

**EVESHAM MUNICIPAL  
UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2018 & 2017**

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**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Roster of Officials

June 30, 2018

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<u>Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Edward Waters	Chairperson	
Daniel E. Morton	Vice Chairperson	
Albert Lutner	Secretary	
George Tencza	Assistant Secretary	
Nancy Jamanow	Commissioner	
Byron Druss	Alternate Board Member	
<u>Other Officials</u>		
Jeffrey Rollins	Executive Director	\$1,000,000.00 (A)
Robert Lender	Deputy Executive Director of Operations	\$1,000,000.00 (A)
Laura Puszc	Deputy Executive Director of Finance	\$1,000,000.00 (A)
Frank Locantore	Assistant Executive Director of Personnel, Safety and Security	\$1,000,000.00 (A)
Anthony T. Drollas	General Counsel	
Florio, Perrucci, Steinhardt & Fader, LLC	Labor & Special Counsel	
Richard Alaimo	Consulting Engineer	
Buchart Horn	Environmental Consultant	
TD Bank, N.A.	Trustee	

(A) Public Employees' Faithful Performance/Dishonesty Crime Coverage of \$1,000,000.00 per employee provided by the New Jersey Utility Authorities Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund.

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2018 & 2017**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
Evesham Municipal Utilities Authority  
Evesham Township, New Jersey 08053

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

We have audited the accompanying financial statements of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham (Authority), as of and for the fiscal years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Adoption of New Accounting Principles*

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

### *Prior Period Restatement*

Because of the implementation of GASB Statement No. 75, net position as of June 30, 2016 on the statements of revenues, expenses and changes in net position has been restated, as discussed in note 14 to the financial statements. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 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,

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

Voorhees, New Jersey  
November 28, 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  
Evesham Municipal Utilities Authority  
Evesham Township, New Jersey 08053

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 Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham, (Authority), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 28, 2018. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

**Internal Control Over Financial Reporting**

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

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

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

**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*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
November 28, 2018

**Evesham Municipal Utilities Authority**  
**Management's Discussion and Analysis**  
**(Unaudited)**

The Evesham Municipal Utilities Authority (the Authority) is a public agency providing potable water and wastewater services to Evesham Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the fiscal year ending June 30, 2018. The financial section of the annual report consists of four parts: Independent Auditor's Report, the management's discussion and analysis, the financial statements and supplemental information.

**FINANCIAL**

- **Connection Fees:** Connection Fee Revenues for FY 18 totaled \$2,449,237.40. This was a \$1,694,604.80 increase from FY 17. Developers pay connection fees upon submittal of plans for new construction to connect into the Authority's water and/or sewer system. These deposits are set up as a liability until the connection is completed. Once the water meter is installed and a new billing account is established, the liability is removed and the revenue is realized. The connection fees offset the capital expense of capacity in the water and/or sewer system. Future projections indicate that connection fees will decline as Evesham Township approaches build-out. The Authority has had a rate profile in place for many years which is reviewed annually. The Authority has continued to monitor the rate structure and make adjustments to reduce its dependency on connection fee revenues, which are too volatile to depend on as a revenue source.
- **Total Net Position:** Total assets at June 30, 2018 were \$78,963,664.72. After adding deferred outflows of resources and deducting liabilities and deferred inflows of resources, net position at June 30, 2018 was \$46,655,905.35.
- **Total Operating Revenue:** FY 18 operating revenue compared to FY 17 increased by \$1,256,985.56 to \$20,146,591.98. This increase in operating revenue can be attributed to an increase in connection fee revenue. In FY 18, the Authority only utilized 82% of its allocated Potomac-Raritan-Magothy aquifer allocation of 958.732 Million Gallons.
- **Total Operating Expenses:** FY 18 Operating expenses of \$15,045,512.39 increased by \$869,777.79 from last year's restated amount of \$14,175,734.60.

## **FINANCIAL (CONT'D)**

- **Interest Income:** In FY18, the Authority generated \$270,806.93 in interest income from investments. Interest income is adjusted by the recording of investments at “fair value”, the Authority’s interest income on investments was \$194,132.63 lower than FY 17. All of the Authority’s investments are in secure investment vehicles which include treasury obligations, money market funds, GNMA’s, FNMA’s or direct Treasury Securities. The Authority continuously monitors all potential investment opportunities to maximize its rate of return. The interest income generated from these secure investments is an important component of the rate profile and is used in consideration of the service charge rate structure to help minimize any necessary rate increase.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position includes all of the Authority’s assets, deferred outflows and inflows of resources and liabilities. The Authority follows an accrual method of accounting, the current year’s revenues and expenses are accounted for in the comparative statements of revenues, 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 comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

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

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

The Authority's total assets were \$78,963,664.72 on June 30, 2018. Total assets, total deferred outflow of resources, total liabilities, total inflow of resources and total net position are detailed below:

Evesham Municipal Utilities Authority Net Position As of June 30,			
	Restated <u>2016 *</u>	Restated <u>2017</u>	<u>2018</u>
Current & Non-Current Assets	\$27,679,632.71	\$30,179,827.02	\$29,115,419.92
Capital Assets	<u>49,388,734.99</u>	<u>48,652,120.99</u>	<u>49,848,244.80</u>
<b>Total Assets</b>	<u>77,068,367.60</u>	<u>78,831,948.01</u>	<u>78,963,664.72</u>
Deferred Outflows of Resources	<u>1,588,302.87</u>	<u>4,861,952.51</u>	<u>4,376,541.31</u>
Current Liabilities	5,839,479.79	6,247,029.57	6,467,493.82
Long-Term Liabilities	<u>34,110,488.85</u>	<u>33,453,472.94</u>	<u>26,645,545.61</u>
<b>Total Liabilities</b>	<u>39,949,968.64</u>	<u>39,700,502.51</u>	<u>33,113,039.43</u>
Deferred Inflows of Resources	<u>713,807.50</u>	<u>2,438,683.69</u>	<u>3,571,261.25</u>
Net Position			
Net Investment in Capital Assets	20,987,197.33	24,720,693.73	30,731,047.95
Restricted	9,014,376.63	9,072,417.88	9,424,557.88
Unrestricted	<u>7,991,320.37</u>	<u>7,761,602.71</u>	<u>6,500,299.52</u>
<b>Total Net Position</b>	<u>\$37,992,894.33</u>	<u>\$41,554,714.32</u>	<u>\$46,655,905.35</u>

The Authority had operating income of \$5,101,079.59 for the current fiscal year.

*\* The Authority implemented GASB 75*

## **FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)**

Evesham Municipal Utilities Authority  
Revenues, Expenses and Changes in Net Position  
For the Fiscal Years Ended June 30,

	<u>Restated 2016 *</u>	<u>Restated 2017</u>	<u>2018</u>
Operating Revenues			
Service Charges	\$16,988,691.58	\$17,092,648.21	\$16,717,626.93
Connection Fees	776,308.40	754,632.60	2,449,237.40
Other Operating Revenues	<u>1,286,400.79</u>	<u>1,042,325.61</u>	<u>979,727.65</u>
Total Operating Revenue	<u>19,051,400.77</u>	<u>18,889,606.42</u>	<u>20,146,591.98</u>
Operating Expenses	10,165,187.09	10,864,915.17	11,043,125.23
Major Repairs and Other Expenses	2,005,307.60	657,179.12	788,841.77
Depreciation Expense	<u>2,873,538.19</u>	<u>2,653,640.31</u>	<u>3,213,545.39</u>
Total Operating Expenses	<u>15,044,032.88</u>	<u>14,175,734.60</u>	<u>15,045,512.39</u>
Operating Income	4,007,367.89	4,713,871.82	5,101,079.59
Non-Operating Revenues (Expenses)			
Investment Income	288,342.06	242,901.53	379,763.71
Change in Fair Value of Investments	124,665.30	(166,227.23)	(108,956.78)
Bond Interest	(721,349.07)	(547,917.25)	(368,633.09)
Municipal Appropriation	(779,235.00)	(830,136.00)	(823,393.00)
Loss on Disposal of Fixed Assets	-	(413,383.48)	-
Contributions	<u>321,581.80</u>	<u>562,710.60</u>	<u>921,330.60</u>
Change in Net Position	<u>\$3,241,372.98</u>	<u>\$3,561,819.99</u>	<u>\$5,101,191.03</u>
<hr/>			
Net Position – July 1	\$35,856,768.56	\$37,992,894.33	\$41,554,714.32
Restatement	<u>(1,105,247.21)</u>	<u>-</u>	<u>-</u>
Net Position – Beginning, as restated	34,751,521.35	37,992,894.33	41,554,714.32
Change in Net Position	<u>3,241,372.98</u>	<u>3,561,819.99</u>	<u>5,101,191.03</u>
Net Position – June 30	<u>\$37,992,894.33</u>	<u>\$41,554,714.32</u>	<u>\$46,655,905.35</u>

\* The Authority implemented GASB 75

## **OVERALL ANALYSIS**

Overall, the Authority is in a sound financial position due, in part, to the long term goal to eliminate its reliance on connection fees to meet its annual operating expenses. The connection fees realized in FY 18 were \$2,449,237.40, which was not consistent with our FY 2017 amount and was not consistent with our expectations that connection fee revenue is declining. The realized connection fees were used to partially offset the capital budget. The rates also support a contribution of 5% of the Authority's annual operating budget to the Township pursuant P.L. 2004, Chapter 87. The Township has continued to request this annual contribution since 2010. The Authority also monitors its service charge rate structure on an annual basis, making adjustments to the rate structure as necessary. This results in gradual, predictable rate increases, which support the Authority's operations, allows for routine maintenance, capital expense repairs and capital improvement projects. The Authority implemented a Financial Model during FY 2018 for use in rate projection modeling, cash flow and future debt management. The information collected through the financial model will assist the Authority to set practices and policies regarding available and planned cash reserves for emergent projects as well as long-term planned capital improvement projects.

