

**MONROE MUNICIPAL UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2018 AND 2017**



**MONROE MUNICIPAL UTILITIES AUTHORITY**  
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**MONROE MUNICIPAL UTILITIES AUTHORITY**  
Roster of Officials  
June 30, 2018

MEMBERS

Joseph P. DiLolle, Jr.  
Hank Calloway  
Ralph J. Manfredi, Jr.  
Robert Simone  
Anthony Neri  
Robert Bender

POSITION

Chairman  
Vice-Chairman  
Secretary  
Treasurer  
Assistant Treasurer  
Board Member

OTHER OFFICIALS

Wendy D. Mahoney  
  
Edward Haaf  
Charlene Denny  
John W. Trimble, Jr., Esq.  
Joseph F. Federici

POSITION

Interim Executive Director, Assistant  
Secretary  
Superintendent  
Executive Assistant  
Solicitor  
Engineer

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**PART 1**  
**FINANCIAL SECTION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of the  
Monroe Municipal Utilities Authority  
Williamstown, New Jersey

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

We have audited the accompanying financial statements of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Monroe (Authority), as of and for the fiscal years ended June 30, 2018 and 2017 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.

### **Auditor's 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

*Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2018, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. Our opinion is not modified with respect to this matter.

*Prior Period Restatement*

Because of the implementation of GASB Statement No. 75, beginning net position on the statements of revenue, expenses and changes in net position has been restated for fiscal year June 30, 2018, as discussed in note 12 to the financial statements. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the Authority's total OPEB liability and related ratios, schedule of the Authority's proportionate share of the net OPEB liability, schedule of the Authority's OPEB contributions, schedule of the Authority's proportionate share of the net pension liability and schedule of the Authority's pension contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
June 6, 2019

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of the  
Monroe Municipal Utilities Authority  
Williamstown, New Jersey

We have audited, in accordance with the 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 in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Monroe, (Authority), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 6, 2019. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the beginning net position for the fiscal year June 30, 2018 resulting from the adoption of new accounting principles.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on 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 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.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
June 6, 2019

**Monroe Municipal Utilities Authority  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Unaudited)**

**FINANCIAL HIGHLIGHTS**

Management believes the financial position of the Monroe Municipal Utilities Authority (the "Authority") to be strong with the current year change in net position of \$253,419.81. According to its bond covenants, the Authority is required to have 110% coverage on debt service; the Authority met the required coverage for the fiscal year ending June 30, 2018.

Key financial highlights for the Authority's fiscal year 2018 were:

- The Authority generated investment income of \$40,107.30 during the current fiscal year as compared to \$15,174.13 in fiscal year 2017.
- Operating revenues for fiscal year 2018 were \$12,752,693.84 as compared to \$12,652,085.48 for fiscal year 2017.
- Operating expenses for fiscal year 2018 were \$11,845,622.62 as compared to \$11,658,779.58 for fiscal year 2017.
- Operating income for fiscal year 2018 was \$907,071.22 as compared to \$993,305.90 for fiscal year 2017.
- Change in Net Position for fiscal year 2018 was an increase of \$253,419.81 as compared to \$203,400.44 for fiscal year 2017.
- At year-end, total Net Position was \$17,482,562.99 as compared to \$17,229,143.18, as restated, for fiscal year 2017. The restatement was for the implementation of GASB 75; see Note 12 of the Notes to Financial Statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of five parts – Independent Auditor's Report, the management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplemental schedules.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current fiscal year's revenues and expenses are accounted for in the statements of revenue, expenses and changes in net position regardless of when cash is received or paid. Net position, the difference between the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is a measure of the Authority's financial health or position.

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

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

**Monroe Municipal Utilities Authority  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Unaudited)**

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

The Authority's total net position was \$17,842,562.99 as of June 30, 2018 as shown below:

MONROE MUNICIPAL UTILITIES AUTHORITY  
Statements of Net Position  
As of June 30, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Unrestricted Assets	\$ 6,994,479.29	\$ 5,580,780.02	\$ 4,945,193.09
Restricted Assets	7,102,578.41	7,862,739.67	7,989,140.61
Capital Assets	36,376,325.17	37,567,782.40	38,716,707.53
	<u>50,473,382.87</u>	<u>51,011,302.09</u>	<u>51,651,041.23</u>
Deferred Outflows of Resources	3,209,381.99	3,212,809.72	1,695,165.64
Current Liabilities	3,019,694.46	2,562,302.32	2,474,341.42
Long Term Liabilities	29,851,953.96	24,130,729.24	23,391,226.41
	<u>32,871,648.42</u>	<u>26,693,031.56</u>	<u>25,865,567.83</u>
Deferred Inflows of Resources	3,328,553.45	216,320.60	369,279.83
Net Position			
Net Investment in Capital Assets	23,252,252.81	23,028,850.03	22,680,703.69
Restricted	6,049,564.58	6,055,739.58	6,010,964.58
Unrestricted	(11,819,254.40)	(1,769,829.96)	(1,580,309.06)
	<u>\$ 17,482,562.99</u>	<u>\$ 27,314,759.65</u>	<u>\$ 27,111,359.21</u>

**Monroe Municipal Utilities Authority  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Unaudited)**

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)**

For the current fiscal year, the Authority realized operating income of \$907,071.22 and net non-operating expenses totaling \$653,651.41, resulting in a change in net position for the current year of \$253,419.81. Major components of this activity are detailed in the statement below:

MONROE MUNICIPAL UTILITIES AUTHORITY  
Statements of Revenue, Expenses and Changes in Net Position  
For the Fiscal Years Ended June 30, 2018, 2017, and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
Service Charges	\$ 11,792,769.99	\$ 12,066,222.74	\$ 12,046,751.48
Connection Fees	769,264.85	369,432.67	782,565.83
Other Operating Revenues	190,659.00	216,430.07	119,385.83
Total Operating Revenues	<u>12,752,693.84</u>	<u>12,652,085.48</u>	<u>12,948,703.14</u>
Operating Expenses:			
Administration:			
Salaries and Wages	770,668.02	769,387.09	779,735.71
Fringe Benefits	641,242.30	648,458.10	513,282.85
Other Expenses	662,667.32	623,409.59	574,010.91
Total Administration	<u>2,074,577.64</u>	<u>2,041,254.78</u>	<u>1,867,029.47</u>
Cost of Providing Services:			
Salaries and Wages	1,787,142.05	1,795,236.54	1,808,299.99
Fringe Benefits	1,496,232.04	1,513,068.90	1,197,659.99
Other Expenses	4,846,962.33	4,786,280.36	4,806,113.31
Total Cost of Providing Services	<u>8,130,336.42</u>	<u>8,094,585.80</u>	<u>7,812,073.29</u>
Depreciation	<u>1,640,708.56</u>	<u>1,522,939.00</u>	<u>1,547,064.00</u>
Total Operating Expenses	<u>11,845,622.62</u>	<u>11,658,779.58</u>	<u>11,226,166.76</u>
Operating Income	<u>907,071.22</u>	<u>993,305.90</u>	<u>1,722,536.38</u>
Non-operating Revenue (Expenses)	<u>(653,651.41)</u>	<u>(789,905.46)</u>	<u>(865,247.44)</u>
Change in Net Position	253,419.81	203,400.44	857,288.94
Net Position July 1	27,314,759.65	27,111,359.21	26,254,070.27
Restatement	<u>(10,085,616.47)</u>	-	-
Net Position July 1, Restated	<u>17,229,143.18</u>	<u>27,111,359.21</u>	<u>26,254,070.27</u>
Net Position June 30	<u>\$ 17,482,562.99</u>	<u>\$ 27,314,759.65</u>	<u>\$ 27,111,359.21</u>

**Monroe Municipal Utilities Authority  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Unaudited)**

**OVERALL ANALYSIS**

The Authority's financial position remains strong. As a result, of the Authority realizing \$769,264.85 in connection fees and an increase in water and sewer rates in 2016, the Authority was able to meet their debt service coverage requirements in the current period.

The Authority has not experienced any decrease in the number or overall mix of its residential, commercial, public and industrial customer billing base.

Connection fee revenue in the current fiscal year was \$769,264.85. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's water and/or sewer systems. The Authority recognizes these payments as revenue on the date payment is received.

Overall, the Authority believes its financial position has improved in the current fiscal year with the positive change in net position. Net Position has increased by \$253,419.81 to \$17,482,562.99. The Authority instituted a water and sewer rate increase for the fiscal year 2016. The Authority continues to be a desirable location for residential and commercial development. The composition of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

**BUDGET VARIANCES**

The Authority's fiscal 2018 projected revenues for the sewer utility were collected and were sufficient to satisfy all fiscal 2018 operating and non-operating expenditures.

The Authority's fiscal 2018 projected revenues for the water utility were collected, and were sufficient to satisfy all fiscal 2018 operating and non-operating expenditures.

Budgeted sewer revenues in the amount of \$6,836,462.00 were exceeded by actual sewer revenues of \$7,042,162.26 by \$205,700.26 primarily due to connection fees realized.

Actual sewer budgetary expenditures of \$6,248,759.95 were less than the adopted budget of \$6,836,462.00 by \$587,702.05. Individual appropriation budget variances are detailed in Schedule 2.

Actual water revenues of \$5,750,638.89 were less than the budgeted water revenues of \$5,934,799.00 by \$184,160.12, primarily due to the deficit in service charges of \$457,948.95.

Actual water budgetary expenditures of \$5,433,942.09 were less than the adopted budget of \$5,934,799.00 by \$500,856.91. Individual appropriation budget variances are detailed in Schedule 3.

**CAPITAL ASSET AND LONG-TERM ACTIVITY**

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority has four ongoing capital projects, two funded through the Renewal and Replacement Fund and two funded through the Construction Fund. The capital program for the water and sewer funds can be found with the adopted budget for the fiscal year along with the analysis of the infrastructure and equipment considered for proper operation of the water and wastewater systems.

During the current fiscal year, the Authority invested an additional \$471,522.19 in capital assets. The more significant increases were due to additional construction in progress costs and major repairs.

**Monroe Municipal Utilities Authority  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Unaudited)**

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Monroe's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Monroe Municipal Utilities Authority, 372 South Main Street, Williamstown, NJ 08094.

## **BASIC FINANCIAL STATEMENTS**

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Net Position  
 As of June 30, 2018 and 2017

	2018	2017
<b><u>ASSETS</u></b>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 6,191,162.24	\$ 4,757,472.44
Consumer Accounts Receivable	488,050.69	559,874.89
Other Receivables	1,838.17	73.18
Inventory	219,500.33	96,895.33
Prepaid Expenses	93,927.86	166,464.18
Total Unrestricted Assets	<u>6,994,479.29</u>	<u>5,580,780.02</u>
Restricted Assets:		
Cash and Cash Equivalents	7,102,578.41	7,790,522.88
Due from State of New Jersey	-	72,216.79
Total Restricted Assets	<u>7,102,578.41</u>	<u>7,862,739.67</u>
Total Current Assets	<u>14,097,057.70</u>	<u>13,443,519.69</u>
Noncurrent Assets:		
Capital Assets:		
Completed (Net of Accumulated Depreciation)	35,872,681.18	37,286,250.64
Construction in Progress	503,643.99	281,531.76
Total Capital Assets	<u>36,376,325.17</u>	<u>37,567,782.40</u>
Total Assets	<u>50,473,382.87</u>	<u>51,011,302.09</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Related to Pensions	2,606,628.00	3,104,326.00
Related to OPEB	521,391.22	-
Deferred Loss on Defeasance of Debt	81,362.77	108,483.72
Total Deferred Outflows of Resources	<u>3,209,381.99</u>	<u>3,212,809.72</u>

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Net Position  
 As of June 30, 2018 and 2017

	2018	2017
<b><u>LIABILITIES</u></b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	\$ 367,774.10	\$ 199,097.46
Accounts Payable - Related to Pensions	329,368.00	309,649.00
Payroll Deductions Payable	5,720.17	3.17
Developer Escrow Deposits	99,427.92	87,668.42
	<u>802,290.19</u>	<u>596,418.05</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable - Current Portion	1,730,000.00	1,635,000.00
Accrued Interest Payable	296,851.87	330,884.27
Other Post Employment Benefits Obligation	182,387.22	-
Contracts Payable	8,165.18	-
	<u>2,217,404.27</u>	<u>1,965,884.27</u>
Total Current Liabilities Payable from Restricted Assets		
Long-term Liabilities:		
Revenue Bonds Payable	12,303,257.72	14,062,976.63
Other Post Employment Benefits Obligation	9,716,129.00	536,792.53
Related to Pensions	7,780,858.00	9,473,434.00
Accrued Compensated Absences	51,709.24	57,526.08
	<u>29,851,953.96</u>	<u>24,130,729.24</u>
Total Long-term Liabilities		
Total Liabilities	<u>32,871,648.42</u>	<u>26,693,031.56</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Related to Pensions	1,655,387.00	131,903.00
Related to OPEB	1,588,112.00	-
Unearned Assessment Revenues	85,054.45	84,417.60
	<u>3,328,553.45</u>	<u>216,320.60</u>
Total Deferred Inflows of Resources		
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	23,252,252.81	23,028,850.03
Restricted:		
Bond Resolution Covenants	6,049,564.58	6,055,739.58
Unrestricted (Deficit)	<u>(11,819,254.40)</u>	<u>(1,769,829.96)</u>
Total Net Position	<u>\$ 17,482,562.99</u>	<u>\$ 27,314,759.65</u>

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Revenue, Expenses and Changes in Net Position  
 For the Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues:		
Service Charges	\$ 11,792,769.99	\$ 12,066,222.74
Connection Fees	769,264.85	369,432.67
Other Operating Revenues	190,659.00	216,430.07
Total Operating Revenues	<u>12,752,693.84</u>	<u>12,652,085.48</u>
Operating Expenses:		
Administration:		
Salaries and Wages	770,668.02	769,387.09
Fringe Benefits	641,242.30	648,458.10
Other Expenses	662,667.32	623,409.59
Cost of Providing Service:		
Salaries and Wages	1,787,142.05	1,795,236.54
Fringe Benefits	1,496,232.04	1,513,068.90
Other Expenses	4,846,962.33	4,786,280.36
Depreciation	1,640,708.56	1,522,939.00
Total Operating Expenses	<u>11,845,622.62</u>	<u>11,658,779.58</u>
Operating Income	<u>907,071.22</u>	<u>993,305.90</u>
Non-operating Revenue (Expenses):		
Investment Income	40,107.30	15,174.13
Interest Expense	(591,105.92)	(659,170.63)
Other Non-Operating	-	781.50
Major Repairs and Other Expenses	(30,436.00)	(146,690.46)
Cancel NJDEP Receivables	(72,216.79)	-
Total Non-operating Revenue (Expenses)	<u>(653,651.41)</u>	<u>(789,905.46)</u>
Change in Net Position	<u>253,419.81</u>	<u>203,400.44</u>
Net Position July 1	27,314,759.65	27,111,359.21
Restatement (See Note 12)	<u>(10,085,616.47)</u>	<u>-</u>
Net Position July 1, As Restated	<u>17,229,143.18</u>	<u>27,111,359.21</u>
Net Position June 30	<u>\$ 17,482,562.99</u>	<u>\$ 27,314,759.65</u>

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Cash Flows  
 For the Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Receipts from Customers	\$ 12,824,518.04	\$ 12,848,867.85
Payments to Suppliers	(6,987,971.14)	(6,721,575.25)
Payments to Employees	(2,559,674.90)	(2,621,598.65)
Other Operating Receipts	162,387.61	115,096.07
Net Cash Provided by Operating Activities	<u>3,439,259.61</u>	<u>3,620,790.02</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Deferred Assessment Revenues	636.85	201.77
Net Cash Provided by Noncapital Financing Activities	<u>636.85</u>	<u>201.77</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital Acquisitions	(471,522.19)	(520,827.87)
Bond Principal	(1,635,000.00)	(1,605,000.00)
Interest Expense	(627,736.24)	(686,724.99)
Net Cash Used in Capital and Related Financing Activities	<u>(2,734,258.43)</u>	<u>(2,812,552.86)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest on Investments	40,107.30	15,174.13
Net Cash Provided by Investing Activities	<u>40,107.30</u>	<u>15,174.13</u>
Net Increase in Cash and Cash Equivalents	745,745.33	823,613.06
Cash and Cash Equivalents -- July 1	<u>12,547,995.32</u>	<u>11,724,382.26</u>
Cash and Cash Equivalents -- June 30	<u>\$ 13,293,740.65</u>	<u>\$ 12,547,995.32</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 907,071.22	\$ 993,305.90
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,640,708.56	1,522,939.00
GASB 68	348,325.00	659,809.00
GASB 75	342,828.00	-
Change in Assets and Liabilities:		
Change in Consumer Accounts Receivable	71,824.20	196,782.37
Change in Other Accounts Receivable	(1,764.99)	394.82
Change in Inventory	(122,605.00)	171,885.31
Change in Prepaid Expenses	72,536.32	(54,635.43)
Change in Accounts Payable - Operations	168,676.64	49,486.32
Change in Payroll Deductions Payable	5,717.00	(0.86)
Change in Accrued Liabilities	(5,816.84)	71,973.80
Change in Developers' Escrow Deposits	11,759.50	8,849.79
Net Cash Provided from Operating Activities	<u>\$ 3,439,259.61</u>	<u>\$ 3,620,790.02</u>

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
Notes to Financial Statements  
For the Fiscal Years Ended June 30, 2018 and 2017

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Monroe Municipal Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Reporting Entity**

The Monroe Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on September 26, 1957 by the governing body of the Township of Monroe (the "Township"). By Ordinance of the governing body of the Township adopted May 8, 1959, the Authority was reorganized as a municipal utilities authority pursuant to the Municipal and County Utilities Authorities Law.

The Authority currently provides water distribution and sewerage collection service to substantially all residences and businesses within the Township. The Authority commenced operations in 1960 and since then has undertaken various construction projects to upgrade and expand the system.

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

**Component Unit**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues -- Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are recognized when they are received by the Authority.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond issue costs, bond discounts, deferred loss on defeasance, the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan and the Net Pension Liability (PERS), are not included in the budget appropriations.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets and Budgetary Accounting (Cont'd)**

The legal level of budgetary control is established at the detail shown on the Statement of Revenue, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority did not adopt an amending budget resolution during the fiscal year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey governmental units 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 in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Inventories**

Inventory consists principally of water meters and is valued at cost. The Authority has determined that any chemicals for the treatment of water, sewerage and sludge that are on hand are immaterial and are not recorded in the financial statements.

**Prepaid Expenses**

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$5,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Depreciation**

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Major Moveable Equipment	5-20
Vehicles	8
Buildings and Infrastructure	40

**Bond Discounts / Bond Premiums**

Bond discounts / bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Bond discounts / bond premiums are presented as an adjustment of the face amount on the bonds.

**Deferred Outflows and Deferred Inflows of Resources**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Deferred Outflows and Deferred Inflows of Resources (Cont'd)**

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources: loss on refunding of debt, unearned assessment revenue, defined benefit pension plans and postemployment benefit plans.

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

**Pensions**

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

**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

**Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Position (Cont'd)**

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

**Income Taxes**

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

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from water treatment and sewer collection facilities (i.e., water and sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses include expenses associated with the operation, maintenance and repair of the water treatment and sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt.

**Accounting 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Impact of Recently Issued Accounting Policies****Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of adopting this Statement totaled \$10,085,616.47, and was recognized as a restatement of the Authority's June 30, 2017, net position on the Statements of Revenue, Expenses and Changes in Net Position (see note 12).

Also, the Authority adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the Authority's financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

Lastly, the Authority adopted Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this Statement had no impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the fiscal year ending June 30, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the fiscal year ending June 30, 2020. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending June 30, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement will become effective for the Authority in the fiscal year ending June 30, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The Statement will become effective for the Authority in the fiscal year ending June 30, 2021. Management has not yet determined the impact of this Statement on the financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement will become effective for the Authority in the fiscal year ending June 30, 2020. Management has not yet determined the impact of this Statement on the financial statements.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted June 24, 1987, as amended. As required by the Bond Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. A summary of the activities of each account created by the Bond Resolution is covered below.

**Revenue Account** - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

**Operating Account** - The balance on deposit must be equal to at least two months of the annual appropriation for operating expenses. At June 30, 2018, the balance in the operating account meets the requirements of the Bond Resolution.

**Debt Service Account** - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amount maturing on bonds and sinking fund installments when such payments are required. At June 30, 2018, the balance in the debt service account meets the requirements of the Bond Resolution.

**Debt Reserve Account** - The amount of funds on deposit varies by revenue bond series and must be maintained to insure that funds are available for payment of Debt Service. At June 30, 2018, the balance in the debt service reserve account meets the requirements of the Bond Resolution.

**Renewal and Replacement Account** - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At June 30, 2018, the balance in the renewal and replacement account meets the requirements of the Bond Resolution of \$2,000,000.00.

**Construction Account** - These funds are held by the Trustee and used to pay for the cost of the 2010 project and are pledged, pending application to such costs, for the security of the payment of principal and interest on the Revenue Bonds.

**General Account** - All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

**Rebate Account** - An account established to maintain excess investment earnings per the annual rebate calculation on the Series 2004, Series 2007, and Series 2010 Bonds.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****Debt Service Coverage**

The Utility System Revenue Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with this covenant is calculated as follows:

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Utility Service Charges	\$ 11,792,769.99	\$ 12,066,222.74
Connection Fees	769,264.85	369,432.67
Investments and Miscellaneous Income	<u>230,766.30</u>	<u>232,385.70</u>
Net Revenues	12,792,801.14	12,668,041.11
Operating Expenses:		
Operating Expenses and Capital Outlay	<u>9,544,197.06</u>	<u>9,558,050.65</u>
	3,248,604.08	3,109,990.46
110% on Next Succeeding Year's Annual Debt Service Requirement	<u>2,517,759.74</u>	<u>2,489,009.86</u>
Excess of Revenues	<u>\$ 730,844.34</u>	<u>\$ 620,980.60</u>

**Note 3: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of June 30, 2018 and 2017, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	<u>2018</u>	<u>2017</u>
Insured by F.D.I.C.	\$ 612,617.21	\$ 682,264.41
Insured and collateralized with securities held by pledging financial institutions	<u>12,944,902.18</u>	<u>11,995,255.05</u>
	<u>\$ 13,557,519.39</u>	<u>\$ 12,677,519.46</u>

**Note 3: DETAIL NOTES - ASSETS****Service Fees**

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 559,874.89	\$ 11,895,301.59	\$ 11,967,125.79	96.08%
2017	756,657.26	12,214,508.43	12,411,290.80	95.68%
2016	521,242.64	12,107,091.82	11,871,677.20	94.01%

**Capital Assets**

During the fiscal year ended June 30, 2018, the following changes in Capital Assets occurred:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Land, Plants & Buildings	\$ 24,229,086.53		\$ 11,688.00	\$ 24,217,398.53
Machinery & Equipment	3,800,707.00	\$ 188,653.10	261,757.00	3,727,603.10
Furniture & Fixtures	146,343.00			146,343.00
Mains & Laterals	35,036,219.11	38,486.00	46,788.00	35,027,917.11
Construction in Progress	281,531.76	374,887.13	152,774.90	503,643.99
	<u>63,493,887.40</u>	<u>602,026.23</u>	<u>473,007.90</u>	<u>63,622,905.73</u>
Less:				
Accumulated Depreciation	<u>25,926,105.00</u>	<u>1,640,708.56</u>	<u>320,233.00</u>	<u>27,246,580.56</u>
	<u>\$ 37,567,782.40</u>	<u>\$(1,038,682.33)</u>	<u>\$ 152,774.90</u>	<u>\$ 36,376,325.17</u>

During the fiscal year ended June 30, 2017, the following changes in Capital Assets occurred:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Land, Plants & Buildings	\$ 24,229,086.53			\$ 24,229,086.53
Machinery & Equipment	3,528,774.00	\$ 310,831.00	\$ 38,898.00	3,800,707.00
Furniture & Fixtures	146,343.00			146,343.00
Mains & Laterals	35,036,219.11			35,036,219.11
Construction in Progress	218,348.89	110,526.58	47,343.71	281,531.76
	<u>63,158,771.53</u>	<u>421,357.58</u>	<u>86,241.71</u>	<u>63,493,887.40</u>
Less:				
Accumulated Depreciation	<u>24,442,064.00</u>	<u>1,522,939.00</u>	<u>38,898.00</u>	<u>25,926,105.00</u>
	<u>\$ 38,716,707.53</u>	<u>\$(1,101,581.42)</u>	<u>\$ 47,343.71</u>	<u>\$ 37,567,782.40</u>

**Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES****Deferred Loss on Defeasance of Debt**

In August of 2010, the Authority refunded \$5,055,000.00 of the 2001 Revenue Bonds. The Authority issued \$5,205,000.00 in Revenue Refunding Bonds and received \$123,388.65 in NOI premium, of which \$5,275,780.31 was used to provide resources to purchase government obligations that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$293,810.02 (restated). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the life of the refunding bonds using the straight-line method. The advance refunding was undertaken to reduce total debt payments over the next 10 years by \$213,535.83 and to obtain a present value economic gain of \$182,061.14.

**Note 5: DETAIL NOTES – LIABILITIES****Long-term Liabilities**

During the fiscal year ended June 30, 2018, the following changes occurred in long-term obligations:

	Balance July 1, 2017 <u>As Originally Stated</u>	Restatement	Balance July 1, 2017 <u>As Restated</u>	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds and Loans Payable:							
Bonds Payable	\$ 15,565,000.00		\$ 15,565,000.00		\$ (1,635,000.00)	\$ 13,930,000.00	\$ 1,730,000.00
Bond Premiums / Discounts	132,976.63		132,976.63		(29,718.91)	103,257.72	
Total Bonds Payable	15,697,976.63	-	15,697,976.63	-	(1,664,718.91)	14,033,257.72	1,730,000.00
Other Liabilities:							
Net Pension Liability	9,473,434.00		9,473,434.00	\$ 3,067,137.00	(4,759,713.00)	7,780,858.00	
Net OPEB Obligation	536,792.53	\$ 10,085,616.47	10,622,409.00	878,725.22	(1,785,005.22)	9,716,129.00	
Compensated Absences	57,526.08		57,526.08	9,092.40	(14,909.24)	51,709.24	-
Total Other Liabilities	10,067,752.61	10,085,616.47	20,153,369.08	3,954,954.62	(6,559,627.46)	17,548,696.24	-
Total Long Term Liabilities	\$ 25,765,729.24	\$ 10,085,616.47	\$ 35,851,345.71	\$ 3,954,954.62	\$ (8,224,346.37)	\$ 31,581,953.96	\$ 1,730,000.00

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bonds and Loans Payable:					
Bonds Payable	\$ 17,170,000.00		\$ (1,605,000.00)	\$ 15,565,000.00	\$ 1,635,000.00
Bond Premiums / Discounts	162,695.60		(29,718.97)	132,976.63	
Total Bonds Payable	17,332,695.60	-	(1,634,718.97)	15,697,976.63	1,635,000.00
Other Liabilities:					
Net Pension Liability	7,141,186.00	\$ 4,023,712.00	(1,691,464.00)	9,473,434.00	
Net OPEB Obligation	472,121.14	64,671.39		536,792.53	
Compensated Absences	50,223.67	7,302.41		57,526.08	2,740.55
Total Other Liabilities	7,663,530.81	4,095,685.80	(1,691,464.00)	10,067,752.61	2,740.55
Total Long Term Liabilities	\$ 24,996,226.41	\$ 4,095,685.80	\$ (3,326,182.97)	\$ 25,765,729.24	\$ 1,637,740.55

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Bonds Payable**

The Revenue Bonds Series 2004, 2007, and 2010A are direct obligations of the Authority. The Bonds are secured by a pledge on the Revenues derived by the Authority from the operation of its water supply and distribution facilities and its sewerage treatment facilities. The Bonds are further secured by the limited service agreement between the Authority and the Township (See Note 7).

The 2004 Series Bonds were issued to fund various capital improvements to the Authority's system, fund a deposit to the Bond Reserve Account and pay certain costs related to the issuance of the 2004 Bonds. The Bonds were issued originally for \$7,370,000.00 and carried interest rates ranging from 2.0% to 4.5%. The final maturity of the 2004 Bonds is July 1, 2024.

The 2007 Series Bonds were issued to fund various capital improvements to the Authority's system, fund a deposit to the Bond Reserve Account and pay certain costs related to the issuance of the 2007 Bonds. The Bonds were issued originally for \$7,445,000.00 and carried interest rates ranging from 4.0% to 4.375%. The final maturity of the 2007 Bonds is July 1, 2027.

The 2010A Series Bonds were issued to fund various capital improvements to the Authority's system, fund a deposit to the Bond Reserve Account and pay certain costs related to the issuance of the 2010A Bonds. The Bonds were issued originally for \$6,550,000.00 and carried interest rates ranging from 3.0% to 4.5%. The final maturity of the 2010A Bonds is July 1, 2025.

The 2010B Series Bonds were issued to provide funds to advance refund a portion of the Authority's 2001 Series Bonds, fund a deposit to the Bond Reserve Account and pay certain costs related to the issuance of the 2010A Bonds. The Bonds were issued originally for \$5,205,000.00 and carried interest rates ranging from 2.0% to 4.0%. The final maturity on the 2010B Bonds is July 1, 2021.

The following schedule reflects the Debt Requirements until 2028.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,730,000.00	\$ 558,872.49	\$ 2,288,872.49
2020	1,805,000.00	485,500.62	2,290,500.62
2021	1,880,000.00	406,785.00	2,286,785.00
2022	1,945,000.00	327,135.00	2,272,135.00
2023	1,415,000.00	257,917.50	1,672,917.50
2024	1,480,000.00	195,815.62	1,675,815.62
2025	1,545,000.00	128,990.62	1,673,990.62
2026	1,070,000.00	70,450.00	1,140,450.00
2027	520,000.00	35,000.00	555,000.00
2028	540,000.00	11,812.50	551,812.50
	<u>13,930,000.00</u>	<u>\$ 2,478,279.35</u>	<u>\$ 16,408,279.35</u>
Less: Current Maturities	1,730,000.00		
Add: Premium on Bonds	<u>103,257.72</u>		
Long-term Portion	<u>\$ 12,303,257.72</u>		

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Compensated Absences**

Authority employees may accumulate up to seventy unused sick days. Employees are compensated for accumulated sick leave upon retirement or resignation at their current hourly rate of pay times the number of hours accumulated. The accrued liability for accumulated sick leave is estimated to be \$51,709.24 as of June 30, 2018 and \$57,526.08 as of June 30, 2017.

**Net Pension Liability**

For details on the net pension liability, see the Pension Plans section below. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

**Pension Plans**

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

**General Information about the Pension Plans****Plan Descriptions**

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

**Tier      Definition**

- |   |  |
|---|--|
| 1 | Members who were enrolled prior to July 1, 2007  |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010 |
| 4 | Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011          |
| 5 | Members who were eligible to enroll on or after June 28, 2011                              |

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

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

The Authority's contractually required contribution rate for the fiscal years ended June 30, 2018 and 2017 was 14.64% and 13.55% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$329,368.00, and was paid on April 1, 2019. Based on the PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$309,649.00, which was paid on April 1, 2018. Employee contributions to the Plan during the fiscal years ended June 30, 2018 and 2017 were \$165,572.18 and \$165,456.48, respectively.

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal years ended June 30, 2018 and 2017, there were no employees participating in DCRP.

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

At June 30, 2018, the Authority's proportionate share of the net pension liability was \$7,780,858.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Authority's proportion was .0334252237%, which was an increase of .0014388922% from its proportion measured as of June 30, 2017.

At June 30, 2017, the Authority's proportionate share of the net pension liability was \$9,473,434.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was .0319863315%, which was an increase of .0001742014% from its proportion measured as of June 30, 2016.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

For the fiscal years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$657,972.00 and \$943,955.00, respectively. These amounts were based on the plan's June 30, 2018 and 2017 measurement dates, respectively.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	Measurement Date		Measurement Date	
	June 30, 2017		June 30, 2016	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 183,212.00	\$ -	\$ 176,177.00	\$ -
Changes of Assumptions	1,567,575.00	1,561,828.00	1,962,389.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	52,982.00	-	361,231.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	473,491.00	93,559.00	294,880.00	131,903.00
Authority Contributions Subsequent to the Measurement Date	329,368.00	-	309,649.00	-
	<u>\$ 2,606,628.00</u>	<u>\$ 1,655,387.00</u>	<u>\$ 3,104,326.00</u>	<u>\$ 131,903.00</u>

The deferred outflows of resources related to pensions totaling \$329,368.00 and \$309,649.00 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2019 and April 1, 2018 contractually required contribution.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ending June 30,</b>		
2019	\$	279,921.00
2020		373,158.00
2021		265,652.00
2022		(161,973.00)
2023		(134,885.00)
		<u>621,873.00</u>
	\$	<u>621,873.00</u>

**Actuarial Assumptions – PERS**

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017 and 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b>Measurement Date June 30, 2017</b>	<b>Measurement Date June 30, 2016</b>
Inflation	2.25%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

For the June 30, 2017 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For the June 30, 2016 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2017</u>		<u>Measurement Date</u> <u>June 30, 2016</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Public High Yield	2.50%	6.82%	2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
Global Diversified Credit	5.00%	7.10%	5.00%	-0.25%
Credit Oriented Hedge Funds	1.00%	6.60%	12.50%	4.68%
Debt Related Private Equity	2.00%	10.63%	9.00%	12.40%
Debt Related Real Estate	1.00%	6.61%	2.00%	1.67%
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%	2.00%	6.91%
U.S. Equity	30.00%	8.19%	26.00%	8.53%
Non-U.S. Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Commodities			0.50%	5.45%
REIT			5.25%	5.63%
Buyouts/Venture Capital	8.25%	13.08%		
	<u>100.00%</u>		<u>100.00%</u>	

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

**Discount Rate (Cont'd)** - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98%. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS**

The following presents the Authority's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<u>June 30, 2018</u>		
	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 9,652,682.00</u>	<u>\$ 7,780,858.00</u>	<u>\$ 6,221,396.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<u>June 30, 2017</u>		
	<b>1% Decrease <u>(2.98%)</u></b>	<b>Current Discount Rate <u>(3.98%)</u></b>	<b>1% Increase <u>(4.98%)</u></b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 11,608,588.00</u>	<u>\$ 9,473,434.00</u>	<u>\$ 7,710,680.00</u>

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan****General Information about the OPEB Plan**

**Plan Description and Benefits Provided** - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the Plan), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug benefit coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

**Contributions** - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****General Information about the OPEB Plan (Cont'd)**

**Contributions (Cont'd)** - Pursuant to Chapter 78, P.L. 2011, 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 care 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.

The Authority was billed monthly by the Plan and paid \$182,387.22 for the fiscal year ended June 30, 2018, representing 8.11% of the Authority's covered payroll. The amount retirees contributed to the plan for the fiscal year ended June 30, 2018 is not known.

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

**OPEB Liability** - At June 30, 2018, the Authority's proportionate share of the net OPEB liability was \$8,561,973.00. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2016 through June 30, 2017. For the June 30, 2017 measurement date, the Authority's proportion was .041938% which was a decrease of .003354% from its proportion measured as of the June 30, 2016 measurement date.

**OPEB Expense** - At June 30, 2018, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2017 measurement date is \$494,724.00. As previously mentioned, for the fiscal year ended June 30, 2018, the Authority made contributions to the Plan totaling \$182,387.22.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At June 30, 2018, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	950,306.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,467.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	-	637,806.00
Authority Contributions Subsequent to the Measurement Date	<u>182,387.22</u>	<u>-</u>
	<b><u>\$ 183,854.22</u></b>	<b><u>\$ 1,588,112.00</u></b>

The Authority reported \$182,387.22 as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date and will be included as a reduction of the Authority's net OPEB liability in the fiscal year ending June 30, 2019. The Authority will amortize the above other deferred outflows of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of Assumptions	-	8.04
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	8.04	8.04

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

<b>Fiscal Year Ending June 30,</b>		
2019	\$	(225,217.00)
2020		(225,217.00)
2021		(225,217.00)
2022		(225,217.00)
2023		(225,584.00)
Thereafter		<u>(460,193.00)</u>
	<b>\$</b>	<b><u>(1,586,645.00)</u></b>

**Actuarial Assumptions**

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2017 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

\* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

Preretirement 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. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Actuarial Assumptions (Cont'd)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the OPEB Liability at June 30, 2017 was 3.58%. This represents the municipal bond return rate as chosen by the State. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Health Care Trend Assumptions** - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Sensitivity of the net OPEB Liability to Changes in the Discount Rate**

The net OPEB liability as of June 30, 2017, the plans measurement date for the Authority, was calculated using a discount rate of 3.58%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>1% Decrease <u>(2.58%)</u></b>	<b>Current Discount Rate <u>(3.58%)</u></b>	<b>1% Increase <u>(4.58%)</u></b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 10,099,102.00	\$ 8,561,973.00	\$ 7,342,287.00

**Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The Authority's proportionate share of the net OPEB Liability as of June 30, 2017, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 7,115,250.00	\$ 8,561,973.00	\$ 10,445,774.00

**OPEB Plan Fiduciary Net Position**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan****General Information about the OPEB Plan**

**Plan Description and Benefits Provided** - The Authority has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides family dental and vision, a life insurance policy, and reimbursement of Medicare part B premium, if eligible. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Employees Covered by Benefit Terms** - At June 30, 2018, the following employees were covered by the benefit terms:

	<u>June 30, 2018</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	10
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	33
Active Employees	<u>43</u>

**Contributions** - Employees are not required to contribute to the plan.

**Net OPEB Liability**

The Authority's total OPEB liability of \$1,154,156.00 as of June 30, 2018 was measured as of June 30, 2018. The liabilities were determined by an actuarial valuation as of June 30, 2018.

**Actuarial Assumptions and Other Inputs** - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00% Annually
Discount Rate	3.57%
Healthcare Cost Trend Rates	
Medical (Pre-65)	5.00%
Medical (Post-65)	5.00%

The discount rate was based on the 20 year Municipal AA bond rate.

Mortality rates were based on RP-2000 Combined Mortality Table for males and females, as appropriate.

Termination rates were based on the U.S. Office of Personnel Management Federal Employees Retirement System.

An experience study was not performed on the actuarial assumptions used in the June 30, 2018 valuation since the plan had insufficient data to produce a study with credible results. Mortality rates and termination rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement in applying these assumptions to this plan.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan****Changes in the Total OPEB Liability**

The following table shows the changes in the total OPEB liability for the years ended June 30, 2018:

	<u>June 30, 2018</u>
Balance at Beginning of Year	\$ 786,135.00
Changes for the Year:	
Service Cost	19,026.00
Interest Cost	-
Benefit Payments	(14,506.00)
Actuarial Assumption Changes	275,509.00
Actuarial Demographic Gains / (Losses)	<u>87,992.00</u>
Net Changes	<u>368,021.00</u>
Balance at End of Year	<u>\$ 1,154,156.00</u>

In the fiscal year ended June 30, 2018, there were no changes of benefit terms and the assumption for discount rate changed to 3.57% and mortality rates were updated using the RP-2000 Combined Mortality Table

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>June 30, 2018</u>		
	<u>1.00% Decrease (2.57%)</u>	<u>Current Discount Rate (3.57%)</u>	<u>1.00% Increase (4.57%)</u>
Total OPEB Liability	<u>\$1,407,948.00</u>	<u>\$1,154,156.00</u>	<u>\$ 937,515.00</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>June 30, 2018</u>		
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Total OPEB Liability	<u>\$ 918,525.00</u>	<u>\$ 1,154,156.00</u>	<u>\$ 1,439,963.00</u>

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$44,990.00. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions or Other Inputs	\$ 255,830.00	\$ -
Changes of Actuarial Gains & Losses	<u>81,707.00</u>	<u>-</u>
	<u>\$ 337,537.00</u>	<u>\$ -</u>

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

<b>Fiscal Year Ending June 30,</b>	
2019	\$ 25,964.00
2020	25,964.00
2021	25,964.00
2022	25,964.00
2023	25,964.00
Thereafter	<u>207,717.00</u>
	<u>\$ 337,537.00</u>

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB)**

At June 30, 2018, the Authority reported deferred outflows of resources, accounts payable, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	(Restated) Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2018</u>
<b>Deferred Outflows of Resources - Related to OPEB</b>				
State Plan	\$ 156,757.19	\$ 184,062.36	\$ (156,965.33)	\$ 183,854.22
Authority Plan	-	363,501.00	(25,964.00)	337,537.00
	<u>156,757.19</u>	<u>547,563.36</u>	<u>(182,929.33)</u>	<u>521,391.22</u>
<b>Total Deferred Outflows of Resources - Related to OPEB</b>				
	<u>\$ 156,757.19</u>	<u>\$ 547,563.36</u>	<u>\$ (182,929.33)</u>	<u>\$ 521,391.22</u>
<b>Accounts Payable - Related to OPEB</b>				
State Plan	\$ 156,757.19	\$ 182,387.22	\$ (156,757.19)	\$ 182,387.22
Authority Plan	-	-	-	-
	<u>156,757.19</u>	<u>182,387.22</u>	<u>(156,757.19)</u>	<u>182,387.22</u>
<b>Total Accounts Payable - Related to OPEB</b>				
	<u>\$ 156,757.19</u>	<u>\$ 182,387.22</u>	<u>\$ (156,757.19)</u>	<u>\$ 182,387.22</u>
<b>Net OPEB Liability</b>				
State Plan	\$ 9,836,274.00	\$ 496,198.22	\$ (1,770,499.22)	\$ 8,561,973.00
Authority Plan	786,135.00	382,527.00	(14,506.00)	1,154,156.00
	<u>10,622,409.00</u>	<u>878,725.22</u>	<u>(1,785,005.22)</u>	<u>9,716,129.00</u>
<b>Total Net OPEB Liability</b>				
	<u>\$ 10,622,409.00</u>	<u>\$ 878,725.22</u>	<u>\$ (1,785,005.22)</u>	<u>\$ 9,716,129.00</u>
<b>Deferred Inflows of Resources - Related to OPEB</b>				
State Plan	\$ -	\$ 1,813,537.14	\$ (225,425.14)	1,588,112.00
Authority Plan	-	-	-	-
	<u>-</u>	<u>1,813,537.14</u>	<u>(225,425.14)</u>	<u>1,588,112.00</u>
<b>Total Deferred Inflows of Resources - Related to OPEB</b>				
	<u>\$ -</u>	<u>\$ 1,813,537.14</u>	<u>\$ (225,425.14)</u>	<u>\$ 1,588,112.00</u>

**Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES****Unearned Revenue**

The Authority has received developer assessment fees for ongoing construction projects. These fees are recorded as unearned revenues until the Authority provides the services associated with recognizing the funds as revenue.

**Note 7: INTERGOVERNMENTAL AGREEMENTS****Township of Monroe Service Agreement**

A Service Agreement was entered into on June 10, 1960 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

The purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

**Note 8: COMMITMENTS**

The Authority had several outstanding or planned construction projects as of June 30, 2018. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Renewal and Replacement Fund:		
Timber Lake Water Main	\$ 2,411,026.99	\$ 28,632.17
Knights of Columbus Tank Painting - Engineering	23,050.00	2,618.75
Construction Fund:		
Kimberly West Pump Station	741,493.80	629,768.80
Aquifer SR Wells 11 and 14	495,884.95	124,397.21
	<u>\$ 3,671,455.74</u>	<u>\$ 785,416.93</u>

**Note 9: DEFERRED COMPENSATION**

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

**Note 10: RISK MANAGEMENT**

The Authority is a member of New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Workers' Compensation and Employer's Liability  
Liability other than Motor Vehicles  
Property Damage other than Motor Vehicles  
Motor Vehicles

**Note 10: RISK MANAGEMENT (CONT'D)**

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

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

New Jersey Utilities Authority Joint Insurance Fund  
9 Campus Drive, Suite 216  
Parsippany, New Jersey 07054

**Note 11: CONTINGENCIES**

**Litigation** - The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**Note 12: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS**

As indicated in note 1 to the financial statements, the Authority adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended June 30, 2018. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Authority's net OPEB obligation. The cumulative effect on the financial statements as reported for June 30, 2017 is as follows:

	<u>As Previously Reported June 30, 2017</u>	<u>Net OPEB Liability (1)</u>	<u>Deferred Outflows (2)</u>	<u>Accounts Payable (3)</u>	<u>As Restated June 30, 2017</u>
<b>Net Position:</b>					
Net Investment in Capital Assets	\$ 23,028,850.03				\$ 23,028,850.03
Restricted	6,055,739.58				6,055,739.58
Unrestricted (Deficit)	<u>(1,769,829.96)</u>	\$ (10,085,616.47)	\$ 156,757.19	\$ (156,757.19)	<u>(11,855,446.43)</u>
Total Net Position	<u>\$ 27,314,759.65</u>	<u>\$ (10,085,616.47)</u>	<u>\$ 156,757.19</u>	<u>\$ (156,757.19)</u>	<u>\$ 17,229,143.18</u>
State Plan		\$ (9,836,274.00)	\$ 156,757.19	\$ (156,757.19)	
Authority Plan		<u>(249,342.47)</u>	<u>-</u>	<u>-</u>	
		<u>\$ (10,085,616.47)</u>	<u>\$ 156,757.19</u>	<u>\$ (156,757.19)</u>	

(1) Represents the change in the Authority's Net OPEB Liability as of June 30, 2017

(2) Represents the Authority's Beginning Deferred Outflow of Resources for Contributions Subsequent to the Measurement Date.

(3) Represents the Authority's Accounts Payable for Contributions Subsequent to the Measurement Date.

The State of New Jersey Division of Pensions and Benefits has an Accounts Receivable recorded in the OPEB Plan Audit.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MONROE MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
 Schedule of Changes in the Authority's  
 Total OPEB Liability and Related Ratios  
 Fiscal Year Ended June 30, 2018

<b>Total OPEB Liability</b>	<b>June 30, 2018</b>
Service Cost	\$ 19,026.00
Interest Cost	-
Benefit Payments	(14,506.00)
Actuarial Assumption Changes	275,509.00
Actuarial Demographic Gains	<u>87,992.00</u>
Net Change in Total OPEB Liability	368,021.00
Total OPEB Liability - Beginning of Fiscal Year	<u>786,135.00</u>
Total OPEB Liability - End of Fiscal Year	<u><u>\$ 1,154,156.00</u></u>
Covered-Employee Payroll	\$ 2,249,337.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	51.31%

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share  
 of the Net OPEB Liability  
 Last Two Plan Years

	<u>Measurement Date Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Authority's Proportion of the Net OPEB Liability	0.041938%	0.045292%
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 8,561,973.00</u>	<u>\$ 9,836,274.00</u>
Authority's Covered Payroll (Plan Measurement Period)	\$ 2,284,658.00	\$ 2,325,307.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	374.76%	423.01%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.03%	0.69%

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's OPEB Contributions  
 Last Two Fiscal Years

	<u>Fiscal Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Authority's Required Contributions	\$ 182,387.22	\$ 156,757.19
Authority's Contributions in Relation to the Required Contribution	<u>(182,387.22)</u>	<u>(156,757.19)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 2,249,337.00	\$ 2,284,658.00
Authority's Contributions as a Percentage of Covered Payroll	8.11%	6.86%

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Five Plan Years

	<b>Measurement Date Ending June 30,</b>				
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Authority's Proportion of the Net Pension Liability	0.0334252237%	0.0319863315%	0.0318121301%	0.0296834402%	0.0309754913%
Authority's Proportionate Share of the Net Pension Liability	\$ 7,780,858.00	\$ 9,473,434.00	\$ 7,141,186.00	\$ 5,557,552.00	\$ 5,920,032.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 2,315,692.00	\$ 2,186,344.00	\$ 2,194,428.00	\$ 2,048,656.00	\$ 2,136,236.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	336.01%	433.30%	325.42%	271.28%	277.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Contributions  
 Public Employees' Retirement System (PERS)  
 Last Five Fiscal Years

	<b>Fiscal Year Ended June 30,</b>				
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually Required Contribution	\$ 329,368.00	\$ 309,649.00	\$ 284,162.00	\$ 273,499.00	\$ 244,706.00
Contributions in Relation to the Contractually Required Contribution	<u>(329,368.00)</u>	<u>(309,649.00)</u>	<u>(284,162.00)</u>	<u>(273,499.00)</u>	<u>(244,706.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 2,249,337.00	\$ 2,284,658.00	\$ 2,325,307.00	\$ 2,145,734.00	\$ 2,163,625.00
Contributions as a Percentage of Authority's Covered Payroll	14.64%	13.55%	12.22%	12.75%	11.31%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

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**Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN**

*Changes in Benefit Terms* - None

Changes in Assumptions - The increase in the OPEB liability from June 30, 2015 to June 30, 2016 is due to the assumed discount rate from 3.80% as of June 30, 2015 to 2.85% as of June 30, 2016. The decrease in the OPEB liability from June 30, 2016 to June 30, 2018 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**Note 2: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - PRIVATE PLAN**

*Changes in Benefit Terms* - None

Changes in Assumptions - In 2018, The discount rate changed to 3.57% and Mortality rates were updated using the RP-2000 Combined Mortality Table

**Note 3: POSTEMPLOYMENT BENEFITS - PENSION**

**Public Employees' Retirement System (PERS)**

*Changes in Benefit Terms* - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

**SUPPLEMENTARY SCHEDULES**

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
Combining Schedule of Revenue, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2018

	Restricted					Total
	Unrestricted	Debt Service	Debt Service Reserve	Renewal and Replacement	Construction	
Operating Revenues:						
Service Charges	\$ 11,792,769.99					\$ 11,792,769.99
Connection Fees	769,264.85					769,264.85
Other Operating Revenues	190,659.00					190,659.00
<b>Total Operating Revenues</b>	<b>12,752,693.84</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,752,693.84</b>
Operating Expenses:						
Administration:						
Salaries and Wages	770,668.02					770,668.02
Fringe Benefits	641,242.30					641,242.30
Other Expenses	662,667.32					662,667.32
Cost of Providing Services:						
Salaries and Wages	1,787,142.05					1,787,142.05
Fringe Benefits	1,496,232.04					1,496,232.04
Other Expenses	4,846,962.33					4,846,962.33
Depreciation					\$ 1,640,708.56	1,640,708.56
<b>Total Operating Expenses</b>	<b>10,204,914.06</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,640,708.56</b>	<b>11,845,622.62</b>
Operating Income (Loss)	2,547,779.78	-	-	-	(1,640,708.56)	907,071.22
Non-operating Revenue (Expenses):						
Investment Income	40,107.30					40,107.30
Interest Expense		\$ (593,703.88)			2,597.96	(591,105.92)
Major Repairs and Other Expenses				\$ (30,436.00)		(30,436.00)
Cancellation of NJDEP Receivable				(72,216.79)		(72,216.79)
<b>Net Income (Loss) Before Transfers and Capital Contributions</b>	<b>2,587,887.08</b>	<b>(593,703.88)</b>	<b>-</b>	<b>(102,652.79)</b>	<b>(1,638,110.60)</b>	<b>253,419.81</b>
Transfers Between Funds	7,491,554.39	688,703.88	-	(10,039,799.41)	1,859,541.14	-
Increase (Decrease) in Net Position	10,079,441.47	95,000.00	-	(10,142,452.20)	221,430.54	253,419.81
Net Position July 1, as restated	(8,334,195.64)	1,635,000.43	\$ 2,304,318.75	(1,386,371.38)	23,010,391.02	17,229,143.18
Net Position June 30:						
Net Investment in Capital Assets				20,431.25	\$ 23,231,821.56	23,252,252.81
Restricted	\$ 1,745,245.83		\$ 2,304,318.75	2,000,000.00		6,049,564.58
Unrestricted (Deficit)		\$ 1,730,000.43		\$ (13,549,254.83)		\$ (11,819,254.40)

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Sewer Anticipated Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	2017-18 Actual	Favorable (Unfavorable)
Anticipated Revenues:					
Operating Revenues:					
Service Charges	\$ 6,666,549.00		\$ 6,666,549.00	\$ 6,650,032.94	\$ (16,516.07)
Connection Fees	155,000.00		155,000.00	352,237.06	197,237.06
Other Operating Revenues:					
Application Fees				1,600.00	1,600.00
Search Fees				125.96	125.96
Other	8,000.00		8,000.00	20,713.17	12,713.17
Total Operating Revenues	6,829,549.00	-	6,829,549.00	7,024,709.13	195,160.13
Non-Operating Revenues:					
Investment Income	6,913.00		6,913.00	17,453.13	10,540.13
Total Anticipated Revenues	6,836,462.00	-	6,836,462.00	7,042,162.26	205,700.26
Operating Appropriations:					
Administration					
Salaries and Wages:					
Authority Members	2,375.00		2,375.00	2,375.00	
Office Administration	425,192.00	\$ (8,500.00)	416,692.00	382,968.64	33,723.36
Total Salaries and Wages	427,567.00	(8,500.00)	419,067.00	385,343.64	33,723.36
Fringe Benefits:					
Pension	46,897.00		46,897.00	46,914.60	(17.60)
Social Security	26,670.00		26,670.00	22,842.82	3,827.18
Medicare	6,300.00		6,300.00	5,380.50	919.50
Unemployment Insurance	1,800.00		1,800.00	1,563.35	236.65
Health Insurance	178,275.00		178,275.00	140,510.85	37,764.15
Total Fringe Benefits	259,942.00	-	259,942.00	217,212.12	42,729.88
Other Expenses:					
Insurance	80,500.00		80,500.00	68,928.74	11,571.26
Advertising	1,750.00		1,750.00	1,272.88	477.12
Computer Expense	32,500.00		32,500.00	29,889.06	2,610.94
Dues and Subscriptions	5,250.00		5,250.00	2,727.40	2,522.60
Office Maintenance Contracts	7,920.00		7,920.00	7,764.68	155.32
Postage	31,000.00		31,000.00	29,369.04	1,630.96
Office Supplies	29,250.00		29,250.00	28,768.24	481.76
Training and Seminars	4,025.00		4,025.00	4,431.44	(406.44)
Accounting Fees	27,500.00		27,500.00	23,045.00	4,455.00
Engineer Fees	75,000.00		75,000.00	91,295.63	(16,295.63)
Solicitor	37,500.00		37,500.00	25,072.80	12,427.20
Litigation	15,500.00		15,500.00	2,561.08	12,938.92
Trustee Fees	7,150.00		7,150.00	7,150.00	
Miscellaneous	2,500.00	8,500.00	11,000.00	22,139.37	(11,139.37)
Total Other Expenses	357,345.00	8,500.00	365,845.00	344,415.36	21,429.64
Total Administration	1,044,854.00	-	1,044,854.00	946,971.11	97,882.89
Cost of Providing Services:					
Salaries and Wages:					
Plant Salaries	997,658.00		997,658.00	893,593.48	104,064.52
Total Salaries and Wages	997,658.00	-	997,658.00	893,593.48	104,064.52
Fringe Benefits:					
Pension	109,428.00		109,428.00	109,467.40	(39.40)
Social Security	62,230.00		62,230.00	53,299.92	8,930.08
Medicare	14,700.00		14,700.00	12,554.49	2,145.51
Unemployment Insurance	4,200.00		4,200.00	3,647.81	552.19
Health Insurance	415,975.00		415,975.00	327,858.65	88,116.35
Total Fringe Benefits	606,533.00	-	606,533.00	506,828.27	99,704.73

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Sewer Anticipated Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	2017-18 Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Cost of Providing Services (Cont'd):					
Other Expenses:					
Utilities	\$ 554,250.00		\$ 554,250.00	\$ 508,062.07	\$ 46,187.93
Chemicals	200,000.00		200,000.00	115,354.62	84,645.38
Sewerage Treatment Costs	2,500,000.00		2,500,000.00	2,411,640.66	88,359.34
Repairs and Maintenance	140,000.00		140,000.00	90,401.39	49,598.61
Paging Expenses	2,575.00		2,575.00	2,543.10	31.90
Vehicle Expenses	88,100.00		88,100.00	86,609.27	1,490.73
Alarm Monitoring Expenses	17,000.00		17,000.00	14,778.43	2,221.57
Operations Equipment and Materials	121,830.00		121,830.00	111,434.15	10,395.85
Uniforms	9,000.00		9,000.00	7,496.58	1,503.42
Safety Compliance	10,000.00		10,000.00	10,436.53	(436.53)
Buildings and Grounds	15,000.00		15,000.00	7,691.76	7,308.24
Generator Repairs	12,500.00		12,500.00	17,756.15	(5,256.15)
Total Other Expenses	<u>3,670,255.00</u>	-	<u>3,670,255.00</u>	<u>3,384,204.71</u>	<u>286,050.29</u>
Total Cost of Providing Services	<u>5,274,446.00</u>	-	<u>5,274,446.00</u>	<u>4,784,626.47</u>	<u>489,819.53</u>
Principal Payments on Debt Service in Lieu of Depreciation	<u>368,000.00</u>	-	<u>368,000.00</u>	<u>368,000.00</u>	-
Non-Operating Appropriations:					
Interest on Bonds	<u>149,162.00</u>	-	<u>149,162.00</u>	<u>149,162.37</u>	<u>(0.37)</u>
Total Non-Operating Appropriations	<u>149,162.00</u>	-	<u>149,162.00</u>	<u>149,162.37</u>	<u>(0.37)</u>
Total Budget Appropriations	<u>6,836,462.00</u>	-	<u>6,836,462.00</u>	<u>6,248,759.95</u>	<u>587,702.05</u>
Excess Budgetary Revenues Over Budgetary Appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793,402.30</u>	<u>\$ 793,402.30</u>

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Water Anticipated Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	2017-18 Actual	Favorable (Unfavorable)
Anticipated Revenues:					
Operating Revenues:					
Service Charges	\$ 5,600,686.00		\$ 5,600,686.00	\$ 5,142,737.06	\$ (457,948.95)
Connection Fees	165,000.00		165,000.00	417,027.79	252,027.79
Other Operating Revenues:					
Application Fees				1,600.00	1,600.00
Hydrant Rentals	87,000.00		87,000.00	53,673.29	(33,326.71)
Search Fees				125.69	125.69
Sprinkler Systems				32,136.82	32,136.82
Meters and Yolks	35,300.00		35,300.00	48,530.58	13,230.58
Water Permit Loans	16,900.00		16,900.00	9,200.97	(7,699.03)
Other	23,000.00		23,000.00	22,952.52	(47.48)
Total Operating Revenues	5,927,886.00	-	5,927,886.00	5,727,984.72	(199,901.29)
Non-Operating Revenues:					
Investment Income	6,913.00		6,913.00	22,654.17	15,741.17
Total Anticipated Revenues	5,934,799.00	-	5,934,799.00	5,750,638.89	(184,160.12)
Operating Appropriations:					
Administration					
Salaries and Wages:					
Authority Members	2,375.00		2,375.00	2,375.00	
Office Administration	425,192.00	\$ (8,500.00)	416,692.00	382,949.39	33,742.62
Total Salaries and Wages	427,567.00	(8,500.00)	419,067.00	385,324.39	33,742.62
Fringe Benefits:					
Pension	46,897.00		46,897.00	46,914.60	(17.60)
Social Security	26,670.00		26,670.00	22,443.20	4,226.81
Medicare	6,300.00		6,300.00	5,288.02	1,011.98
Unemployment Insurance	1,800.00		1,800.00	1,527.46	272.54
Health Insurance	178,275.00		178,275.00	140,511.01	37,763.99
Total Fringe Benefits	259,942.00	-	259,942.00	216,684.29	43,257.72
Other Expenses:					
Insurance	80,500.00		80,500.00	68,928.75	11,571.25
Advertising	1,750.00		1,750.00	1,272.90	477.10
Computer Expense	32,500.00		32,500.00	29,899.63	2,600.37
Dues and Subscriptions	2,250.00		2,250.00	2,319.60	(69.60)
Office Maintenance Contracts	8,580.00		8,580.00	8,105.63	474.37
Postage	31,000.00		31,000.00	29,369.05	1,630.95
Office Supplies	29,250.00		29,250.00	28,813.52	436.48
Training and Seminars	4,025.00		4,025.00	4,431.44	(406.44)
Accounting Fees	27,500.00		27,500.00	23,045.00	4,455.00
Engineer Fees	75,000.00		75,000.00	58,108.17	16,891.83
Solicitor	37,500.00		37,500.00	25,072.81	12,427.19
Litigation	15,500.00		15,500.00	1,896.09	13,603.91
Trustee Fees	14,850.00		14,850.00	14,850.00	
Miscellaneous	2,500.00	8,500.00	11,000.00	22,139.37	(11,139.37)
Total Other Expenses	362,705.00	8,500.00	371,205.00	318,251.96	52,953.04
Total Administration	1,050,214.00	-	1,050,214.00	920,260.63	129,953.37
Cost of Providing Services:					
Salaries and Wages:					
Plant Salaries	997,658.00		997,658.00	893,548.57	104,109.44
Total Salaries and Wages	997,658.00	-	997,658.00	893,548.57	104,109.44

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Water Anticipated Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	2017-18 Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Cost of Providing Services (Cont'd):					
Fringe Benefits:					
Pension	\$ 109,428.00		\$ 109,428.00	\$ 109,467.40	\$ (39.40)
Social Security	62,230.00		62,230.00	52,367.46	9,862.54
Medicare	14,700.00		14,700.00	12,338.72	2,361.28
Unemployment Insurance	4,200.00		4,200.00	3,564.08	635.92
Health Insurance	415,975.00		415,975.00	327,859.01	88,115.99
Total Fringe Benefits	606,533.00	-	606,533.00	505,596.67	100,936.34
Other Expenses:					
Utilities	278,250.00		278,250.00	263,710.27	14,539.73
Chemicals	80,000.00		80,000.00	63,868.47	16,131.53
Repairs and Maintenance	127,500.00		127,500.00	109,353.97	18,146.03
Laboratory Fees	50,000.00		50,000.00	28,847.52	21,152.48
Meters and Yolks	50,000.00		50,000.00	38,002.32	11,997.68
State Water Tax and Allocation Assessment	106,000.00		106,000.00	63,131.62	42,868.38
Water Purchases	636,000.00		636,000.00	602,663.16	33,336.84
Paging Expenses	2,575.00		2,575.00	2,543.15	31.85
Vehicle Expenses	58,100.00		58,100.00	59,168.12	(1,068.12)
Alarm Monitoring Expenses	17,000.00		17,000.00	15,088.93	1,911.07
Operations Equipment and Materials	74,670.00		74,670.00	76,739.83	(2,069.83)
Uniforms	9,000.00		9,000.00	7,496.63	1,503.37
Safety Compliance	10,000.00		10,000.00	10,436.56	(436.56)
SCADA Program	20,725.00		20,725.00	20,220.00	505.00
Buildings and Grounds	15,000.00		15,000.00	7,691.81	7,308.19
Total Other Expenses	1,534,820.00	-	1,534,820.00	1,368,962.36	165,857.64
Total Cost of Providing Services	3,139,011.00	-	3,139,011.00	2,768,107.59	370,903.41
Principal Payments on Debt Service in Lieu of Depreciation	1,267,000.00	-	1,267,000.00	1,267,000.00	-
Non-Operating Appropriations:					
Interest on Bonds	478,574.00	-	478,574.00	478,573.87	0.13
Total Non-Operating Appropriations	478,574.00	-	478,574.00	478,573.87	0.13
Total Budget Appropriations	5,934,799.00	-	5,934,799.00	5,433,942.09	500,856.91
Excess Budgetary Revenues Over Budgetary Appropriations	\$ -	\$ -	\$ -	\$ 316,696.80	\$ 316,696.80

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Reconciliation of Budgetary Inflows and Outflows with GAAP Revenues and Expenditures  
 For the Fiscal Year Ended June 30, 2018

Reconciliation to Operating Income

Excess Budgetary Revenues Over Budgetary Appropriations:

Sewer Utility - Schedule 2	\$	793,402.30	
Water Utility - Schedule 3		316,696.80	
		316,696.80	\$ 1,110,099.10

Add:

Principal Payments		1,635,000.00	
Interest on Bonds		627,736.24	
Interest on Loans		0.00	
Expenditures Capitalized		104,800.20	
Encumbrances		1,507.06	
		1,507.06	2,369,043.50
			3,479,142.60

Less:

Investment Income		40,107.30	
Depreciation		1,640,708.56	
GASB 68 Expense (Pension)		348,325.00	
GASB 75 Expense (OPEB)		342,828.00	
Meter Inventory Adjustment		200,102.52	
		200,102.52	2,572,071.38

Operating Income - Schedule 1			\$ 907,071.22
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**MONROE MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Revenue Bonds Payable  
 For the Fiscal Year Ended June 30, 2018

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding June 30, 2018		Interest Rate	Balance July 1, 2017	Paid	Balance June 30, 2018
			Date	Amount				
2004 Revenue Bonds	9/15/04	\$ 7,370,000.00	7/1/18	405,000.00	4.000%	\$ 3,610,000.00	\$ 390,000.00	\$ 3,220,000.00
			7/1/19	420,000.00	4.000%			
			7/1/20	440,000.00	4.125%			
			7/1/21	460,000.00	4.250%			
			7/1/22	475,000.00	4.250%			
			7/1/23	500,000.00	4.500%			
			7/1/24	520,000.00	4.500%			
2007 Revenue Bonds	9/15/07	7,445,000.00	7/1/18	370,000.00	4.125%	4,815,000.00	325,000.00	4,490,000.00
			7/1/19	385,000.00	4.125%			
			7/1/20	400,000.00	4.000%			
			7/1/21	415,000.00	4.000%			
			7/1/22	435,000.00	4.100%			
			7/1/23	455,000.00	4.375%			
			7/1/24	475,000.00	4.375%			
			7/1/25	495,000.00	4.500%			
			7/1/26	520,000.00	4.375%			
			7/1/27	540,000.00	4.375%			
2010A Revenue Bonds	8/29/10	6,550,000.00	7/1/18	420,000.00	4.00%	4,360,000.00	405,000.00	3,955,000.00
			7/1/19	440,000.00	5.00%			
			7/1/20	460,000.00	5.00%			
			7/1/21	480,000.00	4.00%			
			7/1/22	505,000.00	4.25%			
			7/1/23	525,000.00	4.25%			
			7/1/24	550,000.00	4.50%			
			7/1/25	575,000.00	4.50%			
2010B Refunding Bonds	8/29/10	5,205,000.00	7/1/18	535,000.00	4.00%	<u>2,780,000.00</u>	<u>515,000.00</u>	<u>2,265,000.00</u>
			7/1/19	560,000.00	4.00%			
			7/1/20	580,000.00	4.00%			
			7/1/21	590,000.00	4.00%			
						<u>\$ 15,565,000.00</u>	<u>\$ 1,635,000.00</u>	13,930,000.00
Add:								
Premium / Discount on Bonds								<u>103,257.72</u>
								<u>\$ 14,033,257.72</u>

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**PART 2**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended June 30, 2018

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***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**None**

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**MONROE MUNICIPAL UTILITIES AUTHORITY**  
Summary Schedule of Prior Year Audit Findings  
And Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**None**

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**APPRECIATION**

We express our appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants