

Bayshore Regional Sewerage Authority

Audit Report

December 31, 2019 and 2018

Bart & Bart  
Certified Public Accountants

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# **BART & BART** *Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

To Chairperson and Members  
Bayshore Regional Sewerage Authority  
Union Beach, New Jersey

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

We have audited the accompanying financial statements of the Bayshore Regional Sewerage Authority (the Authority), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

To Chairperson and Members  
Bayshore Regional Sewerage Authority

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bayshore Regional Sewerage Authority, as of December 31, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, and the schedule of proportionate share of net pension liability on page 28 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Authority's basic financial statements. The supplemental information included on schedules 1-4 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are presented as additional analytical data as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Schedules 1 through 4 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. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

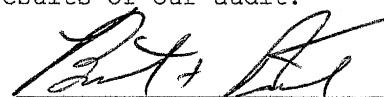
To Chairperson and Members  
Bayshore Regional Sewerage Authority

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The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2020 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

  
Bart & Bart, CPAs

Woodbridge, NJ  
September 10, 2020

# BART & BART *Certified Public Accountants*

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Independent Auditors Report on Compliance and on Internal Control over  
Financial Reporting and on Compliance and other Matters Based on an Audit  
of Financial Statements Performed in Accordance with Government Auditing  
Standards

To The Chairperson and Members  
Bayshore Regional Sewerage Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; Audit requirements as prescribed by the Division of Local Government Services, State of New Jersey and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements and fund information of Bayshore Regional Sewerage Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and on Internal Control over Financial Reporting Based  
on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

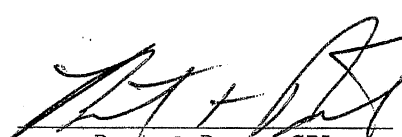
To The Chairperson and Members  
Bayshore Regional Sewerage Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

  
Bart & Bart, CPAs

Woodbridge, NJ  
September 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

This section presents management's analysis of the Authority's financial condition and activities of the Authority for the calendar year ended on December 31, 2019. This information should be read in conjunction with the basic financial statements and accompanying notes to the basic financial statements, which immediately follow this section. Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for Local Governments*. Certain comparative information between the current fiscal year and the prior two fiscal years is presented in the MD&A as required by GASB Statement No. 34.

### ***Summary of the Bayshore Regional Sewerage Authority and its business practices***

The Bayshore Regional Sewerage Authority is a public body corporate and politic of the State of New Jersey and was created pursuant to parallel ordinances adopted by the governing bodies of the member municipalities of Union Beach, Hazlet and Holmdel in September of 1968. The Authority was created pursuant to the Sewerage Authorities Law of the State of New Jersey (Laws of 1946, Chapter 138 (as amended and supplemented)) The Authority has the statutory power to acquire, construct, maintain, operate or improve works for the collection, treatment, purification or disposal of sewage or other wastes for the relief of waters in, bordering or entering the areas from pollution or threatened pollution. Subsequent to, and at different dates, the Authority contracted with the municipalities of Aberdeen, Matawan, Keansburg, Keyport and the Western Monmouth Utilities Authority (for the section of Marlboro know as Morganville) to provide this same service. Service Agreements are in place between the Authority and the aforementioned municipalities with an expiration date of 2042.

Pursuant to the provisions of the Act, the Authority consists of six-(6) commissioners, two from each municipality of Hazlet, Holmdel and Union Beach. The commissioners preside over the monthly governing body board meeting on the third Monday of each month. The Commissioners have appointed an Executive Director to exercise full authority, management and control of the day to day operations of the Authority.

Operations and Maintenance costs are funded from service fees and other charges. The acquisition and construction of capital assets are funded through Operating Revenues, Reserve Funds, Federal and State Grants, Wastewater Revenue Bonds and the New Jersey Infrastructure Bank (formerly known as the New Jersey Environmental Infrastructure Trust).

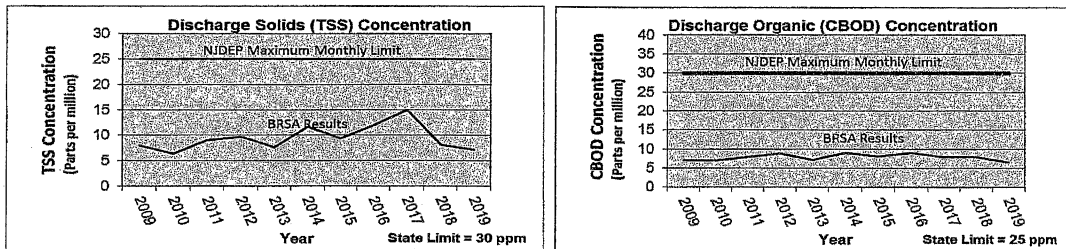
### ***Our Mission***

The "Mission" of the Bayshore Regional Sewerage Authority is focused on protection of the environment. In the early part of 2006, the staff consolidated the mission in the following statement; "*Dedicated to a Clean Environment for Today, Tomorrow, and Generations to Come*". The Authority employees believe that small continual improvement each year leads to major improvement over time. It is in this spirit that we strive for a minor improvement each year, and it is within this culture that we have achieved substantial results. The Authority accomplishes this by maintaining a well operated, clean, safe facility at 100 Oak Street in Union Beach, NJ. The facility operates well within the limits set by State and Federal permits.

Improvements are aimed at lowering the cost of business while prolonging function. Key indicators of performance include the trends in effluent quality of the wastewater being processed as well as operating, capital and debt service expenditures and net position.

**Water quality**

Two of the best indicators of facility performance are the concentration of solids in the discharge from the facility as well as the concentration of organics in this discharge. Figures 1. and 2 below illustrate these measures and compare the operating results with State of New Jersey limits.

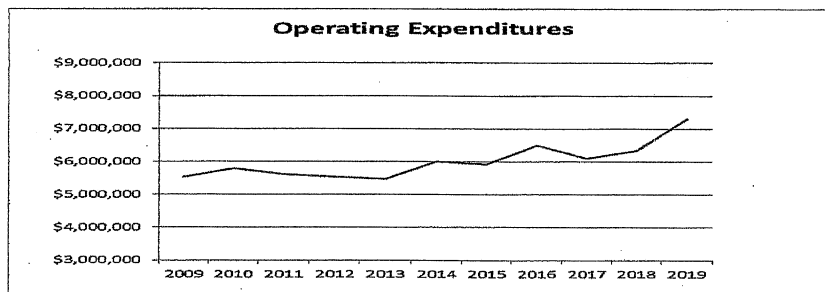


**Figure 1.** Effluent total suspended solids (TSS) per liter of water discharged from 2009 to 2019. State requires value to be 30 mg/l or lower. Effluent carbonaceous biological oxygen demand (CBOD) per liter of water discharged from 2009 to 2019. State requires values to be 25 mg/l or lower.

**Operating expenditures**

The Authority Operating budget provides for administration and cost of providing service expenses associated with a 16 million gallon per day treatment plant, regional interceptor collection system, pump stations, and meter chambers and provides an anticipated reserve.

The treatment system is comprised of a main pump station where the residential, commercial and industrial waste is removed of its larger solid material (screenings) before being pumped to a higher elevation for the removal of grit. Subsequent to grit removal the wastewater is conveyed by gravity to one of two separate treatment trains each with similar process units. The process units consist of primary sedimentation and floatation, biological reactors, secondary sedimentation and finally disinfection. The solids removed in the process units (primary sedimentation) and a portion created in the biological reactors are conveyed to a separate solid handling process for ultimate disposal. The water leaving the disinfection chambers is conveyed to the Monmouth County Bayshore Outfall Authority, a separate entity, for conveyance and ultimate discharge to the Atlantic Ocean via a 14-mile outfall pipe. The discharge of cleaned water from the Authority is regulated under the New Jersey Pollutant Discharge Elimination System Permit No. NJ 0024708. The chart in figure 3 illustrates the Authority effort to maintain a stable operating expense over the past ten-(10) years.



**Figure 2.** Graph of annual operating expenses 2009 to 2019

**Capital Expenditures**

In 2019 the Authority focused its Capital Budget on improvements and upgrades to the concentration tanks, plant security, Power Resiliency Project and interceptor collection system, force mains & pump stations. Capital funding is derived primarily from unrestricted net position generated during the year as well as low interest loans from the New Jersey Infrastructure Bank (NJIB).

**Net Position**

The Authority's financial condition remained strong at year end, as depicted by the financial data which follows. Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. In the past this measure has been called net assets, fund balance and equity. The net position of the Authority is an indication of overall financial health and is the accumulated results of all the individuals years of operating. For calendar year ending 2019 the net position of the Authority was \$72,532,152. The change in net position for the Authority in 2019 was an increase of \$2,211,053.

**Net Position Bayshore Regional Sewerage Authority - calendar year ended December 31.**

2019	2018	2017
\$72,532,152	\$70,321,099	\$67,436,464 *

\*Restated as a result of GASB 75

**Internal Controls**

The Authority has instituted a multi-layered internal control over spending which originates in a formal requisitioning system. All purchasing is handled by our State Qualified Purchasing Agent who follows NJ local public contract laws for procurement and attends ongoing annual training. All operational purchasing requests are made by the requisitioning department. Purchasing requests are authorized first by the Plant Superintendent and sent to the Executive Director for his approval prior to purchase. Signed certifications are received from the claimant (vendor) as well as the requisitioning department upon receipt of goods or services. Upon receipt of goods or services with certifications, a completed payment voucher is submitted to the Executive Director for review and approval before being submitted to the Authority Treasurer for final authorization. Subsequent to the final authorization, the claim for payment is presented to the entire Board of Commissioners at a monthly open public meeting. A formal approval of the claim is required before the authority releases payment to the vendor. Payment to the vendor follows within three-(3) days. The system reduces the risk of error, provides for full disclosure of all payments, involves the authority executive staff and provides payment to the vendor in a reasonable and acceptable time frame. The purchasing policy is memorialized in writing annually.

The payment of claims related to Superstorm Sandy involves even greater scrutiny and includes a review and approval by the New Jersey Infrastructure Bank (NJIB) and their contracted Integrity Monitors as well as the NJ Office of Emergency Management prior to FEMA reimbursement.

All Procurement is in accordance with Authority, State and Federal Regulations.

### ***Synopsis of General Authority Financial Procedures***

The Authority has adopted and follows a cash management plan.

Internal transfer of funds from one account to another is accomplished via a fund transfer request form produced by the Administrative Assistant in charge of Finances and approved by the Executive Director. Electronic payments are permitted only after Board approval and follow a double entry and certification process. All Operating checks require 3 signatures and payroll checks require 2 signatures. The Authority does not use signature stamps. All depositories, investments and accounts are approved by resolution of the governing body. The responsibility of the petty cash fund is vested in 2 individuals. All bank statements are reconciled monthly and sequence of check numbers accounted for. Outstanding checks older than 6 months are investigated. All investments are issued in the name of the Authority and GUDPA protected. There is a separation of duties between accounts receivable and billing with each process in a separate department. Inventories and supplies are under the physical control of a designated employee. Prenumbered purchase orders are issued for all purchases and vouchers approving payment contain the signature of the person who verified quantities and services rendered. All vouchers are approved by the governing body. Payroll is approved by a responsible official outside of the payroll department and all employees are paid by check or ACH Direct deposit. Records are maintained to control and verify vacation, sick and benefit time. New employees, employee promotions and rates of pay are approved by the governing body. Detailed fixed asset records are maintained and the Authority has an Asset Management Program for the identification of equipment, its age, condition, life cycle costs, replacement costs and risk management. The Authority budget is introduced and adopted by resolution of the governing body and the Authority Treatment charges are presented at a public hearing. The Authority Operating and Capital Budgets are approved and certified by the Division of Local Government Services at the Department of Community Affairs.

### ***Overview of Certain Financial Report***

#### **Comparative Statement of Net Position**

“The Comparative Statement of Net Position” presents information on the Authority’s assets and liabilities. Among other things the statement provides the value of the authority’s plant property and equipment from the creation of the authority to present. The net position of the Authority was impacted by the implementation of GASB 75 which is explained in the accompanying note #7 of the Audit. The Authority’s Net Position increased in 2019 from \$70,321,099 to \$72,532,152. The increase is mainly the result of new sewer connection applications to the system.

#### **Comparative Statement of Revenues, Expenses and Changes in Net Position**

The Comparative Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities over the past year including payroll and benefits, plant materials and supplies purchased, net income and changes in net position. The Authority’s net income in 2019 is \$2,530,393. The net income is primarily the result of several multiuse redevelopment projects underway in the Bayshore area of N.J. and of operating income which includes an anticipated reserve. Reserve is one of the main sources of capital improvements and asset management funding, both of which are key components in providing rate stability and treatment plant optimal performance. Figure 3 below compares this schedule for the years 2017-2019 and provides the Authority with key financial indicators.

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

The Schedule of operating revenues and costs funded by operating revenues compared to budget reviews the authority line item budget to actual expenditures and compares to the same line item from the prior year. Total Costs funded by operating Revenues for 2019 was \$9,052,925 as compared to \$10,729,987 for 2018 with the decrease due mainly to reduced capital outlays funded by operations, reduced costs for health insurance mainly due to reduced accruals related to GASB 68, as well as reduced utilities and chemicals cost. Revenues from Treatment charges were slightly higher in 2019 as compared to 2018.

Health insurance costs were significantly lower in 2019 as a result of the change in health plan premiums from the State of NJ. Pension expenses decreased in 2019. Plant electrical costs were slightly lower in 2019 due to increased efficiencies and stable rates. The Authority is part of an energy aggregate group which purchases power at a lower rate due to the aggregate size. In 2019 expenditures for incinerator fuel oil increased slightly as a result of higher fuel oil unit costs. The use and cost of natural gas remained relatively stable. Water costs for 2019 were slightly higher as a result of additional water use in the scrubber system of the NIRO Incinerator. The increased water usage results in cleaner emissions in the air. The Ash removal expense was slightly higher in 2019. Most other operational expenditures were in line with prior year.

In 2019 the Authority completed over \$5M in capital improvement, mostly related to concentration tank rehabilitation, incineration improvements, odor control improvements, pipeline repair work, power distribution systems, vehicle purchases and pump station upgrades.

Revenues, Expenses and Changes in Net Position Authority 3-Year Statement			
	2019	2018	2017 Restated
Operating Revenues	\$9,368,116	\$9,230,222	\$9,224,232
Operating Expenses	\$6,461,710	\$6,516,854	\$6,248,623
Depreciation	\$2,195,373	\$2,111,562	\$1,843,478
Total Operating Expenses	\$8,657,083	\$8,628,416	\$8,092,101
Operating Income	\$711,033	\$601,806	\$1,132,131
Non-Operating Revenue/ (Expenses)			
Interest Income	\$395,140	\$289,733	\$120,630
Misc. Income (connections and sundry)	\$1,214,969	\$2,080,800	\$5,019,743
Superstorm Sandy Expense			
Note Issuance costs-Ibank	\$-47,391	-\$55,631	-\$36,196
Interest Ibank	-\$125,692	-\$32,073	-\$28,642
Total Non-Operating Revenues/ (Expenses)	\$1,437,020	\$2,282,829	\$5,075,535
Net Income before transfer of depreciation of assets purchased with contributed capital	\$2,148,053	\$2,884,635	\$6,207,666
Transfer of Depreciation	\$382,340	\$382,340	\$382,340
Net Income	\$2,530,393	\$3,266,975	\$6,590,006
Net Position, January 1	\$65,402,518	\$62,135,543	\$65,528,813
GASB 75 Adjustment			-\$9,983,276
Net Position, December 31	\$67,832,911	\$65,402,518	\$62,135,543
Contributed Capital-Net-January 1	\$4,918,581	\$5,300,921	\$5,683,261
NJEIT Note Principal Forgiveness			
Transfer of depreciation from Operations	-\$382,340	-\$382,340	-\$382,340
Contributed Capital-Net-December 31	\$4,599,241	\$4,918,581	\$5,300,921
Net Position End of Year	\$72,532,152	\$70,321,099	\$67,436,464

**Figure 3. Revenues, Expenses and Changes in Net Position – 3 Year schedule**

***Ongoing Response to Hurricane Sandy***

On October 29, 2012 Hurricane Sandy flooded the Borough of Union Beach, NJ where the Bayshore Regional Sewerage Authority is located. The Authority suffered significant damage to its processes. The authority has received funding from three separate insurance policies as well as the Federal Emergency Management Agency, FEMA. FEMA has obligated approximately \$48,000,000 towards the restoration and mitigation of the Authority processes. FEMA share of the funding to restore and mitigate damage has been established at 90% of cost, leaving 10% cost share for the Authority.

The State Treasury Department assigns Integrity Oversight Monitors to any Federally Funded FEMA Project with a value exceeding \$10,000,000. As a result, Addex Corp., an Integrity Monitoring firm has been assigned to oversee the NIRO Incineration project. The Integrity Monitor concluded the oversight of the NIRO project in 2017 without incident. Our last FEMA funded Sandy project, Power Resiliency Generation (Project Fund #3), which is under design and estimated to be approximately \$21M, will be submitted to the State for review, which may assign an Integrity Monitor to oversee the project.

As of December 31, 2019, the Authority has received approximately \$28,000,000 from FEMA for costs associated with the restoration, and mitigation of Authority buildings and processes damaged by Superstorm Sandy. The Authority will be seeking final project fund (PW's) 1 & 2 reimbursements and plan to begin the closeout process for those PW's in fall/winter of 2020.

**AUTHORITY CONTACT INFORMATION**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Peter J. Canal, Executive Director, at the Bayshore Regional Sewerage Authority, 100 Oak Street, Union Beach, NJ 07735.

## EXHIBIT A

Bayshore Regional Sewerage Authority  
Comparative Statement of Net Position  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Unrestricted Assets:		
Cash and Cash Equivalents	\$10,596,501	\$ 22,168,611
Inventory (Note 1.G.)	558,916	548,550
Prepaid Expenses	14,829	14,492
FEMA Claims Receivable	1,796,893	2,428,849
Investments	2,066,352	-
Claims Receivable - I-Bank	<u>103,306</u>	<u>60,377</u>
Total Unrestricted Assets	\$15,136,797	\$ 25,220,879
Restricted Assets:		
Cash and Cash Equivalents	7,237,466	-
Construction Funds	3,279,425	3,683,525
Debt Service Funds	692,592	200,894
Customer Escrow Deposits	2,732,009	2,756,517
Investments	3,000,000	-
Prepaid Debt Service	<u>258,359</u>	<u>-</u>
Total Restricted Assets	<u>17,199,851</u>	<u>6,640,396</u>
Plant, Property and Equipment	153,431,755	149,670,818
Less: Accumulated Depreciation	<u>79,777,154</u>	<u>77,581,781</u>
Net Plant, Property and Equipment	<u>73,654,601</u>	<u>72,089,037</u>
TOTAL ASSETS	\$105,991,249	\$103,950,852
Deferred Outflow of Resources:		
Deferred Amount of Net Pension Liability	826,937	1,461,313
Deferred Amount of Net OPEB Liability	<u>265,530</u>	<u>307,232</u>
Total Assets and Deferred Outflow of Resources	<u>\$107,083,716</u>	<u>\$105,719,397</u>

See accompanying notes.

Bayshore Regional Sewerage Authority

EXHIBIT A

Comparative Statement of Net Position

(Continued)

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities -		
Payable from Unrestricted Assets:		
Accounts Payable - Operating	\$271,679	\$ 422,262
Accounts Payable - Retainage	92,801	105,480
Payroll Deductions Payable	5,464	23,006
Accrual for Unused Leave and Vacation Time	<u>120,395</u>	<u>88,789</u>
Total Current Liabilities Payable from Unrestricted Assets	490,339	639,537
Current Liabilities -		
Payable from Restricted Assets:		
Escrow Deposits Payable	2,732,009	2,756,517
Bonds Payable - I-Bank 2018 Series	1,096,641	-
I-Bank 2019 Series	164,837	-
Note Payable - I -Bank 2016 Series	-	2,584,652
Loan Payable - Current Portion	<u>-</u>	<u>515,902</u>
Total Current Liabilities Payable from Restricted Assets	3,993,847	5,857,071
Long Term Liabilities -		
Payable from restricted assets:		
Loan Payable - I-Bank - 2015 Series	-	10,311,238
Bonds payable - I-Bank- 2018 Series	9,214,681	-
2019 Series	3,237,071	-
Net Pension Liability	5,355,759	6,155,334
Net OPEB Liability	<u>5,450,804</u>	<u>6,958,642</u>
TOTAL LIABILITIES	<u>\$27,742,501</u>	<u>\$29,921,822</u>

See accompanying notes.



Bayshore Regional Sewerage Authority

EXHIBIT A

Comparative Statement of Net Position

(Continued)

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND NET POSITION</u>		
Deferred Inflow of Resources		
Deferred Amount on Net Pension Liability	2,265,140	2,078,544
Deferred Amount of Net OPEB Liability	<u>4,543,923</u>	<u>3,397,932</u>
Total Liabilities and Deferred Inflow of Resources	34,551,564	35,398,298
<u>NET POSITION</u>		
Restricted for:		
Contributed capital, net	4,599,241	4,918,581
Construction	3,279,425	3,683,525
Debt Service	692,592	-
Future Capital Outlays	7,237,466	-
Emergency Response	<u>3,000,000</u>	<u>-</u>
Total Restricted	18,808,724	8,602,106
Unrestricted	<u>53,723,428</u>	<u>61,718,993</u>
Total Net Position	<u>72,532,152</u>	<u>70,321,099</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$107,083,716</u>	<u>\$105,719,397</u>

See accompanying notes.

Bayshore Regional Sewerage Authority

Comparative Statement of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Treatment Charges	\$ 9,368,116	\$ 9,230,222
Operating Expenses:		
Payroll and Employee Benefits	3,662,575	3,936,791
Plant Materials and Supplies	2,187,048	2,127,678
Administrative and General	612,087	452,385
Depreciation	<u>2,195,373</u>	<u>2,111,562</u>
Total Operating Expenses	<u>8,657,083</u>	<u>8,628,416</u>
Operating Income	<u>711,033</u>	<u>601,806</u>
Nonoperating Revenue (Expenses):		
Interest Income on Investments	395,140	289,733
Miscellaneous Income - Applications and Sundry	1,214,969	2,080,800
Note Issuance Costs - I-Bank Loans and Notes	(47,397)	(55,631)
Interest	<u>(125,692)</u>	<u>(32,073)</u>
	<u>1,437,020</u>	<u>2,282,829</u>
Net Income (Before Transfer of Depreciation of Assets Purchased with Contributed Capital)	2,148,053	2,884,635
Transfer of Depreciation to Contributed Capital	<u>382,340</u>	<u>382,340</u>
Net Income	2,530,393	3,266,975
Net Position, January 1 <sup>st</sup>	65,402,518	62,135,543
Net Position, December 31 <sup>st</sup>	<u>67,932,911</u>	<u>65,402,518</u>
Contributed Capital - Net, January 1 <sup>st</sup>	4,918,581	5,300,921
Transfer of Depreciation from Operations	<u>(382,340)</u>	<u>(382,340)</u>
Contributed Capital - Net, December 31 <sup>st</sup>	<u>4,599,241</u>	<u>4,918,581</u>
Net Position, End of Year	<u>\$ 72,532,152</u>	<u>\$ 70,321,099</u>

Bayshore Regional Sewerage Authority  
Comparative Statement of Cash Flows  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Provided by (Used for) Operations:		
Change in Net Position	\$ 2,148,453	\$ 2,884,635
Adjustments to Reconcile Net Income to Net Cash:		
Depreciation	2,195,373	2,111,562
Prepaid Expenses	(337)	81,352
Inventory	(10,366)	30,947
Claims Receivable	589,027	349,042
Current Liabilities Payable from Unrestricted Assets	149,198	21,460
Current Liabilities Payable from Restricted Assets	(1,863,224)	(1,687,973)
Deffered Amounts on Net Pension and OPEB Liability	2,278,501	(2,946,112)
Net Pension and OPEB Liability	<u>(2,307,413)</u>	<u>3,151,541</u>
Net Cash Provided by Operations	<u>3,179,212</u>	<u>3,996,454</u>
Cash Flows Provided by (Used for) Investing Activities:		
Investments	(2,066,352)	-
Restricted Assets	(10,559,455)	5,685,296
Plant, Property and Equipment	<u>(3,750,937)</u>	<u>(2,426,660)</u>
Net Cash Provided by (Used For) Investing Activities	<u>(16,376,744)</u>	<u>3,258,636</u>
Cash Flows Provided by (Used for) Financing Activities:		
Loan Payable	(10,826,330)	9,149,612
Note Payable	<u>12,451,752</u>	<u>(8,148,773)</u>
Net Cash provided by Financing Activities	1,625,422	1,000,839
Net Increase in Cash and Cash Equivalents	(11,572,110)	8,255,929
Cash and Cash Equivalents:		
Beginning of Period	<u>22,168,611</u>	<u>13,912,682</u>
End of Period	<u>\$ 10,596,501</u>	<u>\$ 22,168,611</u>

See accompanying notes.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies

A. General

The Bayshore Regional Sewerage Authority (Authority) is a public body politic and corporate constituting a political subdivision of the State of New Jersey created under Chapter 138 of the Sewerage Authority Law of New Jersey of 1946, as amended, pursuant to the action of the governing bodies of Hazlet Township, Holmdel Township and the Borough of Union Beach in 1968.

The Authority is authorized and empowered to acquire, construct, maintain, operate or improve works for the collection, treatment, and disposal of sewage or other wastes in return for the participants agreeing to pay all charges necessary to cover debt service requirements and all obligations of the Authority through sewer charges for usage. The present participants are Hazlet Township, Holmdel Township, Borough of Union Beach, Borough of Keyport, Keansburg Municipal Utilities Authority, Borough of Matawan, Western Monmouth Utilities Authority, and the Township of Aberdeen. All participants have entered into service contracts with the Authority.

As a public body under existing statute, the Authority is exempt from all federal and state income taxes.

B. New Accounting Standards

The Authority has adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68* ("GASB 73"). Statement No. 73 requires the Authority to present a 10-year schedule of changes in total net pension liability. The schedule of changes in the total net pension liability is presented in the Supplementary Information of these financial statements.

In June 2015, GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local government employers through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 30, 2017. This Statement became effective for the December 31, 2018 year-end. The Authority has adapted GASB 75 for the year ended December 31, 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). This Statement requires presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure, in schedules of required supplementary information. The Statement also addresses issues regarding the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. The Authority had implemented GASB 82 during the year ended December 31, 2018.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

C. Basis of Financial Statements

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

Cash, Equivalents and Investments

New Jersey Authorities are required by N. J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of 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 in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Cash includes petty cash, change funds, cash in banks, savings accounts, money market funds, or highly liquid securities with an original maturity date of less than three (3) months from the date of purchase which may be withdrawn at any time without prior notice of penalty. Cash equivalents are defined as short-term, highly liquid securities that are both radically convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with an original maturity date of less than three (3) months from the date of purchase meet this definition. For the Comparative Statement of Cash Flows the Authority includes all cash and cash equivalents.

Risk Analysis

The cash, checking, savings accounts, and money market accounts are covered by the Federal Deposit Insurance Corporation ("FDIC") and the Government Unit Deposit Protection Act ("GUDPA").

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies (continued)

D. Unemployment Insurance

The Authority is insured under the rules and regulations of the State of New Jersey Unemployment Compensation Law, whereby it pays into the state fund a percentage of payroll costs to cover benefits to be paid to former employees of the Authority.

E. Inventory

Inventory consists principally of machinery replacement parts and supplies. The inventory is stated at cost determined on a first-in, first-out basis. An adjustment was made to the December 31, 2019 inventory dollar amount due to an increase in amounts of inventory and cost thereof.

F. Grants-In-Aid

Federal and state grants-in-aid of construction are recorded in the period received. Grants received by the Authority are restricted by the grantor to the design and construction of plant facilities and are recorded as contributed capital.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Plant, Property and Equipment

Plant, property and equipment are stated at cost, which includes direct construction costs and other expenditures related to construction. Construction costs are charged to construction in progress until such time as given segments of the project are completed and put into service.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation on assets acquired with Grants-in-Aid is recorded as a reduction of contributed capital. Depreciation is provided over the following estimated useful lives of capital assets ranging from 5-40 years. Construction in Progress is not depreciated until put into service.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

The following table summarizes the capital asset activity of the Authority for 2019 and 2018:

<u>2019</u>	Balance December 31, 2018	<u>Additions</u>	<u>Dispositions</u>	Balance December 31, 2019
Land & Buildings	\$ 1,225,128	\$ 488,306	\$ -	\$ 1,713,434
Plant Infrastructure	95,134,768	10,091,845	-	105,226,613
System Infrastructure	26,041,561	1,095,171	-	27,136,732
Vehicle & Equipment	1,338,903	52,377	-	1,391,281
Construction in Progress	<u>25,930,458</u>	<u>3,246,770</u>	<u>11,213,532</u>	<u>17,963,696</u>
	\$149,670,818	\$14,974,469	11,213,532	\$153,431,755
Less: Accumulated depreciation	<u>(77,581,781)</u>	<u>(2,195,373)</u>	<u>-</u>	<u>(79,777,154)</u>
	<u>\$ 72,089,037</u>	<u>\$12,190,069</u>	<u>\$11,213,532</u>	<u>\$ 73,065,574</u>

The following table summarizes the capital asset activity of the Authority for 2018 and 2017 (Continued)

<u>2018</u>	Balance December 31, 2017	<u>Additions</u>	<u>Dispositions</u>	Balance December 31, 2018
Land & Building	\$ 1,222,762	\$ 2,366	-	\$ 1,225,128
Plant Infrastructure	94,088,243	1,046,525	-	95,134,768
System Infrastructure	25,403,770	637,791	-	26,041,561
Vehicles & Equipment	1,317,166	21,737	-	1,338,903
Construction in Progress	<u>25,212,217</u>	<u>718,241</u>	<u>-</u>	<u>25,930,458</u>
	\$147,244,158	\$ 2,426,660	-	\$149,670,818
Less: Accumulated Depreciation	<u>(75,470,219)</u>	<u>(2,111,562)</u>	<u>-</u>	<u>(77,581,781)</u>
	<u>\$ 71,773,939</u>	<u>\$ 315,098</u>	<u>\$ -</u>	<u>\$ 72,089,037</u>

I. Statements of Cash Flows

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

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 2. FEMA CLAIMS RECEIVABLE/FINANCING OF SUPERSTORM SANDY COSTS

On October 29, 2012, Super Storm Sandy made landfall along the Southern Atlantic Coast of New Jersey. The resulting storm surge and winds caused catastrophic damage to the community of Union Beach, where the Authority is located.

The Authority sustained significant damage to its property, plant and equipment. As of December 31, 2016, the Authority has expended \$12,540,837 (exclusive to amounts spent in relation to the New Jersey Infrastructure Bank (I-Bank) note borrowings discussed in Note 4), in repairs, equipment replacement and alternative treatment methods in order to continue to service its customer base. The full extent and cost of the damage caused by this extraordinary event has yet to be finalized and measured.

Certain of the expenses incurred by the Authority and discussed above will be eligible for a combination of insurance coverage and financial assistance from the Federal Emergency Management Agency (FEMA). The Authority anticipates that many of these expenses will be reimbursable at 90%. Certain of these expenses will mitigate future storm damage, and as such, will be capital in nature and will be financed over the useful life of the repaired asset. The amount shown as FEMA Claims receivable on the balance sheet is shown net of a \$2,842,842 reimbursement from the Authority's various insurance carriers and \$5,146,620 from FEMA.

NOTE 3. CLAIMS RECEIVABLE I - BANK

During 2018 and prior, the Authority overpaid I-Bank \$103,306 in funds for engineering and other fees related to projects that were financed by loans and notes sold to the I-Bank. This amount will be refunded too the Authority in 2020

NOTE 4. NOTES PAYABLE - I-Bank

2016 Series

On June 22, 2016, the Authority sold a three-year note to I-Bank in an amount not to exceed \$11,233,343. The proceeds of the note were used by the Authority to fund repairs associated with damage from Superstorm Sandy, as well as fund costs associated with future mitigation of damages from future storms. The terms of the note called for the Authority to draw funds as needed to fund completion of these projects. Most of these costs will be ultimately funded by FEMA, or in the form of principal forgiveness of a portion of the note by I-Bank. The Authority drew funds from a construction account established by I-Bank and receives reimbursements from FEMA. These reimbursements were forwarded back to I-Bank, thereby lowering the balance due on the note. As of December 31, 2018 and 2017, the Authority owed I-Bank \$0 and \$2,584,652, respectively, under the terms of this note. The Authority paid a one-time interest payment on this note of \$32,073 to the I-Bank in 2018.



Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

Note 5 - Loans Payable I-Bank

On February 26, 2018, the Authority adopted a resolution ("General Bond Resolution") authorizing the issuance of revenue bonds. Also, on February 26, 2018, the Authority adopted supplemental resolution 1 to the General Bond Resolution authorizing the issuance to the I-Bank of an amount not to exceed \$14,000,000 (the "2018 Bonds"). The 2018 bonds consist of two portions: A federal portion that includes principal forgiveness, and a state portion. The federal portion of the 2018 Bonds consist of semi-annual principal payments of \$401,902 commencing on August 1, 2018, with a final maturity on August 1, 2037, at which time the total principal payments will amount to \$8,081,075. This portion does not bear interest. The state portion of the 2018 bonds in the amount of \$3,020,000 shall bear interest from their date of delivery, and semi-annual thereafter on August 1 and February 1 of each year. The portion shall bear interest at the rates and shall mature on the dates and in the principal amounts, set forth in an I-Bank Loan Agreement; provided that (i) each maturity date shall be February 1 or August 1; (ii) the final maturity date shall not be later than August 1, 2040; and (iii) no interest shall exceed six percent (6%) per annum. The proceeds of the 2018 bonds were used to refund the balance due on the 2015 notes payable, and pay for the cost of issuance of the 2018 loans.

Annual repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
Year Ending December 31,			
2019	\$ 515,902	\$ 116,631	\$ 632,533
2020	520,902	111,381	632,283
2021	525,902	105,881	631,783
2022	530,902	100,131	631,003
2023	535,902	94,131	630,003
2024 - 2028	2,789,511	369,156	3,158,616
2029 - 2033	2,949,511	218,524	3,169,034
2034 - 2039	<u>2,458,608</u>	<u>69,618</u>	<u>2,517,796</u>
	<u>\$10,827,140</u>	<u>\$1,185,955</u>	<u>\$12,013,095</u>

On February 25, 2019, the Authority adopted supplemental resolution 2 to the General Bond Resolution authorizing the issuance to the I-Bank of an amount not to exceed \$6,000,000 (the "2019 Bonds"). The 2019 bonds consist of two portions: A Federal portion that includes principal forgiveness, and a State Portion. The Federal portion of the 2019 Bonds consist of semi-annual principal payments of 129,837 commencing on August 1, 2019, with a final maturity on August 1, 2038, at which time the total principal payments will amount to \$2,553,467. This portion does not bear interest. The State portion of the 2019 bonds in the amount of \$935,000 shall bear interest from their date of delivery, and semi-annually thereafter on August 1 and February 1 of each year. This portion shall bear interest at the rates and shall mature on the dates and in the principal amounts, set forth in an I-Bank Loan Agreement; provided that (i) each maturity date shall be February 1 or August 1; (ii) the final maturity date shall not be later than August 1, 2040; and (iii) no interest shall exceed six percent (6%) per annum. The proceeds of the 2019 bonds were used to refund the balance due on the 2016 notes payable, and pay for the cost of issuance of the 2019 loans.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

Note 5 - Loans Payable I-Bank (Continued)

Annual repayments are due as follows:

Year ending December 31,	Debt Service		Total
	Principal	Interest	
2019	\$ 86,558	\$ 9,059	\$ 95,617
2020	164,837	33,280	198,117
2021	164,837	31,531	196,368
2022	164,837	29,781	194,618
2023	169,837	28,031	197,868
2024 - 2028	874,186	108,296	982,482
2029 - 2033	914,186	63,331	977,517
2034 - 2039	949,189	27,600	976,789
	<u>\$ 3,488,467</u>	<u>\$330,909</u>	<u>\$3,819,276</u>

NOTE 6. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). PERS is administered by the State of New Jersey, Division of Pensions and Benefits ("Division").

PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and their beneficiaries. As a condition of employment, all Authority full-time employees are required to be members of PERS. PERS members can apply for a service retirement of age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5) regardless of the amount of service credit earned.

Plan Description and Benefits

Tier 1, 2 or 3: Annual Benefit = Years of Service Credit, divided by 55, times Final Average Salary (average salary of the last three years of credited service or the highest three fiscal years of credited service, whichever provides the higher benefit). Tier 4 or Tier 5: Annual Benefit = Years of Service Credit, divided by 60, times Final Average Salary (average salary of the last five years of credited service or the highest five fiscal years of credited service, whichever provides the higher benefit). Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007, and who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 6. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Contributions:

Employees contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a seven-year period. Covered Authority employees are required by PERS to contribute 7.50% of their salaries. State statute requires the Authority to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Public Employees Retirement System (PERS):

At December 31, 2019 and 2018, the Authority had a liability of \$5,355,759 and \$5,450,804, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively. The Authority's proportionate share 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 governmental entities, actuarially determined. As of the measurement date of June 30, 2019, the authority's proportionate share was 0.00297 percent, which was a decrease of 0.00015 percent from its proportionate share measured as of June 30, 2018 of 0.00312.

For the years ended December 31, 2019 and 2018, respectively, the pension system has determined the Agency's pension expense to be \$318,103 and \$471,183, respectively, for PERS based on the actuarial valuation which is more than the actual contributions made by the Agency of \$312,884 and \$295,984, respectively.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 6. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Public Employees Retirement System (PERS - Continued):

At December 31, 2019 and 2018, the Agency's deferred inflows of resources related to the PERS pension are from the following sources:

	<u>2019</u>	<u>2018</u>		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 96,129	\$ 23,859	\$ 117,383	\$ 31,739
Changes of Assumptions	534,792	1,858,967	1,014,297	1,968,148
Net Difference Between Projected And Actual Earning on Pension Plan Investments	-	84,543	-	57,737
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	196,016	297,771	329,633	20,920
	<u>\$ 826,937</u>	<u>\$ 2,265,140</u>	<u>\$ 1,461,313</u>	<u>\$ 2,078,544</u>

At December 31, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	(\$244,510)
2021	(519,346)
2022	(346,371)
2023	(186,864)
Thereafter	(141,202)
	<u>(\$1,438,303)</u>

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 6. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Public Employees Retirement System (PERS) (Continued):

Actuarial Assumptions

The Authorities total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate	2.75%	2.25%
Salary Increases:		
Through 2026	2.00 - 6.00% Based on Years of Service	1.65 - 4.15% Based on Age
Thereafter	3.00 - 7.00% Based on Years of Service	2.65 - 5.15% Based on Age
Investment Rate of Return	7.00%	7.00%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018 are summarized in the following tables:

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 6. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Public Employees Retirement System (PERS) (Continued):

<u>2018</u>			<u>2019</u>		
<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>
Cash Equivalents	5.50%	1.00%	Cash equivalents	5.00%	2.00%
U.S. Treasuries	3.00%	1.87%	U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	3.78%	Investment grade credit	10.00%	4.25%
High Yield	2.50%	6.82%	High yield	2.00%	5.37%
Global diversified credit	5.00%	7.10%	Private credit	6.00%	7.92%
Credit-oriented			Risk Mitigation Strategies	3.00%	4.67%
Hedge funds	1.00%	6.60%	Real Assets	2.50%	9.31%
Debt-related			Real Estate	7.50%	8.33%
private equity	2.00%	10.63%	US Equity	28.00%	8.26%
Debt-related real estate	1.00%	6.61%	Non-US developed		
Private real asset	2.50%	11.83%	Markets equity	12.50%	9.00%
Equity-related			Emerging markets equity	6.50%	11.37%
real estate	6.25%	9.23%	Private Equity	12.00%	10.85%
U.S. Equity	30.00%	8.19%			
Non-US developed					
Markets equity	11.50%	9.00%			
Emerging markets equity	6.50%	11.64%			
Buyouts/venture capital	8.25%	13.08%			

The Discount Rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

Sensitivity of Net Pension Liability:

The following presents the Authorities proportionate share of the PERS net pension liability as of December 31, 2019 and 2018, calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Authority's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.66% and 4.00%, respectively) or one percentage point higher (6.66% or 6.00%, respectively) than the current rate:

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 6. EMPLOYEE RETIREMENT SYSTEM and PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Public Employees Retirement System (PERS) : Sensitivity of Net Pension Liability (Continued):

	<u>2019</u>		
	1% Decrease <u>(5.28%)</u>	Current Discount Rate <u>(6.28%)</u>	1% Increase <u>(7.28%)</u>
Authority's Proportionate Share of PERS Net Pension Liability	<u>\$ 6,426,910</u>	<u>\$ 5,355,759</u>	<u>\$ 4,455,911</u>
	<u>2018</u>		
	1% Decrease <u>(4.66 %)</u>	Current Discount Rate <u>(5.66 %)</u>	1% Increase <u>(6.66 %)</u>
Authority's Proportionate Share of PERS Net Pension Liability	<u>\$ 7,386,400</u>	<u>\$ 6,155,334</u>	<u>\$ 5,170,480</u>

The sensitivity analysis was based on the proportionate share of the Authority's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Authority's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position:

Detailed information about the PERS pension plan's fiduciary net pension is available in the separately issued report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

NOTE 7. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension - GASB 75

Plan Description and Benefits Provided

The State Health Benefit Retired Employees Plan is a multiple-employer defined benefit OPEB plan, with that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription, drug, and Medicare Part B reimbursement to retirees and their covered dependents of local employers.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 7. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension - GASB 75 (Continued)

Plan Description and Benefits Provided - (Continued)

The employer contributions for the participating local employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: Teachers' Pension Annuity Fund (TPAF), the Public Employees' Retirement System (PERS, the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, the future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Total Non-employer OPEB Liability

The portion of the Total Non-employer OPEB Liability that was associated with the Authority at December 31 was as follows:

	<u>2019</u>	<u>2018</u>
Non-employer OPEB Liability:		
Authority's proportionate share	\$5,450,804	\$6,958,642

The Total Non-employer OPEB Liability as of December 31, 2019 and 2018 was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively.

The Total Non-employer OPEB Liability was determined separately based on actual data of the District.

On December 31, 2019, the District's proportion was 0.040239 percent, which was an increase of 0.004178 from its proportion measured as of December 31, 2018.

The State, a Non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants.



Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 7. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension - GASB 75 (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation 2.5 %

Salary increases Through 2026                    2.00% - 6.00% Based on Age

Thereafter    3.25% - 15.25% Based on Age

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-Retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is initially 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Plan B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.70%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 7. Accounting and Financial Reporting for Post-Retirement Benefits Other Than Pension - GASB 75 (Continued)

Sensitivity of the Total Non-employer OPEB Liability to Changes in the Discount Rate

The following presents the total non-employer OPEB liability associated with the Authority as of December 31, 2018 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>December 31, 2019</u>		
	<u>1.00% Decrease (2.50%)</u>	<u>At Discount Rate (3.50%)</u>	<u>1.00% Increase (4.50%)</u>
State of New Jersey's Non-employer OPEB Liability Associated with the Authority	\$6,301,129	\$5,450,804	\$4,758,675
	<u>December 31, 2018</u>		
	<u>1.00% Decrease (2.87%)</u>	<u>At Discount Rate (3.87%)</u>	<u>1.00% Increase (4.87%)</u>
State of New Jersey's Non-employer OPEB Liability Associated with the Authority	\$8,162,487	\$6,958,642	\$5,984,432

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to retired Authority employee's OPEB associated with the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions	\$ 1,931,644	\$ -	\$1,765,151	\$ -
Difference Between Expenditures and Actual	1,594,027	4,480	1,412,853	3,677
Changes in Proportion	<u>1,018,252</u>	<u>361,040</u>	<u>219,928</u>	<u>303,555</u>
	<u>\$4,543,923</u>	<u>\$ 265,530</u>	<u>\$3,397,932</u>	<u>\$ 307,232</u>

Bayshore Regional Sewerage Authority  
Notes to Financial Statements  
December 31, 2019 and 2018

NOTE 7. ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSION - GASB 75 - OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the District will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ (693,098)
2020	(693,098)
2021	(697,378)
2022	(697,378)
2023	(697,378)
Total Thereafter	<u>(800,061)</u>
	<u>\$ (4,278,393)</u>

In accordance with GASB No. 75, the Authority's proportionate share of retiree's OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-029 or on their website at <http://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

NOTE 8. RESTATEMENT

On January 1, 2018, the Bayshore Regional Sewerage Authority implemented GASB Statement No. 75, "Financial Reporting for Post-Employment Benefit Plans Other Than Pensions." The Authority has determined the effect of implementing this accounting change on the financial statements previously reported as of December 31, 2017, was to recognize the Authority's proportionate share of Public Employees' OPEB benefit plans other than pensions. The net effect of this restatement is a decrease in total net position at December 31, 2017, from \$72,118,819 as originally reported, to \$62,135,543.

NOTE 9. SUBSEQUENT EVENTS

In Management's opinion, there were no other transactions or events which would require recognition or disclosure in the Financial Statements from January 1, 2018 through September 10, 2020, the date in which these Financial Statements became available to the public.

SUPPLEMENTARY INFORMATION

Bayshore Regional Sewerage Authority

SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (NPL)  
DETERMINED AS OF JUNE 30, 2019, PERS MEASUREMENT DATE

Fiscal Year	Authority's Proportion	Authority's Proportionate	Authority's Covered Payroll	Authority's Proportionate Share of NPL as a % of Covered Payroll
2019	0.03%	\$ 5,355,759	\$ 2,507,416	212%
2018	0.034 %	6,155,334	2,393,527	257%
2017	0.03 %	7,303,532	2,122,092	344%
2016	0.03 %	8,986,184	2,125,099	422%
2015	0.03 %	6,582,319	2,088,779	315%

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Required Contribution	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 318,103	\$ 312,814	\$ 5,289	\$ 2,507,416	12.68%
2018	471,183	295,984	175,199	2,393,527	12.36%
2017	662,912	290,654	372,258	2,122,042	13.69%
2016	950,420	269,456	680,964	2,155,099	12.67%
2015	487,968	252,095	235,873	2,088,779	12.06%

SCHEDULE OF CHANGES IN TOTAL NET PENSION LIABILITY

Fiscal Year	Beginning Balance Total Net Pension	Difference between Expected & Actual	Change of Assumptions	Difference between Expected & Actual Earnings	Change in Proportion & Actual Less Proportionate Share	Other Changes and Reclassifications	Ending Balance Total Net Pension Liability
2019	\$ 6,155,334	\$ 23,659	\$ 1,858,967	\$ 84,543	\$ 297,971	\$(3,064,715)	\$ 5,355,759
2018	7,303,552	117,383	853,851	57,732	329,633	(2,606,817)	6,155,334
2017	8,986,164	171,973	5,395	49,732	463,250	(2,372,962)	7,303,552
2016	6,582,317	167,115	1,861,453	342,651	371,502	(338,694)	8,986,164
2015	5,275,787	157,031	706,888	-	261,677	180,934	6,582,317

The Pension Schedules are intended to show information for ten years. The State of New Jersey has issued four years of pension information to the Authority. Additional years' information will be displayed as it becomes available.

Bayshore Regional Sewerage Authority

Schedule of Revenue, Expenses and Changes in Net Position

Reserved and Unreserved

Year Ended December 31, 2019

	Year Ended December 31, 2019		Totals	
	Unreserved	Construction Capital Outlay Emergency Response	2019	2018
Operating Revenues:				
Treatment Charges	\$ 9,368,116	\$ -	\$ 9,368,116	\$ 9,230,222
Operating Expenses:				
Payroll & Employee Benefits	3,662,575	-	3,662,575	3,936,791
Plant Materials and Supplies	2,187,048	-	2,187,048	2,127,678
Administrative and General	612,087	-	612,087	452,385
Depreciation	2,195,373	-	2,195,373	2,111,562
Total Operating Expenses	8,657,083	-	8,657,083	8,628,416
Operating Income	711,033	-	711,033	601,806
Nonoperating Revenues (Expenses):				
Interest Income on Investments				
- Operating	328,907	-	328,907	235,171
- Construction	-	66,233	66,233	54,562
Miscellaneous Income	1,214,969	-	1,214,969	2,080,800
Note Issuance Costs	(125,692)	-	(125,692)	(55,631)
Interest - I Bank Notes	(47,397)	-	(47,397)	(32,073)
	1,370,787	66,233	1,437,020	2,282,829
Net Income Before Transfers	2,081,820	66,233	2,148,053	2,884,635
Transfers:				
Depreciation on Assets Purchased				
- with Contributed Capital	382,340	-	382,340	382,340
- By Resolution	(10,237,466)	7,237,466	3,000,000	
Increase (Decrease) in Retained Earnings	(7,773,306)	7,237,466	2,530,393	3,266,975
Net Position, January 1, 2019	\$61,718,993	\$3,683,525	65,402,518	\$62,135,543
Net Position, December 31, 2019	\$53,945,687	\$3,749,758	\$ 67,932,911	\$62,135,543

SCHEDULE 3

Bayshore Regional Sewerage Authority

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments

Unrestricted Accounts

Year Ended December 31, 2019

	Revenue	Regular Account	Payroll Account	Petty Cash	Reserve Account	Total
Cash and Investments - December 31, 2019	\$ 89,894	\$ 1,816,218	\$ 677,520	\$ 300	\$ 19,584,679	\$ 22,168,611
Cash Receipts:						
Service Charges	9,363,370	-	-	-	-	9,363,370
Outfall Charges	995,155	-	-	-	-	995,155
Insurance and Reimbursements	-	-	-	-	-	-
Transfers from other funds	-	7,334,281	2,973,700	-	11,754,157	22,063,138
Interest Received	39,466	22,704	6,521	-	86,742	155,438
Miscellaneous Income	1,214,969	-	-	-	-	1,214,969
Total Cash Available	\$ 11,702,854	\$ 9,173,203	\$ 3,657,741	\$ 300	\$ 31,425,578	\$ 55,959,681
Cash Disbursements -						
Transfer to Other Funds	11,694,293	-	-	-	23,505,933	35,200,226
Net Payroll & Payroll Taxes	-	-	3,008,310	-	-	3,008,310
Operations	-	7,154,644	-	-	-	7,154,644
Total Cash Disbursements	11,694,293	7,154,644	3,008,310	-	23,505,933	45,363,180
Cash and Investments - December 31, 2018	8,566	2,018,559	649,431	300	7,919,645	10,596,501
Balance Comprised of:						
- Cash	\$ 8,566	\$ 2,018,559	\$ 649,431	\$ 300	\$ 7,919,645	\$ 10,596,501

Bayshore Regional Sewerage Authority

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments

Restricted Accounts

Year Ended December 31, 2019

	Escrow Deposits	Construction Fund	Bond Service Fund	Capital Outlay Fund	Emergency Reserve	Total
Cash and Investments - December 31, 2018	\$ 2,756,517	\$ 3,683,525	\$ 200,894	\$ -	\$ -	\$ 6,640,936
Cash Receipts:						
Interest Received	18,280	43,480	4,473	-	-	66,233
Received from Customers	7,150	-	-	-	-	7,150
Transfer from other funds	-	2,217,226	1,484,116	7,237,446	3,000,000	13,938,808
Received from NJEIT	-	823,496	-	-	-	823,496
Received from FEMA	-	830,496	-	-	-	830,496
Total Cash and Investments Available	<u>2,781,947</u>	<u>7,597,765</u>	<u>1,689,483</u>	<u>7,237,446</u>	<u>3,000,000</u>	<u>22,306,661</u>
Cash Disbursements:						
Debt Service	-	-	1,016,890	-	-	1,016,890
Refunds	49,938	-	-	-	-	49,938
Reimbursements to NJEIT	-	830,496	-	-	-	830,496
Construction Costs	-	3,051,795	-	-	-	3,051,795
Transfer to Other Funds	-	361,691	-	-	-	361,691
Technical Fees	-	119,390	-	-	-	119,390
Total Cash Disbursements	<u>49,938</u>	<u>4,318,372</u>	<u>1,016,890</u>	<u>-</u>	<u>-</u>	<u>5,385,200</u>
Cash and Investments - December 31, 2019	\$ 2,732,009	\$ 3,279,393	\$ 672,593	\$ 7,237,446	\$ 3,000,000	\$ 16,921,461
Balance Comprised of:						
Investments - Cash	\$ 2,732,009	\$ 3,279,393	\$ 672,593	\$ 7,237,446	\$ 3,000,000	\$ 16,921,461



Bayshore Regional Sewerage Authority

Schedule of Operating Revenues and Costs Funded

By Operating Revenues Compared to Budget

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	<u>2019</u> <u>Budget</u>	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Revenues:			
Treatment Charges	\$ 9,368,116	\$ 9,368,116	\$ 9,230,222
Interest on Investments	75,000	395,140	289,733
Permits and Applications	750,000	1,196,856	2,052,995
Sundry	15,000	18,113	25,057
	<u>\$ 10,208,116</u>	<u>\$ 10,978,225</u>	<u>\$ 11,598,007</u>
Total Operating Revenues			
Expenses:			
Salaries - Superintendents	626,243	655,970	607,600
- Plant Operations	1,715,660	1,677,921	1,564,032
- Commissioners and Project Managers	176,889	185,269	174,000
- Office Staff	201,407	121,126	74,720
Pension	330,000	318,103	466,536
Social Security Tax	198,000	184,122	172,508
Unemployment Compensation Insurance	11,000	8,261	7,500
Health Insurance	999,000	482,796	821,774
Life Insurance	7,000	10,826	7,982
Uniform and Safety Shoes	5,800	6,272	2,753
Memberships	19,320	12,423	14,210
Training and Seminars	25,806	32,098	16,443
Sick-Vacation-Holiday Pay	15,000	31,605	15,983
Electric Plant	630,000	634,411	660,585
Incineration Fuel	195,000	188,588	178,323
Natural Gas	120,000	85,607	90,524
Plant Telephone	4,260	3,953	4,047
Water	111,629	117,639	112,068
Gasoline	13,200	7,987	9,307
Machinery Repairs	139,000	113,153	98,392
Computer Maintenance	60,000	53,113	28,999
Service Contracts	148,000	133,900	122,863
Major Projects/Repairs	76,500	25,265	-
Electrical/Instrument Repairs	47,000	49,528	44,688
Chemicals	347,000	284,758	298,714
Operating Supplies	16,000	10,716	7,106
Grounds Maintenance	20,700	13,881	13,660
Fire and Safety Equipment	21,000	11,777	13,813
Incinerator Sand	6,000	-	-
Major Projects	42,000	15,251	9,686
Scavengers	17,960	14,882	10,710
Ash Removal	86,900	74,563	63,482

SCHEDULE 5  
(Continued)

Bayshore Regional Sewerage Authority

Schedule of Operating Revenues and Costs Funded

By Operating Revenues Compared to Budget

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	<u>2019</u> <u>Budget</u>	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Expenses (continued):			
Lab Chemicals and Supplies	\$ 27,600	\$ 30,828	\$ 25,525
Lab Calibrations	10,000	12,352	3,904
Electric Pump Stations	75,000	53,272	62,566
Telephone - Alarm System	8,800	9,037	6,840
Line Maintenance, Parts, and Supplies	48,000	29,655	47,873
Truck Expense	12,900	16,741	10,993
Water - Pump Stations	40,000	18,148	21,151
Line Rehabilitation	38,000	2,758	21,085
TV Inspection/Cleanings	45,000	26,250	-
Sludge Testing	96,219	69,891	101,112
Fees and Permits	45,000	16,917	36,071
Municipal Host Benefit	12,000	11,919	11,919
Professional Fees - Legal	65,000	56,412	20,925
- Accounting	40,628	31,882	33,381
- Engineering	90,000	62,207	75,713
- Trustee Fees	-	-	4,530
- Consultants; Other	73,000	196,136	75,260
- Payroll Services	5,500	5,808	8,175
Office Expense - Office Maintenance	3,000	4,314	2,381
- Insurance	245,000	212,119	212,823
- Advertisements	3,200	10,005	1,575
- Telephone	4,300	3,507	3,698
- Office Supplies	8,700	8,789	11,580
- Printing and Postage	1,900	1,853	1,466
- Office Equip. Rental	1,000	552	552
- Promotions	1,500	2,432	-
- Miscellaneous	2,000	2,122	-
Other Costs Funded By Operating Revenues:			
Principal Maturities	524,926	602,460	278,465
Capital Outlays	2,130,038	514,008	1,738,150
Depreciation	-	2,195,373	2,111,562
Debt Issuance Costs	-	47,397	55,631
Interest	116,631	125,692	32,073
Total Costs Funded by Operating Revenues	10,208,116	9,946,640	10,729,987
Excess	-	1,031,585	868,020
	<u>\$10,208,116</u>	<u>\$10,978,225</u>	<u>\$11,598,007</u>

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Scott Whalen	Chairperson	-
Adam Khachaturian	Vice Chairperson	-
Christopher Cavanaugh	Treasurer	\$50,000
Marcy McMullen	Secretary	-
Charles Steiner	Assistant Secretary	-
Bart Sutton	Assistant Treasurer	-

Other Officials

Robert C. Fischer	Executive Director (1/1/19-11/30/19)	50,000
Peter J. Canal	Executive Director (12/1/19-Present)	50,000

All Other

Office Staff	-	50,000
Plant Employees	-	50,000

Surety Company

NJ Utility Authorities Joint Insurance Fund  
Westchester Surplus Lines Ins.

SINGLE AUDIT SECTION

# BART & BART *Certified Public Accountants*

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104 Main Street, Woodbridge, NJ 07095

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners  
Bayshore Regional Sewerage Authority  
Union Beach, New Jersey

### Report on Compliance for Each Major Federal Program

We have audited Bayshore Regional Sewerage Authority (the "Authority") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. Bayshore Regional Sewerage Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Bayshore Regional Sewerage Authority's compliance.

### Opinion on Each Major Federal Program

In our opinion, Bayshore Regional Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners  
Bayshore Regional Sewerage Authority  
Union Beach, New Jersey

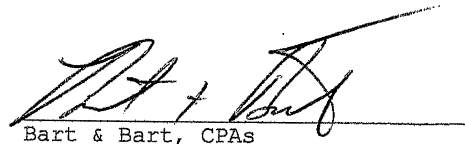
Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Bart & Bart, CPAs

Bayshore Regional Sewerage Authority

County of Monmouth, New Jersey

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Agency Pass-through Number</u>	<u>Award Amount</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
U.S. Federal Emergency Management Agency	97.036	66 1200 100	\$3,121,214	<u>\$3,121,214</u>	<u>\$19,617,311</u>
Passed through State of New Jersey Department of Law and Public Safety				<u>\$3,121,214</u>	<u>\$19,617,311</u>

BAYSHORE REGIONAL SEWERAGE AUTHORITY  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2019

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Bayshore Regional Sewerage Authority ("Authority"). The Authority is defined in Note 1 (A) to the Authority's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other governmental agencies is included on the schedules or expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-87. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The Authority has not elected to use the 10% de minimis indirect cost rate.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with the amounts reported in the Authority's basic financial statements.

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. FEDERAL AND STATE LOANS OUTSTANDING

The Authority had \$13,713,230 in Loans outstanding payable to state entities at December 31, 2019.



THE BAYSHORE REGIONAL SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

MAJOR FEDERAL AWARD PROGRAMS

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified dated  
September 10, 2020

Internal control over financial reporting:

1. Material weakness(es) identified? \_\_\_ yes    X no

2. Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ yes    X no

Noncompliance material to general-purpose financial Statements noted? \_\_\_ yes    X no

State Financial Assistance

Internal control over major programs:

1. Material weakness(es) identified? \_\_\_ yes    X no

2. Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_ yes    X no

Type of auditor's report issued on compliance for Major programs: Unqualified dated  
September 10, 2020

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? \_\_\_ yes    X no

Identification of major programs:

<u>Federal Grant Number:</u>	<u>Name of Program or Cluster</u>
97.036	Emergency Management

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000.00.

Auditee qualified as low-risk auditee? X yes    \_\_\_ no

THE BAYSHORE REGIONAL SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2019

FOR THE YEAR ENDED DECEMBER 31, 2018:

There were no findings for the year ended December 31, 2018.

Bayshore Regional Sewerage Authority  
General Comments and Recommendations  
For the Year Ended December 31, 2019

**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unqualified Opinion issued on  
Financial Statements - presented in  
accordance with Governmental  
Accounting Standards generally  
accepted in the United States of  
America, dated September 10, 2020.

Internal control over financial reporting:

- |  |    |
|--|----|
| 1) Material Weakness identified?   | NO |
| 2) Significant deficiencies<br>identified that are not<br>considered to be a Material<br>Weakness? | NO |

Non-Compliance material to Financial  
Statements noted? NO

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE  
REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.**

NONE

BAYSHORE REGIONAL SEWERAGE AUTHORITY  
100 OAK STREET UNION BEACH N.J.

September 10, 2020

Bart & Bart, CPA's  
104 Main Street  
Woodbridge, NJ 07095

This representation letter is provided in connection with your audit of the financial statements of the Bayshore Regional Sewerage Authority, which comprise the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the Period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 10, 2020 the following representations made to you during your audit.

**Financial Statements**

1. We have fulfilled our responsibilities, including our responsibility for the preparation and fair representation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditure/expenses, loan, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Bayshore Regional Sewerage Authority is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair representation of the financial statements, such as records, documentation, and other matters (and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Bayshore Regional Sewerage Authority from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of meetings of the Bayshore Regional Sewerage Authority or summaries of actions of recent meetings which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements (and the schedule of expenditures of federal awards.)

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the Bayshore Regional Sewerage Authority and involves:
  - Management
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Bayshore Regional Sewerage Authority's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Bayshore Regional Sewerage Authority's related parties and all related party relationships and transactions of which we are aware.

**Government – specific**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have identified to you any previous audits, attestations engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
22. The Bayshore Regional Sewerage Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
24. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statements amounts or other financial data significant to the audit objectives.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss of contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and related notes (and schedule of expenditures of federal awards). We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes (and schedule of expenditures of federal awards.)
29. The Bayshore Regional Sewerage Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The Bayshore Regional Sewerage Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

31. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
32. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
33. All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
34. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balances (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
35. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
36. Provisions for uncollectible receivables have been properly identified and recorded.
37. Expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
38. Revenues are appropriately classified in the statement of activities within the program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
40. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
42. We have appropriately disclosed the Bayshore Regional Sewerage Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
43. We are following our established accounting policy which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for



which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

45. With respect to federal award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of Uniform Guidance, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal award (SEFA) in accordance with the requirements of Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. We have identified and disclosed to you all of our government programs and related activities subject to Uniform Guidance, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- d. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- e. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant

agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

- f. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- g. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- h. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the Uniform Guidance, related to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- i. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advance reimbursements.
- m. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- n. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- o. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have

taken reporting significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

- p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- q. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically submitted, to the respective federal agency or pass-through entity, as applicable.
- r. We have charged costs to federal awards in accordance with applicable cost principles.
- s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- t. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by Uniform Guidance.
- u. We are responsible for preparing and implementing a corrective action plan for each audit finding.
- v. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

# BART & BART *Certified Public Accountants*

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104 Main Street, Woodbridge, NJ 07095  
602 -1059

Tel: (732) 634 -5680 Fax: (732)

September 10, 2020

Board of Commissioners  
Bayshore Regional Sewerage Authority  
100 Oak Street  
Union Beach, New Jersey 07735

We have audited the financial statements of the Bayshore Regional Sewerage Authority for the year ended December 31, 2019. Professional Standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Bayshore Regional Sewerage Authority are described in Note 1 to the financial statements. The Authority adopted GASB Statement No.73, *Accounting For Pensions and Related Assets That Are Not Within the Scope of GASB No. 68 and GASB No. 82- Pension Issues*. The application of existing policies was not changed during 2019. We noted no transactions entered into by the Bayshore Regional Sewerage Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Bayshore Regional Sewerage Authority's financial statements was:

Management's estimate of depreciation is based on useful lives of assets. We evaluated the key factors and assumptions used to develop the depreciation

in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of FEMA and I-Bank Claims receivable in Note 2 to the financial statements.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 10, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Bayshore Regional

Sewerage Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Bayshore Regional Sewerage Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

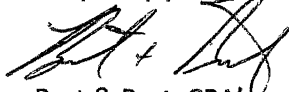
We applied certain limited procedures to Managements Discussion & Analysis, which is required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Schedules 2-5 in the report which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Restriction of Use

This information is intended solely for the use of the Board of Commissioners and management of the Bayshore Regional Sewerage Authority and is not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,



Bart & Bart, CPA's