## **BUDGET VARIANCES**

The Authority expended 87.04% of its \$11,976,550.00 operating budget with no major variances except the revenue lines for water and sewer service charges, water and sewer connection fees, miscellaneous revenue and expense lines for water and sewer salaries & wages, sewer fringe benefits, and sewer electric and other utilities. The percentage of the amount expended to the amount budgeted compares favorably to past years.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

During the current fiscal year, the Authority expended \$4,277,180.37 from its General and Renewal and Replacement accounts for capital activities. \$788,841.77 was classified as repairs and charged as operating expenses. The remaining \$3,488,338.60 was capitalized as either construction in progress or capital assets for the following projects:

Defense Drive Utility Replacement	\$ 57,873.42
Locust Avenue Pump Station Upgrade	15,629.43
Route 70 Water/Sewer Project	22,752.50
Woodstream UV Disinfection	344,339.43
Knox Boulevard Water/Sewer Project	54,618.05

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

Elmwood Sludge Dewatering Centrifuge	\$1,301,004.65
Energy Reduction Plan	36,928.08
Buildings, Equipment and Vehicles	154,543.78
Heritage Village Water/Sewer Project	581,388.73
ASR Wells/Well 14 Screen Replacement	\$ 68,386.61
Woodlake Drive Water Main Replacement	11,955.65
Well 4 Generator	308,247.78
South Maple Water Main Replacement	35,388.90
Other Miscellaneous Projects	80,080.50

As part of the Authority's continued capital improvement program, the Authority is currently pursuing NJIB (New Jersey Infrastructure Bank) financing for several projects: Wells 13 and 14 Treatment Improvements; Water Main Replacements on Knox Boulevard, Rt. 70, Woodlake Drive and several streets within the Heritage Village development; construction of a storage building at Elmwood Plant and the Locust Avenue Pump Station Upgrade.

**Wells 13 and 14 Treatment Improvements:** This project was on hold pending a decision from the NJDEP regarding continued withdrawals of recharged water. The NJDEP recently issued a permit, which will allow for the withdrawals of recharged water from several wells. The Authority's consulting engineer is currently coordinating the rebid process for this project with the NJIB. The Well 13 and 14 Treatment Improvements are necessary to maintain peak water supply capacity through the use of an existing aquifer storage and supply well pair. The Authority is currently not using these facilities due to the loss of production from Well 14, which is related to iron present in the recharged water from Well 13. This project will install iron precipitation and filtration equipment in an expanded well building and required ancillary equipment. The Well 14 Screen Replacement is an addition to this project, which will be included in the NJIB financing. The anticipated cost of this entire project is \$2.175 million.

**Water Main Replacements:** The Authority has identified several areas throughout the Township in need of water main replacements due to their age, type of material and size of the main. Water mains will be replaced on Knox Boulevard, Route 70 and within the Heritage Village Development (Blanchard Road, Abington Avenue, Marlborough Avenue, Azalea Terrace and Briarcliff Road). The existing water mains are approximately 50 years and near the end of their useful life. They are mostly asbestos cement pipe and some are undersized (6") according to current standards. They will be replaced with 8" PVC to bring them up to current standards. The Authority will also be



## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

replacing the water mains on Woodlake Drive within the Kings Grant Development. These mains were originally constructed in the early 1980's from a variety of materials, including copper and are failing prematurely. Many of the copper mains are undersized (3") according to current standards. The existing water mains will be replaced with 6" PVC to bring them up to current standards. This water main replacement project will improve system reliability and increase available flows. The anticipated cost of this entire project is \$6.137 million.

**Elmwood Storage Building:** The Authority proposes to construct a storage building at Elmwood Wastewater Treatment Plant. The storage building will provide space for the storage of vehicles, equipment and spare parts. The proposed building will be a 4,000 square foot pre-engineered building with a metal panel roof and a brick façade. This structure will include solar panels on the roof surface. Piles will be required to support the foundation and floor slab due to the nature of the soils at Elmwood Plant. The anticipated cost for this project is \$2.110 million.

**Locust Avenue Pump Station Upgrade:** The proposed improvements at the existing pump station will include new wet well mounted submersible pumps, abandonment of the existing dry well, installation of SCADA (Supervisory Control and Data Acquisition) based telemetry and construction of a small building for the electrical controls. The anticipated cost for this project is \$1.160 million.

The proposed FY 19 Capital Budget and five-year Capital Program are \$20,252,000.00 and \$36,912,000.00 respectively. The following major line items making up the FY 19 Capital Budget are:

• Lift Station Rehabilitation	\$ 1,160,000.00
• Storage Building at Elmwood Plant	2,110,000.00
• Treatment Plant Improvements	2,418,000.00
• Wells, Tanks and Towers	6,100,000.00
• Water/Sewer Main Replacement	6,837,000.00
• Equipment	112,000.00
• Drinking Water Quality Study	100,000.00

These projects are currently underway at different stages in the process. The timing and amounts spent on these projects are contingent on the progress of the work and State approvals.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

Looking at the five-year Capital Program, the following projects should be mentioned:

• Lift Station Rehabilitation	FY 20-21	\$ 4,950,000.00
• Treatment Plant Improvements	FY 21	195,000.00
• Water/Sewer Main Replacement	FY 20-21	6,600,000.00
• Wells & Building	FY 21	50,000.00
• Water Towers	FY 20	600,000.00

The Authority continues to assess underground infrastructure through the use of television cameras in the pipes to gather data on their condition. Type and age of the pipe and the soil conditions are used to determine an ongoing schedule of assessment and capital improvement planning for the next 5-20 years.

The Authority continues to assess a suitable location to construct a water storage tank to serve the south side water system as directed by the NJDEP. NJDEP regulations require that sufficient water for firefighting purposes be stored in an elevated tank to provide adequate volume and pressure by gravity in case of power failure. The projected costs to construct the tank and acquire suitable land for construction is projected to be \$3.5 million. The timing of this project is contingent on State and Pinelands approvals.

The Authority strives towards the development of a comprehensive asset management plan. Inventory of all assets are registered to GIS followed by condition assessment. Condition assessment can be obtained through direct and/or indirect methods. Probability of failure is determined from the condition found or estimated and the consequence of failure is evaluated which assigns criticality for repair, rehabilitation or replacement considering economic, environmental and social costs/benefits.

These are essential projects that will have an effect on the operation of our water and sewer facilities and must be included as part of the capital budget.

Although the Authority does not operate under any debt limitations, it is required to receive approval from the Local Finance Board prior to issuing any debt.

## **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide New Jersey, and Evesham Township residents in particular, and our customers, clients, investors and creditors, with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority at 100 Sharp Road, P.O. Box 467, Marlton, New Jersey 08053 or by telephone at (856) 983-1878.

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Net Position

As of June 30, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
<b>ASSETS</b>		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 2,451,294.27	\$ 2,034,862.59
Investments	2,925,104.45	1,870,460.87
Accrued Interest Receivable	7,947.79	5,119.64
General Account:		
Cash and Cash Equivalents	8,630,919.70	9,998,282.74
Investments	79,368.35	158,587.87
Accrued Interest Receivable	172.57	347.54
Due from New Jersey Environmental Infrastructure Trust		6,981.00
Consumer Accounts Receivable	1,087,220.15	1,274,949.37
Other Accounts Receivable	29,120.04	10,671.08
Prepaid Expenses	958,304.33	936,370.46
Total Unrestricted Assets	<u>16,169,451.65</u>	<u>16,296,633.16</u>
Current Restricted Assets:		
Bond Service Account:		
Cash and Cash Equivalents	5,096,356.86	4,994,285.01
Accrued Interest Receivable	29,080.09	29,214.79
Bond Service Reserve Account:		
Cash and Cash Equivalents	107,664.96	249,529.79
Investments	4,403,337.11	4,339,229.19
Accrued Interest Receivable	12,026.64	12,120.99
Renewal and Replacement Account:		
Cash and Cash Equivalents	1,000,000.00	1,000,000.00
Investments	546,225.45	544,123.00
Accrued Interest Receivable	2,083.33	2,083.33
Other Accounts:		
Cash and Cash Equivalents	1,749,193.83	2,712,607.76
Total Restricted Assets	<u>12,945,968.27</u>	<u>13,883,193.86</u>
Non-Current Assets:		
Capital Assets:		
Construction in Progress	1,198,561.45	3,151,768.93
Completed (Net of Accumulated Depreciation)	48,649,683.35	45,500,352.06
Total Capital Assets	<u>49,848,244.80</u>	<u>48,652,120.99</u>
Total Assets	<u>78,963,664.72</u>	<u>78,831,948.01</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pension	3,997,713.00	4,825,933.00
Related to Other Post Employment Benefits	367,498.00	
Deferred Loss on Refunding of Bonds	11,330.31	36,019.51
Total Deferred Outflows of Resources	<u>4,376,541.31</u>	<u>4,861,952.51</u>

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Net Position

As of June 30, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 603,904.87	\$ 493,036.38
Accounts Payable--Related to Pensions	441,712.00	418,588.00
Overpayments	3,397.44	19,360.62
Prepaid Rental Charges	71,452.08	58,241.25
Prepaid Antennae Rental Charges	26,487.72	22,226.40
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	1,146,954.11	1,011,452.65
	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	12,510.00	66,802.02
Revenue Bonds Payable--Current Portion	3,845,000.00	3,695,000.00
New Jersey Environmental Infrastructure Loan Payable - Current Portion	963,077.04	940,025.24
Other Post Employment Benefits Obligation	148,022.20	95,412.90
Compensated Absences	52,735.63	50,907.03
Accrued Bond Interest Payable	253,928.13	335,655.63
Escrow Deposits	45,266.71	51,774.10
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	5,320,539.71	5,235,576.92
	<hr/>	<hr/>
Long-term Liabilities:		
Revenue Bonds Payable	4,101,347.85	8,110,260.22
New Jersey Environmental Infrastructure Loan Payable	10,219,102.27	11,182,179.31
Related to Pensions	10,518,275.00	12,844,154.00
Other Post Employment Benefits Obligation	1,332,199.80	858,716.10
Compensated Absences	474,620.69	458,163.31
	<hr/>	<hr/>
Total Long-term Liabilities	26,645,545.61	33,453,472.94
	<hr/>	<hr/>
Total Liabilities	33,113,039.43	39,700,502.51
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	2,160,791.00	67,684.00
Deferred Revenue	1,410,470.25	2,370,999.69
	<hr/>	<hr/>
Total Deferred Inflows of Resources	3,571,261.25	2,438,683.69
	<hr/>	<hr/>
<b>NET POSITION</b>		
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	4,578,280.38	4,578,280.38
System Reserve Requirement	1,500,000.00	1,500,000.00
Operating Requirement	3,346,277.50	2,994,137.50
Net Investment in Capital Assets	30,731,047.95	24,720,693.73
Unrestricted	6,500,299.52	7,761,602.71
	<hr/>	<hr/>
Total Net Position	\$ 46,655,905.35	\$ 41,554,714.32
	<hr/>	<hr/>

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

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

	<u>2018</u>	Restated <u>2017</u>
Operating Revenues:		
Service Charges	\$ 16,717,626.93	\$ 17,092,648.21
Connection Fees	2,449,237.40	754,632.60
Miscellaneous Charges	979,727.65	1,042,325.61
	<hr/>	<hr/>
Total Operating Revenues	20,146,591.98	18,889,606.42
	<hr/>	<hr/>
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	489,283.89	482,030.54
Fringe Benefits	222,437.52	130,712.71
Other	555,425.71	553,372.08
	<hr/>	<hr/>
	1,267,147.12	1,166,115.33
	<hr/>	<hr/>
Cost of Service:		
Salaries and Wages	3,300,805.25	3,100,274.16
Fringe Benefits	2,191,269.17	2,271,509.51
Other	4,283,903.69	4,327,016.17
	<hr/>	<hr/>
	9,775,978.11	9,698,799.84
	<hr/>	<hr/>
Major Repairs and Other Expenses	788,841.77	657,179.12
Depreciation	3,213,545.39	2,653,640.31
	<hr/>	<hr/>
Total Operating Expenses	15,045,512.39	14,175,734.60
	<hr/>	<hr/>
Operating Income	5,101,079.59	4,713,871.82
	<hr/>	<hr/>
Non-operating Revenue (Expenses):		
Investment Income:		
Interest Revenue	379,763.71	242,901.53
Change in Fair Value of Investments	(108,956.78)	(166,227.23)
	<hr/>	<hr/>
	270,806.93	76,674.30
	<hr/>	<hr/>
Bond Interest	(368,633.09)	(547,917.25)
Municipal Appropriation	(823,393.00)	(830,136.00)
Loss on Disposal of Capital Assets		(413,383.48)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(921,219.15)	(1,714,762.43)
	<hr/>	<hr/>
Income Before Contributions (Carried Forward)	4,179,860.43	2,999,109.39

(Continued)

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

	<u>2018</u>	Restated <u>2017</u>
Income Before Contributions (Brought Forward)	\$ 4,179,860.43	\$ 2,999,109.39
Contributions:		
Developers	921,330.60	562,710.60
Change in Net Position	5,101,191.03	3,561,819.99
Net Position - Beginning, As Originally Stated	41,554,714.32	39,098,141.54
Restatement (Note ??)	-	(1,105,247.21)
	41,554,714.32	37,992,894.33
Net Position - End of Year:		
Restricted	\$ 9,424,557.88	\$ 9,072,417.88
Unrestricted	\$ 6,500,299.52	\$ 7,761,602.71
Net Investment in Capital Assets	\$ 30,731,047.95	\$ 24,720,693.73

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

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

	<u>2018</u>	Restated <u>2017</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 20,989,683.23	\$ 20,307,762.93
Payments to Suppliers	(9,857,093.99)	(7,867,295.38)
Payments to Employees	(3,790,089.14)	(3,582,304.70)
Other Operating Receipts	1,005,972.86	1,045,879.50
Net Cash Provided by Operating Activities	<u>8,348,472.96</u>	<u>9,904,042.35</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(3,488,338.60)	(1,720,736.29)
N.J. Environmental Infrastructure Loan Proceeds	6,981.00	90,171.00
Municipal Appropriation	(823,393.00)	(830,136.00)
Debt Service:		
Principal	(4,635,025.24)	(4,483,850.29)
Interest	(589,583.76)	(750,793.76)
Net Cash Used in Capital and Related Financing Activities	<u>(9,529,359.60)</u>	<u>(7,695,345.34)</u>
Cash Flows from Investing Activities:		
Interest on Investments	268,382.80	76,281.90
Change in Investments:		
Purchases/Unrealized Gains and Losses	(4,532,541.09)	(3,992,324.59)
Sales/Maturities	3,490,906.66	3,229,772.88
Net Cash Flows Used in Investing Activities	<u>(773,251.63)</u>	<u>(686,269.81)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,954,138.27)	1,522,427.20
Cash and Cash Equivalents--July 1	20,989,567.89	19,467,140.69
Cash and Cash Equivalents--June 30	<u>\$ 19,035,429.62</u>	<u>\$ 20,989,567.89</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 5,101,079.59	\$ 4,713,871.82
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,213,545.39	2,653,640.31
Pension Liability Expense - GASB 68	618,572.00	1,047,200.00
Other Post Employment Benefits Liability Expense - GASB 75	(367,498.00)	
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	187,729.22	(293,812.33)
(Increase) Decrease in Other Accounts Receivable	(18,448.96)	(999.22)
(Increase) Decrease in Prepaid Expenses	(21,933.87)	(10,182.45)
Increase (Decrease) in Accounts Payable	56,576.47	124,940.20
Increase (Decrease) in Overpayments	(15,963.18)	15,655.73
Increase (Decrease) in OPEB Obligation	526,093.00	(252,507.00)
Increase (Decrease) in Prepaid Rents	13,210.83	9,042.29
Increase (Decrease) in Prepaid Antenna Rents	4,261.32	1,058.40
Increase (Decrease) in Escrow Deposits	(6,507.39)	8,451.30
Increase (Decrease) in Compensated Absences Payable	18,285.98	10,145.11
Increase (Decrease) in Connection Fee Deposits	(960,529.44)	1,877,538.19
Net Cash Provided by Operating Activities	<u>\$ 8,348,472.96</u>	<u>\$ 9,904,042.35</u>

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



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

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

The financial statements of the Evesham 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 Authority is a public body corporate and politic of the State of New Jersey. The Authority was granted its franchise area consisting entirely of the Township of Evesham when it was first established as the Evesham Sewerage Authority on April 7, 1955. The Authority was reorganized on March 3, 1959 as the Evesham Municipal Utilities Authority, by ordinance of the Township Committee.

The Authority was created for the purpose of constructing, maintaining and operating water supply and distribution and sewerage collection and treatment facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the Township from pollution or threatened pollution and for the improvement of conditions affecting the public health.

The Authority provides water supply and sewerage collection and treatment service to all residences and businesses within the Township of Evesham. The Authority also collects a connection fee for new hook-ups.

The Authority Board consists of five members and two alternates, who are appointed by Township resolution for staggered, 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 Evesham.

**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 collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution and sewage collection services are being provided to the properties.

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.

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

The legal level of budgetary control is established at the detail shown on the Comparative Statements 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. 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. All other investments are stated at fair value.

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 a 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash, Cash Equivalents and Investments (Cont'd)**

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.

**Inventories**

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost. The Authority has determined that the inventories 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 purchased prior to June 30, 1993 are stated at estimated cost. Assets purchased since are stated at actual cost. Capital assets contributed by developers are valued at estimated fair market value as of the date of contribution.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital 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 \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Depreciation**

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

	<u>Years</u>
Buildings	40
Fixed & Major Moveable Equipment	5-15
Vehicles	7
Infrastructure	40

Depreciation is taken starting the month after the asset is placed in service.

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

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 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 comparative 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 revenue 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.

**Deferred Inflows of Resources**

The Authority's comparative 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 future periods. Deferred inflows of resources are reported in the Authority's comparative statements of net position for connection fee funds received prior to providing water and sewer services 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.

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

**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.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**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 distribution 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 and on investments in debt securities.

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

**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.

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

For the fiscal year ended June 30, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of adopting this statement totaled (\$1,105,247.21) and was recognized as a restatement of the June 30, 2016 net position on the comparative statement of revenues, expenses and changes in net position (See Note 14)

Also, the Authority adopted GASB 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 adoption of this Statement had no impact on the financial statements.

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

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

**Recently Issued Accounting Pronouncements**

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

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

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

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

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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the Authority in the fiscal year ending June 30, 2021. Management has not yet determined the impact of this Statement on the financial statements.

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

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The Statement will become effective for the Authority in the fiscal year ending June 30, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Majority Equity Interest, an Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement will become effective for the Authority in the fiscal year ending June 30, 2020. Management does not expect this Statement will have an impact 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 July 25, 1990 (Amended August 1, 1990). On August 2, 1995, July 10, 1996, November 10, 1999, October 16, 2002, February 4, 2004, August 3, 2011 and March 7, 2012, the Authority adopted Supplemental Bond Resolutions, which amended the 1990 Bond Resolution. A summary of the activities of each account created by the 1990 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.



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

**Operating Account** - The balance on deposit must be equal to at least 25% of the subsequent annual appropriation for operating expenses. At June 30, 2018, the balance in the operating account meets the requirements of the Bond Resolution.

**Bond Service Account** - This account is maintained to pay maturing interest and principal on the 2004 Series A Revenue Bonds, the 2011 Series A Revenue Bonds, the 2012 Series A Revenue Bonds and the Authority's New Jersey Environmental Infrastructure Trust Fund Loans. The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amount maturing on bonds and sinking fund installments when such payments are required. At June 30, 2018, the balance in the account meets the requirements of the bond resolution.

**Bond Reserve Account** - The amount of funds on deposit must be maintained at a level equal to the Maximum Debt Service to insure funds are available for payment of debt service. The balance on June 30, 2018 of \$4,511,002.07 does not meet the requirements of the Bond Resolution. However, effective July 1, 2018, the required amount of funds on deposit that must be maintained decreases to \$1,463,028.76.

**Renewal and Replacement Account** - This account is maintained to pay for the reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. Funds on deposit must be equal to the System Reserve Requirement, currently established by the Bond Resolution at \$1,500,000.00. At June 30, 2018, the balance in the account meets the requirements of the bond resolution.

**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.

**Debt Service Coverage**

The net revenues for the current year were 1.84 times the annual debt service for the current bond year ending June 30, 2018. The Authority's Bond Resolution requires that net revenues equal at least 1.05% of debt service. Net revenues and debt service coverage is calculated as follows:

	<u>2018</u>	<u>Restated 2017</u>
Net Revenue:		
Operating Income (Exhibit B)	\$5,101,079.59	\$4,505,367.82
Add: Depreciation Expense	3,213,545.39	2,653,640.31
Major Repairs & Other Expenses	788,841.77	657,179.12
Interest Revenue	<u>379,763.71</u>	<u>242,901.53</u>
Net Revenues	<u>\$9,483,230.46</u>	<u>\$8,059,088.78</u>
Debt Service:		
Bond Principal	\$4,808,077.04	\$4,435,025.24
Interest Expense:		
Interest Accrued	368,633.09	547,917.25
Less - Amortization	<u>(139,223.17)</u>	<u>(123,394.01)</u>
Debt Service	<u>\$5,315,933.30</u>	<u>\$5,306,336.50</u>
Net Revenues	9,483,230.46	8,059,088.78
	=1.78%	=1.52%
Debt Service	5,315,933.30	5,306,336.50

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

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

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

	June 30,	
	<u>2018</u>	<u>2017</u>
Insured by F.D.I.C.	\$ 252,608.85	\$ 500,000.00
Insured by GUDPA	3,698,985.46	14,765,287.68
Uninsured and Uncollateralized	15,256,355.59	6,308,313.61
	<u>\$ 19,207,949.90</u>	<u>\$ 21,573,601.29</u>

**Investments**

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. 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 other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, 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. The Authority has no investment policy that would further limit its investment choices.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty to the transactions fails. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's \$7,754,035.36 as of June 30, 2018 and \$6,912,400.93 as of June 30, 2017 investments in treasury obligations are held in the name of the Authority.

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Investments (Cont'd)**

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. For the fiscal year ended June 30, 2018, more than 5.0% of the Authority's investments were held with Federal National Mortgage Association (61.15%), Government National Mortgage Association (23.11%) and Federal Home Loan Mortgage Corporation (14.56%). For the fiscal year ended June 30, 2017, more than 5.0% of the Authority's investments were held with Federal National Mortgage Association (45.42%), Government National Mortgage Association (28.41%) and Federal Home Loan Mortgage Corporation (26.17%).

As of June 30, 2018, the Authority had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value Hierarchy Level *</u>	<u>Fair Value</u>
F.N.M.A. Pool 16-94	AAA	12/25/2046	Level 1	\$ 232,426.06
F.N.M.A. Pool 17-11	AAA	2/25/2047	Level 1	754,385.97
F.N.M.A. Pool 17-31	AAA	5/25/2047	Level 1	886,395.99
F.N.M.A. Pool 18-6	AAA	1/25/2048	Level 1	410,691.81
F.N.M.A. Pool 18-11	AAA	2/25/2048	Level 1	475,170.43
F.N.M.A. Pool #4716	AAA	10/15/2047	Level 1	94,732.85
F.N.M.A. Pool #4745	AAA	12/15/2047	Level 1	511,911.75
F.N.M.A. Pool #4766	AAA	3/15/2048	Level 1	593,931.95
F.N.M.A. 12-99	AAA	6/25/2042	Level 1	199,149.18
F.N.M.A. 12-130	AAA	12/25/2042	Level 1	34,518.70
F.N.M.A. 14-37	AAA	7/25/2044	Level 1	320,059.91
F.N.M.A. 17-57	AAA	8/25/2047	Level 1	350,267.29
G.N.M.A. 17-87	AAA	6/30/2047	Level 1	180,861.87
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	Level 1	954,694.10
G.N.M.A. GTD Remic 04-34	AAA	5/20/2034	Level 1	132,111.03
G.N.M.A. GTD Remic 09-34	AAA	4/20/2039	Level 1	67,047.45
G.N.M.A. Pool 15-65	AAA	5/20/2045	Level 1	147,541.16
G.N.M.A. Pool 18-77	AAA	6/20/2048	Level 1	355,709.38
Freddie Mac #4150	AAA	1/15/2043	Level 1	94,053.19
F.H.L.M.C. Pool #4402	AAA	4/15/2043	Level 1	314,710.45
F.H.L.M.C. Pool #4479	AAA	8/15/2042	Level 1	46,545.02
F.H.L.M.C. Pool #4643	AAA	1/15/2047	Level 1	437,308.22
F.H.L.M.C. Pool #4185	AAA	3/15/2043	Level 1	359,811.60
				<u>\$ 7,954,035.36</u>

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Investments (Cont'd)**

**Concentration of Credit Risk (Cont'd)** – As of June 30, 2017, the Authority had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value Hierarchy Level</u> *	<u>Fair Value</u>
F.N.M.A. Pool 16-94	AAA	12/25/2046	Level 1	\$ 302,949.89
F.N.M.A. Pool 17-11	AAA	2/25/2047	Level 1	814,584.63
F.N.M.A. Pool 17-20	AAA	4/25/2047	Level 1	226,529.92
F.N.M.A. Pool 17-31	AAA	5/25/2047	Level 1	882,210.04
F.N.M.A. 12-99	AAA	6/25/2042	Level 1	265,035.65
F.N.M.A. 12-130	AAA	12/25/2042	Level 1	87,085.44
F.N.M.A. 14-37	AAA	7/25/2044	Level 1	561,240.33
G.N.M.A. Pool 15-65	N/A	5/20/2045	Level 1	268,307.63
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	Level 1	965,783.16
G.N.M.A. GTD Remic 04-34	AAA	5/20/2034	Level 1	34,057.47
G.N.M.A. GTD Remic 09-34	AAA	4/20/2039	Level 1	695,872.90
Freddie Mac #4150	AAA	1/15/2043	Level 1	182,154.76
F.N.R. 13-105	AAA	3/25/2043	Level 1	15,134.34
F.H.L.M.C. Pool #4402	AAA	4/15/2043	Level 1	454,508.70
F.H.L.M.C. Pool #4479	AAA	8/15/2042	Level 1	186,676.35
F.H.L.M.C. Pool #4643	AAA	1/15/2047	Level 1	583,669.24
F.H.L.M.C. Pool #4185	AAA	3/15/2043	Level 1	386,600.48
				<u><u>\$ 6,912,400.93</u></u>

\* Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs for the asset; they should be used only when the relevant Level 1 and Level 2 inputs are unavailable.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy that would further limit its exposure to credit risk.

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Service Fees**

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 1,274,949.37	\$ 16,717,626.93	\$ 16,905,356.15	93.96%
2017	981,137.04	17,092,648.21	16,798,835.88	92.95%
2016	1,208,903.81	16,988,691.58	17,216,458.35	94.61%

**Capital Assets**

During the fiscal year ended June 30, 2018, the following changes in capital assets occurred:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated:				
Land	\$ 5,332,318.00	\$ -	\$ -	\$ 5,332,318.00
Capital Assets Being Depreciated:				
Buildings	55,127,947.27			55,127,947.27
Infrastructure	102,152,000.94	1,624,766.10		102,152,000.94
Fixed Equipment	11,098,138.09	4,650,511.48	8,081.55	11,098,138.09
Equipment	2,049,447.71	87,599.10	11,606.96	2,049,447.71
Vehicles	2,518,855.32			2,518,855.32
	<u>172,946,389.33</u>	<u>6,362,876.68</u>	<u>19,688.51</u>	<u>172,946,389.33</u>
Total Capital Assets Being Depreciated	178,278,707.33	6,362,876.68	19,688.51	178,278,707.33
Less accumulated depreciation	<u>132,778,355.27</u>	<u>3,213,545.39</u>	<u>19,688.51</u>	<u>132,778,355.27</u>
	<u>\$ 45,500,352.06</u>	<u>\$ 3,149,331.29</u>	<u>\$ -</u>	<u>\$ 48,649,683.35</u>

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

During the fiscal year ended June 30, 2017, the following changes in capital assets occurred:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital Assets Not Being Depreciated:				
Land	\$ 5,332,318.00	\$ -	\$ -	\$ 5,332,318.00
Capital Assets Being Depreciated:				
Buildings	55,333,764.70		205,817.43	55,127,947.27
Infrastructure	101,589,290.34	562,710.60		102,152,000.94
Fixed Equipment	5,706,730.68	5,609,539.52	218,132.11	11,098,138.09
Equipment	1,980,413.07	91,224.16	22,189.52	2,049,447.71
Vehicles	2,275,001.46	243,853.86		2,518,855.32
	<u>166,885,200.25</u>	<u>6,507,328.14</u>	<u>446,139.06</u>	<u>172,946,389.33</u>
Total Capital Assets Being Depreciated	172,217,518.25	6,507,328.14	446,139.06	178,278,707.33
Less accumulated depreciation	<u>130,157,470.54</u>	<u>2,653,640.31</u>	<u>32,755.58</u>	<u>132,778,355.27</u>
	<u>\$ 42,060,047.71</u>	<u>\$ 3,853,687.83</u>	<u>\$ 413,383.48</u>	<u>\$ 45,500,352.06</u>

Depreciation expense by major class of capital assets is:

	<u>2018</u>	<u>Fiscal Year 2017</u>
Buildings and Improvements	\$ 981,765.99	\$ 981,986.47
Infrastructure	1,194,251.44	1,311,095.43
Fixed Equipment	892,364.79	251,724.73
Equipment	55,486.77	41,333.57
Vehicles	<u>89,676.40</u>	<u>67,500.11</u>
	<u>\$ 3,213,545.39</u>	<u>\$ 2,653,640.31</u>

**Note 4: DETAIL NOTES – LIABILITIES****Long-term Liabilities**

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

	<b>Restated Balance <u>July 1, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Balance <u>June 30, 2018</u></b>	<b>Due Within <u>One Year</u></b>
Bonds and Loans Payable:					
Bonds Payable	\$ 11,115,000.00		\$ (3,695,000.00)	\$ 7,420,000.00	\$ 3,845,000.00
NJEIT Loans	12,122,204.55		(940,025.24)	11,182,179.31	963,077.04
Issuance Premiums/Discounts	690,260.22		(163,912.37)	526,347.85	
Total Bonds and Loans Payable	23,927,464.77	\$ -	(4,798,937.61)	19,128,527.16	4,808,077.04
Other Liabilities:					
Net Pension Liability	12,844,154.00	4,660,845.00	(6,986,724.00)	10,518,275.00	
Net OPEB Obligation	954,129.00	618,350.00	(92,257.00)	1,480,222.00	148,022.20
Compensated Absences	509,070.34	69,193.28	(50,907.30)	527,356.32	52,735.63
Total Other Liabilities	14,307,353.34	5,348,388.28	(7,129,888.30)	12,525,853.32	200,757.83
Total Long Term Liabilities	\$ 38,234,818.11	\$ 5,348,388.28	\$ (11,928,825.91)	\$ 31,654,380.48	\$ 5,008,834.87

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Long-term Liabilities (Cont'd)**

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

	<u>Restated Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Restated Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bonds and Loans Payable:					
Bonds Payable	\$ 14,670,000.00		\$ (3,555,000.00)	\$ 11,115,000.00	\$ 3,695,000.00
NJEIT Loans	13,051,054.84		(928,850.29)	12,122,204.55	940,025.24
Issuance Premiums/Discounts	854,172.59		(163,912.37)	690,260.22	
Total Bonds and Loans Payable	28,575,227.43	\$ -	(4,647,762.66)	23,927,464.77	4,635,025.24
Other Liabilities:					
Net Pension Liability	8,363,443.00	6,060,160.00	(1,579,449.00)	12,844,154.00	
Net OPEB Obligation	1,206,636.00	57,787.00	(310,294.00)	954,129.00	95,412.90
Compensated Absences	498,925.23	10,145.11		509,070.34	50,907.03
Total Other Liabilities	10,069,004.23	6,128,092.11	(1,889,743.00)	14,307,353.34	146,319.93
Total Long Term Liabilities	\$ 38,644,231.66	\$ 6,128,092.11	\$ (6,537,505.66)	\$ 38,234,818.11	\$ 4,781,345.17

**Revenue Bonds Payable****2004 Series A**

The 2004 Series A Revenue Bonds in the original amount of \$4,435,000.00 were issued by the Authority on March 1, 2004 pursuant to the 2004 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.10% to 4.15%.

Proceeds from the 2004 Bonds were used to refund \$715,000.00 outstanding 1995 Series A bonds and \$3,310,000.00 Series 1996 Series A bonds and to pay certain costs of the issuance of the 2004 Bonds, including the premium for a municipal bond insurance policy.

**2011 Series A**

The 2011 Series A Revenue Bonds in the original amount of \$3,655,000.00 were issued by the Authority on November 16, 2011 pursuant to the 2011 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.75% to 5.00%.

Proceeds from the 2011 Bonds were used to finance the acquisition, construction, renovation, and/or installation of an infrastructure project consisting of the rehabilitation of a sewerage pump station and the replacement and reconstruction of sewer mains and related improvements, make a deposit to the Bond Reserve Fund and to pay costs of issuing the 2011 Bonds.



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Bonds Payable (Cont'd)****2012 Series A**

The 2012 Series A Revenue Bonds in the original amount of \$18,865,000.00 were issued by the Authority on April 4, 2012 pursuant to the 2012 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 2.00% to 4.00%.

Proceeds from the 2012 Bonds were used to refund \$13,065,000.00 outstanding 2002 Series A bonds and \$7,335,000.00 Series 2003 Series A bonds and to pay costs of issuing the 2012 Bonds.

A summary of maturities on the 2004, 2011 and 2012 Revenue Bonds Payable at June 30, 2017 is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,845,000.00	\$ 202,826.25	\$ 4,047,826.25
2020	625,000.00	117,433.75	742,433.75
2021	640,000.00	98,276.25	738,276.25
2022	920,000.00	75,812.50	995,812.50
2023	945,000.00	39,537.50	984,537.50
2024	100,000.00	14,225.00	114,225.00
2025	100,000.00	10,787.50	110,787.50
2026	100,000.00	7,237.50	107,237.50
2027	145,000.00	2,718.75	147,718.75
	7,420,000.00	<u>\$ 568,855.00</u>	<u>\$ 7,988,855.00</u>
Less: Current Maturities	3,845,000.00		
Premium/ Discount on Bonds	<u>(526,347.85)</u>		
Long-term Portion	<u>\$ 4,101,347.85</u>		

**New Jersey Environmental Infrastructure Trust**

In November 2006, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$5,695,000.00 from the Trust and a \$5,699,574.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2007. The Trust Loan carries rates from 4.00% to 5.00%. Both loans have a final maturity of July 1, 2026.

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,325,000.00 from the Trust and a \$1,307,340.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2009. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of July 1, 2028.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Environmental Infrastructure Trust (Cont'd)**

In November 2009, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$830,588.00 from the Fund and a \$270,000.00 from the Trust. A portion of the Fund loan principal totaling \$553,725.00 was funded by American Recovery Reinvestment Act proceeds and subsequently forgiven. As a result, the Authority is only liable for \$276,863.00 of the Fund loan. The loan proceeds are being used to fund the Kings Grant Infiltration Basin project. As of June 30, 2018, the Authority has drawn all of these funds.

In May 2014, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,050,000.00 from the Trust and a \$3,222,073.00 from the Fund. The loan proceeds are being used to fund the Elmwood / Woodstream SCADA project and the Elmwood / Woodstream Treatment Plant Upgrades for Energy Conservation. As of June 30, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment due July 1, 2014. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of July 1, 2033.

The following schedule reflects the Debt Service Requirements for the Authority's N.J.E.I.T. Loans until 2034.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 963,077.04	\$ 219,781.26	\$ 1,182,858.30
2020	977,372.70	201,050.01	1,178,422.71
2021	996,681.34	181,393.76	1,178,075.10
2022	1,015,472.69	160,615.63	1,176,088.32
2023	1,036,695.42	138,787.50	1,175,482.92
2024	1,056,975.26	115,768.75	1,172,744.01
2025	1,075,785.99	90,375.00	1,166,160.99
2026	1,107,376.88	64,662.50	1,172,039.38
2027	1,087,972.81	39,737.50	1,127,710.31
2028	357,911.98	23,175.00	381,086.98
2029	367,911.98	15,375.00	383,286.98
2030	253,219.58	10,100.00	263,319.58
2031	233,834.21	7,775.00	241,609.21
2032	233,834.21	5,675.00	239,509.21
2033	233,834.21	3,531.25	237,365.46
2034	184,223.01	1,218.75	185,441.76
	11,182,179.31	<u>\$ 1,279,021.91</u>	<u>\$ 12,461,201.22</u>
Current Portion	<u>963,077.04</u>		
Long Term	<u>\$ 10,219,102.27</u>		

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Compensated Absences**

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at one-half of their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at June 30, 2018 and 2017 is estimated at \$527,356.32 and \$509,070.34, respectively.

**Lease Obligations**

At June 30, 2018, the Authority had operating lease agreements in effect for a copier and GPS Tracking Systems.

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

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 14,675.28
2020	14,459.36
2021	1,291.68

Current fiscal year payments under operating leases totaled \$15,825.08.

The Authority's administration office was located in the Evesham Township Municipal Complex. During the fiscal year 2017, the Authority's administration office was relocated to another Township owned facility. The Authority previously paid the Township \$300,000.00 for office space for twenty years. In March 2004, in accordance with amendments to the rental agreement, the Authority paid the Township an additional \$150,847.89 for office space extending the lease to thirty years. In August 2004, the Authority paid the Township \$247,824.00 extending the lease for an additional ten years to June 30, 2038. The Authority has recorded a prepaid expense on its balance sheet and will apply the prepayment to subsequent year's budgets over a period of forty years. The Authority's total rental expense for fiscal years 2018 and 2017 was \$74,972.00 and \$40,565.10, respectively, including \$20,000.00 for 2018 and \$22,536.66 for 2017 of the prepaid amount that was applied.

**Net Pension Liability**

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans**

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

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

**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 PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - 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 and 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the fiscal years ended June 30, 2018 and 2017 was 13.78% and 13.41% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$418,588.00 and was paid on April 1, 2018. Based on the 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 \$385,269, which was paid on April 1, 2017. Employee contributions to the Plan during the fiscal years ended June 30, 2018 and 2017 were \$237,413.60 and \$228,777.30, respectively.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Contributions (Cont'd)**

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. For the fiscal years ended June 30, 2018 and 2017, there were no employees participating in DCRP.

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

At June 30, 2018, the Authority reported a liability of \$10,518,275.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was .0451847012%, which was an increase of .0018173898% from its proportion measured as of June 30, 2016.

At June 30, 2017, the Authority reported a liability of \$12,844,154.00 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 .0433673114%, which was an increase of .0061103438% from its proportion measured as of June 30, 2015.

For the fiscal years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$1,041,283.00 and \$1,432,448.00, respectively. These amounts were based on the plan's June 30, 2017 and 2016 measurement dates, respectively.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Measurement Date</u> <u>June 30, 2017</u>		<u>Measurement Date</u> <u>June 30, 2016</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Differences between Expected and Actual Experience	\$ 247,669.00	\$ -	\$ 238,862.00	\$ -
Changes of Assumptions	2,119,070.00	2,111,301.00	2,660,623.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	71,622.00	-	489,759.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	1,117,640.00	49,490.00	1,018,101.00	67,684.00
Authority Contributions Subsequent to the Measurement Date	441,712.00	-	418,588.00	-
	<u>\$ 3,997,713.00</u>	<u>\$ 2,160,791.00</u>	<u>\$ 4,825,933.00</u>	<u>\$ 67,684.00</u>

The deferred outflows of resources related to pensions totaling \$441,712.00 and \$418,588.00 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2019 and 2018, respectively. This amount is based on the April 1, 2019 and April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2017 and June 30, 2016 to the Authority's fiscal year end of June 30, 2018 and 2017.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

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



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

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

<b>Fiscal Year Ending <u>June 30,</u></b>	
2019	\$ 526,103.00
2020	652,143.00
2021	506,365.00
2022	(104,624.00)
2023	(184,777.00)
	<u>\$ 1,395,210.00</u>

**Actuarial Assumptions**

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

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)**

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

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

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)**

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

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

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

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

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

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 13,048,635.00</u>	<u>\$ 10,518,276.00</u>	<u>\$ 8,410,173.00</u>

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

	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 15,739,011.00</u>	<u>\$ 12,844,154.00</u>	<u>\$ 10,454,198.00</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' fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB)**

**Plan Description** - The Authority provides postemployment medical and prescription benefits through a health plan for retirees. The Authority's plan is provided through an agreement with the Township of Evesham (see Note 8) which is a self-insured plan. The Authority's plan was approved by the Board on October 9, 2013 and revised effective July 1, 2017. The plan covers all employees and eligible dependents in which said employee is fifty-five (55) years or older and has at least twenty-five (25) years of service to the Authority provided they are eligible for pension under PERS. Employees hired before July 1, 2017 are eligible at age sixty-two (62) if they have completed twenty (20) years of service with the Authority provided they are eligible for pension under PERS. Benefits to the employee and their dependents will cease when the retired employee or spouse reaches Medicare age. The benefits are determined by negotiated contract of the collective bargaining unit. A memorandum of understanding limits the authorization of postemployment benefits up to and including June 30, 2018. Retirees must continue to make contributions per Chapter 78 while they receive these benefits.

**Employees Covered by Benefit Terms** - At June 30, 2018 and 2017, the following employees were covered by the benefit terms:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	3	3
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	<u>56</u>	<u>56</u>
	<u>59</u>	<u>59</u>

**Total OPEB Liability**

The Authority's total OPEB liability of \$1,480,222.00 as of June 30, 2018 and \$954,129.00 as of June 30, 2017 was measured as of June 30, 2017. The liabilities were determined by an actuarial valuation as of July 1, 2017 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018.

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

Inflation	N/A
Salary Increases	Final Average Salary for Retirees Age 55 and Over is \$79,806.00
Discount Rate	3.57%
Healthcare Cost Trend Rates	7.00% Pre-Medicare 5.00% Post- Medicare
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index. Eligible bonds are rated at least AA by Standards and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there were multiple ratings, the lowest rating was used.

Mortality rates were based on RP-2000 Combined Mortality Table for Males and Females as appropriate.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)****Actuarial Assumptions and Other Inputs (Cont'd)**

Termination rates, other than for death or retirement, were determined in accordance with the U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Employee Retirement System. Some excerpts are:

<u>Age</u>	<u>% Terminating</u>
20	70.4%
40	15.9%
50	0.0%

No termination of employment related to disability. Retirements resulting from a disability were factored into age determination at retirement.

Future retirees (current active participants) age at retirement was determined, on average, at no earlier than fifty-five (55) and eligibility criteria is met, active participants who are not eligible at age sixty-five (65) will not accrued enough future service to become eligible for benefits and actual age was used for existing retirees.

All spouses will remain together and receive coverage.

Average salary utilized for retirees age fifty-five (55) and over is \$79,806.00.

An experience study was not performed on the actuarial assumptions used in the June 30, 2017 and 2018 valuations since the plan had insufficient data to produce a study with credible results. Mortality rates, termination rates and retirement rates were based on standard tables issued by SOA. The actuary has used their professional judgment in applying these assumptions to this plan.

**Changes in the Total OPEB Liability** – The following table shows the changes in the total OPEB liability for the years ended June 30, 2018 and 2017, respectively:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Balance at Beginning of Year	\$ 954,129.00	\$ 1,206,636.00
Changes for the Year:		
Service Cost	218,436.00	(208,504.00)
Interest Cost	32,416.00	57,787.00
Benefit Payments	(92,257.00)	(101,790.00)
Actuarial Assumption Changes	<u>367,498.00</u>	<u>-</u>
Net Changes	<u>526,093.00</u>	<u>(252,507.00)</u>
Balance at End of Year	<u>\$ 1,480,222.00</u>	<u>\$ 954,129.00</u>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)****Changes in the Total OPEB Liability (Cont'd)**

Changes in Assumptions include the following:

**Mortality** – The June 30, 2018 rates were based on the RP-2000 Combined Mortality Table for Males or Females. The June 30, 2017 rates were based on the 1994 Sex Distinct Group Annuity Mortality Table.

**Discount Rate** – The rate changed from 5.00% at June 30, 2017 to 3.57% at June 30, 2018.

**Turnover Rate** – For June 30, 2018, terminations of employment, other than for death or retirement, will occur in accordance with the U.S. Office of Personnel Management regarding the experience of employee groups covered by the Federal Employees Retirement System. For June 30, 2017, no terminations or retirement were assumed other than for death.

**Actuarial Funding Method** – For June 30, 2018, the “entry age normal” level cost method was utilized. For June 30, 2017, the “unit credit” cost method was utilized.

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

	<b>June 30, 2018</b>		
	<b>1.00% Decrease (2.57%)</b>	<b>Current Discount Rate (3.57%)</b>	<b>1.00% Increase (4.57%)</b>
Total OPEB Liability	<u>\$1,659,758.00</u>	<u>\$1,480,222.00</u>	<u>\$1,315,843.00</u>
	<b>June 30, 2017</b>		
	<b>1.00% Decrease (2.57%)</b>	<b>Current Discount Rate (3.57%)</b>	<b>1.00% Increase (4.57%)</b>
Total OPEB Liability	<u>\$1,069,855.00</u>	<u>\$ 954,129.00</u>	<u>\$ 848,173.00</u>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)**

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

<b>June 30, 2018</b>			
	<b>1.00% Decrease (6.00% / 4.00%)</b>	<b>Healthcare Cost Trend Rate (7.00% / 5.00%)</b>	<b>1.00% Increase (8.00% / 6.00%)</b>
Total OPEB Liability	<u>\$ 1,342,115.00</u>	<u>\$ 1,480,222.00</u>	<u>\$ 1,797,581.00</u>
<b>June 30, 2017</b>			
	<b>1.00% Decrease (6.00% / 4.00%)</b>	<b>Healthcare Cost Trend Rate (7.00% / 5.00%)</b>	<b>1.00% Increase (8.00% / 6.00%)</b>
Total OPEB Liability	<u>\$ 827,029.00</u>	<u>\$ 954,129.00</u>	<u>\$ 1,107,687.00</u>

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

For the years ended June 30, 2018 and 2017, the Authority recognized OPEB expense of \$59,841.00 and \$33,963.00. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ 367,498.00	\$ -	\$ -	\$ -
Changes of Method	-	-	-	-
	\$ 367,498.00	\$ -	\$ -	\$ -



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)**

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

<b>Fiscal Year Ending June 30,</b>	
2019	\$ 29,494.00
2020	29,494.00
2021	29,494.00
2022	29,494.00
2023	29,494.00
Thereafter	324,434.00
	<u>\$ 471,904.00</u>

**Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES****Connection Fees**

The Authority receives payments for connection fees when new users connect to the water and/or sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

**Note 6: DETAIL NOTES – NET POSITION****Net Position Appropriated**

As of June 30, 2018, the Authority had a balance an unrestricted net position balance of \$6,500,299.52. Of that amount, \$455,346.00 has been appropriated and included as support in the sewer operating budget, \$2,313,000.00 in the sewer capital budget, \$294,028.00 in the water operating budget and \$1,089,000.00 in the water capital budget for the fiscal year ending June 30, 2019.

**Note 7: DEVELOPERS' PERFORMANCE DEPOSITS**

The Authority has accepted cash deposits for several construction projects in lieu of performance bonds. Performance bonds and deposits are required by the Authority to insure the proper completion of a project. If a project is not completed to the satisfaction of the Authority, this money or bond will be used to pay for the corrections needed to meet the Authority's requirements. The Authority has established individual bank accounts for each developer's deposit. The accounts are in the name of the developer and the Authority. The Authority has no right to the deposits or interest earned until the time of developer default. Therefore, the Authority does not record the deposits in its financial statements. The total amount of performance deposits at June 30, 2018 and 2017 were \$253,019.58 and \$223,298.37, respectively.

**Note 8: INTERGOVERNMENTAL AGREEMENTS****Major Customer**

In April 1989, the Authority entered into a five year renewable agreement with the Municipal Utilities Authorities of Willingboro and Mount Laurel. The agreement was renewed in April 1994 for an additional period of five years and has been extended by mutual agreement. The agreement details the purchase of water by the Mount Laurel Township M.U.A. from the Willingboro M.U.A. and the subsequent resale of water by Mount Laurel to the Evesham M.U.A. Evesham M.U.A. is required to purchase a minimum of 50% of the quarterly gallons purchased by the Mount Laurel Township M.U.A., subject to certain daily requirements, if such water is available. Pursuant to the agreement, the Mount Laurel Township M.U.A. has title to all interconnection assets and is responsible for their maintenance, except for any extraordinary repair costs for certain defined areas of the interconnection system which would be shared equally with Evesham M.U.A. The payments for water purchases are deemed to be an operating expense to the Evesham M.U.A. and are appropriately charged to the Authority's budget. The amount paid to Mount Laurel Township M.U.A. for fiscal year 2018 was \$289,435.25 and for fiscal year 2017 was \$260,637.02. An accounts payable has been recorded totaling \$24,965.00 for payment of prior year's usage.

On November 12, 2013, the Authority entered into an agreement with the Township of Evesham to provide health and prescription benefits to the Authority employees and dependents through the Township's self-insured benefits plan. The plan is administered by Insurance Administrator of America, Inc (I.A.A.). The agreement calls for the Authority to be billed for 100% of claims associated with their employees and dependents. The Authority will also pay a percentage of the fixed costs associated with the administration of the plan. The agreement provides a maximum claim amount per employee or dependent (individually) of \$75,000.00. A stop loss policy for claims exceeding \$75,000.00 is provided by an insurance policy acquired through a commercial insurance company. The effective date of the agreement was December 1, 2013 and expired November 30, 2015. The Authority and Township continue to honor the agreement.

**Other Service Agreement**

In June 2000, the Authority entered into a ten year renewable agreement with New Jersey American Water Company, Inc. (NJAWC) for the supply, delivery and purchase of water. The agreement stipulates that for the initial term ending December 31, 2010, the Authority must purchase 850,000 gallons per day. The purchase requirement remained unchanged until February 1, 2002, when the minimum amount was increased to 1,000,000 gallons per day. The agreement automatically renews for two successive ten year terms unless the Authority has received final approval from the NJ Department of Environmental Protection for a new source of supply plan naming an alternative supply source other than NJAWC and the Authority provides NJAWC with written notice of termination not later than one year prior to the end of the current term. If the notice of termination is delivered, the Authority's minimum purchase amount would be decreased 20% in each year of the next successive five years. The Authority paid the NJAWC \$1,246,808.75 during the fiscal year 2018 and \$1,160,087.21 during the fiscal year 2017.

**Note 9: COMMITMENTS**

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

<u>Project</u>	<u>Awarded</u>	<u>Remaining</u>
Sludge Transportation Services	\$ 259,698.40	\$ 204,434.62
Kings Grant WWTP Effluent Pump Replacement	103,900.00	29,414.87
Heritage Village Sewer Main Lining	717,800.00	125,652.11
Elmwood Sludge Dewatering Centrifuge	1,357,514.00	44,762.71
Maple Avenue Water Main Replacement	407,154.00	407,154.00
Cold Water Meter with Integrated Meter Interface Unit	391,050.00	334,920.25
Repair of Water Main – 220 North Maple Avenue	110,000.00	110,000.00
Elmwood WWTP Floor Replacement	114,309.39	114,309.39
Video Management Solutions at Various Sites	<u>126,984.75</u>	<u>126,984.75</u>
	<u>\$ 3,588,410.54</u>	<u>\$ 1,497,632.70</u>

**Note 10: 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 11: ARBITRAGE REBATE LIABILITY**

The Tax Reform Act of 1986 placed restriction on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of bond settlement.

As a result of potential arbitrage rebate, the Authority established a trustee bank account reserved to pay any future rebate requirement. Regarding the Authority's 2012 Revenue Bonds, Series A, a calculation for the fifth bond year was prepared as of July 17, 2017 and resulted in a rebate liability totaling \$318,329.56. Subsequent to June 30, 2017, the Authority remitted ninety percent of the liability, \$286,496.61, as required by the Internal Revenue Service. The amount on deposit in the trustee rebate account as of June 30, 2018 is \$32,269.63. This amount is available to pay the remaining 10% rebate liability, if necessary.

**Note 12: RISK MANAGEMENT**

The Authority is a member of the 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  
 Crime, which includes Employee Dishonesty  
 Environmental Legal Liability

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

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

New Jersey Utility Authorities Joint Insurance Fund  
 9 Campus Drive, Suite 216  
 Parsippany, NJ 07054-4412

**Note 13: CONTINGENCIES**

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

**Note 14: RESTATEMENT**

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

	<b><u>As Previously Reported June 30, 2016</u></b>	<b><u>Net OPEB Liability (1)</u></b>	<b><u>As Restated June 30, 2016</u></b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 20,987,197.33		\$ 20,987,197.33
Restricted	9,014,376.63		9,014,376.63
Unrestricted	9,096,567.58	\$ (1,105,247.21)	7,991,320.37
Total Net Position	<u>\$ 39,098,141.54</u>	<u>\$ (1,105,247.21)</u>	<u>\$ 37,992,894.33</u>

(1) Represents the change in the Authority's Net OPEB Liability as of June 30, 2016.

**Note 14: RESTATEMENT (CONT'D)**

The effect on the financial statements as reported for June 30, 2017 is as follows:

**Comparative Statements of Net Position**

	<b><u>Previously Reported</u></b>	<b><u>Cumulative Effect - Increase / (Decrease)</u></b>	<b><u>Restated Balance</u></b>
<b>LIABILITIES</b>			
Long-term Liabilities:			
Net OPEB Liability	\$ 135,352.00	\$ 818,777.00	\$ 954,129.00
Total Long-term Liabilities	32,730,108.84	818,777.00	33,548,885.84
Total Liabilities	38,881,725.51	818,777.00	39,700,502.51
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to OPEB	2,438,683.69	-	2,438,683.69
Total Deferred Inflows of Resources	2,438,683.69	-	2,438,683.69
<b>NET POSITION</b>			
Unrestricted	8,580,379.71	(818,777.00)	7,761,602.71
Total Net Position	\$ 42,373,491.32	\$ (818,777.00)	\$ 41,554,714.32

**Comparative Statements of Revenues, Expenses and Changes in Net Position**

	<b><u>Previously Reported</u></b>	<b><u>Effect - Increase / (Decrease)</u></b>	<b><u>Restated Balance</u></b>
Operating Expenses			
Cost of Services:			
Fringe Benefits	\$ 2,557,979.72	\$ (286,470.21)	\$ 2,271,509.51
	9,985,270.05	(286,470.21)	9,698,799.84
Total Operating Expenses	14,462,204.81	(286,470.21)	14,175,734.60
Operating Income	4,427,401.61	286,470.21	4,713,871.82
Income before Contributions	2,712,639.18	286,470.21	2,999,109.39
Change in Net Position	3,275,349.78	286,470.21	3,561,819.99
Net Position, Beginning	39,098,141.54	(1,105,247.21)	37,992,894.33
Net Position - End of Year:			
Unrestricted	\$ 8,580,379.71	\$ (818,777.00)	\$ 7,761,602.71

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

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

<b>Total OPEB Liability</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Service Cost	\$ 218,436	\$ (208,504)
Interest Cost	32,416	57,787
Benefit Payments	(92,257)	(101,790)
Actuarial Assumption Changes	367,498	
Actuarial Demographic Gains	-	-
Net Change in Total OPEB Liability	526,093	(252,507)
Total OPEB Liability - Beginning of Fiscal Year	954,129	1,206,636
Total OPEB Liability - End of Fiscal Year	<u>\$ 1,480,222</u>	<u>\$ 954,129</u>
Covered-Employee Payroll	\$ 3,582,186	\$ 3,408,478
Total OPEB Liability as a Percentage of Covered-Employee Payroll	41.32%	27.99%

Changes of Benefit Terms:  
None

Changes of Assumptions:  
Mortality Rate, Discount Rate, Retirement Age and Actuarial Funding Method -  
See Notes to Required Supplementary Information

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.

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

	Measurement Date Ending June 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0451847012%	0.0433673114%	0.0372569676%	0.0377976045%	0.0375789881%
Authority's Proportionate Share of the Net Pension Liability	\$ 10,518,275.00	\$ 12,844,154.00	\$ 8,363,443.00	\$ 7,076,745.00	\$ 7,182,091.00
Authority's Covered Payroll	\$ 3,191,048.00	\$ 2,942,220.00	\$ 2,613,944.00	\$ 2,417,848.00	\$ 2,483,760.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	329.62%	436.55%	319.95%	292.69%	289.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

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



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

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

	<b>Fiscal Year Ended June 30,</b>				
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually Required Contribution	\$ 441,712.00	\$ 418,588.00	\$ 385,269.00	\$ 320,310.00	\$ 311,598.00
Contributions in Relation to the Contractually Required Contribution	<u>(441,712.00)</u>	<u>(418,588.00)</u>	<u>(385,269.00)</u>	<u>(320,310.00)</u>	<u>(311,598.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 3,206,614.00	\$ 2,942,220.00	\$ 2,613,944.00	\$ 2,417,848.00	\$ 2,483,760.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	13.78%	14.23%	14.74%	13.25%	12.55%

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.

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

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**Other Postemployment Benefits**

Changes in Benefit Terms – None

Changes in Assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent actuarial valuation for the fiscal year ended June 30, 2018:

Mortality Rates – Updated to mortality table – RP -2000 Combined Mortality Table for Males and Females.

Discount Rate – Updated discount rates based upon S&P Municipal Bond 20 Year High Grade Rate Index.

Retirement Age – Future retirees, on average, will receive benefits when eligible but no earlier than age 60. Furthermore, active participants who are not eligible at age 65 will not accrue enough future service to become eligible for benefits.

