

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2018 AND 2017**

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
DECEMBER 31, 2018 AND 2017

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

DECEMBER 31, 2018 AND 2017

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## INTRODUCTORY SECTION

**The Carlstadt Sewerage Authority  
429 Hackensack Street  
Carlstadt, NJ 07072  
201-935-2180**

***Brian Curreri***  
***Executive Director***

April 30, 2019

The Honorable Chairman and Commissioners  
Carlstadt Sewerage Authority  
Carlstadt, New Jersey

State law requires that all local authorities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, I hereby issue the comprehensive annual financial report (CAFR) of the Carlstadt Sewerage Authority, A Component Unit of the Borough of Carlstadt (the "Authority"), for the year ended December 31, 2018.

This report consists of management's representations concerning the finances of the Authority. I believe it is accurate in all material respects, that it is presented in a manner designed to set forth fairly the financial position and results of operations of the Authority as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the Authority's financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the management of the Authority and ultimately with the Board of Commissioners. By utilizing the CAFR format, it is the Authority's intent to facilitate an understanding by the non-financially oriented system user as well as provide all necessary information for the most sophisticated financial observer.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

**Organization of Report**

The CAFR is presented in several sections: Introductory, Financial, Single Audit, Supplementary and Statistical. The Introductory Section includes this transmittal letter, and a list of principal officials. The Financial Section includes the independent auditor's report, MD&A, the financial statements, as well as the notes to the financial statements.

### **Government Structure and Services**

The Authority currently is governed by a five-member board. Members are appointed by the Mayor and Council of the Borough of Carlstadt for terms of five years.

The Authority was created for the purpose of, among other things, constructing and operating a wastewater collection system to serve the portion of the Borough of Carlstadt between Berry's Creek and the Hackensack River. The wastewater collected flows through two pumping stations operated by the Authority and is pumped to the Bergen County Utility Authority for treatment. The flow handled by the Authority is mainly industrial.

### **Internal Accounting Controls**

Management of the Authority is responsible for establishing and maintaining an adequate internal control structure. In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived. All internal control evaluations occur within the above framework. I believe the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions.

### **Basis of Accounting and Measurement Focus**

The Authority's accounting records are maintained on an accrual basis and in accordance with GAAP, as promulgated by the Governmental Accounting Standards Board (GASB). 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.

### **Annual Budget**

The annual budget serves as the foundation for the Authority's financial planning and control. Management prepares a proposed budget, which is presented to the Authority's Finance Committee for review and approval. Prior to adoption by the Authority's Board of Commissioners, these budgets are reviewed and approved by the State of New Jersey Division of Local Government Services.

### **Debt Administration**

As of December 31, 2018, the Authority has no outstanding long-term debt.

### **Economic Condition and Outlook**

The Authority locates in northern New Jersey. This area is experiencing a period of economic stability. Its proximity to employment centers in New York City contributes towards maintaining a stable outlook.

### Cash Management

The Authority strives to keep abreast of current developments and procedures in cash management to insure efficient and profitable use of available cash resources. The investment policy of the Authority is guided in large part by New Jersey Statutes. Cash is deposited in institutions located in New Jersey, which are protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

### Risk Management

The Authority is a member of the New Jersey Utilities Authority Joint Insurance Fund and Municipal Excess Liability Joint Insurance Fund. The joint insurance fund are both an insured and self-administered group of Authorities and/or municipalities established for the purpose of self insuring against property damage, general liability, motor vehicles and equipment liability, and worker's compensation.

### Pension Benefits

All eligible Authority employees and Commissioners participate in the New Jersey Public Employees Retirement System (PERS) or the New Jersey Defined Contribution Retirement Plan. Participants are required to contribute a statutory amount defined by the respective plan.

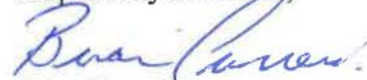
### Annual Independent Audit

The Authority's financial statements have been audited by the accounting firm of Garbarini & Co., P.C., CPAs/RMAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the year ended December 31, 2018 are free of material misstatement. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management; and evaluating the overall presentation of the financial statement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is included in the financial section of this report.

### Acknowledgments

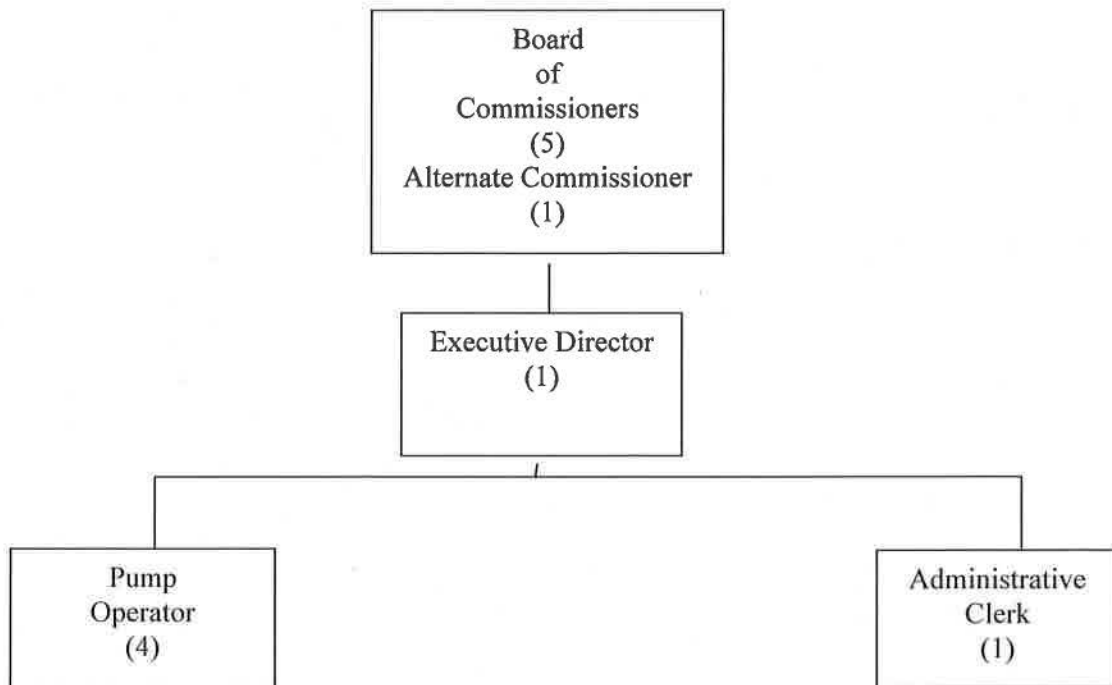
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Authority, as well as its contracted professionals. I would like to express our appreciation to all those who assisted and contributed to the preparation of this report. Credit must also be given to the Chairman and Commissioners of the Authority for their unfailing support for maintaining the highest standards of professionalism in the management of the Authority's finances.

Respectfully submitted,



Brian Curreri  
Executive Director

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
ORGANIZATIONAL CHART  
DECEMBER 31, 2018





THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
ROSTER OF OFFICIALS  
DECEMBER 31, 2018

The following officials and institutions were in office as of December 31, 2018:

Authority Members

Vincent DeSimone	Chairman
Thomas Maloney	Vice-Chairman
Thomas Davis	Secretary/Treasurer
Craig Lahullier	Commissioner
William Roseman	Commissioner (from 02/01/2018)
Joseph Schettino	Commissioner (to 01/31/2018)
Scott Judge	Alternate Commissioner

Other Officials

Brian Curreri	Executive Director
Richard S. Cedzidlo, Esq.	Attorney
Neglia Engineering Associates	Consultant Engineer
Lakeland Bank Carlstadt, New Jersey	Trustee, Registrar, and Paying Agent

The Executive Director and all members of the Authority are covered by Public Officials and Employment Practices Liability insurance in the amount of \$3,000,000 by the New Jersey Utilities Authority Joint Insurance Fund.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Chairman and Commissioners  
Carlstadt Sewerage Authority

### **Report on the Financial Statements**

We have audited the accompanying comparative statement of net position of the Carlstadt Sewerage Authority, County of Bergen, State of New Jersey, A Component Unit of the Borough of Carlstadt, (the "Authority"), as of December 31, 2018 and 2017, and the related comparative statements of revenues, expenses and changes in net position, cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements, present fairly, in all material respects, the comparative statement of net position as of December 31, 2018 and 2017 and the respective statements of revenues, expenses and changes in net position, cash flows, and the related notes to the financial statements for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 11 through 15 and 37 through 38 be presented to supplement the basic financial statement. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing these 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 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the Authority's financial statements. The introductory section, supplementary schedules 1 through 7 and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare these financial statements. The information has been subjected to the auditing procedures applied in the audit of these financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to these financial statements, in accordance with the accounting principles generally accepted in the United States of America.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019, on our consideration of the Authority's internal control over financial reporting and 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 Authority's internal control over financial reporting and compliance.



Paul W. Garbarini, CPA  
Registered Municipal Accountant  
No. 534



Garbarini & Co. P.C.  
Certified Public Accountants

Carlstadt, New Jersey  
April 30, 2019

**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**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Chairman and Commissioners  
Carlstadt Sewerage Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Carlstadt Sewerage Authority, County of Bergen, State of New Jersey, A Component Unit of the Borough of Carlstadt, (the "Authority"), which comprise the statements of financial position as of December 31, 2018 and December 31, 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2019.

**Internal Control Over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective internal controls over financial over financial reporting. In planning and performing our audit, we considered the 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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 Authority's financial statements are free from 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* in the accompanying Audit Findings and Recommendations.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the Authority'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.



Paul W. Garbarini, CPA  
Registered Municipal Accountant  
No. 534



Garbarini & Co. P.C.  
Certified Public Accountants

Carlstadt, New Jersey  
April 30, 2019



THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

This section of the Carlstadt Sewerage Authority, a component unit of the Borough of Carlstadt, (the "Authority's") annual financial report presents management's discussion and analysis of the Authority's financial performance during the year ended December 31, 2018. It is to be read in conjunction with the Authority's financial statements and accompanying notes.

## 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. These financial statements of the Authority are presented in a manner similar to a private business.

### 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 assets that is applicable to a future period (deferred outflows of resources), the acquisition of net assets 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 are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

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



THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

**FINANCIAL HIGHLIGHTS**

The following data highlights the Authority's finances for the year ended December 31, 2018.

- Total Net Position decreased:	\$	(292,137.57)	or	-13.90%
- Cash and Investment decreased:	\$	(301,701.01)	or	-16.57%
- Net Property, Plant & Equipment increased:	\$	13,148.30	or	1.55%
- Operating Revenues decreased:	\$	(67,538.24)	or	-5.70%
- Operating Expenses increased:	\$	77,108.13	or	5.50%
- Operating loss increased:	\$	(145,513.57)	or	-67.23%

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The following table summarizes the changes in position, liabilities and net position for the years ended December 31, 2018, 2017, and 2016:

	2018	2017	2016
Unrestricted Assets	\$ 1,520,097.71	\$ 1,837,472.34	\$ 1,942,202.01
Restricted Assets	9,537.38	5,105.80	2,784.75
Net Property, Plant & Equipment	839,742.73	826,594.43	849,854.99
<b>Total Assets</b>	<b>2,369,377.82</b>	<b>2,669,172.57</b>	<b>2,794,841.75</b>
Deferred Outflows of Resources	354,998.00	414,433.00	133,292.00
Current Liabilities	62,172.96	69,830.14	50,672.59
Noncurrent Liabilities	641,552.00	705,066.00	486,103.00
<b>Total Liabilities</b>	<b>703,724.96</b>	<b>774,896.14</b>	<b>536,775.59</b>
Deferred Inflows of Resources	261,605.00	207,697.00	85,195.00
<b>Net Position:</b>			
Net Investment in Capital Assets	839,742.73	826,594.43	849,854.99
Restricted	-	-	-
Unrestricted	919,303.13	1,274,418.00	1,456,308.17
<b>Total Net Position</b>	<b>\$ 1,759,045.86</b>	<b>\$ 2,101,012.43</b>	<b>\$ 2,306,163.16</b>

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

**FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)**

The Authority's unrestricted assets decreased due to a budgeted use of net assets. Restricted assets increased because of escrow deposits received. Net property, plant & equipment decreased due to depreciation expense. The operating loss was the main reason of the decrease in net position.

**Operating Activities** - The Authority charges a user fee for sewerage disposal and a connection fee for connection to its sewer system. The user rates per 1,000 gallons for the year ended December 31, 2018 was \$8.25. The rates per 1,000 gallons for 2017 was \$7.95 and 2016 was \$7.75. The following table summarizes the changes in revenues, expenses and net position for the years ended December 31, 2018, 2017, and 2016:

	2018	2017	2016
Operating revenues			
User charges	\$ 1,117,014.10	\$ 1,184,096.87	\$ 1,061,024.14
Connection fees	-	-	5,733.14
Other income	229.62	685.09	9,095.80
Total operating revenues	<u>1,117,243.72</u>	<u>1,184,781.96</u>	<u>1,075,853.08</u>
Operating expenses			
Cost of providing services	1,050,735.38	983,733.93	1,039,457.90
General and administrative	402,430.89	394,240.47	397,272.11
Depreciation expense	25,176.82	23,260.56	23,260.56
Total operating expenses	<u>1,478,343.09</u>	<u>1,401,234.96</u>	<u>1,459,990.57</u>
Operating income/(loss)	<u>(361,099.37)</u>	<u>(216,453.00)</u>	<u>(384,137.49)</u>
Non-operating revenues			
Interest income	19,132.80	11,302.27	7,849.95
Total non-operating revenues	<u>19,132.80</u>	<u>11,302.27</u>	<u>7,849.95</u>
Change in Net Position	<u>\$ (341,966.57)</u>	<u>\$ (205,150.73)</u>	<u>\$ (376,287.54)</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  
DECEMBER 31, 2018

**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, 2018, 2017 and 2016:

	2018	2017	2016
Land	\$ 255,255.00	\$ 255,255.00	\$ 255,255.00
Mains and Inceptors	4,222,161.17	4,222,161.17	4,222,161.17
Pump Stations	1,313,842.07	1,275,516.95	1,275,516.95
Machinery Equipment	235,357.75	235,357.75	235,357.75
Computer Equipment	22,378.76	22,378.76	22,378.76
	<u>6,048,994.75</u>	<u>6,010,669.63</u>	<u>6,010,669.63</u>
Less:			
Accumulated Depreciation and Amortization	<u>5,209,252.02</u>	<u>5,184,075.20</u>	<u>5,160,814.64</u>
Net Property, Plant & Equipment	<u>\$ 839,742.73</u>	<u>\$ 826,594.43</u>	<u>\$ 849,854.99</u>

**Capital Debt** - At December 31, 2018, the Authority had no capital debt outstanding.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018

**BUDGETING 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. 2018 Actual 2018 operating revenues did not exceed budgeted operating revenues by (\$38,640.48). Actual operating expenditures exceeded budgeted operating expenditures by (\$85,077.27).

**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. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Carlstadt citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations and grants that it receives. If you have questions about this report or need additional financial information, you may contact the Authority's Executive Director at 429 Hackensack Street, Carlstadt, New Jersey 07072 or at (201) 935-2180.

**SUBSEQUENT EVENTS**

The 2019 Budget was adopted on December 6, 2018.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2018 AND 2017

EXHIBIT A

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,509,854.93	\$ 1,815,987.52
Petty cash	100.00	100.00
Restricted cash for developers escrow account	9,537.38	5,105.80
Prepaid expenses	1,950.00	1,750.00
Net overpayment of payroll deductions - Due from State	-	-
Accounts receivable	8,192.78	19,634.82
	<u>1,529,635.09</u>	<u>1,842,578.14</u>
Property, plant and equipment (net of accumulated depreciation of \$5,184,075.20 at 12/31/18 and \$5,184,075.20 at 12/31/17)	<u>839,742.73</u>	<u>826,594.43</u>
TOTAL ASSETS	<u>\$ 2,369,377.82</u>	<u>\$ 2,669,172.57</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferred outflows	<u>354,998.00</u>	<u>414,433.00</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 19,168.26	\$ 31,351.27
Pension contribution payable	32,992.00	28,638.00
Overpayments of sewer fees	-	0.22
Developers escrow payable	9,537.38	5,105.80
Employee deductions payable	41.85	4,734.85
Unemployment Reserve	433.47	-
Total Current Liabilities	<u>62,172.96</u>	<u>69,830.14</u>
Noncurrent Liabilities:		
Pension liability	<u>641,552.00</u>	<u>705,066.00</u>
Total Noncurrent Liabilities	<u>641,552.00</u>	<u>705,066.00</u>
TOTAL LIABILITIES	<u>\$ 703,724.96</u>	<u>\$ 774,896.14</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferred inflows	<u>261,605.00</u>	<u>207,697.00</u>
NET POSITION		
Net investment in capital assets	\$ 839,742.73	\$ 826,594.43
Restricted - renewal & replacement	-	-
Unrestricted	<u>919,303.13</u>	<u>1,274,418.00</u>
TOTAL NET POSITION	<u>\$ 1,759,045.86</u>	<u>\$ 2,101,012.43</u>

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THE CARLSTADT SEWERAGE AUTHORITY  
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COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
DECEMBER 31, 2018 AND 2017

EXHIBIT B

	2018 Unrestricted	2018 Restricted	2018 Total	2017 Unrestricted	2017 Restricted	2017 Total
Operating revenues						
User charges	\$ 1,117,014.10	\$ -	\$ 1,117,014.10	\$ 1,184,096.87	\$ -	\$ 1,184,096.87
Connection service fees	0.00		0.00	0.00		0.00
Delinquent penalties	229.62		229.62	79.69		79.69
Misc. income			0.00	605.40		605.40
Release of Restricted Net Assets	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total revenues</b>	<b>1,117,243.72</b>	<b>0.00</b>	<b>1,117,243.72</b>	<b>1,184,781.96</b>	<b>0.00</b>	<b>1,184,781.96</b>
Operating expenses						
Administrative and general	402,430.89		402,430.89	394,240.47		394,240.47
Costs of providing services	1,050,735.38		1,050,735.38	983,733.93		983,733.93
Depreciation expense	25,176.82		25,176.82	23,260.56		23,260.56
<b>Total expenses</b>	<b>1,478,343.09</b>	<b>0.00</b>	<b>1,478,343.09</b>	<b>1,401,234.96</b>	<b>0.00</b>	<b>1,401,234.96</b>
<b>Operating income/(loss)</b>	<b>(361,099.37)</b>	<b>0.00</b>	<b>(361,099.37)</b>	<b>(216,453.00)</b>	<b>0.00</b>	<b>(216,453.00)</b>
Non - operating revenue / (expense) transfers						
Interest income	19,132.80		19,132.80	11,302.27		11,302.27
<b>Total non-operating revenue / (expense)</b>	<b>19,132.80</b>	<b>0.00</b>	<b>19,132.80</b>	<b>11,302.27</b>	<b>0.00</b>	<b>11,302.27</b>
<b>Change in Net Position</b>	<b>(341,966.57)</b>	<b>0.00</b>	<b>(341,966.57)</b>	<b>(205,150.73)</b>	<b>0.00</b>	<b>(205,150.73)</b>
<b>Transferred to Restricted/Unrestricted</b>			<b>0.00</b>			
<b>Net Position, Beginning of Year</b>	<b>2,101,012.43</b>	<b>0.00</b>	<b>2,101,012.43</b>	<b>2,306,163.16</b>	<b>0.00</b>	<b>2,306,163.16</b>
<b>Net Position, End of Year</b>	<b>\$ 1,759,045.86</b>	<b>\$ -</b>	<b>\$ 1,759,045.86</b>	<b>\$ 2,101,012.43</b>	<b>\$ -</b>	<b>\$ 2,101,012.43</b>
Net investment in capital assets	\$ 839,742.73	\$ -	\$ 839,742.73	\$ 826,594.43	\$ -	\$ 826,594.43
Restricted - Renewal & Replacement Reserve	-	-	-	-	-	-
Unrestricted	919,303.13		919,303.13	1,274,418.00		1,274,418.00
	<b>\$ 1,759,045.86</b>	<b>\$ -</b>	<b>\$ 1,759,045.86</b>	<b>\$ 2,101,012.43</b>	<b>\$ -</b>	<b>\$ 2,101,012.43</b>

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THE CARLSTADT SEWERAGE AUTHORITY  
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COMPARATIVE STATEMENT OF CASH FLOWS  
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EXHIBIT C

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from User Collections	\$ 1,128,983.82	\$ 1,192,893.55
Cash Received from Connection Fees	0.00	0.00
Cash Received from Users- Delinquent Interest	0.00	79.69
Cash Received from Users- Overpayments	0.00	0.22
Cash Received - Other	29,130.89	10,051.94
Cash Payments for Goods and Services	(1,375,682.92)	(1,279,795.40)
Cash Payments for Prepaid Expenses	(200.00)	(1,750.00)
Cash Payments for Accounts Payable	(64,744.48)	(25,702.56)
Interest Income	19,132.80	11,302.27
Restricted Interest Income from Developers Escrow Account	4.00	0.90
Net cash used by Operating Activities	(263,375.89)	(92,919.39)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(38,325.12)	
Net Cash Provided/(Used) by Capital and Related Financing Activities		
Cash and cash equivalents at beginning of year	1,821,193.32	1,914,112.71
Cash and cash equivalents at end of year	1,519,492.31	1,821,193.32
Less: restricted cash	(9,537.38)	(5,105.80)
Cash and cash equivalents at end of year - Unrestricted	\$ 1,509,954.93	\$ 1,816,087.52

RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH  
USED IN OPERATING ACTIVITIES:

Cash flow from operating activities:

Change in net position	\$ (341,966.57)	\$ (205,150.73)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	25,176.82	23,260.56
Changes in assets and liabilities:		
(Increase) / Decrease in accounts receivable	11,442.04	8,807.78
(Increase) / Decrease in prepaid expenses	(200.00)	
(Increase)/Decrease in net overpayment of payroll deductions	-	681.45
Increase/(decrease) in accounts payable	(12,183.01)	5,648.71
Increase in pension contribution payable	4,354.00	13,486.00
Change in deferred inflows/outflows of resources	113,343.00	(158,639.00)
Increase in pension liability	(63,514.00)	218,963.00
Increase/(decrease) in sewer overpayments	(0.22)	(7,033.06)
Increase/(decrease) in developers escrow payable	4,431.58	2,321.05
Increase/(decrease) in unemployment reserve	433.47	
Increase/(decrease) in employee deductions payable	(4,693.00)	4,734.85
Total adjustments	78,590.68	112,231.34
Net cash used by operating activities	\$ (263,375.89)	\$ (92,919.39)

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**1. AUTHORIZING LEGISLATION AND BOND RESOLUTION**

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting and Measurement Focus*

The financial statements of the Authority have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. Revenues are recognized in the accounting period when they become susceptible to accrual. Expenditures, if measurable, are recognized in the accounting period in which the liability is incurred.

All proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Authority follows GAAP prescribed by the Governmental Standards Accounting Board (GASB) applicable to proprietary funds.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Operating Revenues and Expenses***

Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are sewer user charges and sewer connection fees. All revenues other than nonrecurring miscellaneous revenues are recorded as operating revenues. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities. Operating expenses consist of the costs of providing those services, including depreciation and amortization but excluding interest on debt. All other expenses are reported as non-operating expenses.

***Component Unit***

In evaluating how to define the Authority for financial reporting purposes, management has considered all 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, GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide 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 and commercial properties.

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, management has determined that the Authority has no component units and is a component unit of the Borough of Carlstadt.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgets and Budgetary Accounting***

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Schedules of Revenues and Expenses as compared to Budget. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. Expenses are recorded in accordance with generally accepted accounting principles.

***Inventory***

Materials, supplies and chemicals are expensed when purchased. The Authority does not maintain an inventory of these purchases. The balances on hand at December 31, 2018 were determined not to be material.

***Prepaid Expenses***

Prepaid expenses are recorded on the financial statements if payments were made to vendors for services that would benefit periods beyond the Authority's balance sheet date.

***Allowance for Doubtful Accounts***

Management has reviewed the accounts receivable at December 31, 2018 and December 31, 2017 and determined that no allowance was necessary.

***Deposits***

The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A: 5-15.1(a) that are treated as cash equivalents.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority mitigates this risk by depositing or investing with public depositories protected from loss under the provision of the GUDPA.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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 type of allowable investments are Bonds of the United States of America 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.

*Income Taxes*

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

*Accounting Estimates*

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

*Property, Plant and Capitalization Policy*

The cost to construct, acquire or replace an existing asset (or otherwise prolong the 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.

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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property, Plant and Capitalization Policy (continued)***

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

Mains 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.

***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.

**3. 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:

Year Ended	Amount
2019-2023	\$23,400.00/year

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**4. CASH AND CASH EQUIVALENTS**

The Authority's official depository is Lakeland Bank and as of December 31, 2018 and 2017, none of the Authority's bank balance of \$1,519,492.31 and \$1,817,404.72 was exposed to custodial credit risk.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Unrestricted</u>		
Unrestricted cash	\$ 480,774.41	\$ 804,541.46
Certificate of Deposit	1,029,080.52	1,011,446.06
Petty Cash	100.00	100.00
	<u>1,509,954.93</u>	<u>1,816,087.52</u>
<u>Temporarily Restricted</u>		
Developers escrow account	9,537.38	5,105.80
	<u>9,537.38</u>	<u>5,105.80</u>
 Total cash and cash equivalents	 <u>\$ 1,519,492.31</u>	 <u>\$ 1,821,193.32</u>

**5. PROPERTY, PLANT AND EQUIPMENT**

	Balance <u>December 31, 2018</u>	Balance <u>December 31, 2017</u>
Land	\$ 255,255.00	\$ 255,255.00
Mains and Interceptors	4,222,161.17	4,222,161.17
Pump Stations	1,313,842.07	1,275,516.95
Machinery Equipment	235,357.75	235,357.75
Computer Equipment	22,378.76	22,378.76
	<u>6,048,994.75</u>	<u>6,010,669.63</u>
 Less: Accumulated Depreciation	 <u>(5,209,252.02)</u>	 <u>(5,184,075.20)</u>
 Net Property, Plant and Equipment	 <u>\$ 839,742.73</u>	 <u>\$ 826,594.43</u>

**6. NET POSITION**

Net position represents the difference between the Authority's assets and liabilities. Net position is categorized into three components:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, notes or other borrowings.

