

THE CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF
THE BOROUGH OF CARLSTADT)
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

THE CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)

CONTENTS

| <u>Page</u> | | <u>Exhibits</u> |
|--|---|------------------|
| 1 | Independent Auditor's Report | |
| <u>REQUIRED SUPPLEMENTARY INFORMATION - PART I</u> | | |
| 4 | Management's Discussion and Analysis | |
| <u>FINANCIAL STATEMENTS</u> | | |
| 13 | Comparative Statement of Net Position | A |
| 15 | Comparative Statement of Revenues, Expenses and Changes in Net Position | B |
| 16 | Comparative Statement of Cash Flows | C |
| 18 | Notes to Financial Statements | |
| <u>REQUIRED SUPPLEMENTARY INFORMATION - PART II</u> | | |
| | | <u>Schedules</u> |
| 41 | Schedule of the Authority's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) | RSI-1 |
| 42 | Schedule of the Authority's Contributions Public Employees' Retirement System (PERS) | RSI-2 |
| 43 | Notes to Required Supplementary Information | |
| <u>SUPPLEMENTARY SCHEDULES</u> | | |
| 44 | Supplemental Schedule of Revenues, Expenses and Changes in Net Position | 1 |
| 45 | Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted and Restricted Accounts | 2 |
| 46 | Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget | 3 |
| 47 | Schedule of Operating Expenses Compared to Budget | 4 |

THE CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)

CONTENTS, (continued)

Page

48 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

50 Schedule of Findings and Questioned Costs

COMMENTS AND RECOMMENDATIONS

52 General Comments

53 Status of Prior Years' Audit Findings and Recommendations



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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Carlstadt Sewerage Authority
429 Hackensack Street
Carlstadt, NJ 07072

Report on the Financial Statements

We have audited the accompanying statements of net position of the Carlstadt Sewerage Authority as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flow for the year 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. The financial statements of the Carlstadt Sewerage Authority as of December 31, 2018 were audited by other auditors whose report dated April 30, 2019 expressed an unmodified opinion.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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.

Unmodified Opinion

In our opinion, the financial position of the Carlstadt Sewerage Authority, as of December 31, 2019, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Audited Financial Statements

The financial statements of the Carlstadt Sewerage Authority as of December 31, 2018 were audited by other auditors whose report dated April 30, 2019 expressed an unmodified opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of the Authority's proportionate share of the net pension liability, schedule of funding progress for the OPEB plan, schedule of employer contributions to the OPEB plan, 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.

Honorable Chairperson and Members of the
Carlstadt Sewerage Authority
Page 3.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplemental schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 accompanying supplementary information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020 on our consideration of the Carlstadt 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 Carlstadt Sewerage Authority's internal control over financial reporting and compliance.

Very truly yours,

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

June 18, 2020

Required Supplementary Information - Part I

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Carlstadt Sewerage Authority (a Component Unit of the Borough of Carlstadt) (the "Authority"), we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended December 31, 2019 and 2018. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Overview of the Financial Statements

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority.

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. 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 a basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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 operations over the past year and can be used to determine whether the Authority has recovered all its costs through its 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.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Financial Highlights

The following data highlights the Authority's finances for the year ended December 31, 2019:

| | | | |
|--|----------|----|-------|
| – Total Net Position increased: | \$17,384 | or | 0.99% |
| – Cash and Investment increased: | 13,078 | or | 0.86 |
| – Net Property, Plant & Equipment decreased: | 14,922 | or | 1.78 |
| – Operating Revenues increased: | 379,282 | or | 33.95 |
| – Operating Expenses decreased: | 14,889 | or | 1.01 |
| – Operating Income increased: | 394,171 | | |

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 net position. The reader can think of the Authority's net position – the difference between assets and deferred outflows and liabilities and deferred inflows of resources – 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.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**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 was \$1,776,864. This is a \$17,384 increase under last year's restated net position of \$1,759,480. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

| | <u>Dec. 31, 2019</u> | <u>Restated Dec. 31, 2018</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|--------------------------------------|----------------------|-----------------------------------|--------------------------|---------------------------|
| Unrestricted Assets | 1,599,202 | 1,519,664 | 79,538 | 5.23 |
| Restricted Assets | 3,858 | 9,971 | (6,113) | (61.31) |
| Net Property, Plant & Equipment | <u>824,821</u> | <u>839,743</u> | <u>(14,922)</u> | (1.78) |
| Total Assets | <u>2,427,881</u> | <u>2,369,378</u> | <u>58,503</u> | |
| Deferred Outflows of Resources | <u>237,881</u> | <u>354,998</u> | <u>(117,117)</u> | |
| Current Liabilities | 65,588 | 61,739 | 3,849 | 6.23 |
| Non-Current Liabilities | <u>565,596</u> | <u>641,552</u> | <u>(75,956)</u> | (11.84) |
| Total Liabilities | <u>631,184</u> | <u>703,291</u> | <u>(72,107)</u> | (10.25) |
| Deferred Inflows of Resources | <u>257,714</u> | <u>261,605</u> | <u>(3,891)</u> | |
| Net Investment in Capital Assets | 824,821 | 839,743 | (14,922) | (1.78) |
| Restricted | 868 | 434 | 434 | 100.00 |
| Unrestricted | <u>951,175</u> | <u>919,303</u> | <u>31,872</u> | 3.47 |
| Total Net position | <u>1,776,864</u> | <u>1,759,480</u> | <u>17,384</u> | 0.99 |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**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 2018 balances in the following table:

Condensed Statement of Net Position

| | <u>Restated Dec. 31, 2018</u> | <u>Dec. 31, 2017</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|----------------------------------|-----------------------------------|----------------------|--------------------------|---------------------------|
| Unrestricted Assets | 1,519,664 | 1,837,472 | (317,808) | (17.30) |
| Restricted Assets | 9,971 | 5,106 | 4,865 | 95.28 |
| Net Property, Plant & Equipment | <u>839,743</u> | <u>826,595</u> | <u>13,148</u> | 1.59 |
| Total Assets | <u>2,369,378</u> | <u>2,669,173</u> | <u>(299,795)</u> | |
| Deferred Outflows of Resources | <u>354,998</u> | <u>414,433</u> | <u>(59,435)</u> | (14.34) |
| Current Liabilities | 61,739 | 69,830 | (8,091) | (11.59) |
| Non-Current Liabilities | 641,552 | <u>705,066</u> | <u>(63,514)</u> | (9.01) |
| Total Liabilities | <u>703,291</u> | <u>774,896</u> | <u>(71,605)</u> | (9.24) |
| Deferred Inflows of Resources | <u>261,605</u> | <u>207,697</u> | <u>53,908</u> | 25.96 |
| Net Investment in Capital Assets | 839,743 | 826,595 | 13,148 | 1.59 |
| Restricted | 434 | | 434 | 100.00 |
| Unrestricted | <u>919,303</u> | <u>1,274,418</u> | <u>(355,115)</u> | (27.86) |
| Total Net position | <u>1,759,480</u> | <u>2,101,013</u> | <u>(341,533)</u> | (16.26) |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Net Position (Continued)

While the *Statement of Net Position* shows the change in financial position of nets assets, 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 \$17,384.

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

| | <u>Dec. 31, 2019</u> | <u>Restated Dec. 31, 2018</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---------------------------------------|----------------------|-----------------------------------|--------------------------|---------------------------|
| Operating Revenues | | | | |
| User Charges | 1,484,164 | 1,117,014 | 367,150 | 32.87 |
| Other Income | <u>12,362</u> | <u>230</u> | <u>12,132</u> | 5,274.78 |
| Total Revenues | <u>1,496,526</u> | <u>1,117,244</u> | <u>379,282</u> | 33.95 |
| Operating Expenses: | | | | |
| Cost of Providing Services | 1,035,795 | 1,050,735 | (14,940) | (1.42) |
| General and Administrative | 401,942 | 402,431 | (489) | (0.12) |
| Depreciation Expenses | <u>25,717</u> | <u>25,177</u> | <u>540</u> | 2.14 |
| Total Operating Expenses | <u>1,463,454</u> | <u>1,478,343</u> | <u>(14,889)</u> | (1.01) |
| Operating Income/(Loss) | 33,072 | (361,099) | 394,171 | (109.16) |
| Non-operating Revenues and (Expenses) | | | | |
| Interest Income | 28,878 | 19,133 | 9,745 | 50.93 |
| Settlement Expense | (45,000) | | (45,000) | |
| Unemployment Insurance Claims – Net | <u>434</u> | <u></u> | <u>434</u> | |
| Total Non-operating Income (Loss) | <u>(15,688)</u> | <u>19,133</u> | <u>(34,821)</u> | (181.99) |
| Prior Period Adjustment | <u></u> | <u>434</u> | <u>(434)</u> | (100.00) |
| Change in Net Position | <u>17,384</u> | <u>(341,532)</u> | <u>358,916</u> | (105.09) |

The Authority's Operating Revenues increased by \$379,282 to \$1,496,526 in 2019 from \$1,117,244 in 2018 primarily due to increases in user charges and connection fees. Nonoperating income (loss) decreased by \$34,821 to \$(15,688) from \$19,133 mainly due to an employee settlement.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Net Position (Continued)

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

| | <u>Restated Dec. 31, 2018</u> | <u>Dec. 31, 2017</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|------------------------------|-----------------------------------|----------------------|--------------------------|---------------------------|
| Operating Revenues | | | | |
| User Charges | 1,117,014 | 1,184,097 | (67,083) | (5.67) |
| Other Income | <u>230</u> | <u>685</u> | <u>(455)</u> | (66.42) |
| Total Revenues | <u>1,117,244</u> | <u>1,184,782</u> | <u>(67,538)</u> | (5.70) |
| Operating Expenses: | | | | |
| Cost of Providing Services | 1,050,735 | 983,734 | 67,001 | 6.81 |
| General and Administrative | 402,431 | 394,240 | 8,191 | 2.08 |
| Depreciation Expenses | <u>25,177</u> | <u>23,261</u> | <u>1,916</u> | 8.24 |
| Total Operating Expenses | <u>1,478,343</u> | <u>1,401,235</u> | <u>77,108</u> | 5.50 |
| Operating Income/(Loss) | (361,099) | (216,453) | (144,646) | 66.83 |
| Non-operating Revenues | | | | |
| Interest Income | <u>19,133</u> | <u>11,302</u> | <u>7,831</u> | 69.29 |
| Total Non-operating Revenues | <u>19,133</u> | <u>11,302</u> | <u>7,831</u> | 69.29 |
| Prior Period Adjustment | <u>434</u> | <u> </u> | <u>434</u> | |
| Change in Net Position | <u>(341,532)</u> | <u>(205,151)</u> | <u>(136,381)</u> | 66.48 |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

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.

The following tables provides a FY 2019 and FY 2018 budget comparison:

**Budget vs. Actual
FY 2019**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------|------------------|------------------|
| Revenues: | | | |
| Operating | \$1,355,400 | 1,496,526 | 141,126 |
| Non-Operating | <u>315,000</u> | <u>329,312</u> | <u>(14,312)</u> |
| | <u>1,670,400</u> | <u>1,825,838</u> | <u>155,438</u> |
| Expenses: | | | |
| Operating | 1,407,890 | 1,412,711 | (4,821) |
| Non-Operating | <u>262,510</u> | <u>300,000</u> | <u>(37,490)</u> |
| | <u>1,670,400</u> | <u>1,712,711</u> | <u>(42,311)</u> |
| Income Before Depreciation and Capital Contributions | <u>0</u> | <u>113,127</u> | <u>(113,127)</u> |

**Budget vs. Actual
FY 2018**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------|------------------|--------------------|
| Revenues: | | | |
| Operating | 1,363,089 | 1,117,244 | (245,845) |
| Non-Operating | <u>965,000</u> | <u>19,133</u> | <u>945,867</u> |
| | <u>2,328,089</u> | <u>1,136,377</u> | <u>(1,191,712)</u> |
| Expenses: | | | |
| Operating | 2,328,089 | 1,478,343 | 849,746 |
| Non-Operating | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>2,328,089</u> | <u>1,478,343</u> | <u>849,746</u> |
| Income Before Depreciation and Capital Contributions | <u>0</u> | <u>(341,966)</u> | <u>341,966</u> |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority, in fulfilling its mission to provide facilities for the disposal of sewage and other wastes within the Borough of Carlstadt, and has invested its resources in pump stations, mains & inceptors, infrastructure and other necessary equipment.

The following table summarizes the changes in capital assets for the years ended December 31, 2019 and 2018:

| | Capital Assets | | |
|--|-----------------------|-----------------------|---------------------------------|
| | <u>FY 2019</u> | <u>FY 2018</u> | <u>Dollar Change</u> |
| Land | 255,255 | 255,255 | 0 |
| Main and Inceptors | 4,222,161 | 4,222,161 | 0 |
| Pump Stations | 1,324,637 | 1,313,842 | 10,795 |
| Machinery and Equipment | 235,358 | 235,358 | 0 |
| Computer Equipment | <u>22,379</u> | <u>22,379</u> | <u>0</u> |
| | 6,059,790 | 6,048,995 | 10,795 |
| Less: Accumulated Depreciation and Amortization | <u>(5,234,969)</u> | <u>(5,209,252)</u> | <u>(25,717)</u> |
| Total Capital Assets | <u>824,821</u> | <u>839,743</u> | <u>(14,922)</u> |
| | <u>FY 2018</u> | <u>FY 2017</u> | <u>Dollar Change</u> |
| Land | 255,255 | 255,255 | 0 |
| Main and Inceptors | 4,222,161 | 4,222,161 | 0 |
| Pump Stations | 1,313,842 | 1,275,517 | 38,325 |
| Machinery and Equipment | 235,358 | 235,358 | 0 |
| Computer Equipment | <u>22,379</u> | <u>22,379</u> | <u>0</u> |
| | 6,048,995 | 6,010,670 | 38,325 |
| Less: Accumulated Depreciation and Amortization | <u>(5,209,252)</u> | <u>(5,184,075)</u> | <u>(25,177)</u> |
| Total Capital Assets | <u>839,743</u> | <u>826,595</u> | <u>13,148</u> |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Capital Debt

At December 31, 2019, the Authority had no capital debt outstanding.

Component Unit

Based upon the criteria of GASB Statements, the Authority is a component unit of the Borough of Carlstadt.

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. Three of the main factors are growth in the Authority's system, new regulations issued by the State and Federal governments and the novel coronavirus (COVID-19) pandemic. While a widespread health crisis has the potential to result in an economic downturn and increase unemployment, the overall economic effects of the COVID-19 are largely unknown.

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, you may contact the Authority's Executive Director at 429 Hackensack Street, Carlstadt, New Jersey 07072 or at (201) 935-2180.

Financial Statements

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARLSTADT)
STATEMENT OF NET POSITION
DECEMBER 31,

| <u>ASSETS</u> | <u>2019</u> | <u>Restated 2018</u> |
|--|---------------------|--------------------------|
| Current Assets: | | |
| Unrestricted: | | |
| Cash and Cash Equivalents | \$ 1,528,612 | \$ 1,509,421 |
| Petty Cash | 100 | 100 |
| Prepaid Expenses | 1,950 | 1,950 |
| Accounts Receivable | 68,540 | 8,193 |
| Total Unrestricted | 1,599,202 | 1,519,664 |
| Restricted: | | |
| Developers Escrow | | |
| Cash and Cash Equivalents | 2,990 | 9,537 |
| Unemployment Reserve | | |
| Cash and Cash Equivalents | 868 | 434 |
| Total Restricted Assets | 3,858 | 9,971 |
| Capital Assets: | | |
| Land | 255,255 | 255,255 |
| Force Mains and Interceptors | 4,222,161 | 4,222,161 |
| Pump Stations | 1,324,637 | 1,313,842 |
| Machinery and Equipment | 235,358 | 235,358 |
| Computer Equipment | 22,379 | 22,379 |
| Less: Accumulated Depreciation | (5,234,969) | (5,209,252) |
| Total Capital Assets | 824,821 | 839,743 |
| TOTAL ASSETS | \$ 2,427,881 | \$ 2,369,378 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Deferred Outflows: | | |
| Deferred Pension-Related Costs | \$ 237,881 | \$ 354,998 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 237,881 | \$ 354,998 |

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

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARLSTADT)
STATEMENT OF NET POSITION
DECEMBER 31,

| | <u>2019</u> | <u>Restated 2018</u> |
|---|---------------------|--------------------------|
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Payable From Unrestricted Assets: | | |
| Accounts Payable - Operations | \$ 41,812 | \$ 19,168 |
| Accounts Payable - Employee Deductions | 38 | 42 |
| Accounts Payable - Pension Related | 20,748 | 32,992 |
| | <u>62,598</u> | <u>52,202</u> |
| Payable From Restricted Assets: | | |
| Accounts Payable - Developers Escrow | 2,990 | 9,537 |
| | <u>65,588</u> | <u>61,739</u> |
| Total Current Liabilities | | |
| | <u>65,588</u> | <u>61,739</u> |
| Non-Current Liabilities: | | |
| Net Pension Liability | 565,596 | 641,552 |
| | <u>565,596</u> | <u>641,552</u> |
| Total Non-Current Liabilities | | |
| | <u>565,596</u> | <u>641,552</u> |
| Total Liabilities | \$ <u>631,184</u> | \$ <u>703,291</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Deferred Inflows: | | |
| Deferred Pension-Related Inflows | \$ 257,714 | \$ 261,605 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ <u>257,714</u> | \$ <u>261,605</u> |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | \$ 824,821 | \$ 839,743 |
| Restricted | | |
| Unemployment Reserve | 868 | 434 |
| Unrestricted: | | |
| Designated | 300,000 | - |
| Undesignated | 651,175 | 919,303 |
| TOTAL NET POSITION | \$ <u>1,776,864</u> | \$ <u>1,759,480</u> |

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

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARLSTADT)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
DECEMBER 31,

EXHIBIT B

| | <u>2019</u> | <u>Restated 2018</u> |
|--|---------------------|--------------------------|
| Operating Revenue: | | |
| Service Charges | \$ 1,484,164 | \$ 1,117,014 |
| Connection Fees | 12,362 | - |
| Delinquent Penalties | - | 230 |
| | <u>1,496,526</u> | <u>1,117,244</u> |
| Total Operating Revenue | | |
| Operating Expenses: | | |
| General and Administrative | 401,942 | 402,431 |
| Cost of Providing Services | 1,035,795 | 1,050,735 |
| Depreciation Expense | 25,717 | 25,177 |
| | <u>1,463,454</u> | <u>1,478,343</u> |
| Total Operating Expenses | | |
| Operating Income | <u>33,072</u> | <u>(361,099)</u> |
| Non-Operating Revenue (Expenses): | | |
| Interest Income | 28,878 | 19,133 |
| Settlement Expense | (45,000) | - |
| Unemployment Ins. Claims - Net | 434 | - |
| | <u>(15,688)</u> | <u>19,133</u> |
| Non-Operating Income (Loss) | | |
| Change In Net Position | 17,384 | (341,966) |
| Net Position - January 1, | <u>1,759,480</u> | <u>2,101,012</u> |
| Prior Period Adjustment | | |
| Unemployment Reserve | - | 434 |
| | <u>-</u> | <u>434</u> |
| Net Position - December 31, | <u>\$ 1,776,864</u> | <u>\$ 1,759,480</u> |

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

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARLSTADT)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31,

EXHIBIT C
Page 1 of 2

| | <u>2019</u> | <u>Restated 2018</u> |
|---|---------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 1,423,817 | \$ 1,128,984 |
| Cash Received - Other | 12,796 | 29,131 |
| Cash Paid to Vendors and Employees | (1,435,071) | (1,440,428) |
| Cash Paid - Escrow | (6,547) | - |
| Interest Received | 28,878 | 19,133 |
| Cash Payments for Prepaid Expenses | - | (200) |
| Restricted Interest from Developers Escrow | - | 4 |
| Net Cash from Operating Activities | <u>23,873</u> | <u>(263,376)</u> |
| Cash Flows from Financing Activities: | | |
| Acquisition and Construction of Capital Assets | <u>(10,795)</u> | <u>(38,325)</u> |
| Net Cash Flows from Financing Activities | <u>(10,795)</u> | <u>(38,325)</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | <u>13,078</u> | <u>(301,701)</u> |
| Cash and Cash Equivalents at Beginning of Year | <u>1,519,492</u> | <u>1,821,193</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,532,570</u> | <u>\$ 1,519,492</u> |
| Classified As: | | |
| Unrestricted | 1,528,712 | 1,509,521 |
| Restricted: | | |
| Developers Escrow | 2,990 | 9,537 |
| Unemployment Reserve | <u>868</u> | <u>434</u> |
| | <u>\$ 1,532,570</u> | <u>\$ 1,519,492</u> |

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

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARLSTADT)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31,

EXHIBIT C
Page 2 of 2

| | <u>2019</u> | <u>Restated 2018</u> |
|--|------------------|--------------------------|
| Reconciliation of Net Income to Net Cash Provided by Operating Activities: | | |
| Net Operating Income | 33,072 | (361,099) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 25,717 | 25,177 |
| Interest Income | 28,878 | 19,133 |
| Settlement Expense | (45,000) | - |
| Unemployment Ins. Claims - Net | 434 | |
| (Increase) / Decrease in Receivables | (60,347) | 11,441 |
| (Increase) / Decrease in Prepaid Expenses | - | (200) |
| Increase / (Decrease) in Payables | 22,210 | (12,183) |
| Increase / (Decrease) in Pension Contribution Payable | (12,244) | 4,354 |
| Change in Deferred Inflows/Outflows of Resources | 113,226 | 113,343 |
| Increase / (Decrease) in Pension Liability | (75,956) | (63,514) |
| Increase / (Decrease) in Developers Escrow | (6,547) | 4,431 |
| Increase / (Decrease) in Unemployment Reserve | 434 | 434 |
| Increase / (Decrease) in Employee Deductions Payable | (4) | (4,693) |
| Total Adjustments | <u>(9,199)</u> | <u>97,723</u> |
| Net Cash Provided by Operating Activities | <u>\$ 23,873</u> | <u>\$ (263,376)</u> |

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

Notes to Financial Statements

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

1. GENERAL

The Carlstadt Sewerage Authority, County of Bergen, State of New Jersey (the "Authority"), is a political subdivision and public body corporate and politic of the State of New Jersey. It was established pursuant to the Sewerage Authorities Law of New Jersey, constituting chapter 138 of the Pamphlet Laws of 1946 of the State of New Jersey as amended and supplemented. The Local Finance Board approved the creation of the Authority on June 21, 1967. The Authority was created pursuant to the Act.

The Authority was created to construct and operate a wastewater collection system to serve the portion of the Borough of Carlstadt between Berry's Creek and the Hackensack River. The industrial wastewater collected flows through two pumping stations operated by the Authority and is pumped to the Bergen County Utility Authority for treatment. The Authority's customers receive their water from Suez Water. Suez Water provides the Authority with usage amounts that are used to calculate the Authority's annual billings.

The Authority consists of five members and one alternate, who are appointed by resolution of the Mayor and Council for five-year terms. The daily operations of the Authority are managed by the Executive Director.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The financial statements of the 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 CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation, (continued)

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 more significant of the Authority's accounting policies are described below.

On January 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 net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *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 "net investment in capital assets."

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Basis of Accounting

The Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

C. Cash Equivalents

Cash and cash equivalents include money market funds and short-term investments including certificates of deposit, with a maturity of three months or less carried at cost, which approximates market.

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

D. Investments

Investments are stated at fair value.

E. Capital Assets

The cost to construct, acquire or replace an existing asset (or otherwise prolong useful life of an existing asset) is capitalized under the Authority's capitalization policy. The capitalization threshold is \$5,000 and includes equipment valued over \$5,000 or any purchase related to a capital project whose project value exceeds \$5,000.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Capital Assets, (continued)

Capital assets are reported at cost, including all ancillary charges necessary to place the assets in their intended location and condition for use. If land is purchased, the capitalized amount includes the purchase price plus costs such as legal fees, filling and excavation costs incurred to put the land in condition for its intended use. The capitalized amounts for building include both acquisition and capital improvement costs and net construction period interest. An asset is deemed substantially complete when the structure or project is ready for the purpose for which it was constructed.

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

| | |
|--------------------------------|----------|
| Main and Interceptors | 40 years |
| Permanent Pump Station | 40 years |
| Temporary Pump Station | 10 years |
| Machinery and Equipment | 20 years |
| Office Furniture and Equipment | 10 years |
| Computer | 5 years |
| Software | 5 years |

Land and other assets are valued at market value at the time of condemnation which was 1971. Subsequent acquisitions are stated at historical cost. Land includes two pump station sites and right-of-way easements for the Authority's sewer lines.

Capital assets activity for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>2019</u> |
|-------------------------------|------------------|------------------|------------------|------------------|
| Land | \$255,255 | \$ | \$ | \$255,255 |
| Mains and Interceptors | 4,222,161 | | | 4,222,161 |
| Pump Stations | 1,313,842 | 10,795 | | 1,324,637 |
| Machinery Equipment | 235,358 | | | 235,358 |
| Computer Equipment | 22,379 | | | 22,379 |
| | 6,048,995 | 10,795 | | 6,059,790 |
| Less Accumulated Depreciation | (5,209,252) | | 25,717 | (5,234,969) |
| | <u>\$839,743</u> | <u>\$10,795</u> | <u>\$25,717</u> | <u>\$824,821</u> |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Capital Assets, (continued)

| | <u>2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>2018</u> |
|-------------------------------|--------------------|------------------|------------------|--------------------|
| Land | \$255,255 | \$ | \$ | \$255,255 |
| Mains and Interceptors | 4,222,161 | | | 4,222,161 |
| Pump Stations | 1,275,517 | 38,325 | | 1,313,842 |
| Machinery Equipment | 235,358 | | | 235,358 |
| Computer Equipment | <u>22,379</u> | | | <u>22,379</u> |
| | 6,010,670 | 38,325 | | 6,048,995 |
| Less Accumulated Depreciation | <u>(5,184,075)</u> | | <u>25,177</u> | <u>(5,209,252)</u> |
| | <u>\$826,595</u> | <u>\$38,325</u> | <u>\$25,177</u> | <u>\$839,743</u> |

F. Leases

The Authority renewed the lease agreement for its office space at \$1,950 per month for 60 months starting January 1, 2018. The future minimum lease payments are as follows:

| <u>Year Ended</u> | <u>Amount</u> |
|-------------------|---------------|
| 2020-2023 | \$23,400/year |

G. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees. Management advises that sick and vacation time must be used by year end.

H. Allowance for Doubtful Account

The Authority does not provide a provision for doubtful accounts since it has the ability to put a lien on any delinquent account over six months.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. 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.

J. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates. Estimates include the useful life of fixed assets which affects the amount reported as depreciation and accumulated depreciation.

K. 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:

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Deferred Outflows and Deferred Inflows of Resources, (continued)

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

L. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 is 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, laws or regulations of other governments.

M. Recent Accounting Pronouncements

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effect for fiscal years beginning after December 15, 2019, though earlier application is encouraged. The Authority does not believe this Statement will have any effect on future financial statements.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Recent Accounting Pronouncements, (continued)

In August 2018, the Government Accounting Standards Board issued GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority does not believe this Statement will have any effect on future financial statements.

In May 2019, the Government Accounting Standards Board issued GASB Statement No. 91, Conduit Debt Obligations. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

In January 2020, the Government Accounting Standards Board issued GASB Statement No. 92, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 93, Replacement of Interbank Offering Rates. The objective of this Statement is to address certain issues with Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, Statement No. 87, *Leases*, as amended and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for fiscal years beginning after June 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Recent Accounting Pronouncements, (continued)

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority does not believe this Statement will have any effect on future financial statements.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings*

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Recent Accounting Pronouncements, (continued)

and Direct Placements; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update—2018; Implementation Guide No. 2019-1, Implementation Guidance Update—2019; Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases; Implementation Guide No. 2019-3, Leases. The requirements of this Statement are effective immediately.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

N. Reclassifications/Restatements

Certain reclassifications have been made to the 2018 amounts to conform with the 2019 financial presentation. The Authority did not previously separate the unemployment reserve as restricted net position.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

3. FINANCIAL REPORTING ENTITY

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Borough of Carlstadt.

4. CASH AND CASH EQUIVALENTS

The Authority's deposit and investment practices are governed by New Jersey State Statute 40A:5-15. GASB Statement No. 3, amended by GASB Statement No. 40, requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

4. CASH AND CASH EQUIVALENTS, (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority mitigates this risk by depositing or investing with public depositories protected from loss under the provisions of the GUDPA.

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. Operating cash, in the form of various checking, and savings accounts, are held in the Authority's name by commercial banking institutions. At December 31, 2019 and 2018, the carrying amount of the Authority's deposits were \$1,532,570 and \$1,519,492, respectively. The bank balances were \$1,590,416 and \$1,527,879, respectively. Of the bank balance, \$500,000 was insured with Federal Deposit Insurance and \$1,090,416 was covered by GUDPA.

As of December 31, 2019 and 2018, cash and cash equivalents of the Authority consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|-------------------------|--------------------|--------------------|
| Petty Cash | \$100 | \$100 |
| Checking Accounts | \$475,870 | 490,312 |
| Certificate of Deposits | <u>1,056,600</u> | <u>1,029,080</u> |
| | <u>\$1,532,570</u> | <u>\$1,519,492</u> |
| Restricted Accounts | \$3,858 | \$9,537 |
| Unrestricted Accounts | <u>1,528,712</u> | <u>1,509,955</u> |
| | <u>\$1,532,570</u> | <u>\$1,519,492</u> |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

5. INVESTMENTS

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 lengths of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The types of allowable investments are Bonds of the United States or of the local unit or school districts of which the local unit is a 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 the Authority may invest in any one issuer; currently Lakeland Bank is the official depository.

6. PENSION PLAN

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).

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.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. PENSION PLAN, (continued)

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 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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 CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. PENSION PLAN, (continued)

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:

| Year <u>Ending</u> | Annual Pension <u>Cost (APC)</u> |
|-----------------------|--|
| 12/31/19 | \$31,120 |
| 12/31/18 | 32,992 |
| 12/31/17 | 28,638 |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Authority reported a liability of \$565,596 and \$641,552 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Authority's proportion was .0031389 percent, which was a decrease of .001868 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Authority recognized pension expense of \$67,754. At December 31, 2019, 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 | \$56,477 | \$196,317 |
| Net difference between projected and actual earnings on pension plan investments | 10,152 | 11,427 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | <u>171,252</u> | <u>49,970</u> |
| Total | <u>\$237,881</u> | <u>\$257,714</u> |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2019) will be recognized as a reduction of the net pension liability in the subsequent year. 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:

| | |
|------|------------|
| 2020 | \$(16,332) |
| 2021 | (52,980) |
| 2022 | (47,308) |
| 2023 | (22,214) |
| 2024 | (2,281) |

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 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2019 and June 30, 2018 are as follows:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|
| Collective deferred outflows of resources | \$3,149,522,616 | \$4,684,852,302 |
| Collective deferred inflows of resources | 7,645,087,574 | 7,646,736,226 |
| Collective net pension liability | 18,018,482,972 | 19,689,501,539 |
| Authority's Proportion | .0031389% | 0.0032583444% |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. 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 collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

| | |
|---------------------------|--|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases: | |
| Through 2026 | 2.00-6.00% (based on years of service) |
| Thereafter | 3.00-7.00% (based on years of service) |
| Investment Rate of Return | 7.00 Percent |

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non- Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2019.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. 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, 2019) 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, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Risk Mitigation Strategies | 3.00% | 4.67% |
| Cash equivalents | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 2.68% |
| Investment grade credit | 10.00% | 4.25% |
| High yield | 2.00% | 5.37% |
| Private credit | 6.00% | 7.92% |
| Real assets | 2.50% | 9.31% |
| Real estate | 7.50% | 8.33% |
| U.S. equity | 28.00% | 8.26% |
| Non-U.S. developed markets equity | 12.50% | 9.00% |
| Emerging markets equity | 6.50% | 11.37% |
| Private equity | 12.00% | 10.85% |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. 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 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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, 2019 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

| | <u>June 30, 2019</u> | | |
|---|----------------------|-----------------------------|----------------|
| | 1% Decrease | At Current Discount Rate | 1% Increase |
| | <u>5.28%</u> | <u>6.28%</u> | <u>7.28%</u> |
| Authority's proportionate share of the pension liability | \$719,392 | \$565,596 | \$443,255 |

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

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

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (the "JIF"). The JIF is a self-administered group of authorities established for the purpose of providing its members the following low cost coverage:

Workers' Compensation/Employer's Liability
General Liability
Property Liability/Boiler and Machinery Liability
Excess Public Employees' Bond/Public Officials' Bond

Members are insured up to \$150,000 for Workers' Compensation, employer's liability, and general liability. Members are also insured for the following: property to \$25,000; boilers and machinery to \$5,000; excess public employees' bond to \$50,000; and excess public officials' bond to \$25,000. In addition to these coverages provided directly by the JIF, the JIF also purchases the following additional insurance policies from independent third party insurers: general liability and automobile liability to \$10,000,000; public officials and employment practices liability to \$3,000,000; property liability to \$150,000,000; and boiler and machinery liability to \$150,000,000.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

7. RISK MANAGEMENT, (continued)

The Authority pays actuarial assessments to the JIF annually. If these assessments prove deficient, additional assessments may be levied. The JIF can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions may be used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Authority is also a member of the Municipal Excess Liability Joint Insurance Fund (the "MEL"). The MEL provides additional coverage above the levels provided by the JIF (and before third party insurance) for the following: employer's liability to \$1,700,000; general liability to \$850,000; automobile liability to \$1,000,000; public officials and employment practice liability to \$2,000,000; excess public employees' bond to \$950,000; and excess public officials' bond to \$1,000,000.

8. DESIGNATED NET POSITION

The Authority in their 2019 budget designated \$300,000 of the unrestricted designated net position for a renewal and replacement reserve fund.

9. UNRESTRICTED/UNDESIGNATED NET POSITION

The Authority's undesignated portion of unrestricted net position was comprised of the following at December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|------------------|------------------|
| Pension Related | \$(585,429) | \$(548,159) |
| Available for Use in Future Budgets | <u>1,236,604</u> | <u>1,467,462</u> |
| | <u>\$651,175</u> | <u>\$919,303</u> |

10. COMMITMENTS AND CONTINGENCIES

The Authority's attorney has informed management that there are no material commitments or contingencies as of the date of this report.

**THE CARLSTADT SEWERAGE AUTHORITY
COUNTY OF BERGEN, STATE OF NEW JERSEY
(A Component Unit of the Borough of Carlstadt)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2019 AND 2018

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 18, 2020, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

On March 9, 2020 Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma among many of the ratepayers of the Carlstadt Sewerage Authority. The Authority has identified several risks as a result of this pandemic, including a possible delay in collection of sewer rents and cash flow shortages as the result of these delayed collection. The Authority will continue to monitor the situation closely.

Required Supplementary Information - Part II

CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

| | Measurement Date Ending June 30, | | | | | | |
|---|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Authority's Proportion of the Net Pension Liability | .003139% | 0.003258% | 0.00302% | 0.00164% | 0.00213% | 0.00209% | 0.00214% |
| Authority's Proportionate Share of the Net Pension Liability | \$565,696 | \$641,552 | \$705,066 | \$486,103 | \$478,474 | \$391,563 | \$409,644 |
| Authority's Covered-Employee Payroll | \$214,423 | \$222,368 | \$219,187 | \$135,304 | \$125,079 | \$143,905 | \$145,143 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll | 263.78% | 289% | 322% | 359% | 383% | 272% | 282% |
| Plan fiduciary net position as a Percentage of the Total Pension Liability | 43.43% | 53.60% | 48.10% | 40.14% | 47.93% | 52.08% | 48.72% |

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.

CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

| | Fiscal Year ended June 30. | | | | | | |
|---|----------------------------|----------|----------|----------|----------|----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Contractual Required Contribution | \$31,120 | \$32,410 | \$28,059 | \$14,581 | \$18,325 | \$17,241 | \$16,150 |
| Contributions in Relation to the Contractually Required Contribution | (31,120) | (32,410) | (28,059) | (14,581) | (18,325) | (17,241) | (16,150) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's Covered-Employee Payroll | 214,423 | 222,368 | 219,187 | 135,304 | 127,079 | 143,905 | \$145,143 |
| Contributions as a Percentage of Authority's Covered-Employee Payroll | 14.51% | 14.57% | 12.80% | 10.78% | 14.42% | 11.98% | 11.13% |

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.

CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)
Notes to Required Supplementary Information
For the Year ended December 31, 2019

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019, in accordance with Paragraph 44 of GASB Statement No. 67.

Supplementary Schedules

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARLSTADT)
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Net Investment in Capital Assets | Restricted Unemployment Reserve | Unrestricted Designated Renewal and Replacement | Undesignated | Total |
|---|--|---------------------------------------|--|--------------|-----------|
| Operating Revenue: | | | | | |
| Service Agreements | | | | 1,484,164 | 1,484,164 |
| Connection Fees | | | | 12,362 | 12,362 |
| Interest - Unrestricted | | | | 28,878 | 28,878 |
| Interest - Restricted | | | | - | - |
| Industrial and Misc. Permits | | | | - | - |
| Total Operating Revenue | - | - | - | 1,525,404 | 1,525,404 |
| Operating Expense: | | | | | |
| Salaries and Wages | | | | 311,784 | 311,784 |
| Fringe Benefits | | | | 125,349 | 125,349 |
| Other Expenses | | | | 1,000,604 | 1,000,604 |
| Depreciation Expense | 25,717 | | | | 25,717 |
| Total Operating Expense | 25,717 | - | - | 1,437,737 | 1,463,454 |
| Operating Income | (25,717) | - | - | 87,667 | 61,950 |
| Non-Operating Revenue (Expense): | | | | | |
| Settlement Expense | | | | (45,000) | (45,000) |
| Unemployment Ins. Claims - Net | | 434 | | | 434 |
| | - | 434 | - | (45,000) | (44,566) |
| Net Income (Loss) Before Transfers | (25,717) | 434 | - | 42,667 | 17,384 |
| Transfers: | | | | | |
| Capital Purchases | 10,795 | | | (10,795) | - |
| Budget Transfers | | | 300,000 | (300,000) | - |
| Other Transfers | | | | | - |
| Increase/(Decrease) in Net Assets | (14,922) | 434 | 300,000 | (268,128) | 17,384 |
| Net Position - January 1, 2019 As Restated | 839,743 | 434 | - | 919,303 | 1,759,480 |
| Net Position - December 31, 2019 | 824,821 | 868 | 300,000 | 651,175 | 1,776,864 |

SCHEDULE 2

**CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF CARLSTADT)
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Restricted</u> | <u>Unrestricted</u> | <u>Total</u> |
|--|---------------------|-------------------------|-------------------------|
| Cash and Cash Equivalents-January 1, 2019 As Restated | 9,971 | 1,509,521 | 1,519,492 |
| Cash Receipts: | | | |
| User Charges | | 1,423,817 | 1,423,817 |
| Connection Fees | | 12,362 | 12,362 |
| Interest Received | | 28,878 | 28,878 |
| Unemployment Ins. Claims - Net | 434 | | 434 |
| Total Cash Receipts | <u>434</u> | <u>1,465,057</u> | <u>1,465,491</u> |
| Cash Disbursements: | | | |
| Operations | | 1,435,071 | 1,435,071 |
| Acquisition of Capital Assets | | 10,795 | 10,795 |
| Escrow | 6,547 | | 6,547 |
| Total Cash Disbursements | <u>6,547</u> | <u>1,445,866</u> | <u>1,452,413</u> |
| Cash and Cash Equivalents-December 31, 2019 | <u><u>3,858</u></u> | <u><u>1,528,712</u></u> | <u><u>1,532,570</u></u> |
| Balance Comprised Of: | | | |
| Cash | <u>3,858</u> | <u>1,528,712</u> | <u>1,532,570</u> |
| | <u><u>3,858</u></u> | <u><u>1,528,712</u></u> | <u><u>1,532,570</u></u> |

SCHEDULE 3

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNITY OF THE BOROUGH OF CARLSTADT)
SUPPLEMENTAL SCHEDULE OF OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019

| | FY 2019 Adopted Budget | FY 2019 Budget As Amended | 2019 Actual | Excess / (Deficit) | Prior Year Actual |
|---|---------------------------------------|--|------------------------|-------------------------------|------------------------------|
| Operating Revenues | | | | | |
| Service Charges | \$ 1,344,400 | \$ 1,344,400 | \$ 1,484,164 | \$ 139,764 | \$ 1,117,014 |
| Connection Fees | 10,000 | 10,000 | 12,362 | 2,362 | - |
| Delinquent Penalties | 1,000 | 1,000 | - | (1,000) | 230 |
| Total Operating Revenues | <u>1,355,400</u> | <u>1,355,400</u> | <u>1,496,526</u> | <u>141,126</u> | <u>1,117,244</u> |
| Non-Operating Revenues | | | | | |
| Interest on Investments | 15,000 | 15,000 | 28,878 | 13,878 | 19,133 |
| Unemployment Ins. Claims - Net | - | - | 434 | 434 | - |
| Retained Earnings Appropriated: | | | | | |
| Unrestricted Accounts | 300,000 | 300,000 | 300,000 | - | 193,072 |
| Total Non-Operating Revenues | <u>315,000</u> | <u>315,000</u> | <u>329,312</u> | <u>14,312</u> | <u>212,205</u> |
| Total Revenue | <u>\$ 1,670,400</u> | <u>\$ 1,670,400</u> | <u>\$ 1,825,838</u> | <u>\$ 155,438</u> | <u>\$ 1,329,449</u> |
| Reconciliation with GAAP | | | | | |
| Actual revenues from budgetary comparison schedule | | | 1,825,838 | | 1,329,449 |
| Unrestricted net assets utilized | | | (300,000) | | (193,072) |
| Total revenues as reported on the statement of revenues, expenditures and changes in net position | | | <u>1,525,838</u> | | <u>1,136,377</u> |

CARLSTADT SEWERAGE AUTHORITY
(A COMPONENT UNITY OF THE BOROUGH OF CARLSTADT)
SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Acct. No. | FY 2019 Adopted Budget | FY 2019 Budget as Amended | Paid Or Charged | Excess / (Deficit) | Prior Year Actual |
|---|--------------|------------------------------|---------------------------------|--------------------|-----------------------|----------------------|
| GENERAL AND ADMINISTRATIVE | | | | | | |
| Personnel | | | | | | |
| Salaries and Wages | | \$ 165,715 | \$ 165,715 | \$ 168,917 | \$ (3,202) | \$ 165,852 |
| Fringe Benefits: | | 81,020 | 81,020 | 64,549 | 16,471 | 111,301 |
| Total Personnel | | <u>246,735</u> | <u>246,735</u> | <u>233,466</u> | <u>13,269</u> | <u>277,153</u> |
| Other Expenses | | | | | | |
| Admin, Conferences, Registrtrion & Dues | | 7,200 | 7,200 | 5,312 | 1,888 | 5,094 |
| Professional Fees | | 73,500 | 73,500 | 92,359 | (18,859) | 78,739 |
| Rent & Office | | 46,435 | 46,435 | 36,069 | 10,366 | 35,733 |
| Insurance & Bond Premium | | 10,500 | 10,500 | 9,710 | 790 | 5,712 |
| Total Other Expenses | | <u>137,635</u> | <u>137,635</u> | <u>143,450</u> | <u>(5,815)</u> | <u>125,278</u> |
| Total General and Administrative | | <u>384,370</u> | <u>384,370</u> | <u>376,916</u> | <u>7,454</u> | <u>402,431</u> |
| COST OF PROVIDING SERVICES | | | | | | |
| Personnel | | | | | | |
| Salaries and Wages: | | \$ 96,818 | \$ 96,818 | \$ 142,867 | \$ (46,049) | \$ 95,625 |
| Fringe Benefits: | | 21,044 | 21,044 | 35,774 | (14,730) | 44,087 |
| Total Personnel | | <u>117,862</u> | <u>117,862</u> | <u>178,641</u> | <u>(60,779)</u> | <u>139,712</u> |
| Other Expenses | | | | | | |
| Repairs, Parts, Supplies & Maintenance | | 20,000 | 20,000 | 35,054 | (15,054) | 29,015 |
| Power and Water | | 14,000 | 14,000 | 5,114 | 8,886 | 10,068 |
| BCUA Annual Fee | | 871,658 | 871,658 | 816,986 | 54,672 | 871,940 |
| Total Other Expenses | | <u>905,658</u> | <u>905,658</u> | <u>857,154</u> | <u>48,504</u> | <u>911,023</u> |
| Total Cost of Providing Services | | <u>1,023,520</u> | <u>1,023,520</u> | <u>1,035,795</u> | <u>(12,275)</u> | <u>1,050,735</u> |
| Non-Operating Appropriations | | | | | | |
| Renewal and Replacement Reserves | | 300,000 | 300,000 | 300,000 | - | - |
| Unrestricted Net Position Utilized | | (37,490) | (37,490) | - | (37,490) | - |
| Total Non-Operating Appropriations | | <u>262,510</u> | <u>262,510</u> | <u>300,000</u> | <u>(37,490)</u> | <u>-</u> |
| Grand Total | | <u>1,670,400</u> | <u>1,670,400</u> | <u>1,712,711</u> | <u>(42,311)</u> | <u>1,453,166</u> |
| Excess(Deficit) of Revenues Over Expenses | | \$ - | \$ - | \$ 113,127 | \$ - | \$ (316,789) |
| Reconciliation of Budgetary Basis to GAAP: | | | | | | |
| Legal Settlement | | | | (45,000) | | |
| Pension Adjustment | | | | (25,026) | | |
| Depreciation Expense | | | | (25,717) | - | (25,177) |
| Total Adjustments | | <u>-</u> | <u>-</u> | <u>(95,743)</u> | <u>-</u> | <u>(25,177)</u> |
| Change In Net Position | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,384</u> | <u>\$ -</u> | <u>\$ (341,966)</u> |

Report Pursuant to Government Auditing Standards



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
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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**

Honorable Chairman and Members of the
Carlstadt Sewerage Authority
429 Hackensack Street
Carlstadt, NJ 07072

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 Carlstadt Sewerage Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Carlstadt 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 Carlstadt Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carlstadt 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.



Honorable Chairman and Members of the
Carlstadt Sewerage Authority
429 Hackensack Street
Carlstadt, NJ 07072

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 Carlstadt 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.

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

June 18, 2020

**THE CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section I - Summary of Auditor's Results

Not Applicable

**THE CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019
(continued)**

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

No matters were reported

General Comments and Recommendations

THE CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S.A 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 (prior to July 1, 2010, the amount was \$29,000), 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.

Our examination of expenditures revealed no individual payment, contract or agreement "for the performance of any work or the furnishing or hiring of any materials or supplies" in excess of the statutory thresholds where bids had not been previously sought by public advertisement or where a resolution had previously been adopted under the provisions of N.J.S.A. 40A:11-6.

Our review of the Authority's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

**THE CARLSTADT SEWERAGE AUTHORITY
(A Component Unit of the Borough of Carlstadt)**

GENERAL COMMENTS, CONTINUED

Status of Prior Years' Audit Findings and Recommendations

A review was performed on all prior year recommendations and corrective action was taken on all items, except those noted with an asterisk "*".

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 or recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank the Carlstadt Sewerage Authority for their cooperation during the performance of our audit.

Respectfully submitted,

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey