJ Environmental Infrastructure Trust Loan Project No: S340880-04 Project No: S340880-05	526-042-4800-006						
		\$ 5,713,297	1,437,614	12/01/16	11/30/17	1,333,891	4,405,730
		\$ 1,014,400	296,393	12/01/16	11/30/17	252,558	1,014,400
Total State Financial Assistance			1,734,007			1,586,449	5,420,130

See accompanying notes to schedules of Federal and State Awards.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
NOVEMBER 30, 2017

NOTE 1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Pequannock, Lincoln Park and Fairfield Sewerage Authority. The Authority is defined in Note 1 to the Authority's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the Schedule of Expenditures of State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the accrual basis of accounting. These bases of accounting are described in Notes 2(A) to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations* and Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Awards and financial assistance are reported in the Authority's basic financial statements on a GAAP basis as follows:

	New Jersey Environmental <u>Trust</u>	New Jersey Environmental <u>Fund</u>	FEMA Hurricane <u>Sandy Grant</u>	<u>Total</u>
Balance - 11/30/16	\$3,274,450.00	\$10,791,140.00	\$	\$14,065,590.00
Grants Awarded			85,725.68	85,725.68
Grants Received	<u>(1,734,007.00)</u>	<u>(6,169,808.00)</u>	<u>(85,725.68)</u>	<u>(7,989,540.68)</u>
Balance - 11/30/17	<u>\$1,540,443.00</u>	<u>\$4,621,332.00</u>	<u>\$</u>	<u>\$6,161,775.00</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. INDIRECT COST RATE

The Pequannock, Lincoln Park and Fairfield Sewerage Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

1. Reportable condition(s) identified that are not considered to be material weaknesses? yes X none reported

2. Material weakness(es) identified? yes X no

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

2. Material weakness(es) identified? yes X no

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .510(a) of the Uniform Guidance? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>66.458</u>	<u>Clean Water State Revolving Fund</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(continued)

Section I - Summary of Auditor's Results, (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____yes _____X_____no

Type of auditor's report issued on compliance for major programs: unmodified

Internal Control over major programs:

1. Reportable condition(s) identified that are not
considered to be material weaknesses? _____yes _____X_____none reported

2. Material weakness(es) identified? _____yes _____X_____no

Any audit findings disclosed that are required to
be reported in accordance with NJ OMB Circular
Letter 15-08? _____yes _____X_____no

Identification of major programs:

GMIS Number(s)

Name of State Program

N/A

N.J. Environmental Infrastructure Trust Fund

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(continued)

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

No matters were reported

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

Status of Prior Year Findings

N/A – There were no prior year audit findings.

PART II

*** * ***

COMMENTS AND RECOMMENDATIONS

YEAR ENDED NOVEMBER 30, 2017

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$40,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

The bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$40,000.

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

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. No violations were discovered.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

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 questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank Pequannock, Lincoln Park and Fairfield Sewerage Authority for their cooperation during the performance of our audit.

Respectfully submitted,

Ferraioli, Wielkatz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants