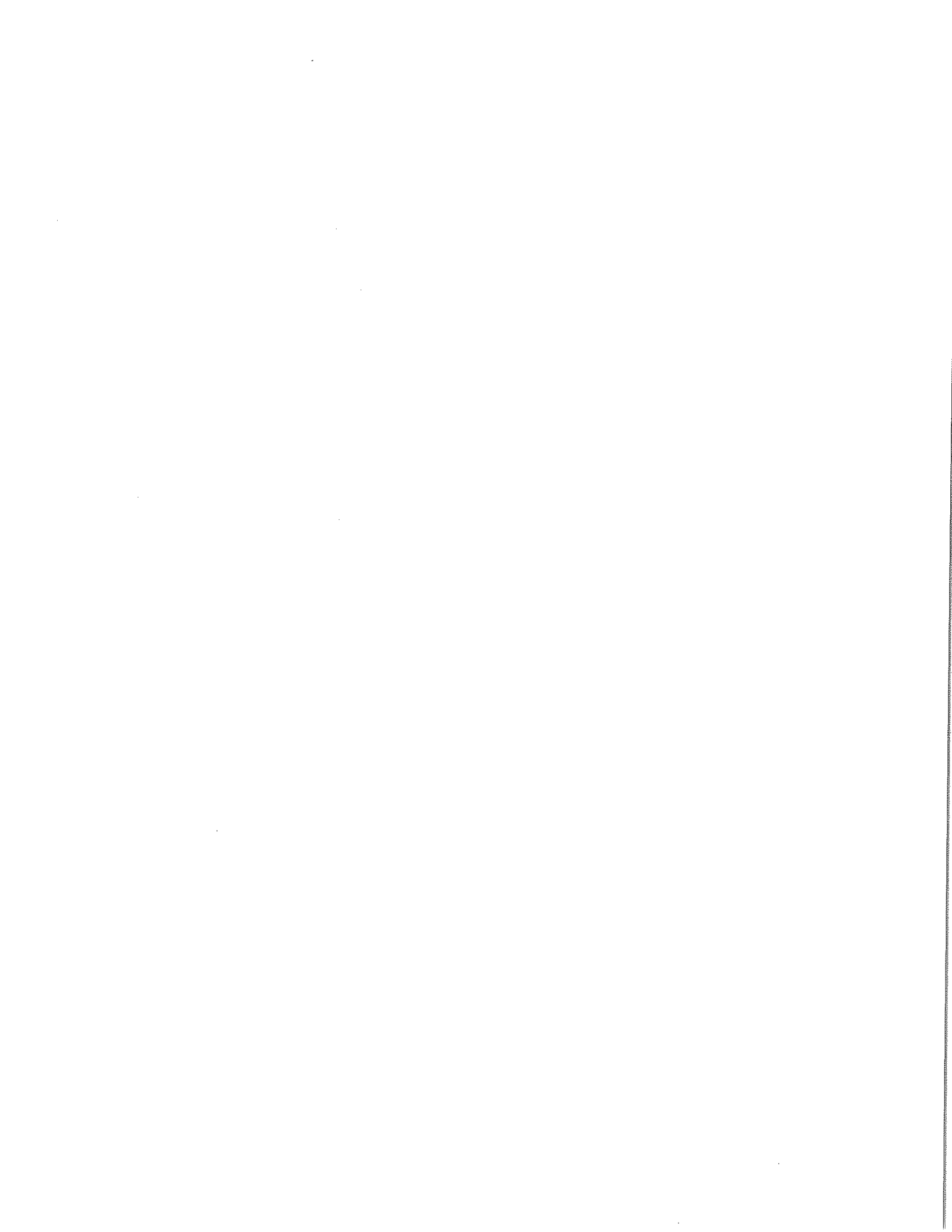


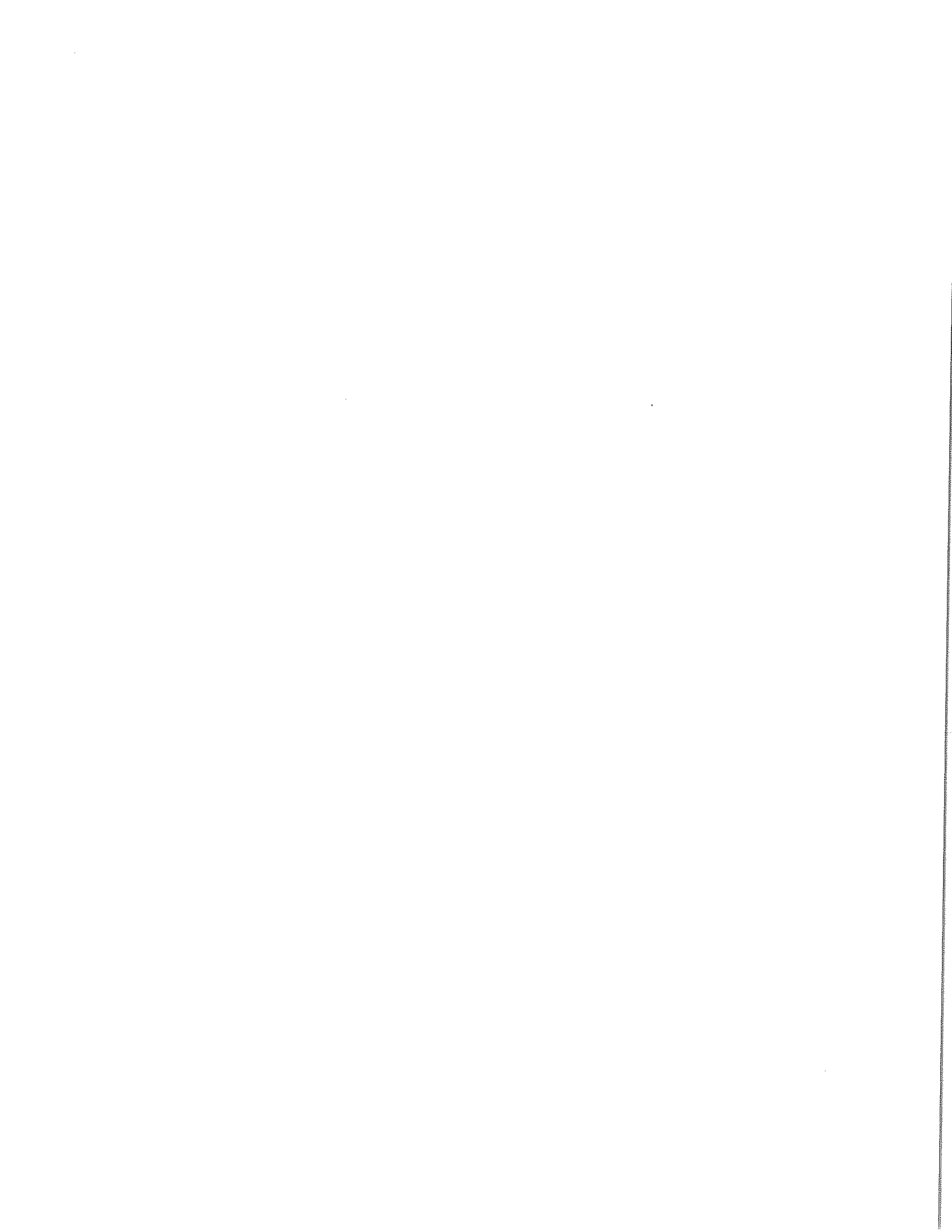
**RIVERSIDE SEWERAGE AUTHORITY
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**



RIVERSIDE WATER RECLAMATION AUTHORITY

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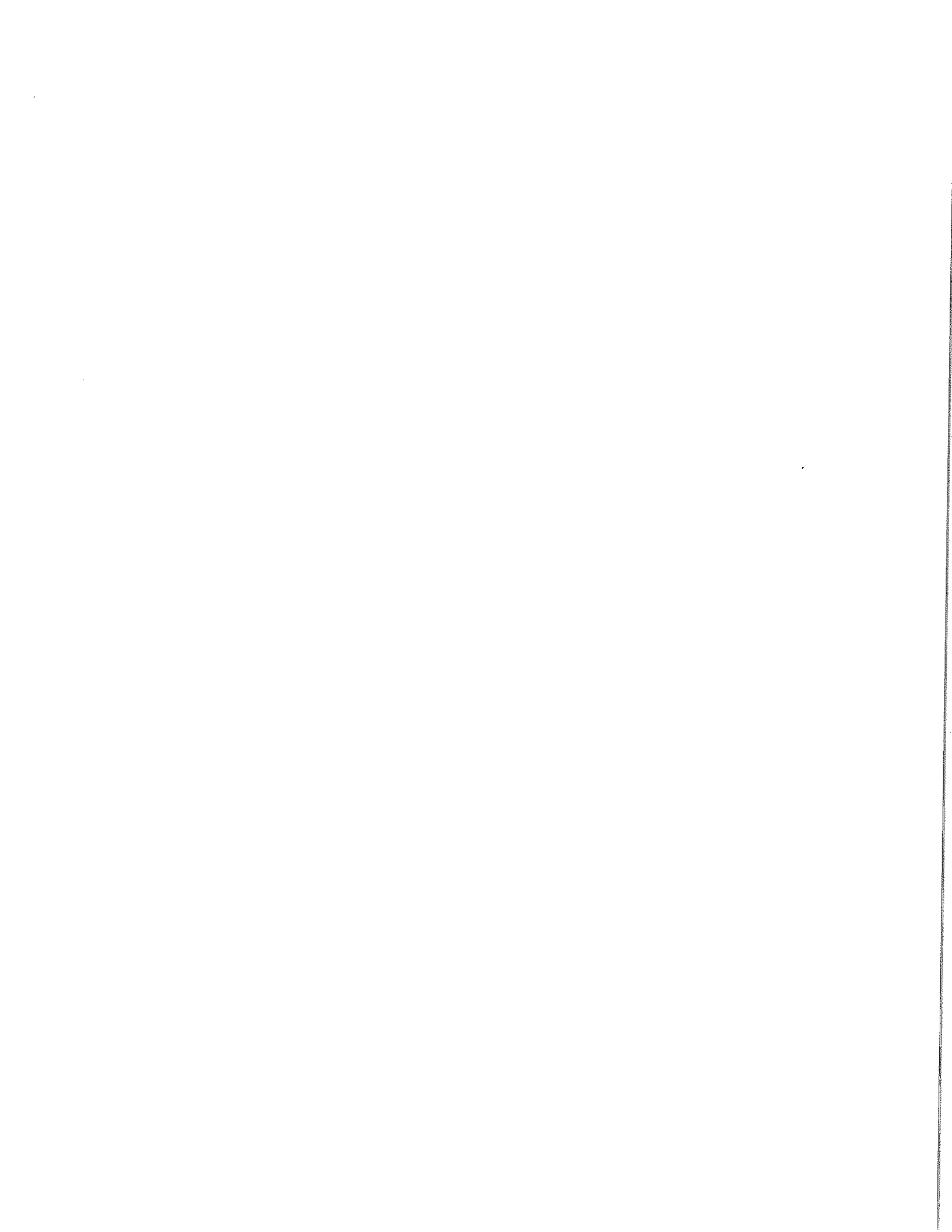


RIVERSIDE WATER RECLAMATION AUTHORITY

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RIVERSIDE SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

AT DECEMBER 31, 2017

MEMBERS

Gary Haman

Richard Horton

Robert Van Meter

George Conard

Ronald Mingin

POSITION

Chairman

Vice Chairman

Member

Member

Member

OFFICERS

Susan Dydek

Meghan Jack

Secretary

Treasurer

CONSULTANTS

Pennoni Associates

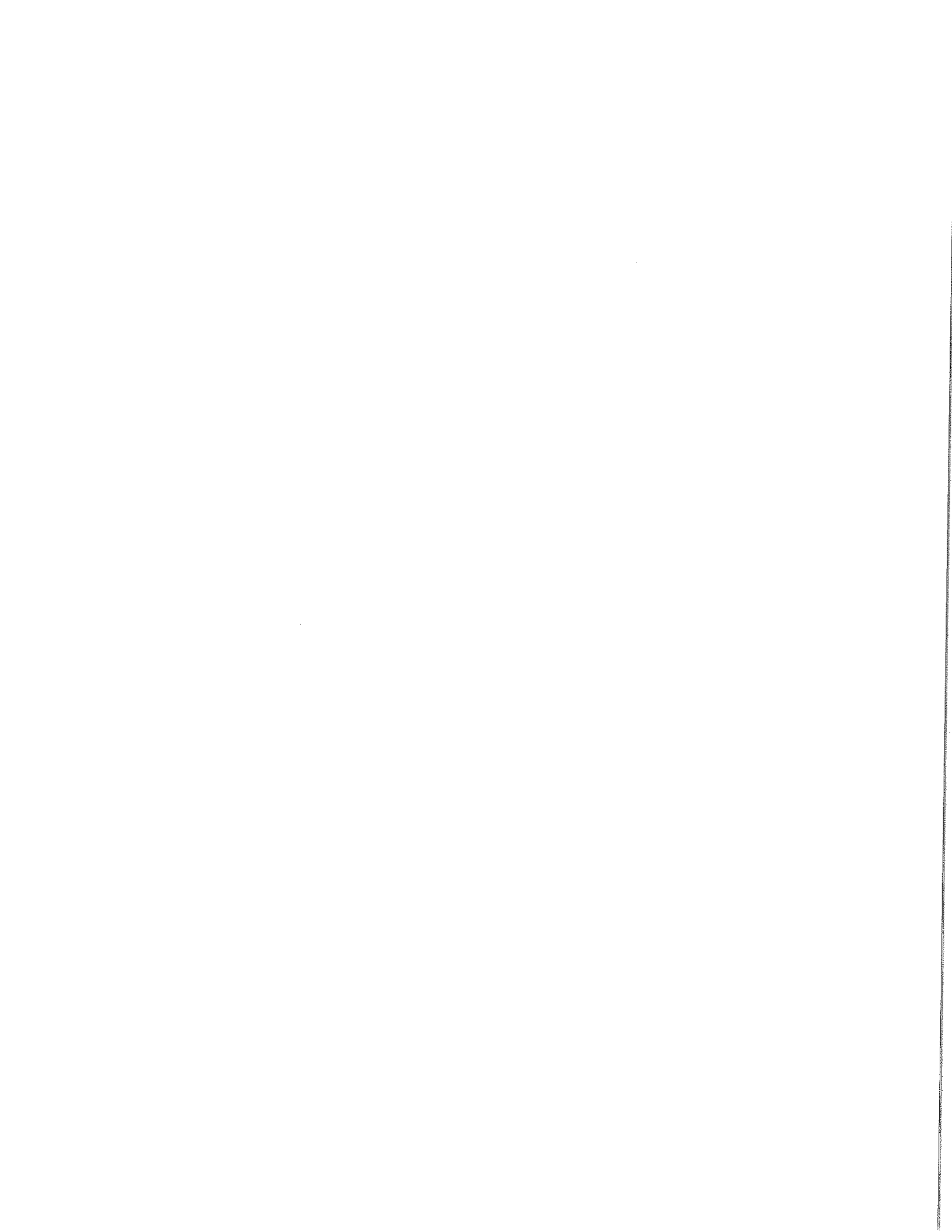
James K. Grace, Esq.

Brent W. Lee & Co., LLC

Engineer

Solicitor

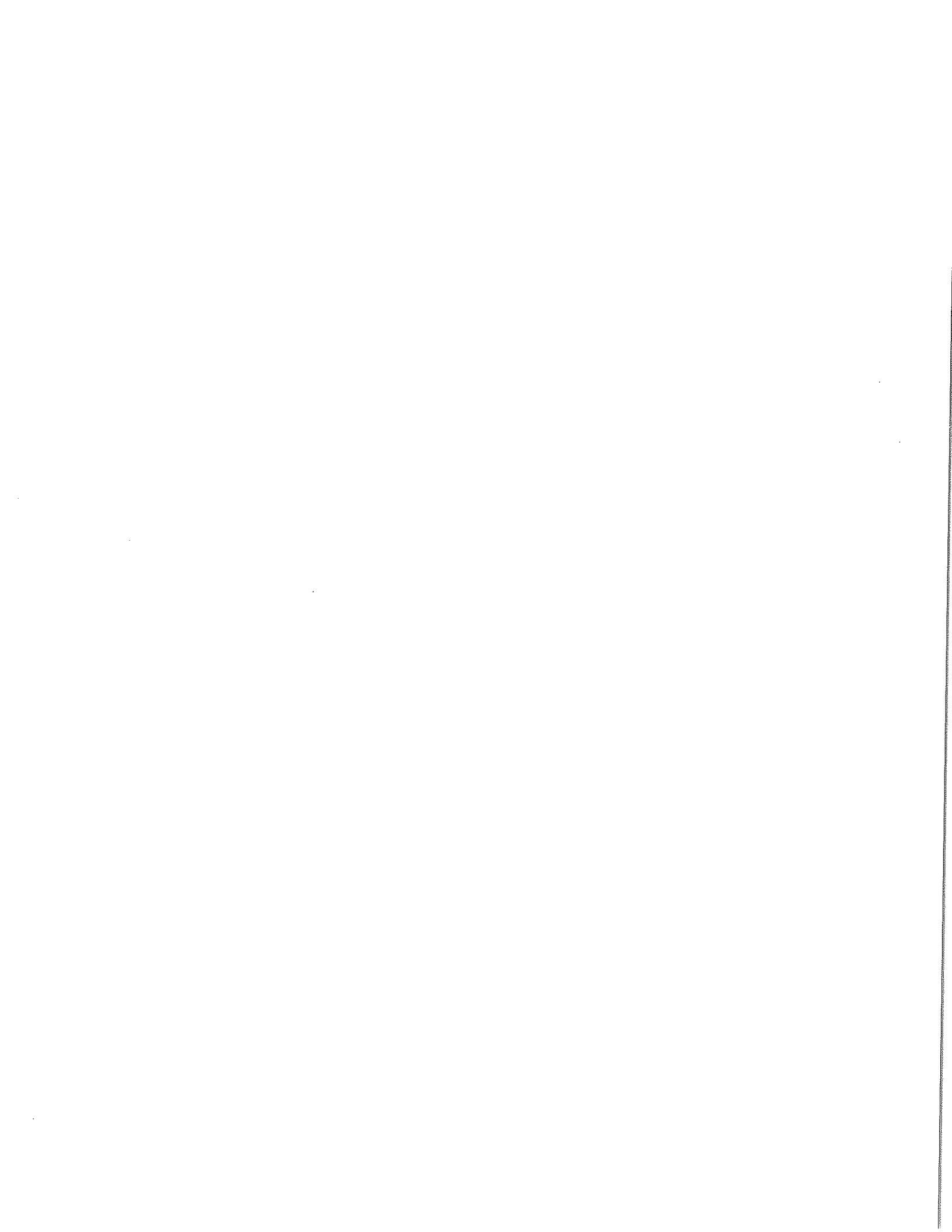
Auditor



**RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)**

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2017





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

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members of the
Riverside Sewerage Authority
County of Burlington
Riverside, New Jersey 08075

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Riverside sewerage Authority, a component unit of Riverside Township, in the County of Burlington, State of New Jersey, as of and for the fiscal years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

609-456-8804
3008 New Albany Rd., Cinnaminson, NJ 08077

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Riverside Sewerage Authority as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated July 20, 2018 on my consideration of the Riverside Sewerage Authority's internal control over financial reporting and on

my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
July 25, 2018

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLAINTS AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Chairman and Members of the
Riverside Sewerage Authority
County of Burlington
Riverside, New Jersey 08075

I have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Riverside Sewerage Authority, County of Burlington, State of New Jersey, as of and for the year ended December 31, 2017, and related notes to the financial statements, which collectively comprise the Riverside Sewerage Authority's basic financial statements and have issued my report thereon dated July 25, 2018.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

may exist that were not identified. I did identify a certain deficiency in internal control that I consider to be a significant deficiency described in the accompanying schedule of General Comments section as Finding 2017-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Riverside Sewerage Authority statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying General Comments section as Finding 2017-01.

The Riverside Sewerage Authority's response to the findings identified in my audit is described in the accompanying schedule of General Comments section. The Riverside Sewerage Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

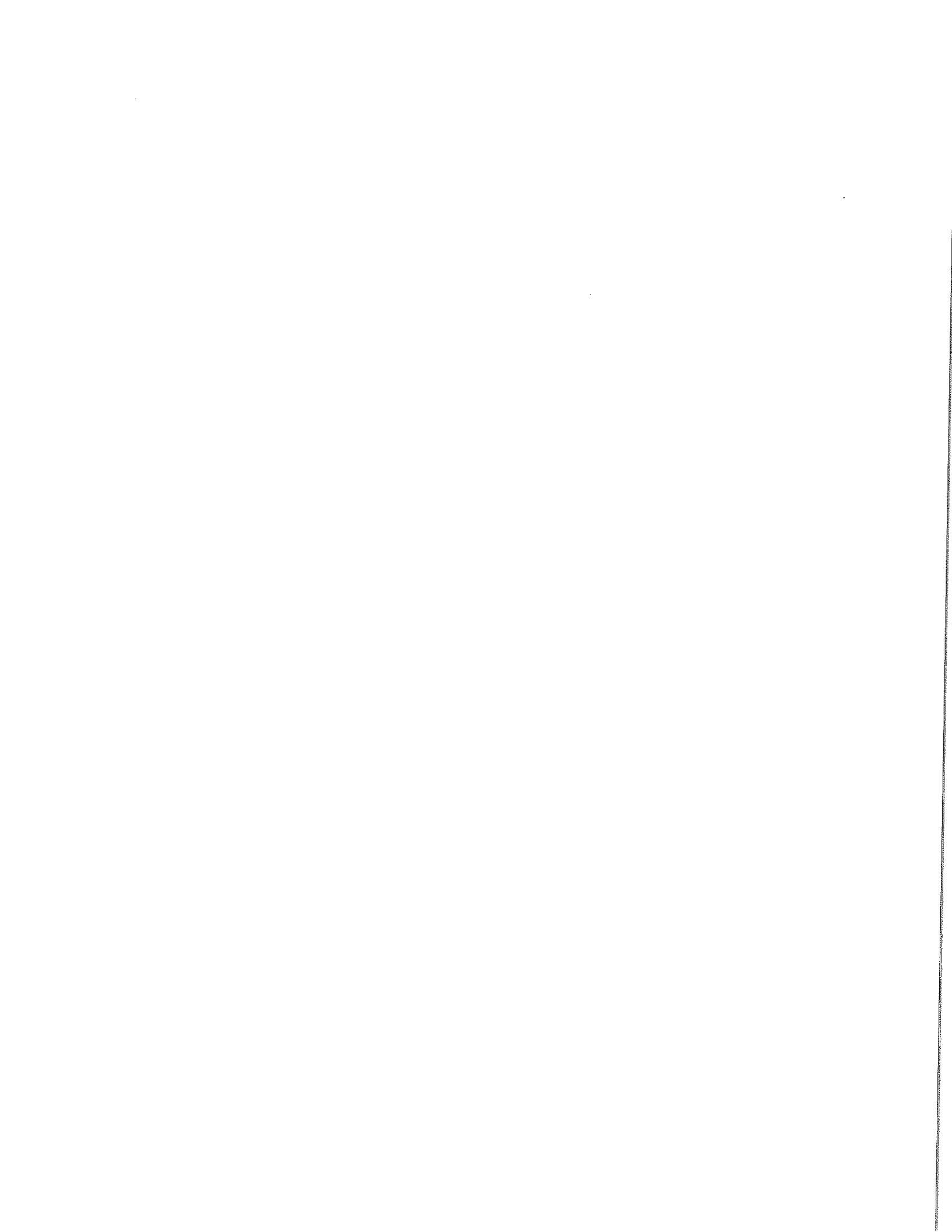


Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
July 25, 2018

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis



**RIVERSIDE SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2017**

The Riverside Sewerage Authority (the Authority) was established by the Township of Riverside for the collection and disposal of Township sewage. The Authority's service area includes the Township and an estimated 500 residences/commercial in Delran Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for fiscal year ending December 31, 2017. The entire annual financial report consists of four parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements and supplemental schedules.

FINANCIAL HIGHLIGHTS

Sewer Rates – Sewer rates remained stable for 2017.

Total Assets - Total assets and deferred outflow of resources at the end of FY 2017 were \$6,439,477.93 after deducting liabilities and deferred inflows of resources net position equals \$3,797,550.94.

Total Operating Revenue- FY 2017 operating revenues totaling \$ 1,958,642.45 were down from last year's amount of \$2,021,877.76, which was mainly due to receiving FEMA assistance in 2016.

Total Operating Expenses – FY 2017 operating expenses of \$1,782,583.18 were decreased from last year's amount of \$1,918,418.69, which is due to a decrease in employee benefits and professional fee expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statement of net position includes all of the Authority's assets, liabilities and deferred inflows and outflows. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statement of changes in net position regardless of when cash is received or paid. Net Position – the residual of all other elements presented in a statement of financial position.

The comparative statement of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statement of cash flows provides a breakdown of the sources of cash flow, categorized into four areas: Cash flows from operating activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total assets and deferred outflows of resources were \$6,439,477.93 on December 31, 2017. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed below.

A significant portion of the Authority's net position (82.77%) represents its investment in capital assets (i.e. sewer lines, treatment plant, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position 0.11% represents resources that are subject to external restrictions on how they can be used under restricted covenants. The remaining unrestricted net position 17.12% may be used to meet the Authority's capital and ongoing obligations.

Operating Revenues of the Authority decreased 3.13% due mainly to not receiving FEMA assistance in 2017 and operating expenses decreased 7.08% mainly due to employee benefits and professional service fee expenses being less in 2017.

Comparative Statement of Net Position
As of December 31, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
Unrestricted Assets	\$ 2,207,081.45	\$ 1,953,642.22
Restricted Assets	10,159.83	130,134.70
Net Property, Plant & Equipment	<u>3,836,967.65</u>	<u>3,699,230.73</u>
 Total Assets	 <u>\$ 6,054,208.93</u>	 <u>\$ 5,783,007.65</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Deferred Outflows	<u>\$ 385,269.00</u>	<u>413,011.00</u>
 Total Assets and Deferred Outflow of Resources	 <u>\$ 6,439,477.93</u>	 <u>\$6,196,018.65</u>
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets	\$ 320,690.73	\$ 229,873.46
Current Liabilities Payable from Restricted Assets	322,570.06	231,985.40
Long-Term Liabilities Payable from Unrestricted Assets	1,232,151.00	1,452,510.00
Long-Term Liabilities Payable from Restricted Assets	<u>340,583.20</u>	<u>400,526.58</u>
 Total Liabilities	 <u>\$ 2,215,994.99</u>	 <u>\$ 2,314,895.44</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Deferred Inflows	<u>\$ 425,932.00</u>	<u>241,141.00</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 3,143,280.59	\$ 3,049,148.11
Restricted Net Position	4,274.51	3,155.51
Unrestricted Net Position	<u>649,995.84</u>	<u>587,678.59</u>
 Total Net Position	 <u>\$ 3,797,550.94</u>	 <u>\$ 3,639,982.21</u>
 Total Liabilities, Deferred Inflow of Resources and Net Position	 <u>\$ 6,439,477.93</u>	 <u>\$6,196,018.65</u>

Comparative Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues:		
Service Fees	\$ 1,900,438.64	\$ 1,910,880.63
Connection Fee Revenues	380.00	5,205.00
Penalties on Delinquent Accounts	43,635.41	58,410.94
Other Operating Revenues	14,188.40	47,381.19
	<hr/>	<hr/>
Total Operating Revenues	1,958,642.45	2,021,877.76
	<hr/>	<hr/>
Operating Expenses:		
Administration	436,815.71	490,984.56
Cost of Providing Service:	997,126.59	1,067,408.89
Depreciation	348,640.88	360,025.24
	<hr/>	<hr/>
Total Operating Expenses	1,782,583.18	1,918,418.69
	<hr/>	<hr/>
Total Nonoperating Revenue/(Expenses)	(18,490.64)	(91,000.15)
	<hr/>	<hr/>
Change in Net Position	157,568.63	12,458.92
	<hr/>	<hr/>
Net Position January 1	3,639,982.31	3,627,523.39
	<hr/>	<hr/>
Net Position December 31,	<u>\$ 3,797,550.94</u>	<u>\$ 3,639,982.31</u>

OVERALL ANALYSIS

Overall the Authority is in a sound financial position. Long-term Liabilities decreased \$280,302.38 mainly due to a decrease in pension liability. Unrestricted Net Position increased \$62,317.25 due to the Authority making a profit.

Riverside has not had any major construction of housing units in the past ten years, but has an average of 3 new connections over the past four years; however it is in the process of redevelopment of certain areas within the Township.

The Authority treats connection fee payments as liabilities until issuing the developer an Authority release form to acquire a Certificate of Occupancy (CO) from the Township. The release of a CO triggers the Authority's recognition of connection fee revenue.

In the first quarter 2017 we billed approximately 2560 residential units, 90 commercial units, and 10 industrial units. The minimum rate for residential users is \$100.00 per quarter and the minimum rate for commercial users is \$172.00. The number of users should continue to increase, although not by many. The Township is currently involved in redevelopment plans to develop 60 acres of property which would consist of an additional estimated 1000 units made up of residential, commercial and office properties. There is, however, no timetable on groundbreaking at this time.

BUDGET VARIANCES

The original budget was formulated in October 2016 for the Authority's 2017 budget.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The proposed five-year Capital Programs total \$3,110,000.00. The major line items making up a portion of the Capital Budget are:

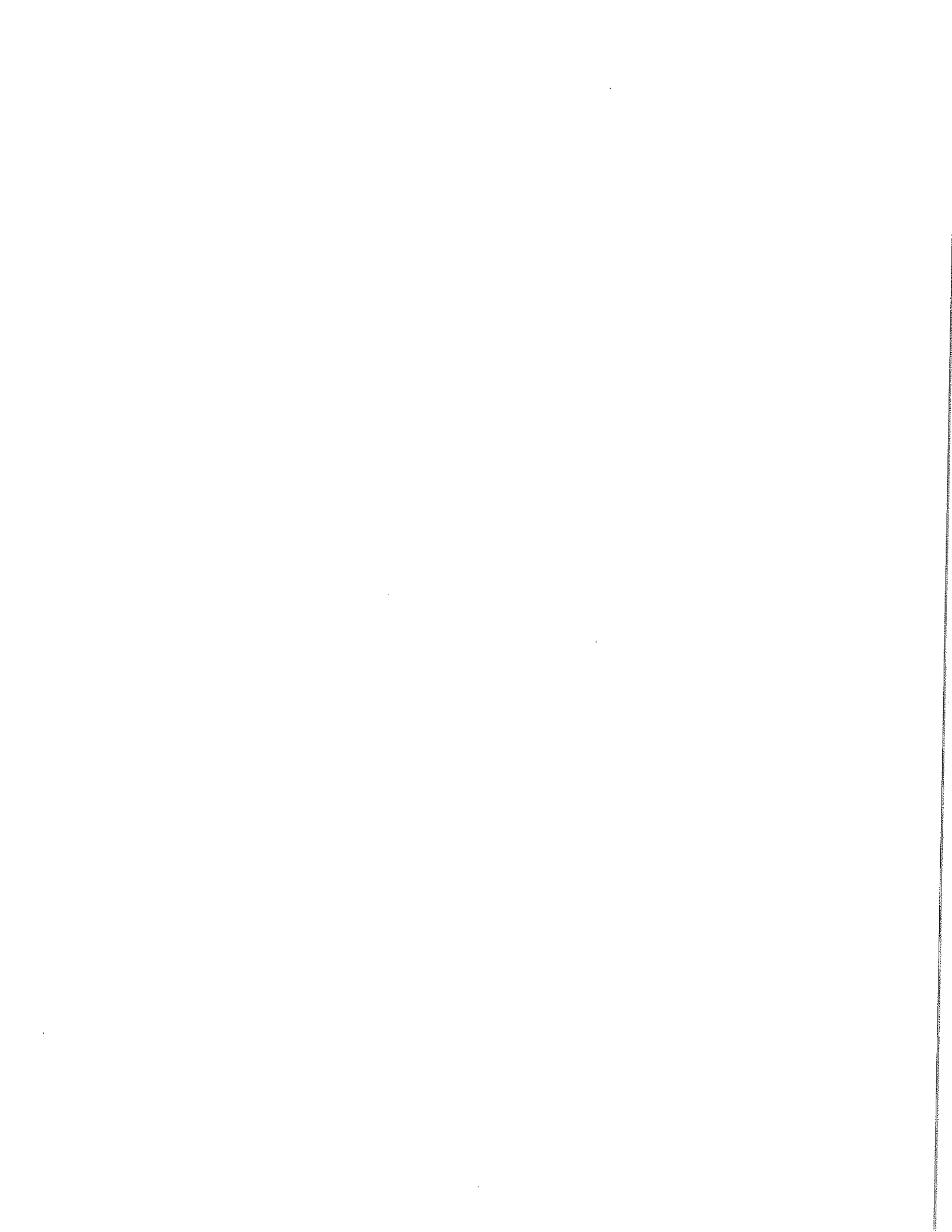
Overhaul Submersible Pumps/Equipment
Anerobic Digester Mixer
Trickling Filters & Recirc Pumps

The Authority has not experienced any change in its credit rating, nor does it anticipate any. The Authority does not operate under any debt limitations; it is required to receive approval from the Township and the Local Finance Board prior to issuing of debt.

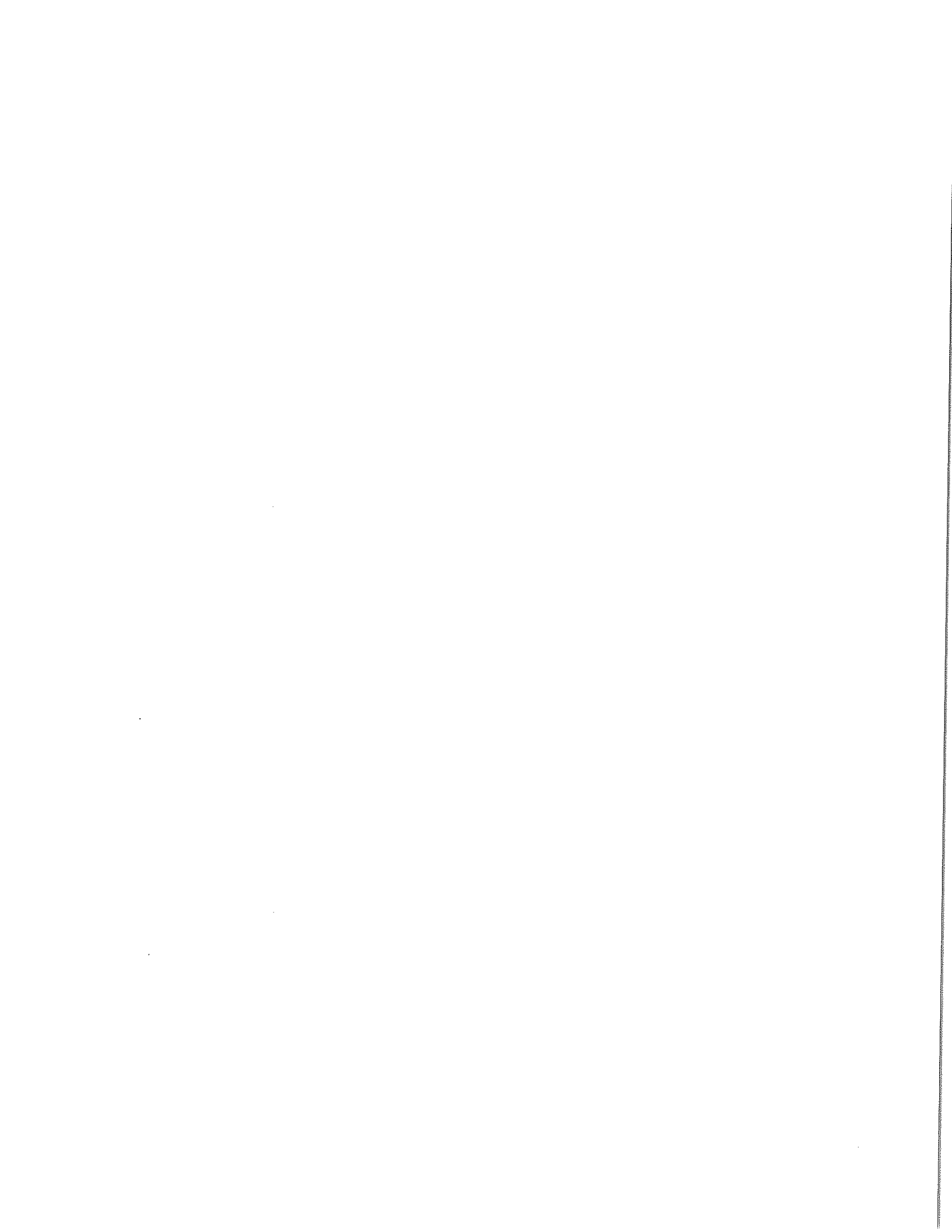
CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Riverside Township residents, investors, clients and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Riverside Water Reclamation Authority, 237 S. Pavilion Avenue, Riverside, NJ 08075.

FINANCIAL SECTION



BASIC FINANCIAL STATEMENTS



RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	\$1,924,383.62	1,674,425.90
Accounts Receivable	182,028.10	201,992.88
Lien Accounts Receivable	90,254.03	65,131.50
Penalties on Delinquent Accounts Receivable	10,415.70	12,091.94
	<hr/>	<hr/>
Total Unrestricted Current Assets	2,207,081.45	1,953,642.22
	<hr/>	<hr/>
Restricted Assets:		
Cash & Cash Equivalents	6,400.51	125,502.86
Accrued Investment Income Receivable	3,759.32	4,631.84
	<hr/>	<hr/>
Total Restricted Assets	10,159.83	130,134.70
	<hr/>	<hr/>
Property, Plant & Equipment (Note 6):		
Completed	15,945,945.60	15,459,567.80
Accumulated Depreciation	(12,108,977.95)	(11,760,337.07)
	<hr/>	<hr/>
Net Property, Plant & Equipment	3,836,967.65	3,699,230.73
	<hr/>	<hr/>
Total Assets	6,054,208.93	5,783,007.65
	<hr/>	<hr/>
 DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	385,269.00	413,011.00
	<hr/>	<hr/>
Total Deferred Outflows of Resources	385,269.00	413,011.00
	<hr/>	<hr/>
Total Assets and Deferred Outflows of Resources	\$6,439,477.93	6,196,018.65
	<hr/> <hr/>	<hr/> <hr/>

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

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

LIABILITIES

	2017	2016
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	116,084.37	54,307.92
Payroll Deductions Payable	4,896.58	5,048.35
Accrued Interest Payable	6,918.90	7,676.43
Sewer Overpayments	4,467.76	2,904.61
Compensated Absences Payable	21,267.72	23,119.14
Capital Leases Payable	35,742.66	35,343.93
Pension Payable	73,553.00	65,354.00
Due to Riverside Township	57,759.74	36,119.08
	<u>320,690.73</u>	<u>229,873.46</u>
Current Liabilities Payable From Restricted Assets:		
Developer's Deposits	5,208.86	5,209.71
Contracts Payable	259,824.88	167,397.00
Bond Anticipation Notes Payable - Current Portion	51,500.00	51,500.00
New Jersey EIT Loans Payable - Current Portion	6,036.32	7,878.69
	<u>322,570.06</u>	<u>231,985.40</u>
Long-Term Liabilities Payable From Unrestricted Assets:		
Net Pension Liability	1,232,151.00	1,452,510.00
	<u>1,232,151.00</u>	<u>1,452,510.00</u>
Long-Term Liabilities Payable From Restricted Assets:		
Bond Anticipation Notes Payable	289,826.86	341,326.86
New Jersey EIT Loans Payable (Net of Unamortized Premium)	50,756.34	59,199.72
	<u>340,583.20</u>	<u>400,526.58</u>
Total Liabilities	<u>2,215,994.99</u>	<u>2,314,895.44</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	425,932.00	241,141.00
	<u>425,932.00</u>	<u>241,141.00</u>
NET POSITION		
Net Investment in Capital Assets	3,143,280.59	3,049,148.11
Restricted:		
State Unemployment Compensation	4,274.51	3,155.51
Unrestricted:		
Unrestricted	649,995.84	587,678.59
	<u>3,797,550.94</u>	<u>3,639,982.21</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$6,439,477.93</u>	<u>6,196,018.65</u>

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

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Operating Revenues:		
Service Fees	\$1,900,438.64	1,910,880.63
Connection Fee Revenues	380.00	5,205.00
Penalties on Delinquent Accounts	43,635.41	58,410.94
Other Operating Revenues	14,188.40	47,381.19
	<hr/>	<hr/>
Total Operating Revenues	1,958,642.45	2,021,877.76
	<hr/>	<hr/>
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	151,496.31	150,814.46
Employee Benefits	87,494.31	83,277.65
Other Expenses	197,825.09	256,892.45
Cost of Providing Service:		
Salaries and Wages	369,422.04	354,412.54
Employee Benefits	231,698.46	282,989.78
Other Expenses	396,006.09	430,006.57
Depreciation	348,640.88	360,025.24
	<hr/>	<hr/>
Total Operating Expenses	1,782,583.18	1,918,418.69
	<hr/>	<hr/>
Operating Income Before Non-Operating Income/(Expenses)	176,059.27	103,459.07
Non-Operating Income/(Expenses):		
Interest on Investments	1,674.27	17,207.20
Interest Expense	(21,283.91)	(19,963.46)
Municipal Appropriation		(89,254.00)
Net Change in Unemployment Compensation Reserve	1,119.00	1,010.11
	<hr/>	<hr/>
Total Nonoperating Revenue/(Expenses)	(18,490.64)	(91,000.15)
	<hr/>	<hr/>
Change in Net Position	157,568.63	12,458.92
Net Position - Beginning of Year	3,639,982.31	3,627,523.39
	<hr/>	<hr/>
Net Position December 31,	<u>\$3,797,550.94</u>	<u>3,639,982.31</u>

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

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

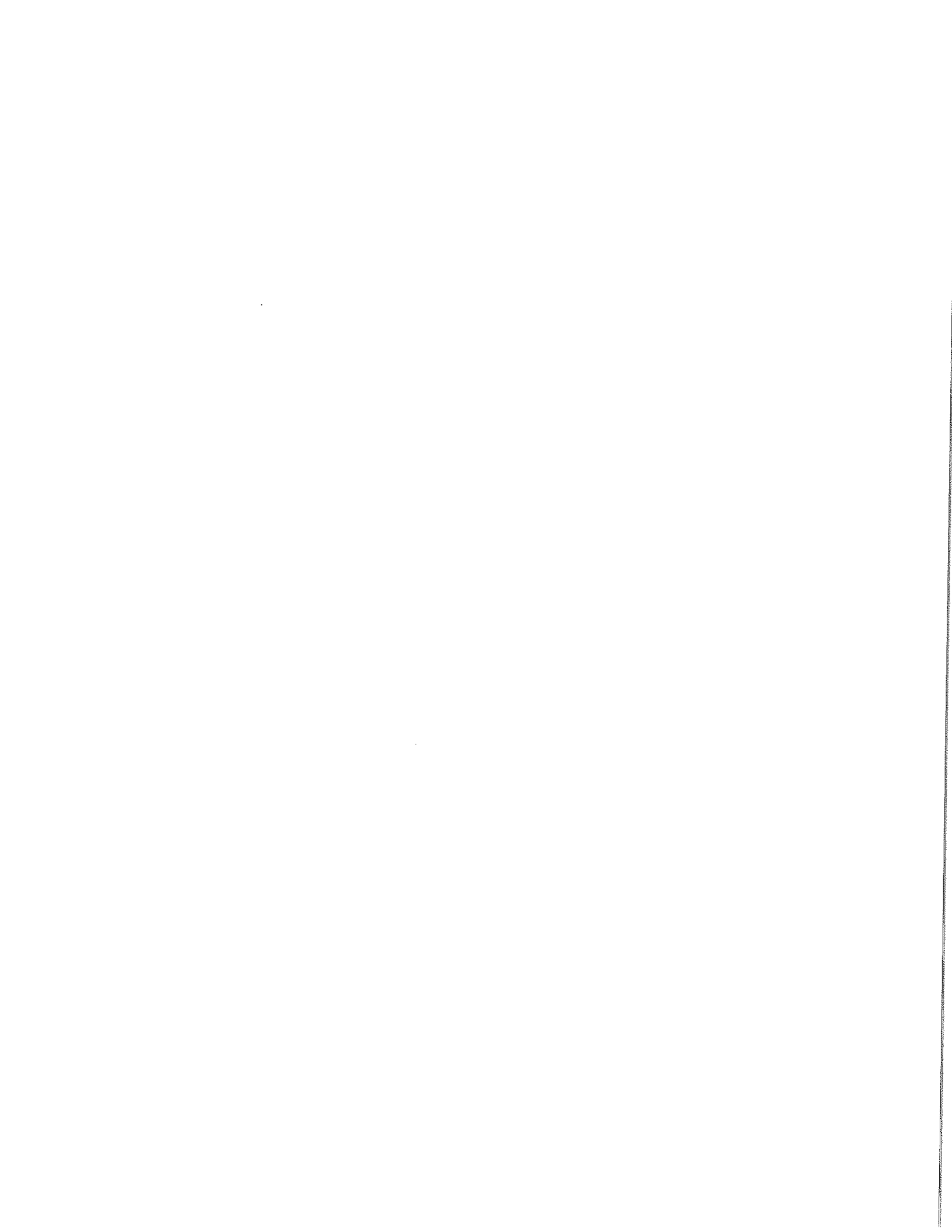
	2017	2016
Cash Flows From Operating Activities:		
Receipts from Customers & Users	\$1,955,160.94	2,313,605.58
Payments to Employees	(520,918.35)	(505,227.00)
Payments to Suppliers	(829,673.88)	(1,130,473.24)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	604,568.71	677,905.34
Cash Flows From Noncapital Financing Activities:		
Developers' Escrow Deposit/Disbursement Activity	(0.85)	5.17
	<hr/>	<hr/>
Net Cash Provided/(Used) by Noncapital Financing Activities	(0.85)	5.17
Cash Flows Capital & Related Financing Activities:		
Interest on Debt Service	(15,571.92)	(5,751.54)
Bond Anticipation Note Payment	(51,500.00)	(120,604.14)
NJEIT Loans Principal	(7,878.69)	(6,379.45)
Capital Leases Payable	(35,165.27)	(22,856.89)
Acquisition of Property, Plant & Equipment	(365,270.88)	(130,400.66)
	<hr/>	<hr/>
Net Cash Used by Capital & Related Financing Activities	(475,386.76)	(285,992.68)
Cash Flows From Investing Activities:		
Investment Income	1,674.27	3,964.84
	<hr/>	<hr/>
Net Cash Provided by Investing Activities	1,674.27	3,964.84
Net Increase/(Decrease) in Cash & Cash Equivalents	130,855.37	395,882.67
Cash & Cash Equivalents at January 1,	1,799,928.76	1,404,046.09
	<hr/>	<hr/>
Cash & Cash Equivalents at December 31,	\$1,930,784.13	1,799,928.76
	<hr/>	<hr/>

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

Operating Income/(Loss)	\$176,059.27	103,459.07
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used For) Operating Activities:		
Depreciation Expense	348,640.88	360,025.24
Changes in Operating Assets & Liabilities:		
Service Fees Receivable	19,964.78	17,881.20
Penalties on Delinquent Accounts Receivable	1,676.24	3,487.83
Liens Receivable	(25,122.53)	(14,321.11)
Accounts Payable	61,776.45	(134,247.49)
Payroll Deductions Payable	(151.77)	656.26
Pension Payable	373.00	65,354.00
Due to Riverside Township	21,640.66	296,350.15
Overpaid Consumer Accounts Receivable	1,563.15	(15,545.08)
Compensated Absences Payable	(1,851.42)	(5,194.73)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$604,568.71	677,905.34
	<hr/>	<hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**



RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements:

The following GASB Statements became effective for the year ended December 31, 2017:

Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The adoption of this statement had no impact on the Authority's financial statements.

Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68, *Accounting and Financial Reporting for Pensions*. The adoption of this statement had no impact on the Authority's financial statements.

Statement 79, *Certain External Investment Pools and Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this statement had no impact on the Authority's financial statements.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Recently Issued Accounting Pronouncements

The GASB has issued the following statements which will become effective in future fiscal years:

Statement 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, Statement 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement 74, *Financial Reporting for Post-employment Benefit Plan Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement 14. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of statement 14, *The Financial Reporting Entity, as amended*. This statement will be effective for the year ended June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement will be effective for the year ended June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 82, *Pension Issues* – an amendment of GASB Statement 67, 68 and 73. The objective of this statement is to address certain issues that have been raised with respect to Statement 67, *Financial Reporting for Pension Plans*, Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this statement are effective for reporting periods beginning after June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Statement 84, *Fiduciary Activities*. The statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement 84 is effective for the reporting period beginning after December 31, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 85, *Omnibus 2017*. This statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement 85 is effective for the period beginning after June 15, 2017. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 86, *Accounting for Certain Debt Extinguishment*. Statement 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement 86 is effective for the period beginning after June 15, 2017. Management does not expect this statement to have a material impact on the School District's financial statements. Statement 87, *Leases*. Statement 87 establishes single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing the right to use an underlying asset. Statement 87 is effective for the reporting period beginning after December 15, 2019. Management does not expect this statement to have a material impact on the Authority's financial statements.

A. Reporting Entity:

The Riverside Sewerage Authority was established by the Township of Riverside for the collection and disposal of Township sewerage. The Authority's service area includes the Township and an estimated 450 residences in Delran Township. The Authority and the Township have a service agreement that requires the Authority to set its service rates to support its daily operations and make debt service payments to the Township. The Authority Board consists of five members, who are appointed by Township resolution for five-year staggered terms.

Component Unit

The Riverside Sewerage Authority is a component unit of the Township of Riverside as described in Government Accounting Standards Board Statement No. 14. These financial statements would either be blended or discreetly presented as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

B. Basis of Presentation - Fund Accounting:

The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. The financial statements of the Authority are maintained in accordance with the principles of fund accounting applicable to Proprietary Funds. A proprietary fund is used to account for governmental activities that are similar to activities that may be performed by a commercial enterprise. There are two types of proprietary funds: an Internal Service Fund and an Enterprise Fund. The Authority accounts for its operations in an Enterprise Fund.

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

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

GASB Statement No. 20 also states that proprietary activities may elect to apply all FASB Statements and Interpretations issued after December 31, 1989, except for those that conflict with or contradict GASB pronouncements. The Authority has not elected to apply FASB Statements and Interpretations issued after December 31, 1989, unless they are adopted by GASB.

C. Basis of Accounting:

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

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

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

D. Budgetary and Budgetary Accounting:

The Riverside Sewerage Authority must adopt an annual budget in accordance with *N.J.A.C.5:31-2*. *N.J.A.C.5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The Budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal and capital outlays. Depreciation expense and amortization of bond issue costs and deferred amount on defeasance are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the statement of Revenues, Expenses and Changes in Net Position. 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.

E. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at market value.

Local units are required by *N.J.S.A.40A:5-14* to annually adopt a cash management plan and must deposit its funds pursuant to that plan. The cash management plan includes a designation of a depository or depositories as defined in Section 1 of P.L. 1970, c.236 (C. 17.9-41). In lieu of designating a depository, the cash management plan may provide that the local units make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A.17:9-41 et seq., establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount to their deposits to the governmental units.

The cash management plan adopted by the Riverside Sewerage Authority requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

F. Income Taxes:

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

G. Inventory of Supplies:

The costs of inventories of supplies are recorded as expenditures at the time the individual items are purchased. The Authority has determined that inventories were immaterial as of year-end, and consequently, are not reflected on the statement of net position.

H. Property, Plant and Equipment:

Property, Plant and equipment owned by the Authority are recorded at cost or, if contributed property, at their fair market value at the time of contribution and includes certain infrastructure assets such as the sanitary sewerage lines. Repairs and maintenance are recorded as expenses. The Authority capitalized interest on significant capital projects that are expected to be under construction for more than one year.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$5,000 or more
- 2) Useful life of more than one-year
- 3) Asset is not affected by consumption

Interest costs incurred during construction are not capitalized into the cost of the asset.

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

Sewer Plant & Collection System	50-60 years
Major Equipment	5-10 years
Vehicles	5-10 years

I. Debt Issuance Costs and Premiums on Loans:

The Authority's share of the debt issuance costs incurred with the Township's 1993 Bond is being amortized over the life of the issue based on the effective interest method. The issuance costs related to the 1993 and 1995 Wastewater Treatment Loans are being amortized over the life of the loans based on the straight-line method. The issuance costs and premium related to the 2002 Environmental Infrastructure Loans are being amortized over the life of the loans using the straight-line method. Issuance costs are shown as other assets while the premium on the NJ EIT loan is shown net of Loans Payable.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

J. Net Position:

Net Position comprises the various earnings from operating income, nonoperating revenues, expenses and capital contributions. Net position is classified in the following three categories:

1. **Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
2. **Restricted** – This component of net position consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net position.
3. **Unrestricted** – This component of net position consists of net assets that do not meet the definition of “restricted” or “investment in capital assets.” This component includes net position that may be allocated for specific purposes by the Board.

Note 2. Stewardship, Compliance and Accountability

Compliance with Finance Related Legal and Contractual Provisions - The Authority has no material violations of finance related legal and contractual provisions.

Note 3. Cash and Cash Equivalents and Investments

The Authority is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2017 and 2016 and reported at fair value are as follows:

Type	2017 Carrying Value	2016 Carrying Value
Deposits:		
Demand Deposits	<u>\$ 1,930,784.13</u>	<u>\$ 1,799,928.76</u>
Total Deposits	<u>\$ 1,930,784.13</u>	<u>\$ 1,799,928.76</u>

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 3. Cash and Cash Equivalents and Investments (continued):

Reconciliation of Statement of Comparative Statement of Net Position:

	2017 Carrying Value	2016 Carrying Value
Current:		
Unrestricted Assets – Cash & Cash Equivalents	\$ 1,924,383.62	\$1 ,674,425.90
Restricted Assets – Cash & Cash Equivalents	<u>6,400.51</u>	<u>125,502.86</u>
Total Reconciliation of Comparative Statement of Net Position	<u>\$ 1,930,784.13</u>	<u>\$ 1,799,928.76</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$1,961,765.79 and \$1,819,111.19 at December 31, 2017 and 2016 respectively.

As of December 31, 2017 and 2016, the Authority’s bank balances were exposed to custodial credit risk as follows:

	<u>2017</u>	<u>2016</u>
Insured by FDIC	\$ 505,155.24	\$ 255,150.09
Insured by GUDPA	<u>1,456,610.55</u>	<u>1,563,961.10</u>
Total	<u>\$1,961,765.79</u>	<u>\$1,819,111.19</u>

Investment Interest Rate Risk – The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at December 31, 2017, are provided in the above schedule.

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 3. Cash and Cash Equivalents and Investments (continued):

- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

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

Note 4. Governmental Unit Deposit Protection Act (GUDPA)

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

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

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

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 3. Cash and Cash Equivalents and Investments (continued):

after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

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

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

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Authority should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

Note 5. Sewer Utility Service Charges

The following is a three-year comparison of sewer utility service charges/rents for the current and previous two years:

Fiscal Year	Beginning Balance	Billings	Total Collections	Percentage of Collections
2017	\$201,992.88	\$1,900,438.64	\$1,920,403.42	91.34%
2016	219,874.08	1,910,880.63	1,928,761.83	90.52%
2015	271,525.21	1,931,250.82	1,962,328.90	89.08%

Note 6. Property, Plant and Equipment

The following is a summary of changes in the Authority's property, plant and equipment for the years ended December 31, 2017 and 2016:

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 6. Property, Plant and Equipment (continued):

Description	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Land	\$ 35,000.00			\$ 35,000.00
Plant:				
Treatment Plant	11,694,181.54	\$ 44,368.14		11,738,549.68
Collection System	3,194,075.60			3,194,075.60
Major Moveable Equipment	48,300.00			48,300.00
Vehicles	424,983.00	35,564.00		460,547.00
Construction In-Progress	63,027.66	406,445.66		469,473.32
Total Property, Plant & Equipment	15,459,567.80	486,377.80	-	15,945,945.60
Less: Accumulated Depreciation	(11,760,337.07)	(348,640.88)		(12,108,977.95)
Net Property, Plant & Equipment	<u>\$ 3,699,230.73</u>	<u>\$ 137,736.92</u>	-	<u>\$ 3,836,967.65</u>

Description	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Land	\$ 35,000.00			\$ 35,000.00
Plant:				
Treatment Plant	11,615,596.27	\$ 78,585.27		11,694,181.54
Collection System	3,194,075.60			3,194,075.60
Major Moveable Equipment	48,300.00			48,300.00
Vehicles	357,610.00	67,373.00		424,983.00
Construction In-Progress	84,207.00	63,027.66	84,207.00	63,027.66
Total Property, Plant & Equipment	15,334,788.87	208,985.93	84,207.00	15,459,567.80
Less: Accumulated Depreciation	(11,400,311.83)	(360,025.24)		(11,760,337.07)
Net Property, Plant & Equipment	<u>\$ 3,934,477.04</u>	<u>\$(151,039.31)</u>	84,207.00	<u>\$ 3,699,230.73</u>

Note 7. Compensated Absences

Authority employees are entitled to fifteen paid sick leave days each year and unused sick leave earned during a calendar year may be accumulated and carried forward to subsequent years with no restrictions. Upon retirement or resignation, the employee will receive up to 50% of their remaining sick time times their current rate, up to a maximum of \$7,500.00. Vacation days not used during the year may be carried forward for one year after which any unused days will be lost. Upon retirement or resignation, the employee will be paid for all accrued vacation time at their current hourly rate. The liability for accumulated sick leave and vacation time at December 31, 2017 and 2016 is \$21,267.72 and \$23,119.14 respectively.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8. Pension Plan

All eligible authority employees participate in the contributory defined benefit public employee retirement system established by state statute. The Public Employees Retirement System (PERS) is sponsored and administered by the State of New Jersey and considered a cost-sharing multiple employer plan.

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage.

At December 31, 2017 the Authority reported a liability of \$1,232,151 for its proportionate share of the net pension liability as measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The authority's proportion of the net pension liability was based on a projection of the authority's long – term share of contributions to the pension plan relative to the projected contributions of all participating authorities, actuarially determined. At June 30, 2017, the authority's proportion was .005293% which increase slightly by .0004% from its proportion measured as of June 30, 2016.

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.

For the years ended December 31, 2017 and 2016, the Authority recognized pension expense of \$44,293 and \$125,992 respectively.

The Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8. Pension Plan (continued):

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference Between Expected and Actual Experience	29,013		\$ 27,012	
Changes of Assumptions	248,236	247,326	300,882	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,390		55,386	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	75,112	178,606	7,946	241,141
Authority Contributions Subsequent to The Measurement Date	<u>24,518</u>	<u>-</u>	<u>21,785</u>	<u>-</u>
	<u>\$ 385,269</u>	<u>\$ 425,932</u>	<u>\$ 413,011</u>	<u>\$241,141</u>

Additional Information

Collective local balances at December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	\$23,278,401,588	\$29,617,131,759
Authority's Proportion	.005293%	.004904%

\$385,269 and \$413,011 will be reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2017 and 2016 respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below. The amounts represent the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8. Pension Plan (continued):

Year Ended December 31, 2017		Year Ended December 31, 2016	
2018	\$ (7,420)	2017	\$ 25,921
2019	(7,420)	2018	25,921
2020	(7,420)	2019	25,921
2021	(7,420)	2020	25,921
2022	(7,420)	2021	25,920
Thereafter	(3,563)	Thereafter	42,266
Total	\$ (40,663)	Total	\$ 171,870

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

	<u>2017</u>		<u>2016</u>
Inflation Rate	2.25%	Inflation Rate	3.08%
Salary Increases: Through 2026	1.65 – 4.15% Based on Age	Salary Increases: 2012 – 2021	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age	Thereafter	2.65 – 5.15% Based on Age

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments 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, 2017 and 2016 are summarized in the following tables:

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8. Pension Plan (continued):

Asset Class	2017 Target Allocation	2017 Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Develop Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Asset Class	2016 Target Allocation	2016 Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt Ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

RIVERSIDE SEWERAGE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8. Pension Plan (continued):

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65% as of June 30 2017 and 2016, respectively, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, 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 contribution 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2017 and 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

2017			
	<u>At 1% decrease (4.00%)</u>	<u>At current discount rate (5.00%)</u>	<u>At 1% increase (6.00%)</u>
State	29,818,581,732	25,645,622,797	22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
	<u>58,697,018,759</u>	<u>48,924,024,385</u>	<u>40,792,456,582</u>
2016			
	<u>At 1% decrease (2.98%)</u>	<u>At current discount rate (3.98%)</u>	<u>At 1% increase (4.98%)</u>
State	34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
	<u>70,715,189,252</u>	<u>49,007,817,464</u>	<u>49,352,744,647</u>

RIVERSIDE SEWERAGE AUTHORITY
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DECEMBER 31, 2017 AND 2016

Note 8. Pension Plan (continued):

Description of System and Vesting

Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information. To obtain this additional detailed information about the pension plan it is available in a separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/gasb-68-rpts.shtml>.

Contribution Requirements

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The Authority's contributions to P.E.R.S. for the years ending December 31, 2017, 2016 and 2015 were \$44,118, \$47,715 and \$45,230, respectively, equal to the required contributions for each year.

Note 9. Obligations Under Debt Service Agreements

A. New Jersey Environmental Infrastructure Trust and Wastewater Treatment Trust Loans

The Authority obtained two loans from the New Jersey Environmental Infrastructure Trust during 2002 totaling \$1,589,040.00 for the expansion and upgrade of its pollution control system. The first part of the loan award for \$789,040.00 is interest free. The \$800,000.00 portion carries interest rates that range from 3% to 5.25%. Principal and interest are payable semiannually with the final payment due in 2002. On September 26, 2008, the New Jersey Environmental Infrastructure Trust issued Refunding Bonds, Series 2008, which refunded the Trust Bonds issued under their 2002 financing program.

On July 20, 2006, the Authority did not utilize the entire funding portion of the 2002 loan and the New Jersey Environmental Infrastructure Trust forgave \$370,808 of the Authority's fund loan.

The Authority will receive the following annual services credit, which will be applied to their annual debt service payment for the 2002 New Jersey Environmental Trust loan:

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 9. Obligations Under Debt Service Agreements (continued):

A. New Jersey Environmental Infrastructure Trust and Wastewater Treatment Trust Loans (continued):

Year	Savings Credit Principal	Savings Credit Interest
2018	\$43,963.68	\$ 9,093.23
2019	46,029.65	7,307.18
2020	47,691.79	5,423.78
2021	49,750.24	3,487.83
2022	51,796.25	1,470.20

The Authority recorded a receivable for the loan proceeds at its inception. The receivable is increased by the investment revenue earned on the funds until they are drawn down from the New Jersey Environmental Infrastructure Trust and deposited into the Authority's revolving fund. At December 31, 2016 and 2015, the receivable balances are \$3,759.32 and \$4,631.84 respectively.

B. Debt Service – New Jersey Wastewater Treatment Trust

In addition, the Authority has obligations outstanding for four previous loans from the New Jersey Wastewater Treatment Trust (NJWTT). The total of all loans at inception was \$8,281,783.00.

The following schedule reflects annual payments for principal and interest for the NJWTT and the New Jersey Environmental Infrastructure Trust loans:

Year	Principal	Interest	Total
2018	\$ 6,036.32	\$ 4,994.27	\$ 11,030.59
2019	8,970.35	4,280.32	13,250.67
2020	7,308.21	3,413.72	10,721.93
2021	10,249.76	2,599.67	12,849.43
2022	<u>13,203.75</u>	<u>1,617.30</u>	<u>14,821.05</u>
Subtotal	<u>\$ 45,768.39</u>	<u>\$ 16,905.28</u>	<u>\$ 62,673.67</u>

The following is a summary of all long-term debt of the Authority as of December 31, 2017 and 2016:

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 9. Obligations Under Debt Service Agreements (continued):

B. Debt Service – New Jersey Wastewater Treatment Trust (continued):

	Balance December 31, 2016	Issued	Retired	Balance December 31, 2017	Due Within One Year
Loans Payable	\$53,647.08		7,878.69	45,768.39	6,036.32
Bond Anticipation Notes Payable	392,826.86		51,500.00	341,326.86	51,500.00
Total	<u>\$446,473.94</u>		<u>59,378.69</u>	<u>\$387,095.25</u>	<u>57,536.32</u>
				Add:	
				Unamortized Premium	11,024.27
				Less:	
				Due Within One Year	<u>57,536.32</u>
				Total (Net of Unamortized Premium)	<u>\$340,583.20</u>
	Balance December 31, 2015	Issued	Retired	Balance December 31, 2016	Due Within One Year
Loans Payable	\$60,026.53		6,379.45	53,647.08	7,878.69
Bond Anticipation Notes Payable	513,431.00		120,604.14	392,826.86	51,500.00
Total	<u>\$573,457.53</u>		<u>126,983.59</u>	<u>\$446,473.94</u>	<u>59,378.69</u>
				Add:	
				Unamortized Premium	13,431.33
				Less:	
				Due Within One Year	<u>59,378.69</u>
				Total (Net of Unamortized Premium)	<u>\$400,526.58</u>

Note 10. Leases Obligations

At December 31, 2017, the Authority had lease agreements in effect for the following:

Operating:

Two (2) Copiers

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 10. Leases Obligations (continued):

Operating Leases – Future minimum rental payments under operating lease agreements are as follows:

Year	Amount
2018	\$1,032.00
2019	<u>602.00</u>
Total minimum Lease Payments	<u>\$1,634.00</u>

Rental payments under operating leases for the year 2017 and 2016 were \$1,032.00 and \$1,032.00 respectively.

Capital Leases – Future minimum rental payments under capital lease agreements for three (3) vehicles are as follows:

Year	Amount
2018	\$26,049.24
2019	<u>12,551.74</u>
Total Minimum Lease Payments	38,600.98
Less: Amount Representing Interest	<u>2,858.32</u>
Present Value of Net Minimum Lease Payments	<u>\$35,742.66</u>

Lease payments under Capital leases for the year 2017 and 2016 were \$37,095.22 and \$24,543.48 respectively.

Note 11. Net Position

A. Net Position Appropriated

The Authority ended the year with a balance in unrestricted net position of \$649,995.84 and \$587,678.59 for December 31, 2017 and 2016 respectively; of which, \$-0- has been appropriated and included as support in the operating and capital budget for the fiscal year ending December 31, 2017 and 2016 respectively.

Note 12. Intergovernmental Agreements

A. Service Agreement with the Township of Riverside

The service agreement between the Authority and the Township of Riverside dated May 3, 1993 contains various provisions that are summarized below. Pursuant to the service agreement, the Township is obligated to pay the Authority sums equal to any deficits in Authority revenues to pay or provide for:

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 12. Intergovernmental Agreements (continued):

1. Operation and maintenance expenses of the sewer system.
2. Principal and interest on bonds, loans or notes of the Authority.
3. The Authority is required to repay the Township all monies paid by the Township for the Authority. Such repayment by the Authority is required to be made at an interest rate equal to the prime rate plus one percent.

The Authority's intergovernmental service agreement with Riverside Township includes the approval of Township money to be transferred to or from the Riverside Sewerage Authority in order to temporarily support cash flow. On January 31, 2013 the Township loaned Riverside Sewerage Authority a total of \$150,000. As of December 31, 2017 the Authority still owes Riverside Township \$57,759.74.

B. Service Agreement with the Delran Sewerage Authority

The Authority entered into an agreement with the Delran Sewerage Authority, commencing in 2013, in which the Riverside Sewerage Authority agreed to accept for appropriate treatment and disposal through its facilities, the sewerage and industrial waste collected in the Township of Delran. This agreement expires December 31, 2063. Delran Sewerage Authority committed to pay Riverside Sewerage Authority quarterly payments per year totaling \$247,822.40 for 2017, which represents 14.98% of the Authority's total service fees for the year.

Note 13. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties or through a joint insurance pool as covered below. Settled claims from these risks have not exceeded coverage for the past several years.

The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Funds. The fund provides its members with the following coverage:

Workers' Compensation & Employer's Liability
Liability Other Than Motor Vehicles
Property Damage Other Than Motor Vehicles
Motor Vehicles

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts, to assure the payment of the Fund's obligations.

RIVERSIDE SEWERAGE AUTHORITY
(A Component Unit of the Township of Riverside)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 13. Risk Management (continued):

The Fund publishes its own financial report for the year ended December 31, 2017, which can be obtained from:

New Jersey Utilities Authorities Joint Insurance Fund
Park 80 West, Plaza 1
Saddlebrook, New Jersey 08663

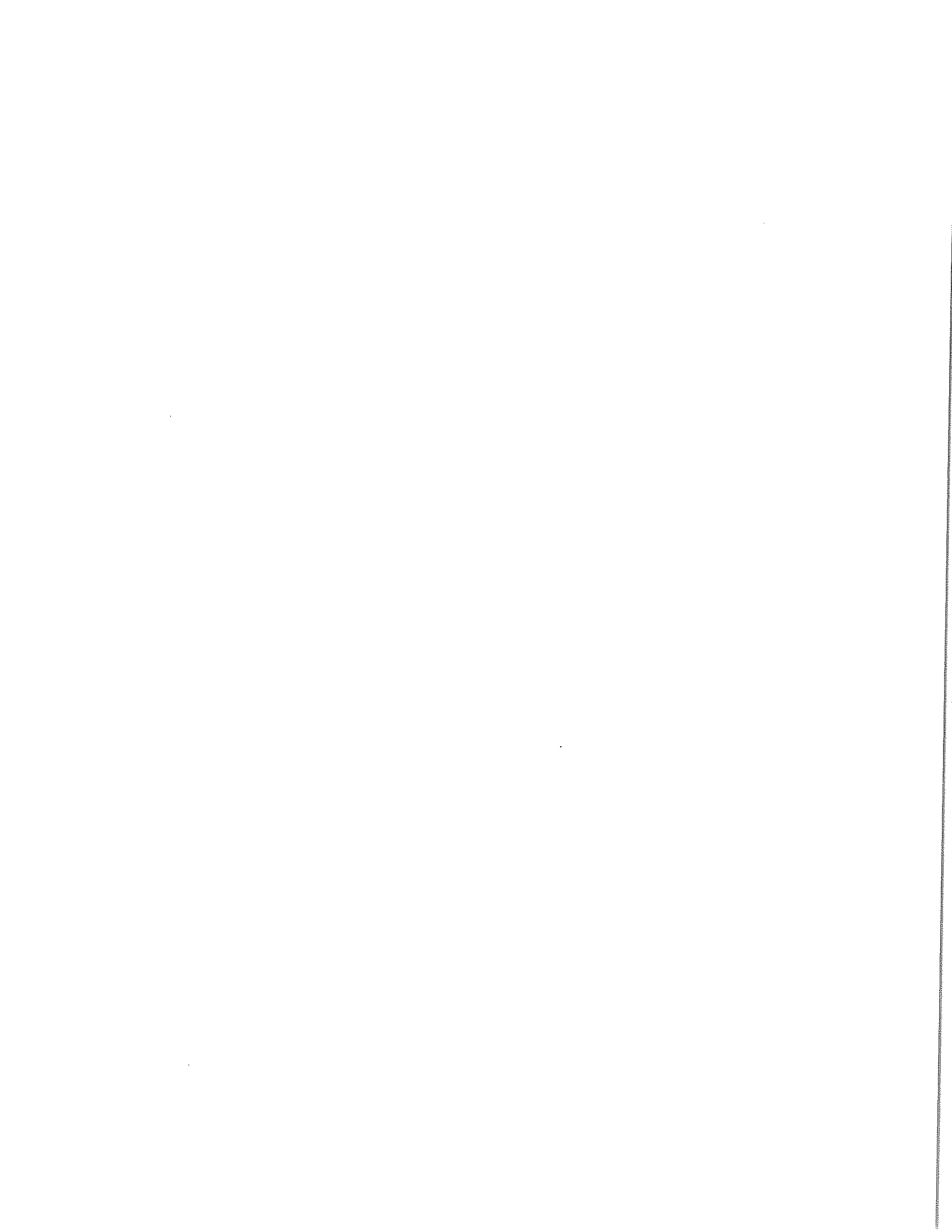
Note 14. Service Organization's SAS 70 and SSAE 16 Requirement

The Authority utilizes NJ American Water Company, Inc. to provide consumption data of the Authority's customers' water usage. This data is used to bill the customers of the Authority, as sewer charges are based on the amount of water consumed. Statement of Auditing Standards (SAS) 70 and Statement on Standards for Attestation Engagements (SSAE) 16 requires the Authority to receive an internal control report from service organizations providing such services mentioned above. The Authority has requested an internal control report from NJ American Water Company, Inc. and they have refused to accommodate the Authority's request.

Note 16. Subsequent Events

Sewerage Authority management has evaluated subsequent events occurring after December 31, 2017 through July 25, 2018, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION – PART II



RIVERSIDE SEWERAGE AUTHORITY
SCHEDULE OF REVENUES & EXPENSES - BUDGET & ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016		
	ORIGINAL BUDGET	MODIFICATIONS TRANSFERS	BUDGET AFTER MODIFICATION	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Operating Revenues:					
Service Charges	\$1,838,193.00		1,838,193.00	1,910,880.63	78,187.63
Connection Fees	14,000.00		14,000.00	5,205.00	(8,795.00)
Other Operating Revenues:					
Penalties on Delinquent Accounts		43,635.41	43,635.41	58,410.94	14,775.53
Other Miscellaneous Income		14,188.40	14,188.40	47,381.19	33,192.79
Total Operating Revenues	1,852,193.00		1,852,193.00	2,021,877.76	169,684.76
Non-Operating Revenues:					
Interest on Investments	32,200.00		32,200.00	17,207.20	(14,992.80)
Total Revenues	1,884,393.00		1,884,393.00	2,039,084.96	154,691.96
Operating Expenses:					
Administrative:					
Salaries & Wages	154,660.00		154,660.00	150,814.46	3,845.54
Employees Benefits:					
Health Insurance	60,000.00		60,000.00	37,553.42	22,446.58
Social Security	11,000.00		11,000.00	9,560.85	1,439.15
Pension	15,000.00		15,000.00	31,498.01	(16,498.01)
Workers Compensation	8,000.00		8,000.00	4,411.68	3,588.32
Unemployment	1,000.00		1,000.00	253.69	746.31
Other Expenses:					
Office Rent	55,000.00		55,000.00	55,000.00	
Office Supplies	35,000.00		35,000.00	22,958.92	12,041.08
Conferences & Seminars	20,000.00		20,000.00	17,424.17	2,575.83
Telephone & Alarms	15,000.00		15,000.00	7,847.49	7,152.51
Legal Advertising	3,000.00		3,000.00	1,543.02	1,456.98
Miscellaneous Supplies & Expenses	10,000.00		10,000.00	10,750.12	(750.12)
Watershed Management Program					
Licenses & Permits	30,000.00		30,000.00	16,445.73	13,554.27
Engineer Fees	50,000.00		50,000.00	70,068.50	(20,068.50)
Legal Fees	20,000.00		20,000.00	18,654.50	1,345.50
Auditing/Consulting Fees	35,000.00		35,000.00	36,200.00	(1,200.00)
Total Administrative Expense	522,660.00		522,660.00	490,984.56	57,955.44

RIVERSIDE SEWERAGE AUTHORITY
SCHEDULE OF REVENUES & EXPENSES - BUDGET & ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016		VARIANCE FAVORABLE/ (UNFAVORABLE)	BUDGET AFTER MODIFICATION	MODIFICATIONS TRANSFERS	ORIGINAL BUDGET	MODIFICATIONS TRANSFERS	BUDGET AFTER MODIFICATION	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
	ORIGINAL BUDGET	MODIFICATIONS TRANSFERS	BUDGET AFTER MODIFICATION	ACTUAL								
Operating Expenses (continued):												
Cost of Providing Service:												
Salaries & Wages	371,631.00		371,631.00	369,422.04	2,208.96	370,000.00		370,000.00		370,000.00	354,412.54	15,587.46
Employee Benefits:												
Health Insurance	125,000.00		125,000.00	131,900.32	(6,900.32)	148,000.00		148,000.00		148,000.00	124,003.95	23,996.05
Social Security	30,000.00		30,000.00	27,517.12	2,482.88	35,000.00		35,000.00		35,000.00	25,450.43	9,549.57
Pension	42,400.00		42,400.00	33,768.16	8,631.84	30,000.00		30,000.00		30,000.00	94,493.99	(64,493.99)
Worker's Compensation	20,000.00		20,000.00	13,219.22	6,780.78	20,000.00		20,000.00		20,000.00	6,617.52	13,382.48
Insurance	30,000.00		30,000.00	24,499.55	5,500.45	30,000.00		30,000.00		30,000.00	25,605.00	4,395.00
Unemployment	12,000.00		12,000.00	794.09	11,205.91	12,000.00		12,000.00		12,000.00	6,818.89	5,181.11
Other Expenses:												
Lease/Purchase Equipment	40,000.00		40,000.00	5,632.98	34,367.02	30,000.00		30,000.00		30,000.00	13,201.28	16,798.72
Electricity & Gas Heat	148,000.00		148,000.00	105,535.46	42,464.54	150,000.00		150,000.00		150,000.00	126,538.43	23,461.57
Vehicle Maintenance	20,000.00		20,000.00	1,899.67	18,100.33	20,000.00		20,000.00		20,000.00	13,153.60	6,846.40
Repairs & Maintenance - Plant	155,000.00		155,000.00	108,671.30	46,328.70	95,000.00		95,000.00		95,000.00	89,395.04	5,604.96
Repairs & Maintenance - Lines	50,000.00		50,000.00	52,988.98	(2,988.98)	40,000.00		40,000.00		40,000.00	54,694.94	(14,694.94)
Tools & Equipment	30,000.00		30,000.00	7,774.55	22,225.45	10,000.00		10,000.00		10,000.00	25,664.92	(15,664.92)
Materials & Supplies	5,000.00		5,000.00	1,316.57	3,683.43	5,000.00		5,000.00		5,000.00	1,240.88	3,759.32
Miscellaneous Supplies & Expenses	35,000.00		35,000.00	26,828.59	8,171.41	25,000.00		25,000.00		25,000.00	29,147.86	(4,147.86)
Chemicals	35,000.00		35,000.00	12,444.18	22,555.82	40,000.00		40,000.00		40,000.00	19,025.60	20,974.40
Water	5,000.00		5,000.00	2,326.33	2,673.67	5,000.00		5,000.00		5,000.00	1,972.33	3,027.67
Travel & Other	5,000.00		5,000.00	8,764.62	(3,764.62)	5,000.00		5,000.00		5,000.00	3,843.81	1,156.19
Laboratory Tests & Analysis	30,000.00		30,000.00	25,430.82	4,569.18	35,000.00		35,000.00		35,000.00	23,132.14	11,867.86
Solid Waste Control	40,000.00		40,000.00	36,392.04	3,607.96	40,000.00		40,000.00		40,000.00	28,995.94	11,004.06
Total Cost of Providing Service	1,229,031.00		1,229,031.00	997,126.59	231,904.41	1,145,000.00		1,145,000.00		1,145,000.00	1,067,408.89	77,591.11
Principal Payments on Debt Service												
Lien of Depreciation	59,468.00		59,468.00	59,378.69	89.31	91,149.00		91,149.00		91,149.00	137,104.14	(45,955.14)
Total Operating Expenses	1,811,159.00		1,811,159.00	1,493,320.99	317,838.01	1,785,089.00		1,785,089.00		1,785,089.00	1,695,497.59	89,591.41
Non-Operation Appropriations:												
Interest on Bonds & Loans	13,234.00		13,234.00	21,283.91	(8,049.91)	11,979.00		11,979.00		11,979.00	19,963.46	(7,984.46)
Municipal Appropriation	60,000.00		60,000.00	44,368.14	15,631.86	87,325.00		89,254.00		89,254.00	89,254.00	
Capital Outlay	73,234.00		73,234.00	65,652.05	7,581.95	188,558.00		188,558.00		188,558.00	172,245.12	16,312.88
Total Nonoperating Appropriations	1,884,393.00		1,884,393.00	1,558,973.04	325,419.96	1,973,647.00		1,973,647.00		1,973,647.00	1,867,742.71	105,904.29
Total Operating & Non-Operating Appropriations												
Excess Expenses Over Revenues												
				401,343.68	249,496.24	(\$89,254.00)						
Adjustments to Reconcile Excess Revenues Over Expenditures to GAAP Basis for Change in Net Position:												
Increased by:												
Loan Principal	\$59,378.69		\$59,378.69	401,343.68							171,342.25	
Loan Interest	21,283.91		21,283.91							137,104.14		
Capital Outlay	44,368.14		44,368.14	125,030.74						63,027.66		
Subtotal				526,374.42							391,437.51	
Decreased by:												
Depreciation	348,640.88		348,640.88							360,025.24		
Nonoperating Expenses	20,164.91		20,164.91	368,805.79						18,953.35		
Change in Net Position (Exhibit B)				\$157,568.63							12,458.92	

SCHEDULE 2

**RIVERSIDE SEWERAGE AUTHORITY
ANALYSIS OF SERVICE FEES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$201,992.88
Increased by:		
Service Charges		<u>1,900,438.64</u>
Subtotal		2,102,431.52
Decreased by:		
Collections	1,900,187.17	
Transfer to Liens Receivable	<u>20,216.25</u>	<u>1,920,403.42</u>
Balance December 31, 2017		<u><u>\$182,028.10</u></u>

SCHEDULE 3

**ANALYSIS OF PENALTIES ON DELINQUENT ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$12,091.94
Increased by:		
Penalties on Delinquent Accounts		<u>43,635.41</u>
Subtotal		55,727.35
Decreased by:		
Collections		<u>45,311.65</u>
Balance December 31, 2017		<u><u>\$10,415.70</u></u>

SCHEDULE 4

**RIVERSIDE SEWERAGE AUTHORITY
ANALYSIS OF LIENS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016			\$65,131.50
Increased by:			
Transfers from Taxes Receivable		\$20,216.25	
Miscellaneous Adjustment		4,684.92	
Interest and Cost		221.36	25,122.53
			<hr/>
Balance December 31, 2017			<u>\$90,254.03</u>

SCHEDULE 5

**ANALYSIS OF ACCRUED INTEREST RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	BALANCE JANUARY 1, 2017	INTEREST EARNED	INTEREST RECEIVED	BALANCE DECEMBER 31, 2017
Revenue/Operating Account		(8,718.85)	(8,718.85)	
NJEIT Program Funds	\$4,631.84	10,393.12	11,265.64	3,759.32
				<hr/>
Total	\$4,631.84	1,674.27	2,546.79	<u>3,759.32</u>

**RIVERSIDE SEWERAGE AUTHORITY
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT - COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2017**

ASSETS	BALANCE JANUARY 1, 2017	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2017
Land	\$35,000.00			35,000.00
Plant:				
Treatment Plant	11,694,181.54	\$44,368.14		11,738,549.68
Collection System	3,194,075.60			3,194,075.60
Major Moveable				
Equipment	48,300.00			48,300.00
Vehicles	424,983.00	35,564.00		460,547.00
Construction In Progress	63,027.66	406,445.66		469,473.32
	<hr/>			
Subtotal	15,459,567.80	486,377.80		15,945,945.60
	<hr/>			
Decreased by:				
Accumulated Depreciation	11,760,337.07	348,640.88		12,108,977.95
	<hr/>			
Total	\$3,699,230.73	137,736.92		3,836,967.65
	<hr/> <hr/>			

**ANALYSIS OF ACCRUED INTEREST PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance January 1, 2017	\$7,676.43
Increased by:	
Accrued	<u>23,690.97</u>
Subtotal	31,367.40
Decreased by:	
Cash Disbursed	<u>24,448.50</u>
Balance December 31, 2017	<u><u>\$6,918.90</u></u>

ANALYSIS OF INTEREST EXPENSE

Accrued	\$23,690.97
Amortization of Premium on NJEIT Loans	<u>(2,407.06)</u>
Total Analysis of Balance	<u><u>\$21,283.91</u></u>

**RIVERSIDE SEWERAGE AUTHORITY
SCHEDULE OF LOANS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

PURPOSE	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2017</u>
2002 New Jersey Environmental Infrastructure Trust Loan	11/7/02	800,000	5.00%	8/1/18	6,036.32	53,647.08		7,878.69	45,768.39
			5.00%	8/1/19	8,970.35				
			5.00%	8/1/20	7,308.21				
			5.00%	8/1/21	10,249.76				
			4.75%	8/1/22	13,203.75				
		<u>45,768.39</u>				<u>53,647.08</u>		<u>7,878.69</u>	<u>45,768.39</u>
		Total				<u>\$53,647.08</u>	-	<u>7,878.69</u>	<u>45,768.39</u>
Add:									
									11,024.27
Less:									
									<u>6,036.32</u>
									<u>\$50,756.34</u>

Add:
Unamortized Premium 11,024.27
Less:
S/T New Jersey EIT Loans Payable 6,036.32

Total L/T New Jersey EIT Loans Payable
(Net of Unamortized Premium) \$50,756.34

SCHEDULE 9

RIVERSIDE SEWERAGE AUTHORITY
 SCHEDULE OF BOND ANTICIPATION NOTES
 FOR THE YEAR ENDED DECEMBER 31, 2017

PURPOSE	DATE OF ISSUE OF ORIGINAL NOTE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DECEMBER 31, 2016	INCREASE	DECREASE	BALANCE DECEMBER 31, 2017
Various Capital Improvements, Rehabilitation & Acquisition of Equipment	12/27/12	11/18/16	11/9/17	2.00%	\$136,326.86		23,000.00	113,326.86
	12/20/15	11/18/16	11/9/17	2.00%	\$256,500		28,500.00	228,000.00
Acquisition of Jet Vac								
					<u>\$392,826.86</u>	<u>-</u>	<u>51,500.00</u>	<u>341,326.86</u>
Less:								
					S/T Bond Anticipation Note Payable			<u>51,500.00</u>
					Total L/T Bond Anticipation Note Payable			<u><u>289,826.86</u></u>

**RIVERSIDE SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - PERS ***

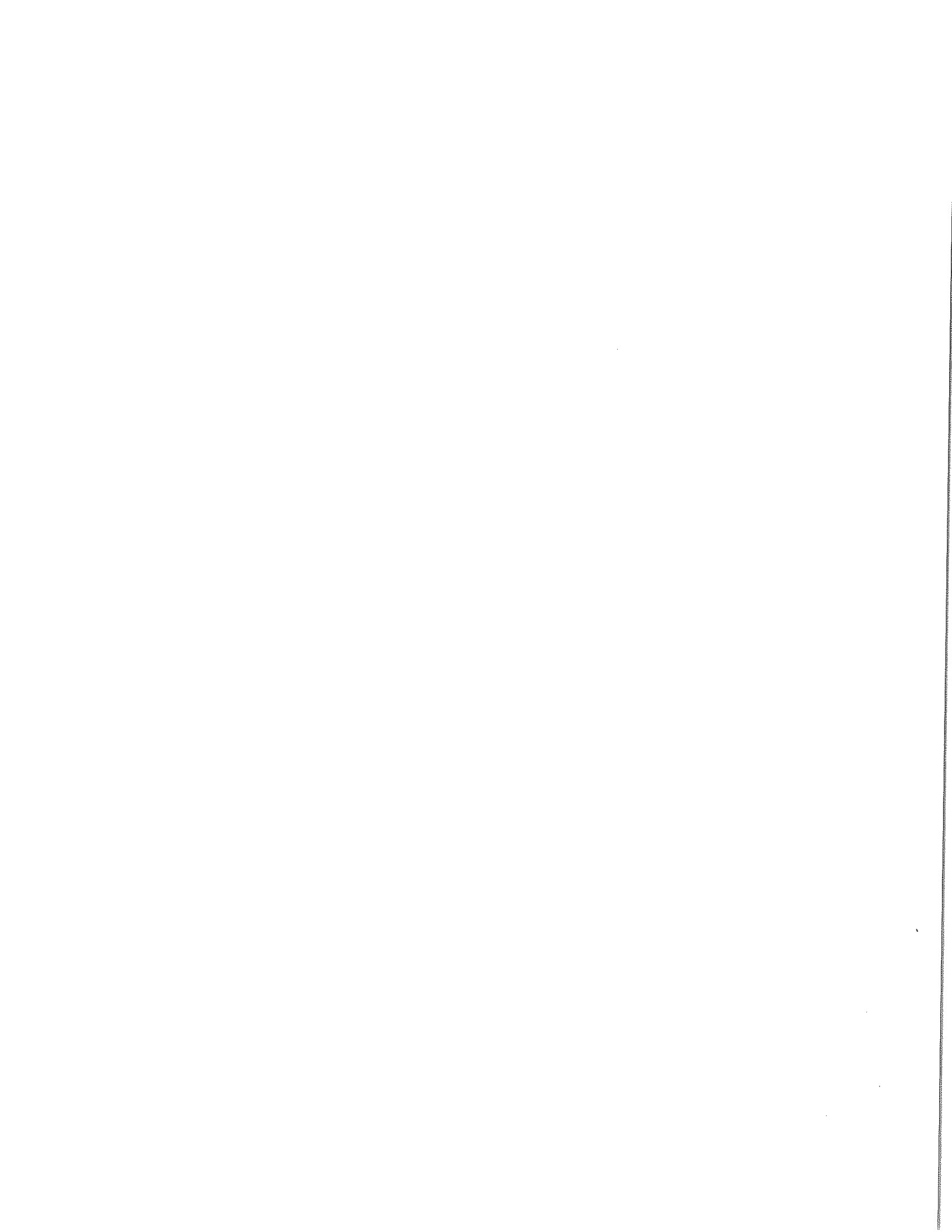
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability (Asset)	0.00252%	0.00246%	0.00270%	0.00264%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$1,232,151	\$1,452,510	\$1,245,861	1,027,225
Authority's covered employee payroll	\$418,900	\$355,460	\$322,251	\$339,756
Plan Fiduciary Net Position as a Percentage of the Total Pension	36.78%	31.20%	52.08%	47.92%

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PERS
SCHEDULE OF CONTRIBUTIONS ***

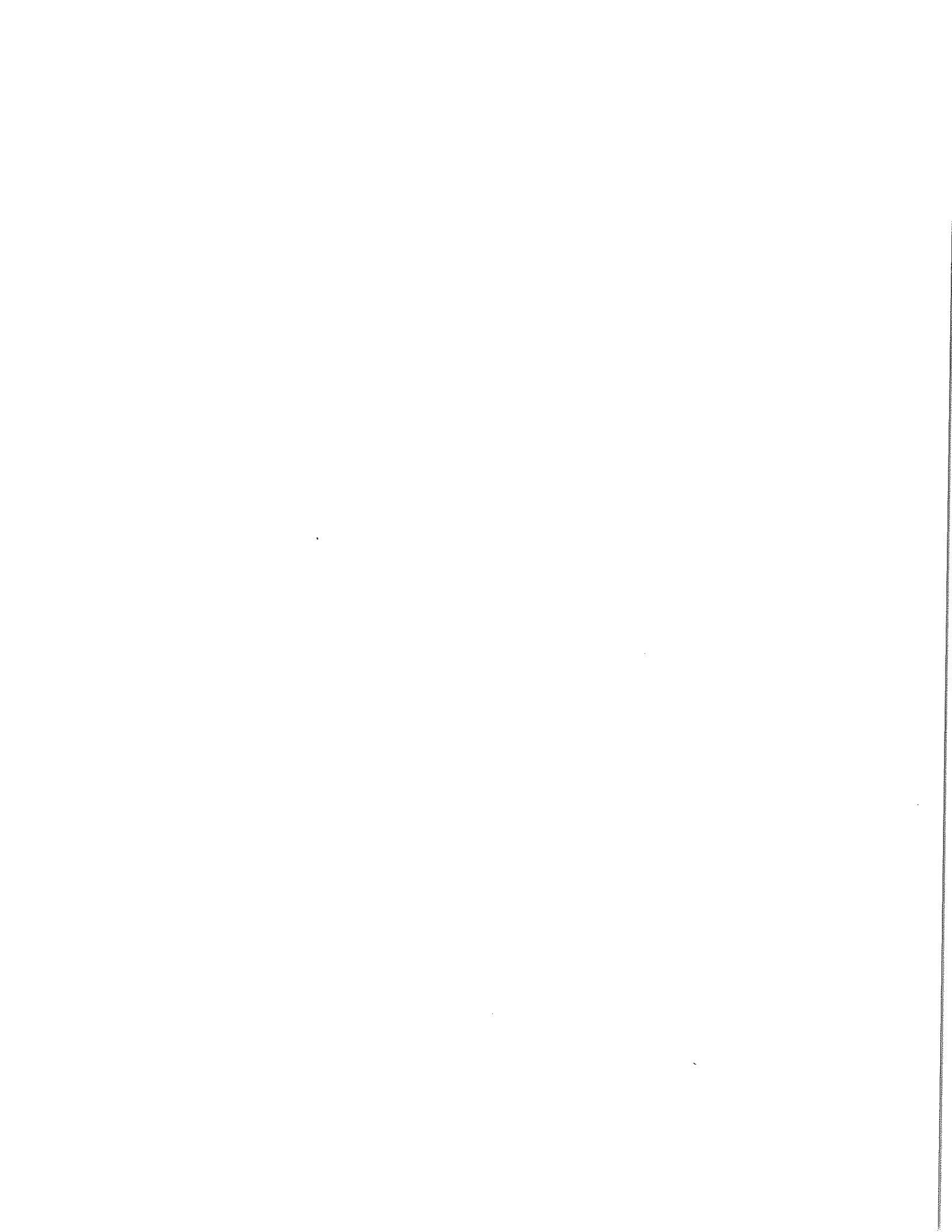
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$44,118	47,715	45,230	51,371
Contributions in relation to the Actuarially Determined Contributions	44,118	47,715	45,230	51,371
	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-Employee Payroll	\$418,900	\$355,460	\$322,251	\$339,756
Contributions as a Percentage of Covered - Employee Payroll	10.532%	13.423%	14.036%	15.120%

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

REQUIRED SUPPLEMENTARY INFORMATION – PART III



NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



RIVERSIDE SEWERAGE AUTHORITY

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017 AND 2016**

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.

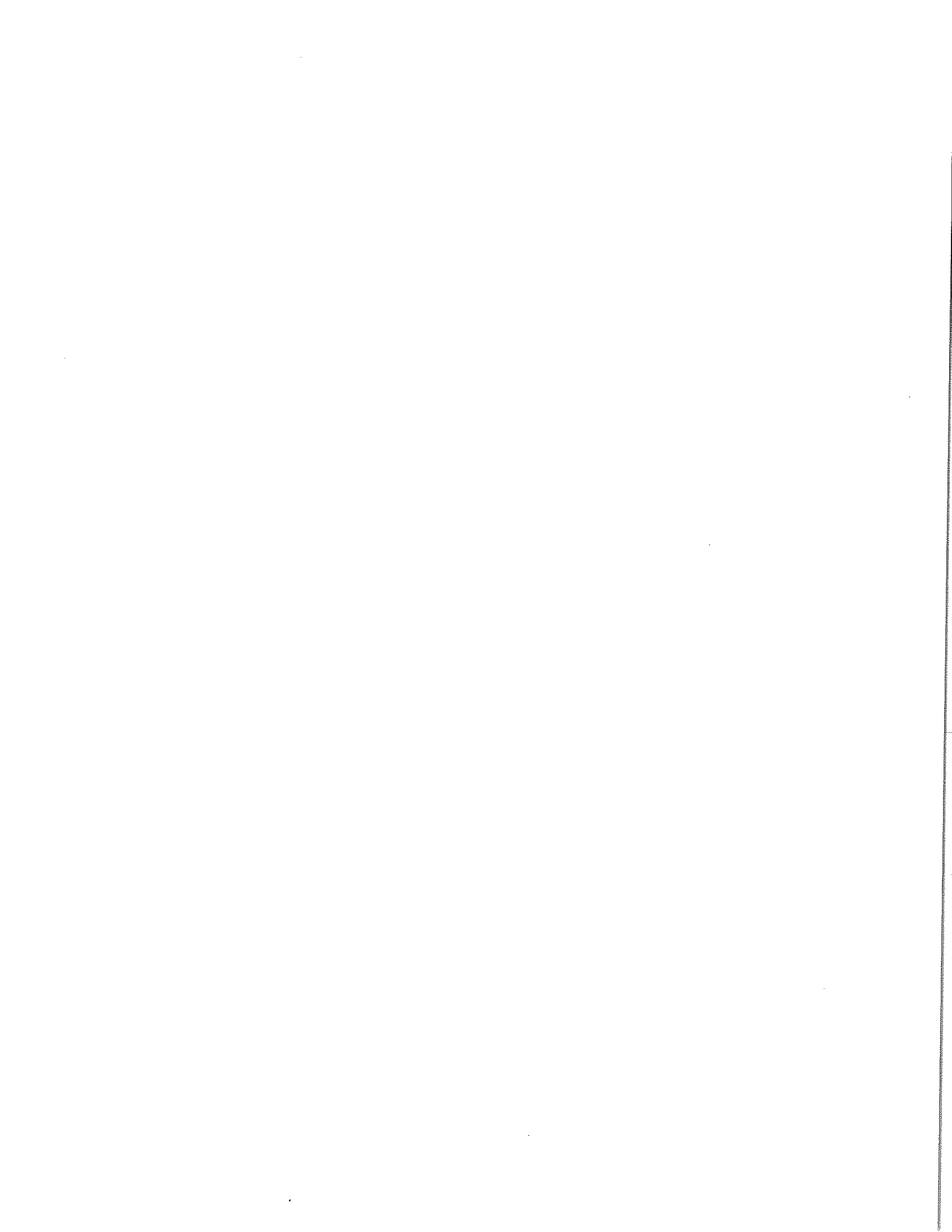
Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 2 years for males and 7 years for females) with adjustments for mortality improvements from the base year of 2013 using a generation approach based on the plan actuary's modified MP-2014 projection scale.

Additional detailed information about the pension plans is available in the separately issued State of New Jersey Public Employees' Retirement System – Schedules of Employer Allocations and Schedules of Pension Amounts by Employer at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>

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RIVERSIDE SEWERAGE AUTHORITY

**COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**





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

To the Chairman and Members
of the Riverside Sewerage Authority
Riverside, New Jersey 08075

I have audited the financial accounts and transactions of the Riverside Sewerage Authority in the County of Burlington for the year ended December 31, 2017. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

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

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

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

The Minutes indicate that bids were requested by public advertising for the following items:

Primary Digester Mixer Upgrades.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any instances where individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertising or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Collection of Service Revenue

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

Finding 2017-01:

The contract award amount for the primary digester mixer upgrades exceeded the Authority's planned capital budgeted amount.

Recommendation:

The Authority should have submitted a capital budget amendment to the State of New Jersey prior to the contract award in order to be in compliance with N.J.C.A. 5:31-2.2.

Collection of Interest on Delinquent Service Fees

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

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

Examination of Bills

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

Payroll Fund

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

Property, Plant and Equipment

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

Follow-up on Prior Years' Findings

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

Acknowledgement

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

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

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call me.



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
July 25, 2018

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