

MONROE MUNICIPAL UTILITIES AUTHORITY

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED

JUNE 30, 2017 AND 2016

MONROE MUNICIPAL UTILITIES AUTHORITY
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MONROE MUNICIPAL UTILITIES AUTHORITY
Roster of Officials
June 30, 2017

MEMBERS

Joseph P. DiLolle, Jr.
Hank Calloway
William Morrison
Robert Simone
Anthony Neri
Robert Bender

POSITION

Chairman
Vice-Chairman
Secretary
Treasurer
Assistant Treasurer
Board Member

OTHER OFFICIALS

Jerry G. Moore
Wendy Mahoney
Edward Haaf
Charlene Denny
Patricia Gallagher
John W. Trimble, Jr., Esq.
Joseph F. Federici

POSITION

Executive Director, Assistant Secretary
Assistant Executive Director
Superintendent
Executive Assistant
Comptroller
Solicitor
Engineer

MONROE MUNICIPAL UTILITIES AUTHORITY
PART 1
FINANCIAL SECTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 principles 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.

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, 2017 and 2016, 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.

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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 the Authority's proportionate share of the net pension liability, schedule of the Authority's contributions and schedule of funding progress for the OPEB plan 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
January 9, 2018

**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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 9, 2018.

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 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
January 9, 2018

Management's Discussion and Analysis (MD&A) (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 \$203,400.44. 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, 2017.

Key financial highlights for the Authority's fiscal year 2017 were:

- The Authority generated investment income of \$15,174.13 during the current fiscal year as compared to \$12,716.47 in fiscal year 2016.
- Operating revenues for fiscal year 2017 were \$12,652,085.48 as compared to \$12,948,703.14 for fiscal year 2016.
- Operating expenses for fiscal year 2017 were \$11,658,779.58 as compared to \$11,226,166.76 for fiscal year 2016.
- Operating income for fiscal year 2017 was \$993,305.90 as compared to \$1,722,536.38 for fiscal year 2016.
- Change in Net Position for fiscal year 2017 was an increase of \$203,400.44 as compared to \$857,288.94 for fiscal year 2016.
- At year-end, total Net Position was \$27,314,759.65 as compared to \$27,111,359.21 for fiscal year 2016.

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.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total net position was \$27,314,759.65 as of June 30, 2017 as shown below:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| Unrestricted Assets | \$ 5,580,780.02 | \$ 4,945,193.09 | \$ 4,595,368.65 |
| Restricted Assets | 7,862,739.67 | 7,989,140.61 | 7,299,250.93 |
| Capital Assets | 37,567,782.40 | 38,716,707.53 | 40,208,702.61 |
| | <u>51,011,302.09</u> | <u>51,651,041.23</u> | <u>52,103,322.19</u> |
| Deferred Outflows of Resources | 3,212,809.72 | 1,695,165.64 | 610,983.56 |
| Current Liabilities | 2,562,302.32 | 2,474,341.42 | 2,430,477.73 |
| Long Term Liabilities | 24,130,729.24 | 23,391,226.41 | 23,405,835.74 |
| | <u>26,693,031.56</u> | <u>25,865,567.83</u> | <u>25,836,313.47</u> |
| Deferred Inflows of Resources | 216,320.60 | 369,279.83 | 623,922.01 |
| Net Position | | | |
| Net Investment in Capital Assets | 23,028,850.03 | 22,680,703.69 | 22,721,202.44 |
| Restricted | 6,055,739.58 | 6,010,964.58 | 4,934,692.92 |
| Unrestricted | (1,769,829.96) | (1,580,309.06) | (1,401,825.09) |
| | <u>\$ 27,314,759.65</u> | <u>\$ 27,111,359.21</u> | <u>\$ 26,254,070.27</u> |

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

For the current fiscal year, the Authority realized operating income of \$993,305.90 and net non-operating expenses totaling \$789,905.46, resulting in a change in net position for the current year of \$203,400.44. Major components of this activity are detailed in the statement below:

Statements of Revenue, Expenses and Changes in Net Position For the Fiscal Years Ended June 30, 2017, 2016, and 2015

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| Operating Revenues: | | | |
| Service Charges | \$ 12,066,222.74 | \$ 12,046,751.48 | \$ 10,333,380.82 |
| Connection Fees | 369,432.67 | 782,565.83 | 468,136.94 |
| Other Operating Revenues | <u>216,430.07</u> | <u>119,385.83</u> | <u>154,498.72</u> |
| Total Operating Revenues | <u>12,652,085.48</u> | <u>12,948,703.14</u> | <u>10,956,016.48</u> |
| Operating Expenses: | | | |
| Administration: | | | |
| Salaries and Wages | 769,387.09 | 779,735.71 | 730,802.32 |
| Fringe Benefits | 629,056.68 | 495,521.55 | 407,152.09 |
| Other Expenses | <u>623,409.59</u> | <u>574,010.91</u> | <u>525,541.54</u> |
| Total Administration | <u>2,021,853.36</u> | <u>1,849,268.17</u> | <u>1,663,495.95</u> |
| Cost of Providing Services: | | | |
| Salaries and Wages | 1,795,236.54 | 1,808,299.99 | 1,695,796.06 |
| Fringe Benefits | 1,467,798.93 | 1,156,216.94 | 949,226.91 |
| Other Expenses | <u>4,786,280.36</u> | <u>4,806,113.31</u> | <u>4,761,147.95</u> |
| Total Cost of Providing Services | <u>8,049,315.83</u> | <u>7,770,630.24</u> | <u>7,406,170.92</u> |
| Net OPEB Cost (GASB 45 Accrual) | 64,671.39 | 59,204.35 | 48,305.79 |
| Depreciation | <u>1,522,939.00</u> | <u>1,547,064.00</u> | <u>1,549,519.00</u> |
| Total Operating Expenses | <u>11,658,779.58</u> | <u>11,226,166.76</u> | <u>10,667,491.66</u> |
| Operating Income | <u>993,305.90</u> | <u>1,722,536.38</u> | <u>288,524.82</u> |
| Non-operating Revenue (Expenses) | <u>(789,905.46)</u> | <u>(865,247.44)</u> | <u>(828,673.77)</u> |
| Change in Net Position | 203,400.44 | 857,288.94 | (540,148.95) |
| Net Position July 1 | <u>27,111,359.21</u> | <u>26,254,070.27</u> | <u>26,794,219.22</u> |
| Net Position June 30 | <u>\$ 27,314,759.65</u> | <u>\$ 27,111,359.21</u> | <u>\$ 26,254,070.27</u> |

OVERALL ANALYSIS

The Authority's financial position remains strong. The Authority realized \$369,432.67 in connection fees. As a result of the connection fees realized and an increase in water and sewer rates for 2016, the Authority was able to meet the debt service 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 \$369,432.67. 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 \$203,400.44 to \$27,314,759.65. Unrestricted Net Position decreased by \$189,520.90 to a deficit of \$1,769,829.96. The Authority instituted a water and sewer rate increase for the fiscal year 2016 to correct the loss in fiscal year 2015. 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 2017 projected revenues for the sewer utility were collected and were sufficient to satisfy all fiscal 2017 operating and non-operating expenditures.

The Authority's fiscal 2017 projected revenues for the water utility were collected, and were sufficient to satisfy all fiscal 2017 operating and non-operating expenditures.

Budgeted sewer revenues in the amount of \$6,727,771.00 were exceeded by actual sewer revenues of \$6,777,941.59 by \$51,170.59 primarily due to connection fees realized.

Actual sewer budgetary expenditures of \$6,166,596.48 were less than the adopted budget of \$6,727,771.00 by \$561,174.52. Individual appropriation budget variances are detailed in Schedule 2.

Budgeted water revenues in the amount of \$5,793,829.00 were exceeded by actual water revenues of \$5,874,143.89 by \$80,314.89 primarily due to connection fees realized.

Actual water budgetary expenditures of \$5,385,239.39 were less than the adopted budget of \$5,803,829.00 by \$418,589.61. 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 five ongoing capital projects, two funded through the Renewal and Replacement Fund and three 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 \$520,827.87 for capital assets. The more significant increases were due to additional construction in progress and major repairs.

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, 2017 and 2016

| | 2017 | 2016 |
|--|-----------------|-----------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Unrestricted Assets: | | |
| Cash and Cash Equivalents | \$ 4,757,472.44 | \$ 3,807,458.44 |
| Consumer Accounts Receivable | 559,874.89 | 756,657.26 |
| Other Receivables | 73.18 | 468.00 |
| Inventory | 96,895.33 | 268,780.64 |
| Prepaid Expenses | 166,464.18 | 111,828.75 |
| Total Unrestricted Assets | 5,580,780.02 | 4,945,193.09 |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 7,790,522.88 | 7,916,923.82 |
| Due from State of New Jersey | 72,216.79 | 72,216.79 |
| Total Restricted Assets | 7,862,739.67 | 7,989,140.61 |
| Total Current Assets | 13,443,519.69 | 12,934,333.70 |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Completed (Net of Accumulated Depreciation) | 37,286,250.64 | 38,498,358.64 |
| Construction in Progress | 281,531.76 | 218,348.89 |
| Total Capital Assets | 37,567,782.40 | 38,716,707.53 |
| Total Assets | 51,011,302.09 | 51,651,041.23 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Related to Pensions | 3,104,326.00 | 1,559,561.00 |
| Deferred Loss on Defeasance of Debt | 108,483.72 | 135,604.64 |
| Total Deferred Outflows of Resources | 3,212,809.72 | 1,695,165.64 |

(Continued)

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

| | 2017 | 2016 |
|--|------------------|------------------|
| <u>LIABILITIES</u> | | |
| Current Liabilities Payable from Unrestricted Assets: | | |
| Accounts Payable - Operations | \$ 199,097.46 | \$ 149,611.14 |
| Accounts Payable - Related to Pensions | 309,649.00 | 284,162.00 |
| Payroll Deductions Payable | 3.17 | 4.03 |
| Developer Escrow Deposits | 87,668.42 | 78,818.63 |
| Total Current Liabilities Payable from Unrestricted Assets | 596,418.05 | 512,595.80 |
| Current Liabilities Payable from Restricted Assets: | | |
| Revenue Bonds Payable - Current Portion | 1,635,000.00 | 1,605,000.00 |
| Accrued Interest Payable | 330,884.27 | 355,840.62 |
| Contracts Payable | - | 905.00 |
| Total Current Liabilities Payable from Restricted Assets | 1,965,884.27 | 1,961,745.62 |
| Long-term Liabilities: | | |
| Revenue Bonds Payable | 14,062,976.63 | 15,727,695.60 |
| Net OPEB Obligation | 536,792.53 | 472,121.14 |
| Related to Pensions | 9,473,434.00 | 7,141,186.00 |
| Accrued Compensated Absences | 57,526.08 | 50,223.67 |
| Total Long-term Liabilities | 24,130,729.24 | 23,391,226.41 |
| Total Liabilities | 26,693,031.56 | 25,865,567.83 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Related to Pensions | 131,903.00 | 285,064.00 |
| Unearned Assessment Revenues | 84,417.60 | 84,215.83 |
| Total Deferred Inflows of Resources | 216,320.60 | 369,279.83 |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | 23,028,850.03 | 22,680,703.69 |
| Restricted: | | |
| Bond Resolution Covenants | 6,055,739.58 | 6,010,964.58 |
| Unrestricted (Deficit) | (1,769,829.96) | (1,580,309.06) |
| Total Net Position | \$ 27,314,759.65 | \$ 27,111,359.21 |

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, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------------|-------------------------|
| Operating Revenues: | | |
| Service Charges | \$ 12,066,222.74 | \$ 12,046,751.48 |
| Connection Fees | 369,432.67 | 782,565.83 |
| Other Operating Revenues | 216,430.07 | 119,385.83 |
| | <u>12,652,085.48</u> | <u>12,948,703.14</u> |
| Total Operating Revenues | | |
| Operating Expenses: | | |
| Administration: | | |
| Salaries and Wages | 769,387.09 | 779,735.71 |
| Fringe Benefits | 629,056.68 | 495,521.55 |
| Other Expenses | 623,409.59 | 574,010.91 |
| Cost of Providing Service: | | |
| Salaries and Wages | 1,795,236.54 | 1,808,299.99 |
| Fringe Benefits | 1,467,798.93 | 1,156,216.94 |
| Other Expenses | 4,786,280.36 | 4,806,113.31 |
| Net OPEB Cost (GASB 45 Accrual) | 64,671.39 | 59,204.35 |
| Depreciation | 1,522,939.00 | 1,547,064.00 |
| | <u>11,658,779.58</u> | <u>11,226,166.76</u> |
| Total Operating Expenses | | |
| Operating Income | <u>993,305.90</u> | <u>1,722,536.38</u> |
| Non-operating Revenue (Expenses): | | |
| Investment Income | 15,174.13 | 12,716.47 |
| Interest Expense | (659,170.63) | (709,083.23) |
| Other Non-Operating | 781.50 | - |
| Major Repairs and Other Expenses | (146,690.46) | (168,880.68) |
| | <u>(789,905.46)</u> | <u>(865,247.44)</u> |
| Total Non-operating Revenue (Expenses) | | |
| Change in Net Position | 203,400.44 | 857,288.94 |
| Net Position July 1 | <u>27,111,359.21</u> | <u>26,254,070.27</u> |
| Net Position June 30 | <u>\$ 27,314,759.65</u> | <u>\$ 27,111,359.21</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, 2017 and 2016

| | 2017 | 2016 |
|--|-------------------------|-------------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from Customers | \$ 12,848,867.85 | \$ 12,713,288.52 |
| Payments to Suppliers | (7,446,055.64) | (7,419,525.77) |
| Payments to Employees | (1,897,118.26) | (2,382,960.68) |
| Other Operating Receipts | 115,096.07 | 154,959.12 |
| Net Cash Provided by Operating Activities | <u>3,620,790.02</u> | <u>3,065,761.19</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Deferred Assessment Revenues | 201.77 | 85.82 |
| Net Cash Provided by Noncapital Financing Activities | <u>201.77</u> | <u>85.82</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Capital Acquisitions | (520,827.87) | (223,044.64) |
| Bond Principal | (1,605,000.00) | (1,550,000.00) |
| Interest Expense | (686,724.99) | (734,112.49) |
| Net Cash Used in Capital and Related Financing Activities | <u>(2,812,552.86)</u> | <u>(2,507,157.13)</u> |
| Cash Flows from Investing Activities: | | |
| Interest on Investments | 15,174.13 | 12,716.47 |
| Net Cash Provided by Investing Activities | <u>15,174.13</u> | <u>12,716.47</u> |
| Net Increase in Cash and Cash Equivalents | 823,613.06 | 571,406.35 |
| Cash and Cash Equivalents -- July 1 | <u>11,724,382.26</u> | <u>11,152,975.91</u> |
| Cash and Cash Equivalents -- June 30 | <u>\$ 12,547,995.32</u> | <u>\$ 11,724,382.26</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Income | \$ 993,305.90 | \$ 1,722,536.38 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 1,522,939.00 | 1,547,064.00 |
| GASB 68 | 659,809.00 | 228,266.00 |
| Change in Assets and Liabilities: | | |
| Change in Consumer Accounts Receivable | 196,782.37 | (235,414.62) |
| Change in Other Accounts Receivable | 394.82 | (459.53) |
| Change in Inventory | 171,885.31 | (226,578.54) |
| Change in Prepaid Expenses | (54,635.43) | (5,855.08) |
| Change in Accounts Payable - Operations | 49,486.32 | 18,933.98 |
| Change in Payroll Deductions Payable | (0.86) | (2.74) |
| Change in Accrued Liabilities | 71,973.80 | 36,475.64 |
| Change in Developers' Escrow Deposits | 8,849.79 | (19,204.30) |
| Net Cash Provided from Operating Activities | <u>\$ 3,620,790.02</u> | <u>\$ 3,065,761.19</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, 2017 and 2016

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 government-wide financial statements to emphasize that it is legally separate from the government.

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

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 and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan 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 Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. 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 \$2,500.00 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 of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The only deferred outflows of resources reported in this fiscal year's financial statements are a deferred amount arising from a loss on refunding of general obligation bonds and a deferred outflow of resources for contributions made to the Authority's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Authority's fiscal year. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

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

The Authority's statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future periods. Deferred inflows of resources are reported in the Authority's statements of net position for a deferred amount arising from developer assessment fees received for ongoing construction projects and for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) fiscal years, including the current fiscal year.

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, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority's financial statements.

Also, the Authority adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The adoption this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The adoption this Statement had no impact on the Authority's financial statements.

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

Next, the Authority adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted GASB Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption 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. 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 Statement will become effective for the Authority in the fiscal year ending June 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement will become effective for the Authority in the fiscal year ending June 30, 2018. Management does not expect this Statement will have an impact on the financial statements.

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.

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

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 Statement will become effective for the Authority in the fiscal year ending June 30, 2018. Management does not expect this Statement will have an impact on the financial statements.

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 Statement will become effective for the Authority in the fiscal year ending June 30, 2018. Management has not yet determined the impact of this Statement 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.

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, 2017, 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, 2017, the balance in the debt service account meets the requirements of the Bond Resolution.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**General Bond Resolution (Cont'd)**

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, 2017, 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, 2017, 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.

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>2017</u> | <u>2016</u> |
|---|----------------------|------------------------|
| Operating Revenues: | | |
| Utility Service Charges | \$ 12,066,222.74 | \$ 12,046,751.48 |
| Connection Fees | 369,432.67 | 782,565.83 |
| Investments and Miscellaneous Income | <u>216,430.07</u> | <u>132,102.30</u> |
| Net Revenues | 12,652,085.48 | 12,961,419.61 |
| Operating Expenses: | | |
| Operating Expenses and Capital Outlay | <u>9,411,360.19</u> | <u>9,391,632.41</u> |
| | 3,240,725.29 | 3,569,787.20 |
| 110% on Next Succeeding Year's Annual Debt Service Requirement | <u>2,489,009.86</u> | <u>2,520,897.49</u> |
| Excess of Revenues | <u>\$ 751,715.43</u> | <u>\$ 1,048,889.71</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, 2017 and 2016, the Authority's bank balances were exposed to custodial credit risk as follows:

| | June 30, | |
|--|-------------------------|-------------------------|
| | <u>2017</u> | <u>2016</u> |
| Insured by F.D.I.C. | \$ 682,264.41 | \$ 663,641.07 |
| Insured and collateralized with securities held by pledging financial institutions | 11,995,255.05 | 11,221,560.88 |
| | <u>\$ 12,677,519.46</u> | <u>\$ 11,885,201.95</u> |

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> |
|--------------------|--------------------------|------------------|--------------------------|----------------------------------|
| 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% |
| 2015 | 559,602.97 | 10,438,617.65 | 10,476,977.98 | 95.26% |

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets**

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

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>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 | 24,442,064.00 | 1,522,939.00 | 38,898.00 | 25,926,105.00 |
| | <u>\$ 38,716,707.53</u> | <u>\$ (1,101,581.42)</u> | <u>\$ 47,343.71</u> | <u>\$ 37,567,782.40</u> |

During the fiscal year ended June 30, 2016, the following changes in Capital Assets occurred:

| | <u>Balance</u> <u>July 1, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2016</u> |
|--------------------------|---------------------------------------|--------------------------|----------------------|--|
| Land, Plants & Buildings | \$ 24,229,086.53 | | | \$ 24,229,086.53 |
| Machinery & Equipment | 3,461,258.00 | \$ 67,516.00 | | 3,528,774.00 |
| Furniture & Fixtures | 146,343.00 | | | 146,343.00 |
| Mains & Laterals | 35,036,219.11 | | | 35,036,219.11 |
| Construction in Progress | 230,795.97 | 101,101.72 | \$ 113,548.80 | 218,348.89 |
| | <u>63,103,702.61</u> | <u>168,617.72</u> | <u>113,548.80</u> | <u>63,158,771.53</u> |
| Less: | | | | |
| Accumulated Depreciation | 22,895,000.00 | 1,547,064.00 | | 24,442,064.00 |
| | <u>\$ 40,208,702.61</u> | <u>\$ (1,378,446.28)</u> | <u>\$ 113,548.80</u> | <u>\$ 38,716,707.53</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, 2017, the following changes occurred in long-term obligations:

| | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2017</u> | <u>Due Within One Year</u> |
|-----------------------------|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| Bonds and Loans Payable: | | | | | |
| Bonds Payable | \$ 17,170,000.00 | | \$ (1,605,000.00) | \$ 15,565,000.00 | \$ 1,635,000.00 |
| Total Bonds Payable | 17,170,000.00 | - | (1,605,000.00) | 15,565,000.00 | 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 | \$ 24,833,530.81 | \$ 4,095,685.80 | \$ (3,296,464.00) | \$ 25,632,752.61 | \$ 1,637,740.55 |

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

| | <u>Balance July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2016</u> | <u>Due Within One Year</u> |
|-----------------------------|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| Bonds and Loans Payable: | | | | | |
| Bonds Payable | \$ 18,720,000.00 | | \$ (1,550,000.00) | \$ 17,170,000.00 | \$ 1,605,000.00 |
| Total Bonds Payable | 18,720,000.00 | - | (1,550,000.00) | 17,170,000.00 | 1,605,000.00 |
| Other Liabilities: | | | | | |
| Net Pension Liability | 5,557,552.00 | \$ 2,316,956.00 | (733,322.00) | 7,141,186.00 | |
| Net OPEB Obligation | 412,916.79 | 59,204.35 | | 472,121.14 | |
| Compensated Absences | 72,952.38 | | (22,728.71) | 50,223.67 | |
| Total Other Liabilities | 6,043,421.17 | 2,376,160.35 | (756,050.71) | 7,663,530.81 | - |
| Total Long Term Liabilities | \$ 24,763,421.17 | \$ 2,376,160.35 | \$ (2,306,050.71) | \$ 24,833,530.81 | \$ 1,605,000.00 |

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.

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

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> |
|--|-------------------------|------------------------|-------------------------|
| 2018 | \$ 1,635,000.00 | \$ 627,736.24 | \$ 2,262,736.24 |
| 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>15,565,000.00</u> | <u>\$ 3,106,015.59</u> | <u>\$ 18,671,015.59</u> |
| Less: Current Maturities | 1,635,000.00 | | |
| Add: Premium on Bonds | <u>132,976.63</u> | | |
| Long-term Portion | <u>\$ 14,062,976.63</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 \$57,526.08 as of June 30, 2017 and \$50,223.67 as of June 30, 2016.

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 Division. 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
<http://www.nj.gov/treasury/pensions>

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's 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's 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 Teachers' Pension and Annuity Fund (TPAF) or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in State Police Retirement System (SPRS) or 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 TPAF or 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 TPAF or 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)****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 ten 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 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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 7.20% 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) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts 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)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) - The Authority's contractually required contribution rate for the fiscal years ended June 30, 2017 and 2016 was 13.55% and 12.22% 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, 2016, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$284,162.00, and was paid on April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2016 was \$273,499.00, which was paid on April 1, 2016. Employee contributions to the Plan during the fiscal years ended June 30, 2017 and 2016 were \$165,456.48 and \$164,665.08, 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 year ended June 30, 2017 and 2016, there were no employees participating in DCRP.

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

The following information relates only to the Public Employees' Retirement System ("PERS"), which is a cost-sharing multiple-employer defined benefit pension plan.

At June 30, 2017, the Authority reported a liability of \$9,473,434.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 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, 2016. 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, 2016 measurement date, the Authority's proportion was .0319863315% which was an increase of .0001742014% from its proportion measured as of June 30, 2015.

At June 30, 2016, the Authority reported a liability of \$7,141,186.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. 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, 2015. 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, 2015 measurement date, the Authority's proportion was .0318121301%, which was an increase of .0021286899% from its proportion measured as of June 30, 2014.

For the fiscal years ended June 30, 2017 and 2016, the Authority recognized pension expense of \$943,955.00 and \$501,755.00, respectively. These amounts were based on the plan's June 30, 2016 and 2015 measurement dates, respectively.

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 (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>June 30, 2017</u> | | <u>June 30, 2016</u> | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Measurement Date</u> | | <u>Measurement Date</u> | |
| | <u>June 30, 2016</u> | | <u>June 30, 2015</u> | |
| | <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 | \$ 176,177.00 | \$ - | \$ 170,364.00 | \$ - |
| Changes of Assumptions | 1,962,389.00 | - | 766,906.00 | - |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 361,231.00 | - | - | 114,817.00 |
| Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions | 294,880.00 | 131,903.00 | 338,129.00 | 170,247.00 |
| Authority Contributions Subsequent to the Measurement Date | <u>309,649.00</u> | <u>-</u> | <u>284,162.00</u> | <u>-</u> |
| | <u>\$ 3,104,326.00</u> | <u>\$ 131,903.00</u> | <u>\$ 1,559,561.00</u> | <u>\$ 285,064.00</u> |

The deferred outflows of resources related to pensions totaling \$309,649.00 and \$284,162.00 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2018 and 2017, respectively.

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

| <u>Fiscal Year Ending June 30.</u> | |
|------------------------------------|------------------------|
| 2018 | \$ 602,313.00 |
| 2019 | 602,313.00 |
| 2020 | 691,536.00 |
| 2021 | 588,719.00 |
| 2022 | <u>177,893.00</u> |
| | <u>\$ 2,662,774.00</u> |

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 (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 | - |
| Changes of Assumptions | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2014 | 6.44 | - |
| June 30, 2015 | 5.72 | - |
| June 30, 2016 | 5.57 | - |
| 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 | - |
| 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 |

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

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014. 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, 2016 and 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

| | Measurement Date <u>June 30, 2016</u> | Measurement Date <u>June 30, 2015</u> |
|--------------------------------|--|--|
| Inflation | 3.08% | 3.04% |
| Salary Increases: | | |
| 2012-2021 | | 2.15% - 4.40% Based on Age |
| Through 2026 | 1.65% - 4.15% Based on Age | |
| Thereafter | 2.65% - 5.15% Based on Age | 3.15% - 5.40% Based on Age |
| Investment Rate of Return | 7.65% | 7.90% |
| Mortality Rate Table | RP-2000 | RP-2000 |
| Period of Actuarial Experience | | |
| Study upon which Actuarial | | |
| Assumptions were Based | July 1, 2011 - June 30, 2014 | July 1, 2008 - June 30, 2011 |

For the June 30, 2016 measurement date, pre-retirement 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).

For the June 30, 2015 measurement date, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016 and 7.90% at June 30, 2015) 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, 2016 and 2015 are summarized in the following table:

| <u>Asset Class</u> | <u>Measurement Date</u> <u>June 30, 2016</u> | | <u>Measurement Date</u> <u>June 30, 2015</u> | |
|-------------------------------|---|---|---|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| Cash | 5.00% | 0.87% | 5.00% | 1.04% |
| U.S. Treasuries | 1.50% | 1.74% | 1.75% | 1.64% |
| Investment Grade Credit | 8.00% | 1.79% | 10.00% | 1.79% |
| Mortgages | 2.00% | 1.67% | 2.10% | 1.62% |
| High Yield Bonds | 2.00% | 4.56% | 2.00% | 4.03% |
| Inflation-Indexed Bonds | 1.50% | 3.44% | 1.50% | 3.25% |
| Broad U.S. Equities | 26.00% | 8.53% | 27.25% | 8.52% |
| Developed Foreign Equities | 13.25% | 6.83% | 12.00% | 6.88% |
| Emerging Market Equities | 6.50% | 9.95% | 6.40% | 10.00% |
| Private Equity | 9.00% | 12.40% | 9.25% | 12.41% |
| Hedge Funds / Absolute Return | 12.50% | 4.68% | 12.00% | 4.72% |
| Real Estate (Property) | 2.00% | 6.91% | 2.00% | 6.83% |
| Commodities | 0.50% | 5.45% | 1.00% | 5.32% |
| Global Debt ex U.S. | 5.00% | -0.25% | 3.50% | -0.40% |
| REIT | 5.25% | 5.63% | 4.25% | 5.12% |
| | <u>100.00%</u> | | <u>100.00%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015 measurement dates, respectively. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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. 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 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

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> | | |
|---|---|---|---|
| | 1% Decrease <u>(2.98%)</u> | Current Discount Rate <u>(3.98%)</u> | 1% Increase <u>(4.98%)</u> |
| 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> |

The following presents the Authority's proportionate share of the net pension liability at June 30, 2015, the plans measurement date, calculated using a discount rate of 4.90%, 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, 2016</u> | | |
|---|---|---|---|
| | 1% Decrease <u>(3.90%)</u> | Current Discount Rate <u>(4.90%)</u> | 1% Increase <u>(5.90%)</u> |
| Authority's Proportionate Share of the Net Pension Liability | <u>\$ 8,875,620.00</u> | <u>\$ 7,141,186.00</u> | <u>\$ 5,687,048.00</u> |

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's respective 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 www.nj.gov/treasury/pensions.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Post-Employment Benefits**
State Health Benefits

Plan Description - The Authority contributes to the State Health Benefits Program (“SHBP”), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Authority authorized participation in the post-retirement benefit program, Chapter 88, Public Laws of 1974, by resolution on February 3, 1981. The Authority provides health benefits to retired employees and their dependents provided that they have met all of the retirement criteria of the Public Employees Retirement System (PERS) and completed 25 years of service.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis. The Authority's contributions to SHBP for the fiscal years ended June 30, 2017, 2016 and 2015, were \$156,757.19, \$99,168.00 and \$95,792.52, respectively, which equaled the required contributions each year. There were approximately 7 retired participants eligible at June 30, 2017.

Private Plan

Plan Description - In addition to the State Health Benefits plan described above, the Authority provides benefits to employees that have retired from the Authority. The Authority provides dental, vision, and life insurance to retired employees and their dependents provided that they have met all the retirement criteria of the Public Employees Retirement System (PERS) and completed 25 years of service.

Funding Policy - The contribution requirement of plan members and the Authority are established by the Authority's Board and certain employment contracts and may be amended by the same. Current retiree plan members receiving benefits are not required to make any contributions to the plan.

Retirees - The Authority's contributions for the fiscal years ended June 30, 2017, 2016, and 2015, were \$23,729.92, \$20,782.20 and \$15,723.49 respectively.

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$79,745.00 at an unfunded discount rate of 5.0%. As stated above, the Authority has funded the cost of existing retirees in the amount of \$23,729.88, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Post-Employment Benefits (Cont'd)**

Annual OPEB Cost - For fiscal year 2017, the Authority's annual OPEB cost (expense) of \$64,671.39 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

The Authority's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for fiscal years 2017, 2016, and 2015 are as follows:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|
| Annual Required Contribution (ARC) | \$ 79,745.00 | \$ 73,570.00 | \$ 68,158.00 |
| Interest on the Net OPEB Obligation | 23,606.06 | 20,645.84 | 11,786.46 |
| Adjustment to the ARC | <u>(29,249.67)</u> | <u>(25,581.49)</u> | <u>(22,208.67)</u> |
| Annual OPEB Cost | 74,101.39 | 68,634.35 | 57,735.79 |
| Contributions (Existing Retirees) | <u>(9,430.00)</u> | <u>(9,430.00)</u> | <u>(9,430.00)</u> |
| Increase in the Net OPEB Obligation | 64,671.39 | 59,204.35 | 48,305.79 |
| Net OPEB Obligation, July 1 | <u>472,121.14</u> | <u>412,916.79</u> | <u>364,611.00</u> |
| Net OPEB Obligation, June 30 | <u>\$ 536,792.53</u> | <u>\$ 472,121.14</u> | <u>\$ 412,916.79</u> |
| Percentage of Annual OPEB Cost Contributed | 12% | 13% | 14% |

Funded Status and Funding Progress - The funded status of the plan as of the three past actuarial valuation dates is as follows:

| | <u>2015</u> | <u>2012</u> | <u>2009</u> |
|---|-----------------|-----------------|-----------------|
| Actuarial Accrued Liability (AAL) | \$ 693,489.00 | \$ 638,374.00 | \$ 489,321.00 |
| Actuarial Value of Plan Assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 693,489.00 | \$ 638,374.00 | \$ 489,321.00 |
| Funded Ratio (Actuarial Value of Plan Assets / AAL) | 0% | 0% | 0% |
| Covered Payroll (Active Plan Members) | \$ 2,426,598.00 | \$ 2,163,956.00 | \$ 1,940,921.00 |
| UAAL as a Percentage of Covered Payroll | 28.6% | 29.5% | 25.2% |

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Post-Employment Benefits (Cont'd)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality.* 1994 sex distinct Group Annuity Mortality Table.
- *Turnover.* In accordance with the U.S. Office of Personnel Management regarding the experience of the Employee group covered by the Federal Employees Retirement System.
- *Assumed Retirement Age.* at first eligibility but not earlier than age 55
- *Annual Discount Rate.* Future costs have been discounted at the rate of 5.0% compounded annually for GASB 45 purposes.
- *Rates of Retirement, Rates of Withdrawal, and Rates of Disability.* Assumed no terminations of employment due to disability. Retirees resulting from disability are factored into determination of age at retirement.
- *Spousal Coverage.* We have assumed that married employees remain married.
- *Health Care Cost Inflation.* Health care gross costs will increase an annual rate of 5% for Post-Medicare medical benefits.
- *Administration Expenses.* Annual cost to administer the retiree claims, approximately 2% is included in the annual health care costs.

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, 2017. 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: | | |
| Administration Office | \$ 20,000.00 | \$ 1,540.99 |
| Timber Lake Water Main | 2,411,026.99 | 28,632.17 |
| Construction Fund: | | |
| Kimberly West Pump Station | 741,493.80 | 629,063.80 |
| Aquifer SR Wells 11 and 14 | 380,056.20 | 339,940.03 |
| | <u>\$ 3,552,576.99</u> | <u>\$ 999,176.99</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

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, 2016, 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.

REQUIRED SUPPLEMENTARY INFORMATION

MONROE MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Funding Progress for the OPEB Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability - (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|--------------------------------|--|--|--------------------------------------|----------------------------|------------------------|---|
| 06/30/15 | - | \$ 693,489 | \$ 693,489 | 0% | \$ 2,426,598 | 28.58% |
| 06/30/12 | - | 638,374 | 638,374 | 0% | 2,163,956 | 29.50% |
| 06/30/09 | - | 489,321 | 489,321 | 0% | 1,940,921 | 25.21% |

SCHEDULE RSI-2

Required Supplementary Information
 Schedule of Employer Contributions

| Fiscal Year Ended June 30, | Annual Required Contribution (ARC) | Percentage of ARC Contributed |
|-------------------------------|---------------------------------------|----------------------------------|
| 2017 | \$ 79,745.00 | 11.83% |
| 2016 | 73,570.00 | 12.82% |
| 2015 | 68,158.00 | 13.84% |
| 2014 | 79,253.00 | 7.59% |
| 2013 | 72,648.00 | 8.28% |
| 2012 | 66,807.00 | 9.01% |
| 2011 | 59,911.00 | 6.44% |
| 2010 | 54,445.00 | 6.62% |
| 2009 | 53,454.00 | 7.22% |

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 Four Fiscal Years

| | Measurement Date Ending June 30, | | | |
|---|---|--------------------|--------------------|--------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Authority's Proportion of the Net Pension Liability | 0.0319863315% | 0.0318121301% | 0.0296834402% | 0.0309754913% |
| Authority's Proportionate Share of the Net Pension Liability | \$ 9,473,434.00 | \$ 7,141,186.00 | \$ 5,557,552.00 | \$ 5,920,032.00 |
| Authority's Covered Payroll (Plan Measurement Period) | \$ 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 | 433.30% | 325.42% | 271.28% | 277.12% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 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 Four Fiscal Years

| | Fiscal Year Ended June 30, | | | |
|---|-----------------------------------|---------------------|---------------------|---------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually Required Contribution | \$ 309,649.00 | \$ 284,162.00 | \$ 273,499.00 | \$ 244,706.00 |
| Contributions in Relation to the Contractually Required Contribution | <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> |
| Authority's Covered Payroll (Fiscal Year) | \$ 2,284,658.00 | \$ 2,325,307.00 | \$ 2,145,734.00 | \$ 2,163,628.00 |
| Contributions as a Percentage of Authority's Covered Payroll | 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, 2017

Note 1: OTHER POSTEMPLOYMENT BENEFITS

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|--------------------------------|---|
| Valuation Date | June 30, 2015 |
| Actuarial Cost Method | Unit Credit |
| Amortization Method | Level Dollar |
| Remaining Amortization Periods | 27 Years |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions | |
| Investment Rate of Return | 5.0% |
| Rate of Medical Inflation | 5% (pre-Medicare and post-Medicare) |
| Administration Expenses | 2% (included in annual health care costs) |

For determining the GASB ARC, the rate of employer contributions to the Monroe Municipal Utilities Authority Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Note 2: POSTEMPLOYMENT BENEFITS - PENSION**Public Employees' Retirement System (PERS)**

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, 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 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 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, 2017

| | Restricted | | | | | Total |
|--|----------------------|-----------------|----------------------|-------------------------|---------------------|----------------------|
| | Unrestricted | Debt Service | Debt Service Reserve | Renewal and Replacement | Construction | |
| Operating Revenues: | | | | | | |
| Service Charges | \$ 12,066,222.74 | | | | | \$ 12,066,222.74 |
| Connection Fees | 369,432.67 | | | | | 369,432.67 |
| Other Operating Revenues | 216,430.07 | | | | | 216,430.07 |
| Total Operating Revenues | 12,652,085.48 | - | - | - | - | 12,652,085.48 |
| Operating Expenses: | | | | | | |
| Administration: | | | | | | |
| Salaries and Wages | 769,387.09 | | | | | 769,387.09 |
| Fringe Benefits | 629,056.68 | | | | | 629,056.68 |
| Other Expenses | 623,409.59 | | | | | 623,409.59 |
| Cost of Providing Services: | | | | | | |
| Salaries and Wages | 1,795,236.54 | | | | | 1,795,236.54 |
| Fringe Benefits | 1,467,798.93 | | | | | 1,467,798.93 |
| Other Expenses | 4,786,280.36 | | | | | 4,786,280.36 |
| Net OPEB Cost (GASB 45 Accrual) | 64,671.39 | | | | | 64,671.39 |
| Depreciation | | | | | \$ 1,522,939.00 | 1,522,939.00 |
| Total Operating Expenses | 10,135,840.58 | - | - | - | 1,522,939.00 | 11,658,779.58 |
| Operating Income (Loss) | 2,516,244.90 | - | - | - | (1,522,939.00) | 993,305.90 |
| Non-operating Revenue (Expenses): | | | | | | |
| Investment Income | 14,905.96 | | | \$ 268.17 | | 15,174.13 |
| Interest Expense | | \$ (661,768.68) | | | 2,598.05 | (659,170.63) |
| Other Non-Operating | 781.50 | | | | | 781.50 |
| Major Repairs and Other Expenses | | | | (99,346.75) | (47,343.71) | (146,690.46) |
| Net Income (Loss) Before Transfers and Capital Contributions | 2,531,932.36 | (661,768.68) | - | (99,078.58) | (1,567,684.66) | 203,400.44 |
| Transfers Between Funds | (2,487,157.36) | 691,768.80 | - | (120,442.44) | 1,915,831.00 | - |
| Increase (Decrease) in Net Position | 44,775.00 | 30,000.12 | - | (219,521.02) | 348,146.34 | 203,400.44 |
| Net Position July 1 | 1,706,645.83 | 1,605,000.31 | \$ 2,304,318.75 | (1,166,850.36) | 22,662,244.68 | 27,111,359.21 |
| Net Position June 30: | | | | | | |
| Net Investment in Capital Assets | | | | 18,459.01 | \$ 23,010,391.02 | 23,028,850.03 |
| Restricted | \$ 1,751,420.83 | | \$ 2,304,318.75 | 2,000,000.00 | | 6,055,739.58 |
| Unrestricted (Deficit) | | \$ 1,635,000.43 | | \$ (3,404,830.39) | | \$ (1,769,829.96) |

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, 2017

| | Original Budget | Budget Transfers | Final Budget | 2016-17 Actual | Favorable (Unfavorable) |
|------------------------------|--------------------|---------------------|-----------------|-------------------|----------------------------|
| Anticipated Revenues: | | | | | |
| Operating Revenues: | | | | | |
| Service Charges | \$ 6,720,971.00 | | \$ 6,720,971.00 | \$ 6,576,820.16 | \$ (144,150.84) |
| Connection Fees | | | | 185,448.52 | 185,448.52 |
| Other Operating Revenues: | | | | | |
| Application Fees | | | | 2,500.00 | 2,500.00 |
| Search Fees | | | | 111.20 | 111.20 |
| Other | 5,800.00 | | 5,800.00 | 13,061.71 | 7,261.71 |
| Total Operating Revenues | 6,726,771.00 | - | 6,726,771.00 | 6,777,941.59 | 51,170.59 |
| Non-Operating Revenues: | | | | | |
| Investment Income | 1,000.00 | | 1,000.00 | 7,077.25 | 6,077.25 |
| Total Anticipated Revenues | 6,727,771.00 | - | 6,727,771.00 | 6,785,018.84 | 57,247.84 |
| Operating Appropriations: | | | | | |
| Administration | | | | | |
| Salaries and Wages: | | | | | |
| Authority Members | 2,375.00 | | 2,375.00 | 2,375.00 | |
| Office Administration | 426,587.00 | | 426,587.00 | 382,318.92 | 44,268.08 |
| Total Salaries and Wages | 428,962.00 | - | 428,962.00 | 384,693.92 | 44,268.08 |
| Fringe Benefits: | | | | | |
| Pension | 42,900.00 | | 42,900.00 | 42,789.30 | 110.70 |
| Social Security | 26,730.00 | | 26,730.00 | 22,451.06 | 4,278.95 |
| Medicare | 6,255.00 | | 6,255.00 | 5,308.71 | 946.29 |
| Unemployment Insurance | 1,800.00 | | 1,800.00 | 1,551.61 | 248.39 |
| Health Insurance | 154,800.00 | | 154,800.00 | 143,471.87 | 11,328.13 |
| Total Fringe Benefits | 232,485.00 | - | 232,485.00 | 215,572.54 | 16,912.46 |
| Other Expenses: | | | | | |
| Insurance | 81,150.00 | \$ (10,000.00) | 71,150.00 | 66,791.22 | 4,358.78 |
| Advertising | 1,750.00 | | 1,750.00 | 1,255.55 | 494.45 |
| Computer Expense | 33,250.00 | (2,500.00) | 30,750.00 | 28,976.83 | 1,773.17 |
| Dues and Subscriptions | 5,250.00 | | 5,250.00 | 3,897.79 | 1,352.21 |
| Office Maintenance Contracts | 7,728.00 | | 7,728.00 | 7,399.28 | 328.72 |
| Postage | 31,000.00 | | 31,000.00 | 30,300.14 | 699.86 |
| Office Supplies | 29,250.00 | (2,500.00) | 26,750.00 | 26,686.58 | 63.42 |
| Training and Seminars | 6,425.00 | | 6,425.00 | 2,241.07 | 4,183.93 |
| Accounting Fees | 25,000.00 | | 25,000.00 | 29,290.00 | (4,290.00) |
| Engineer Fees | 60,000.00 | 30,000.00 | 90,000.00 | 89,932.81 | 67.19 |
| Solicitor | 37,500.00 | (15,000.00) | 22,500.00 | 9,854.00 | 12,646.00 |
| Litigation | 15,500.00 | | 15,500.00 | 15,480.46 | 19.54 |
| Trustee Fees | 7,150.00 | | 7,150.00 | 7,150.00 | |
| Miscellaneous | 2,500.00 | | 2,500.00 | 2,186.03 | 313.97 |
| Total Other Expenses | 343,453.00 | - | 343,453.00 | 321,441.76 | 22,011.24 |
| Total Administration | 1,004,900.00 | - | 1,004,900.00 | 921,708.22 | 83,191.78 |
| Cost of Providing Services: | | | | | |
| Salaries and Wages: | | | | | |
| Plant Salaries | 1,000,913.00 | | 1,000,913.00 | 897,619.15 | 103,293.85 |
| Total Salaries and Wages | 1,000,913.00 | - | 1,000,913.00 | 897,619.15 | 103,293.85 |
| Fringe Benefits: | | | | | |
| Pension | 100,100.00 | | 100,100.00 | 99,841.70 | 258.30 |
| Social Security | 62,370.00 | | 62,370.00 | 52,385.80 | 9,984.20 |
| Medicare | 14,595.00 | | 14,595.00 | 12,386.98 | 2,208.02 |
| Unemployment Insurance | 4,200.00 | | 4,200.00 | 3,620.41 | 579.59 |
| Health Insurance | 361,200.00 | | 361,200.00 | 334,767.71 | 26,432.29 |
| Total Fringe Benefits | 542,465.00 | - | 542,465.00 | 503,002.60 | 39,462.40 |

(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, 2017

| | Original Budget | Budget Transfers | Final Budget | 2016-17 Actual | Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|----------------------|----------------------------|
| Operating Appropriations (Cont'd): | | | | | |
| Cost of Providing Services (Cont'd): | | | | | |
| Other Expenses: | | | | | |
| Utilities | \$ 536,770.00 | | \$ 536,770.00 | \$ 525,385.11 | \$ 11,384.89 |
| Chemicals | 200,000.00 | | 200,000.00 | 153,040.55 | 46,959.45 |
| Sewerage Treatment Costs | 2,500,000.00 | | 2,500,000.00 | 2,303,918.45 | 196,081.55 |
| Repairs and Maintenance | 140,000.00 | | 140,000.00 | 75,288.21 | 64,711.79 |
| Paging Expenses | 2,575.00 | | 2,575.00 | 2,185.00 | 390.00 |
| Vehicle Expenses | 88,000.00 | | 88,000.00 | 80,564.06 | 7,435.94 |
| Alarm Monitoring Expenses | 17,000.00 | | 17,000.00 | 12,205.73 | 4,794.27 |
| Operations Equipment and Materials | 121,830.00 | | 121,830.00 | 123,262.80 | (1,432.80) |
| Uniforms | 10,000.00 | | 10,000.00 | 6,822.91 | 3,177.09 |
| Safety Compliance | 10,000.00 | | 10,000.00 | 10,940.26 | (940.26) |
| Buildings and Grounds | 15,000.00 | | 15,000.00 | 13,757.96 | 1,242.04 |
| Generator Repairs | 12,500.00 | | 12,500.00 | 11,076.85 | 1,423.15 |
| Total Other Expenses | <u>3,653,675.00</u> | - | <u>3,653,675.00</u> | <u>3,318,447.89</u> | <u>335,227.11</u> |
| Total Cost of Providing Services | <u>5,197,053.00</u> | - | <u>5,197,053.00</u> | <u>4,719,069.64</u> | <u>477,983.36</u> |
| Principal Payments on Debt Service in Lieu of Depreciation | <u>363,500.00</u> | - | <u>363,500.00</u> | <u>363,500.00</u> | - |
| Non-Operating Appropriations: | | | | | |
| Interest on Bonds | <u>162,318.00</u> | - | <u>162,318.00</u> | <u>162,318.62</u> | <u>(0.62)</u> |
| Total Non-Operating Appropriations | <u>162,318.00</u> | - | <u>162,318.00</u> | <u>162,318.62</u> | <u>(0.62)</u> |
| Total Budget Appropriations | <u>6,727,771.00</u> | - | <u>6,727,771.00</u> | <u>6,166,596.48</u> | <u>561,174.52</u> |
| Excess Budgetary Revenues Over Budgetary Appropriations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 618,422.36</u> | <u>\$ 618,422.36</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, 2017

| | Original Budget | Budget Transfers | Final Budget | 2016-17 Actual | Favorable (Unfavorable) |
|------------------------------|--------------------|---------------------|-----------------|-------------------|----------------------------|
| Anticipated Revenues: | | | | | |
| Operating Revenues: | | | | | |
| Service Charges | \$ 5,641,479.00 | | \$ 5,641,479.00 | \$ 5,489,402.58 | \$ (152,076.42) |
| Connection Fees | | | | 183,984.15 | 183,984.15 |
| Other Operating Revenues: | | | | | |
| Application Fees | | | | 2,500.00 | 2,500.00 |
| Hydrant Rentals | 84,650.00 | | 84,650.00 | 97,919.39 | 13,269.39 |
| Search Fees | | | | 109.90 | 109.90 |
| Sprinkler Systems | | | - | 33,776.52 | 33,776.52 |
| Meters and Yolks | 22,000.00 | | 22,000.00 | 30,943.08 | 8,943.08 |
| Water Permit Loans | 20,700.00 | | 20,700.00 | 12,224.10 | (8,475.90) |
| Other | 25,000.00 | | 25,000.00 | 23,284.17 | (1,715.83) |
| Total Operating Revenues | 5,793,829.00 | - | 5,793,829.00 | 5,874,143.89 | 80,314.89 |
| Non-Operating Revenues: | | | | | |
| Investment Income | 10,000.00 | | 10,000.00 | 7,411.30 | (2,588.70) |
| Total Anticipated Revenues | 5,803,829.00 | - | 5,803,829.00 | 5,881,555.19 | 77,726.19 |
| Operating Appropriations: | | | | | |
| Administration | | | | | |
| Salaries and Wages: | | | | | |
| Authority Members | 2,375.00 | | 2,375.00 | 2,375.00 | |
| Office Administration | 426,587.00 | | 426,587.00 | 382,318.17 | 44,268.83 |
| Total Salaries and Wages | 428,962.00 | - | 428,962.00 | 384,693.17 | 44,268.83 |
| Fringe Benefits: | | | | | |
| Pension | 42,900.00 | | 42,900.00 | 42,789.30 | 110.70 |
| Social Security | 26,730.00 | | 26,730.00 | 22,424.44 | 4,305.56 |
| Medicare | 6,255.00 | | 6,255.00 | 5,303.33 | 951.67 |
| Unemployment Insurance | 1,800.00 | | 1,800.00 | 1,552.34 | 247.67 |
| Health Insurance | 154,800.00 | | 154,800.00 | 143,472.04 | 11,327.96 |
| Total Fringe Benefits | 232,485.00 | - | 232,485.00 | 215,541.44 | 16,943.56 |
| Other Expenses: | | | | | |
| Insurance | 81,150.00 | | 81,150.00 | 66,791.23 | 14,358.77 |
| Advertising | 1,750.00 | | 1,750.00 | 1,255.59 | 494.41 |
| Computer Expense | 33,250.00 | | 33,250.00 | 28,976.88 | 4,273.12 |
| Dues and Subscriptions | 2,250.00 | | 2,250.00 | 2,205.48 | 44.52 |
| Office Maintenance Contracts | 8,372.00 | | 8,372.00 | 7,642.89 | 729.11 |
| Postage | 31,000.00 | | 31,000.00 | 30,300.17 | 699.83 |
| Office Supplies | 29,250.00 | | 29,250.00 | 28,462.66 | 787.34 |
| Training and Seminars | 6,425.00 | | 6,425.00 | 2,241.07 | 4,183.93 |
| Accounting Fees | 25,000.00 | | 25,000.00 | 29,290.00 | (4,290.00) |
| Engineer Fees | 60,000.00 | \$ 15,000.00 | 75,000.00 | 70,724.34 | 4,275.66 |
| Solicitor | 37,500.00 | (15,000.00) | 22,500.00 | 15,983.53 | 6,516.47 |
| Litigation | 15,500.00 | | 15,500.00 | 985.00 | 14,515.00 |
| Trustee Fees | 14,850.00 | | 14,850.00 | 14,850.00 | |
| Miscellaneous | 2,500.00 | | 2,500.00 | 2,258.99 | 241.01 |
| Total Other Expenses | 348,797.00 | - | 348,797.00 | 301,967.83 | 46,829.17 |
| Total Administration | 1,010,244.00 | - | 1,010,244.00 | 902,202.44 | 108,041.56 |
| Cost of Providing Services: | | | | | |
| Salaries and Wages: | | | | | |
| Plant Salaries | 1,000,913.00 | | 1,000,913.00 | 897,617.39 | 103,295.61 |
| Total Salaries and Wages | 1,000,913.00 | - | 1,000,913.00 | 897,617.39 | 103,295.61 |

(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, 2017

| | Original Budget | Budget Transfers | Final Budget | 2016-17 Actual | Favorable (Unfavorable) |
|---|--------------------|---------------------|-----------------|-------------------|----------------------------|
| Operating Appropriations (Cont'd): | | | | | |
| Cost of Providing Services (Cont'd): | | | | | |
| Fringe Benefits: | | | | | |
| Pension | \$ 100,100.00 | | \$ 100,100.00 | \$ 99,841.70 | \$ 258.30 |
| Social Security | 62,370.00 | | 62,370.00 | 52,323.68 | 10,046.32 |
| Medicare | 14,595.00 | | 14,595.00 | 12,374.44 | 2,220.56 |
| Unemployment Insurance | 4,200.00 | | 4,200.00 | 3,622.12 | 577.89 |
| Health Insurance | 361,200.00 | | 361,200.00 | 334,768.09 | 26,431.91 |
| Total Fringe Benefits | 542,465.00 | - | 542,465.00 | 502,930.03 | 39,534.97 |
| Other Expenses: | | | | | |
| Utilities | 269,830.00 | | 269,830.00 | 255,767.39 | 14,062.61 |
| Chemicals | 67,000.00 | \$ 15,000.00 | 82,000.00 | 66,775.74 | 15,224.26 |
| Repairs and Maintenance | 162,500.00 | | 162,500.00 | 99,812.02 | 62,687.98 |
| Laboratory Fees | 50,000.00 | (15,000.00) | 35,000.00 | 18,376.33 | 16,623.67 |
| Meters and Yolks | 50,000.00 | | 50,000.00 | 48,912.70 | 1,087.30 |
| State Water Tax and Allocation Assessment | 41,000.00 | | 41,000.00 | 26,132.65 | 14,867.35 |
| Water Purchases | 636,000.00 | | 636,000.00 | 607,772.46 | 28,227.54 |
| Paging Expenses | 2,575.00 | | 2,575.00 | 2,185.00 | 390.00 |
| Vehicle Expenses | 58,000.00 | | 58,000.00 | 51,444.38 | 6,555.62 |
| Alarm Monitoring Expenses | 17,000.00 | | 17,000.00 | 12,205.83 | 4,794.17 |
| Operations Equipment and Materials | 74,670.00 | | 74,670.00 | 75,402.23 | (732.23) |
| Uniforms | 10,000.00 | | 10,000.00 | 6,823.00 | 3,177.00 |
| Safety Compliance | 10,000.00 | | 10,000.00 | 10,995.39 | (995.39) |
| SCADA Program | 20,725.00 | | 20,725.00 | 20,220.00 | 505.00 |
| Buildings and Grounds | 15,000.00 | | 15,000.00 | 13,758.04 | 1,241.96 |
| Total Other Expenses | 1,484,300.00 | - | 1,484,300.00 | 1,316,583.16 | 167,716.84 |
| Total Cost of Providing Services | 3,027,678.00 | - | 3,027,678.00 | 2,717,130.58 | 310,547.42 |
| Principal Payments on Debt Service in Lieu of Depreciation | 1,241,500.00 | - | 1,241,500.00 | 1,241,500.00 | - |
| Non-Operating Appropriations: | | | | | |
| Interest on Bonds | 524,407.00 | - | 524,407.00 | 524,406.37 | 0.63 |
| Total Non-Operating Appropriations | 524,407.00 | - | 524,407.00 | 524,406.37 | 0.63 |
| Total Budget Appropriations | 5,803,829.00 | - | 5,803,829.00 | 5,385,239.39 | 418,589.61 |
| Excess Budgetary Revenues Over Budgetary Appropriations | \$ - | \$ - | \$ - | \$ 496,315.80 | \$ 496,315.80 |

MONROE MUNICIPAL UTILITIES AUTHORITY
 Reconciliation of Budgetary Inflows and Outflows with GAAP Revenues and Expenditures
 For the Fiscal Year Ended June 30, 2017

Reconciliation to Operating Income

Excess Budgetary Revenues Over Budgetary Appropriations:

| | | |
|----------------------------|---------------|-----------------|
| Sewer Utility - Schedule 2 | \$ 618,422.36 | |
| Water Utility - Schedule 3 | 496,315.80 | |
| | 1,114,738.16 | \$ 1,114,738.16 |

Add:

| | | |
|--------------------------|--------------|--------------|
| Principal Payments | 1,605,000.00 | |
| Interest on Bonds | 686,724.99 | |
| Expenditures Capitalized | 20,636.00 | |
| | 2,312,360.99 | 2,312,360.99 |
| | | 3,427,099.15 |

Less:

| | | |
|-----------------------|--------------|--------------|
| Non-Operating Income: | | |
| Investment Income | 14,488.55 | |
| Depreciation | 1,522,939.00 | |
| Accruals | 896,365.70 | |
| | 2,433,793.25 | 2,433,793.25 |

| | | |
|-------------------------------|--|---------------|
| Operating Income - Schedule 1 | | \$ 993,305.90 |
|-------------------------------|--|---------------|

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Fiscal Year Ended June 30, 2017

| Purpose | Date of Issue | Amount of Original Issue | Maturities of Bonds Outstanding June 30, 2017 | | Interest Rate | Balance July 1, 2016 | Paid | Balance June 30, 2017 |
|-----------------------------|---------------|--------------------------|---|---------------|---------------|-------------------------|------------------------|-------------------------|
| | | | Date | Amount | | | | |
| 2004 Revenue Bonds | 9/15/04 | \$ 7,370,000.00 | 7/1/17 | \$ 390,000.00 | 3.850% | \$ 3,985,000.00 | \$ 375,000.00 | \$ 3,610,000.00 |
| | | | 7/1/18 | 405,000.00 | 4.000% | | | |
| | | | 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 | 7/1/17 | 325,000.00 | 5.000% | 5,155,000.00 | 340,000.00 | 4,815,000.00 |
| | | | 7/1/18 | 370,000.00 | 4.125% | | | |
| | | | 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 | 7/1/17 | 405,000.00 | 4.00% | 4,750,000.00 | 390,000.00 | 4,360,000.00 |
| | | | 7/1/18 | 420,000.00 | 4.00% | | | |
| | | | 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% | | | | | | |
| 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>\$ 17,170,000.00</u> | <u>\$ 1,605,000.00</u> | <u>15,565,000.00</u> |
| Add: | | | | | | | | |
| Premium / Discount on Bonds | | | | | | | | <u>132,976.63</u> |
| | | | | | | | | <u>\$ 15,697,976.63</u> |

MONROE MUNICIPAL UTILITIES AUTHORITY
PART 2
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

MONROE MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2017

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

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