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**6. NET POSITION (continued)**

Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

	December 31,	
	2018	2017
Net investment in capital assets	\$ 839,742.73	\$ 826,594.43
Unrestricted	919,303.13	1,274,418.00
 TOTAL NET POSITION	 \$ 1,759,045.86	 \$ 2,101,012.43

**7. PENSION PLANS**

Plan Description - All eligible employees of the Authority are covered by the Public Employees' Retirement System, which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (the "Division"). According to the State of New Jersey Administrative Code, all obligations of the system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Summary of Significant Accounting Policies

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective beginning with the year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

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**7. PENSION PLANS (continued)**

Amendments to and further clarification of GASB 68, include GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB 67 and 68.*, and GASB 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Public Employees' Retirement System (PERS)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Authority reported a liability of \$641,552 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2018 and 2017. At June 30, 2018, the Authority's proportion was 0.003258%, which was an increase of 0.000238% from its proportion measured as of June 30, 2017.

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**7. PENSION PLANS (continued)**

For the year ended December 31, 2018, the Authority recognized pension expense of \$82,943.50. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	June 30, 2018		June 30, 2017	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflow of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflow of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 12,234	\$ 3,308	\$ 16,602	\$ -
Changes of assumptions	105,717	205,134	142,047	141,526
Net difference between projected and actual earnings on pension plan investments		6,018	4,801	-
Changes in proportion and differences between Borough and proportionate share of contributions	236,998	47,145	250,983	66,171
Total	<u>\$ 354,949</u>	<u>\$ 261,605</u>	<u>\$ 414,433</u>	<u>\$ 207,697</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended Dec. 31
2019	\$ 4,449
2020	(6,165)
2021	(44,207)
2022	(38,319)
2023	(12,270)
Total	<u>\$ (96,512)</u>

	6/30/2018	6/30/2017
Collective deferred outflows of resources	\$ 3,619,985,444	\$ 5,396,431,901
Collective deferred inflows of resources	6,581,869,368	4,672,602,040
Collective net pension liability (Non-State-Local Group)	19,689,501,539	23,278,401,588
Authority's portion of net pension liability	641,552	705,066
Borough's proportion %	0.0032583456%	0.0030288420%

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**7. PENSION PLANS (continued)**

*Actuarial assumptions.* The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Inflation:	2.25%
Salary Increases:	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disability Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not conform to these assumptions. To the extent the 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.

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, 2018 AND 2017

**7. PENSION PLANS (continued)**

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments (7.00 % at June 30, 2018) 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buy-outs/venture capital	8.25%	13.08%

*Discount rate.* The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00%, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, 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 50% 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 June 30, 2046. The long-term expected rate of return on plan investments was applied to projected payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

See independent auditor's report

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
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**7. PENSION PLANS (continued)**

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Authority's proportionate share of the net pension liability measured as of June 30, 2018, calculated using the discount rate of 5.66%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(4.66%)</u>	<u>Rate</u> <u>(5.66%)</u>	<u>1% Increase</u> <u>(6.66%)</u>
Authority's proportionate share of the net pension liability	\$ 806,678	\$ 641,552	\$ 503,022

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

PERS Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under disability provisions of PERS. Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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 to 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. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
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DECEMBER 31, 2018 AND 2017

**7. PENSION PLANS (continued)**

**Three – Year Trend Information for PERS**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>
06/30/18	\$ 32,992
06/30/17	\$ 28,059
06/30/16	18,890

***Defined Contribution Retirement Program***

The Defined Contributions Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008, and Chapter 1, P.L. 2010. The program provides eligible members, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation on the DCRP for the office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the PERS. A Governor appointee by an elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

See independent auditor's report

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
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**8. RISK MANAGEMENT**

The Carlstadt Sewerage Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund and Municipal Excess Liability Joint Insurance Fund. The joint insurance funds are both an insured and self-administered group of authorities and/or municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability, and worker's compensation.

The funds provide its members with risk management services, including the defense of and settlement of claims, and establish reasonable and necessary loss reduction and prevention procedures to be followed by the members.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

**9. CONTINGENCIES**

*Litigation*

The Authority is party to various legal proceedings, which normally occur in governmental operations. The management believes that there are no measurable contingent liabilities that should result in a material liability to the Authority, in relation to its financial position.

*Compensated Absences*

Under the existing policies of the Authority, sick time must be used by the end of each year.

**10. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through April 30, 2019, which is the date the financial statements were available to be issued. There have been no events that would have a material effect on the financial statements of the Authority. The 2019 Budget was adopted on December 6, 2018.

See independent auditor's report

**SINGLE AUDIT SECTION**

**There were no federal or state grants received or expended in excess of single audit thresholds for the years ended December 31, 2018 and 2017.**

## **SUPPLEMENTARY INFORMATION**

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS - UNRESTRICTED ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 1

	Revenue Account	Operating Account	Certificate of Deposit	Total
Cash and investments January 1, 2018	\$ 783,801.61	\$ 20,739.85	\$ 1,011,446.06	\$ 1,815,987.52
Cash receipts:				
User charges	1,118,439.98	10,543.84		1,128,983.82
Delinquent interest		-		-
User charge- overpayments		-		-
Interest income	1,366.88	131.46	17,634.46	19,132.80
Miscellaneous Credits- Reimbursements	4,130.89	-		4,130.89
Account Transfers		1,445,000.00	-	1,445,000.00
Total cash receipts	<u>1,123,937.75</u>	<u>1,455,675.30</u>	<u>17,634.46</u>	<u>2,597,247.51</u>
Cash disbursements:				
Operations	122.67	1,354,689.55		1,354,812.22
Fixed Assets		38,325.12		38,325.12
Accounts payable and accrued expenses		64,744.48		64,744.48
Refund of overpayments		298.28		298.28
Prepaid expenses		200.00		200.00
Account Transfers	1,445,000.00		-	1,445,000.00
Total cash disbursements	<u>1,445,122.67</u>	<u>1,458,257.43</u>	<u>-</u>	<u>2,903,380.10</u>
Cash and investments December 31, 2018	<u>\$ 462,616.69</u>	<u>\$ 18,157.72</u>	<u>\$ 1,029,080.52</u>	<u>\$ 1,509,854.93</u>
Balance Comprised of:				
Cash	<u>\$ 462,616.69</u>	<u>\$ 18,157.72</u>	<u>\$ 1,029,080.52</u>	<u>\$ 1,509,854.93</u>
	<u>\$ 462,616.69</u>	<u>\$ 18,157.72</u>	<u>\$ 1,029,080.52</u>	<u>\$ 1,509,854.93</u>

See independent auditor's report and notes to financial statements.



THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS - RESTRICTED ACCOUNTS  
DECEMBER 31, 2018

	Schedule 2
	Developers Escrow
Cash and Investments January 1, 2018	\$ 5,105.80
Cash receipts:	
Customer deposits	25,000.00
Interest income	4.00
Total receipts	<u>25,004.00</u>
Cash disbursements:	
Escrow fees	<u>20,572.42</u>
Cash and investments December 31, 2018	<u><u>\$ 9,537.38</u></u>
Balance Comprised of:	
Cash	<u>\$ 9,537.38</u>
	<u><u>\$ 9,537.38</u></u>

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
DECEMBER 31, 2018

SCHEDULE OF ACCOUNTS RECEIVABLE- USER CHARGES  
AND CONNECTION SERVICE FEES

		Schedule 3
Balance January 1, 2018		\$ 19,634.82
Increased by:		
User charges billed	\$ 1,117,243.72	
		<u>1,117,243.72</u>
		1,136,878.54
Decreased by:		
Collections		
User charges	1,128,983.82	
Overpayments	(298.28)	
Overpayments applied	<u>0.22</u>	
		<u>1,128,685.76</u>
Balance December 31, 2018		<u><u>\$ 8,192.78</u></u>

SCHEDULE OF OVERPAYMENTS- SEWER FEES

		Schedule 4
Balance January 1, 2018		\$ 0.22
Increased by:		
Overpayments received		<u>298.28</u>
		298.50
Decreased by:		
Refund of overpayments	298.28	
Overpayments applied	<u>0.22</u>	
		<u>298.50</u>
Balance December 31, 2018		<u><u>\$ -</u></u>

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
DECEMBER 31, 2018

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	Schedule 5
Balance January 1, 2018	\$ 826,594.43
Increased by: fixed asset additions- Pump Station	\$ 38,325.12
Less: Accumulated depreciation	<u>(25,176.82)</u>
Balance December 31, 2018	<u>\$ 839,742.73</u>

SCHEDULE OF CURRENT ACCOUNTS PAYABLE  
AND ACCRUED EXPENSES FROM UNRESTRICTED NET ASSETS

	Schedule 6
Balance January 1, 2018	\$ 31,351.27
Decreased by: payments	(31,351.27)
Increased by: accounts payable	<u>52,160.26</u>
Balance December 31, 2018	<u>\$ 52,160.26</u>

SCHEDULE OF DEVELOPER'S ESCROW RESERVE

	Schedule 7
Balance January 1, 2018	\$ 5,105.80
Increased by: receipts	25,004.00
Decreased by: disbursements	<u>(20,572.42)</u>
Balance December 31, 2018	<u>\$ 9,537.38</u>

SCHEDULE OF UNEMPLOYMENT RESERVE

	Schedule 7
Balance January 1, 2018	\$ -
Increased by: employee withholdings	433.47
Balance December 31, 2018	<u>\$ 433.47</u>

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
SCHEDULE OF REVENUES COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 8

	Revised Budget 2018	Actual Revenues	Variance Favorable / (Unfavorable)
REVENUES:			
Operating Revenues:			
Unrestricted net assets utilized	\$ 193,072.00	\$ 193,072.00	\$ -
User charges	1,164,017.00	1,117,014.10	(47,002.90)
Connection fees	5,000.00	-	(5,000.00)
Other Operating Revenues	1,000.00	229.62	(770.38)
	<u>1,363,089.00</u>	<u>1,310,315.72</u>	<u>(52,773.28)</u>
Total Operating Revenues			
Non-Operating Revenues:			
Interest on investments	5,000.00	19,132.80	14,132.80
Utilization of Renewal & Replacement Reserve	960,000.00	-	(960,000.00)
	<u>965,000.00</u>	<u>19,132.80</u>	<u>(945,867.20)</u>
Total Non-Operating Revenues			
TOTAL REVENUES	<u>\$ 2,328,089.00</u>	<u>\$ 1,329,448.52</u>	<u>\$ (998,640.48)</u>

**Reconciliation with GAAP:**

Actual revenues from budgetary comparison schedule	\$ 1,329,448.52
Renewal & replacement reserve utilized	
Unrestricted net assets utilized	<u>(193,072.00)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in net position	<u>\$ 1,136,376.52</u>

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
SCHEDULE OF EXPENSES COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 9

	Revised Budget 2018	Actual Expenditures	Variance Favorable / (Unfavorable)
EXPENSES:			
Administrative & General Expenses:			
Salaries and wages	\$ 171,816.00	\$ 165,852.04	\$ 5,963.96
Fringe benefits	65,842.00	111,301.00	(45,459.00)
Other expenses	130,600.00	125,277.85	5,322.15
Total Administrative & General Expenses	368,258.00	402,430.89	(34,172.89)
Operating & Maintenance:			
Salaries and wages	95,625.00	95,625.00	-
Fringe benefits	15,206.00	44,087.60	(28,881.60)
Other expenses	889,000.00	911,022.78	(22,022.78)
Total Operating & Maintenance	999,831.00	1,050,735.38	(50,904.38)
Other Costs Funded by Operating Revenues			
Renewal & Replacement Reserve	960,000.00		960,000.00
TOTAL EXPENSES	<u>\$ 2,328,089.00</u>	<u>\$ 1,453,166.27</u>	<u>\$ 874,922.73</u>

**Reconciliation with GAAP:**

Actual expenses from budgetary comparison schedule	\$ 1,453,166.27
Depreciation expense	25,176.82
Total expenses as reported on the statement of revenues, expenditures and changes in net position	<u>\$ 1,478,343.09</u>

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 10

Salaries, Wages and Fringe Benefits:		
Salaries and wages	\$	116,507.04
Authority members' fees		49,345.00
Fringe benefits:		
Car allowance		6,000.00
Employer's social security / other		12,624.30
Pension		52,610.16
Group insurance plan		40,066.54
		<hr/>
Total Salaries, Wages and Fringe Benefits	\$	277,153.04
		<hr/>
Other Expenses:		
Registration, dues and fees	\$	1,257.50
Conference, seminars, meetings		3,836.56
Attorney - retainer		10,500.00
Engineer - retainer		4,800.00
Professional and consulting fees		40,022.05
Auditing service		16,500.00
Bookkeeping service		6,916.65
Insurance and bond premium		5,711.78
Legal advertising		605.06
Telephone and internet		4,048.09
Office expenses		7,680.16
Office rental		23,400.00
		<hr/>
Total Other Expenses	\$	125,277.85
		<hr/>
Total Administrative and General Expenses	\$	402,430.89
		<hr/>

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
SCHEDULES OF OPERATING AND MAINTENANCE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 11

Operating Salaries, Wages and Fringe Benefits:

Salaries and wages:

Operators	\$	95,625.00
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Fringe benefits:

Car allowance		6,000.00
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Employer's social security / other		7,278.77
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Defined benefit contribution plan		475.49
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Pension		30,333.34
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Total Operating Salaries, Wages and Fringe Benefits	\$	<u>139,712.60</u>
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Other Expenses:

Repairs, parts, and supplies	\$	643.71
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Power and water		10,067.70
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BCUA annual charge		871,940.28
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Sewer maintenance		<u>28,371.09</u>
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Total Other Expenses	\$	<u>911,022.78</u>
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Total Operating and Maintenance Expenses	\$	<u><u>1,050,735.38</u></u>
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See independent auditor's report and notes to financial statements.



**CARLSTADT SEWERAGE AUTHORITY**  
**(A Component Unit of the Borough of Carlstadt)**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**

Schedule 12

**SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Public Employees' Retirement System (PERS)**

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Authority's proportionate of the net pension liability (asset)	0.003258%	0.00302%	0.00164%	0.00213%	0.00209%	0.00214%				
Authority's proportionate share of the net pension liability (asset)	<u>\$ 641,552</u>	<u>\$ 705,066</u>	<u>\$ 486,103</u>	<u>\$ 478,474</u>	<u>\$ 391,563</u>	<u>\$ 409,644</u>				
Authority's covered employee payroll	222,368	219,187	135,304	125,079	143,905	145,143				
Authority's proportionate share of net pension liability (asset) as a percentage of its covered -employee payroll	289%	322%	359%	383%	272%	282%				
Plan fiduciary net position as a percentage of the total pension liability (Local)	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%				

\* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**CARLSTADT SEWERAGE AUTHORITY**  
**(A Component Unit of the Borough of Carlstadt)**  
**LAST TEN FISCAL YEARS ENDED JUNE 30,**  
**Schedule of Authority Pension Contributions**  
**Public Employees' Retirement System (PERS)**

Schedule 13

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution*	\$ 32,410	\$ 28,059	\$ 14,581	\$ 18,325	\$ 17,241	\$ 16,150				
Contributions in relation to the contractually required contributions*	(32,410)	(28,059)	(14,581)	(18,325)	(17,241)	(16,150)				
Contributions deficiency (excess)	-	-	-	-	-	-				
Authority's covered employee payroll	222,368	219,187	135,304	127,079	143,905	145,143				
Contributions as a percentage of covered-employee payroll	14.57%	12.80%	10.78%	14.42%	11.98%	11.13%				

\* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018 AND 2017

SCHEDULE 14

Public Employees' Retirement System (PERS)

*Changes of benefit terms.* 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.

*Changes of assumptions.* Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disability Mortality Table (set back 3 years for males and set forward 1 year for females).

**STATISTICAL SECTION**

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
EXPENDITURES BY FUNCTIONS  
LAST TEN YEARS

Year Ended December 31,	Administration		Cost of Providing Services	Interest on Long-term Debt	Depreciation and Amortization	Municipal Appropriation	Miscellaneous
	Salaries and Benefits	Other Expenses					
2018	\$ 277,153.04	\$ 125,277.85	\$ 1,050,735.38	\$ -	\$ 25,176.82	\$ -	\$ -
2017	279,039.33	115,201.14	983,733.93		23,260.56		
2016	242,804.93	154,467.18	1,039,457.90	-	23,260.56	-	-
2015	180,577.84	225,848.27	785,800.48		25,630.56		
2014	199,946.81	163,833.26	743,115.57	-	21,057.81	-	
2013	243,483.11	133,249.18	817,093.60	-	21,057.81	50,000.00	-
2012	232,412.49	127,217.79	732,625.67	-	21,057.81	50,000.00	-
2011	211,245.10	118,062.06	702,935.54	-	52,191.31	59,000.00	-
2010	201,202.68	149,251.77	710,163.03	4,356.25	139,808.94	59,000.00	-
2009	184,622.40	134,982.45	630,941.09	10,506.25	140,123.81	-	-

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
REVENUES BY SOURCE  
LAST TEN YEARS

<u>Year Ended December 31,</u>	<u>User Fees and Charges</u>	<u>Interest and Penalties</u>	<u>Interest Income</u>	<u>Connection Fees</u>	<u>Other</u>
2018	\$ 1,117,014.10	\$ 229.62	\$ 19,132.80	\$ -	\$ -
2017	1,184,096.87	621.80	7,849.95		605.40
2016	1,061,024.14	621.80	7,849.95	5,733.14	8,474.00
2015	1,065,242.01	2,278.28	4,697.90	5,887.15	5,538.78
2014	1,080,177.02	1,324.53	4,965.48	8,599.31	600.00
2013	1,098,840.23	695.69	5,102.95	24,343.19	51,557.45
2012	971,660.87	1,476.25	5,360.83	29,382.77	2,195.16
2011	1,003,107.37	766.78	6,388.99	39,758.16	8,932.81
2010	926,276.08	1,384.71	16,972.14	51,224.44	-
2009	1,031,394.94	4,265.55	52,824.65	83,273.21	2,425.00

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
USER RATES  
LAST TEN YEARS

<u>Year Ended December 31,</u>	<u>Rate per 1,000 Gallons</u>
2018	8.25
2017	7.95
2016	7.75
2015	7.75
2014	7.75
2013	7.75
2012	7.75
2011	7.75
2010	7.75
2009	7.75

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
PRINCIPAL RATEPAYERS  
DECEMBER 31, 2018

Ratepayer	Carlstadt Service Address	Usage/Year in gallons
Thumann's Inc.	670 Dell Road	17,011,764 gal.
Yoo-Hoo Beverages	600 Commercial Avenue	14,917,855 gal.
JP Morgan Chase	600 Commerce Blvd.	11,416,248 gal.
Tribeca	447 Gotham Parkway	6,009,432 gal.
Hampton Inn (Calandra Enterprise)	304 Paterson Plank Road	5,513,508 gal.
Tribeca Oven	425 Gotham Parkway	4,826,100 gal.
Flex Products	640 Dell Road	4,570,280 gal.
Pantone (Russo Dev)	590 Commerce Boulevard	4,103,528 gal.
Coloredge Inc.	190 Jony Drive	4,812,632 gal.
Union Graphics	350 Michele Place	2,955,348 gal.
Russo Dev.	777 Central Boulevard	2,779,568 gal.
Nishimoto	602 Washington Avenue	2,481,864 gal.
Econolodge Meadowlands	395 Washington Avenue	2,223,804 gal.
Liberty Coca-Cola Beverages LLC	118 Moonachie Avenue	2,123,572 gal.
Citroil Ent	444 Washington Ave	2,095,896 gal.
Tec-Cast	440 Meadow Lane	1,667,292 gal.
Tunnel Barrel & Drum	85 Triangle Boulevard	1,457,104 gal.
Carnegie Deli	605 Washington Avenue	848,232 gal.
		<u>91,814,027 gal.</u>

All above usages were 2017 actual usages.

See independent auditor's report and notes to financial statements.



THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL EXPENDITURES  
LAST TEN YEARS

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenditures</u>	<u>Ratio of Debt Service to Expenditures</u>
2017	\$ -	\$ -	\$ -	\$ 1,478,343.09	\$ -
2016				1,459,990.57	-
2015				1,217,857.15	-
2014				1,127,953.45	-
2013	-	-	-	1,264,883.70	-
2012	-	-	-	1,163,313.76	-
2011	-	-	-	1,143,434.01	-
2010	150,000.00	4,356.25	154,356.25	1,263,782.67	0.12
2009	150,000.00	10,506.25	160,506.25	1,101,176.00	0.15
2008	150,000.00	16,670.83	166,670.83	1,175,224.97	0.14

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
REVENUE BOND COVERAGE  
LAST TEN YEARS

Year Ended December 31,	Operating Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements		
				Principal	Interest	Total
2017	\$ 1,117,243.72	\$ 1,478,343.09	\$ (361,099.37)	\$ -	\$ -	\$ -
2016	924,739.83	1,459,990.57	(535,250.74)	-	-	-
2015	1,078,946.22	1,217,857.15	(138,910.93)	-	-	-
2014	1,090,700.86	1,127,953.45	(37,252.59)	-	-	-
2013	1,175,436.56	1,214,883.70	(39,447.14)	-	-	-
2012	1,004,715.05	1,113,313.76	(108,598.71)	-	-	-
2011	1,052,565.12	1,084,434.01	(31,868.89)	-	-	-
2010	978,885.23	1,198,487.29	(219,602.06)	150,000.00	4,356.25	154,356.25
2009	1,121,358.70	1,088,415.75	32,942.95	150,000.00	10,506.25	160,506.25
2008	1,146,669.19	1,156,300.14	(9,630.95)	150,000.00	16,670.83	166,670.83

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
MISCELLANEOUS STATISTICS  
DECEMBER 31, 2018

Date of Creation - Carlstadt Sewerage Authority	June 21, 1967
Form of Government	Authority
Number of employees (2-FT, 10PT)	12
Number of pump stations	2
Daily average in million of gallons	340,311 gal
Maximum daily capacity of pumping station in million gallons	3,456,000 gal/day
Length of combined sewers in linear feet	63,500 ft.

See independent auditor's report and notes to financial statements.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
AUDIT FINDINGS AND RECOMMENDATIONS  
DECEMBER 31, 2018 AND 2017

Carlstadt Sewerage Authority  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018

Part 1- Summary of Auditor's Results

Financial Statement Section

A) Type of Auditors Report Issued	<u>Unmodified</u>		
B) Internal Control over Financial Reporting			
1) Material weakness identified	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that were not considered to be material weaknesses?	<u>X</u>	<u>Yes</u>	<u>No</u>
C) Noncompliance material to financial statements notes?	<u>Yes</u>	<u>X</u>	<u>No</u>

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
AUDIT FINDINGS AND RECOMMENDATIONS  
DECEMBER 31, 2018 AND 2017

Carlstadt Sewerage Authority  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018

**Part 2 – Schedule of Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*

**Finding 2018-001:**

The total expenditures for budgetary purposes exceeded the total adopted budget.

**Criteria:**

N.J.A.C. 5:31

**Condition/Cause:**

The Authority did not monitor expenditures vs. budget.

**Effect:**

Total expenditures for budgetary purposes exceeded the total adopted budget.

**Recommendation:**

That the Authority monitor expenditures and make any necessary budget amendments if budgetary amounts are not sufficient.

**Management's Response:**

The Authority will monitor budgetary expenditures as compared to budget and make budget amendments when necessary.

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
AUDIT FINDINGS AND RECOMMENDATIONS  
DECEMBER 31, 2018 AND 2017

Carlstadt Sewerage Authority  
Schedule of Findings and Responses  
For the Year Ended December 31, 2018

**Part 2 – Schedule of Financial Statement Findings (continued):**

**Finding 2018-002:**

Authority employees auto allowances were not reported as taxable on the employee's W-2.

**Criteria:**

IRS Publication 463

**Condition/Cause:**

If you are not a member of the Armed Forces reserves, a qualified performing artist, a fee-basis state or local government official, or an employee with impairment-related work expenses, and receive reimbursements in excess of your expenses from your employer's nonaccountable plan, the excess reimbursements should be included in your wages (in box 1 of Form W-2) and reported on line 1 of your Form 1040.

**Effect:**

The auto allowances were not reported correctly on the employee's year end W-2 for 2018.

**Recommendation:**

That the Authority review its auto allowance policy and either institute an accountable plan or include all auto allowances on the respective employee's W-2 as taxable income.

**Management's Response:**

The Authority will review their auto allowance policy and taxability.

**Part 3 – Schedule of Federal and State Award Findings and Questioned Costs**

This Section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including, questioned costs, related to the audit of major federal and state programs, as required by United States OMB uniform guidance and NJ OMB's circular 15-08, as amended.

**Not Applicable**

Carlstadt Sewerage Authority  
Schedule of Findings and Responses (continued)  
For the Year Ended December 31, 2018

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

This section identifies the status of prior year findings related to the financial statements and federal and state awards required to be reported in accordance United States OMB uniform guidance and NJ OMB Circular 15-08.

**There were none.**

THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
SUMMARY OF PRIOR YEAR GENERAL RECOMMENDATIONS  
DECEMBER 31, 2018 AND 2017

**There were none.**



THE CARLSTADT SEWERAGE AUTHORITY  
COUNTY OF BERGEN, STATE OF NEW JERSEY  
(A Component Unit of the Borough of Carlstadt)  
GENERAL COMMENTS AND RECOMMENDATIONS  
DECEMBER 31, 2018 AND 2017

**There are none.**

### Appreciation

We desire to express our appreciation of the assistance and courtesies rendered by the Authority Officials and employees during the course of our audit.

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