Actuarial Funding Method – Changed actuarial funding method to “entry age normal” level cost method.

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

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 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%.

## **SUPPLEMENTAL SCHEDULES**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Net Position by Department  
As of June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current Unrestricted Assets:			
Revenue/Operating Account:			
Cash and Cash Equivalents		\$ 2,451,294.27	\$ 2,451,294.27
Investments		2,925,104.45	2,925,104.45
Accrued Interest Receivable	\$ 2,781.73	5,166.06	7,947.79
General Account:			
Cash and Cash Equivalents	2,568,743.33	6,062,176.37	8,630,919.70
Investments		79,368.35	79,368.35
Accrued Interest Receivable	60.40	112.17	172.57
Consumer Accounts Receivable	397,236.76	689,983.39	1,087,220.15
Other Accounts Receivable	9,329.31	19,790.73	29,120.04
Prepaid Expenses	325,631.87	632,672.46	958,304.33
Total Unrestricted Assets	3,303,783.38	12,865,668.27	16,169,451.65
Non- Current Assets:			
Bond Service Account:			
Cash and Cash Equivalents	764,453.53	4,331,903.33	5,096,356.86
Accrued Interest Receivable	10,178.03	18,902.06	29,080.09
Bond Service Reserve Account:			
Cash and Cash Equivalents	37,682.74	69,982.22	107,664.96
Investments	910,777.80	3,492,559.31	4,403,337.11
Accrued Interest Receivable	4,209.32	7,817.32	12,026.64
Renewal and Replacement Account:			
Cash and Cash Equivalents	350,000.00	650,000.00	1,000,000.00
Investments	191,178.91	355,046.54	546,225.45
Accrued Interest Receivable	729.17	1,354.16	2,083.33
Other Accounts:			
Cash and Cash Equivalents	495,290.66	1,253,903.17	1,749,193.83
Interfund Loan	1,700,000.00		1,700,000.00
Total Restricted Assets	4,464,500.16	10,181,468.11	14,645,968.27
Capital Assets:			
Construction in Progress	936,715.28	261,846.17	1,198,561.45
Completed (Net of Accumulated Depreciation)	9,837,666.70	38,812,016.65	48,649,683.35
Total Capital Assets	10,774,381.98	39,073,862.82	49,848,244.80
Total Assets	18,542,665.53	62,120,999.19	80,663,664.72
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	1,399,199.55	2,598,513.45	3,997,713.00
Related to Other Post Employment Benefits	128,625.00	238,873.00	367,498.00
Deferred Loss on Refunding of Bonds	2,059.00	9,271.31	11,330.31
	1,529,883.55	2,846,657.76	4,376,541.31

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Net Position by Department

As of June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 239,168.37	\$ 364,736.50	\$ 603,904.87
Accounts Payable--Related to Pensions	154,599.20	287,112.80	441,712.00
Overpayments	2,262.46	1,134.98	3,397.44
Prepaid Rental Charges	25,008.23	46,443.85	71,452.08
Prepaid Antenna Rental Charges	26,487.72		26,487.72
Total Current Liabilities Payable from Unrestricted Assets	447,525.98	699,428.13	1,146,954.11
Current Liabilities Payable from Restricted Assets:			
Accounts Payable		12,510.00	12,510.00
Revenue Bonds Payable--Current Portion	1,014,938.00	2,830,062.00	3,845,000.00
New Jersey Environmental Infrastructure Loan Payable--Current Portion		963,077.04	963,077.04
Other Post Employment Benefits Obligation	51,808.00	96,214.20	148,022.20
Compensated Absences	19,407.94	33,327.69	52,735.63
Accrued Bond Interest Payable	21,958.45	231,969.68	253,928.13
Escrow Deposits		45,266.71	45,266.71
Total Current Liabilities Payable from Restricted Assets	1,108,112.39	4,212,427.32	5,320,539.71
Long-term Liabilities:			
Revenue Bonds Payable	254,573.02	3,846,774.83	4,101,347.85
New Jersey Environmental Infrastructure Loan Payable		10,219,102.27	10,219,102.27
Interfund Loan		1,700,000.00	1,700,000.00
Net Pension Liability	3,681,396.25	6,836,878.75	10,518,275.00
Other Post Employment Benefits Obligation	466,272.00	865,927.80	1,332,199.80
Compensated Absences	174,671.44	299,949.25	474,620.69
Total Long-term Liabilities	4,576,912.71	23,768,632.90	28,345,545.61
Total Liabilities	6,132,551.08	28,680,488.35	34,813,039.43
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	756,276.85	1,404,514.15	2,160,791.00
Deferred Revenue	392,582.13	1,017,888.12	1,410,470.25
	1,148,858.98	2,422,402.27	3,571,261.25
<b>NET POSITION</b>			
Restricted for:			
Bond Covenants:			
Debt Service Reserve Requirement	972,007.94	3,606,272.44	4,578,280.38
System Reserve Requirement	525,000.00	975,000.00	1,500,000.00
Operating Requirement	1,456,482.50	1,889,795.00	3,346,277.50
Net Investment in Capital Assets	9,506,929.96	21,224,117.99	30,731,047.95
Unrestricted	330,718.62	6,169,580.90	6,500,299.52
Total Net Position	\$ 12,791,139.02	\$ 33,864,766.33	\$ 46,655,905.35

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**Schedule of Revenues, Expenses and Changes in Net Position by Department  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 5,497,482.04	\$ 11,220,144.89	\$ 16,717,626.93
Connection Fees	632,830.25	1,816,407.15	2,449,237.40
Miscellaneous Charges	870,590.49	109,137.16	979,727.65
Total Operating Revenues	7,000,902.78	13,145,689.20	20,146,591.98
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	244,642.17	244,641.72	489,283.89
Fringe Benefits	117,376.05	105,061.47	222,437.52
Other	234,261.22	321,164.49	555,425.71
	596,279.44	670,867.68	1,267,147.12
Cost of Service:			
Salaries and Wages	1,070,874.22	2,229,931.03	3,300,805.25
Fringe Benefits	787,610.48	1,403,658.69	2,191,269.17
Other	2,227,011.10	2,056,892.59	4,283,903.69
	4,085,495.80	5,690,482.31	9,775,978.11
Major Repairs and Other Expenses	276,094.62	512,747.15	788,841.77
Depreciation	669,677.62	2,543,867.77	3,213,545.39
Total Operating Expenses	5,627,547.48	9,417,964.91	15,045,512.39
Operating Income	1,373,355.30	3,727,724.29	5,101,079.59
Non-operating Revenue (Expenses):			
Investment Income:			
Interest Revenue	132,917.30	246,846.41	379,763.71
Change in Fair Value of Investments	(38,134.87)	(70,821.91)	(108,956.78)
	94,782.43	176,024.50	270,806.93
Municipal Appropriation	(303,727.00)	(519,666.00)	(823,393.00)
Bond and Loan Interest	(1,430.26)	(367,202.83)	(368,633.09)
Interfund Loan	(100,000.00)	100,000.00	
Total Non-Operating Revenues (Expenses)	(310,374.83)	(610,844.33)	(921,219.16)
Income Before Contributions (Carried Forward)	1,062,980.47	3,116,879.96	4,179,860.43

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenues, Expenses and Changes in Net Position by Department  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Income Before Contributions (Brought Forward)	\$ 1,062,980.47	\$ 3,116,879.96	\$ 4,179,860.43
Contributions:			
Developers	616,245.60	305,085.00	921,330.60
Change in Net Position	1,679,226.07	3,421,964.96	5,101,191.03
Net Position - Beginning	11,111,912.95	30,442,801.37	41,554,714.32
Net Position, End of Year:			
Restricted	\$ 2,953,490.44	\$ 6,471,067.44	\$ 9,424,557.88
Unrestricted	\$ 330,718.62	\$ 6,169,580.90	\$ 6,500,299.52
Net Investment in Capital Assets	\$ 9,506,929.96	\$ 21,224,117.99	\$ 30,731,047.95

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
For the Fiscal Year Ended June 30, 2018

	Revenue/Operating <u>Accounts</u>	<u>General</u>	Bond <u>Reserve</u>	Bond <u>Service</u>	Restricted <u>Renewal and Replacement</u>	<u>Planning Escrow</u>	<u>Connection Fee</u>	<u>Total</u>
Cash, Cash Equivalents and Investments July 1, 2017	\$ 3,905,323.46	\$ 10,156,870.61	\$ 4,588,758.98	\$ 4,994,285.01	\$ 1,544,123.00	\$ 51,777.87	\$ 2,660,829.89	\$ 27,901,968.82
Receipts:								
User Charges and Fees:								
Water	5,471,424.30							5,471,424.30
Sewer	11,356,329.98							11,356,329.98
Connection Fee Deposits:								
Water	632,830.25						356,075.92	988,906.17
Sewer	1,816,407.15						1,132,632.04	2,949,039.19
Miscellaneous Revenue Receivable:								
Water	850,456.80							850,456.80
Sewer	113,023.63							113,023.63
Prepaid Rents:								
Water	25,008.23							25,008.23
Sewer	46,443.85							46,443.85
Other Accounts Receivable	3,494.71							3,494.71
Overpayments	39,511.33							39,511.33
Prepaid Antennae Rents	26,487.72							26,487.72
N.J.Environmental Infrastructure								
Loans Receivable		6,981.00						6,981.00
Accounts Payable				12,510.00				12,510.00
Payroll Deductions Payable	3,865,948.48							3,865,948.48
Planning Escrow Deposits						149,134.07		149,134.07
Investment Income	18,307.20	74,668.04	67,967.50	73,546.17	33,893.89			268,382.80
Transfers In	4,511,016.22	2,939,948.77		5,258,504.81	979,697.85	0.58	6,008.44	13,695,176.67
<b>Total Cash and Investments Available</b>	<b>32,682,013.31</b>	<b>13,178,468.42</b>	<b>4,656,726.48</b>	<b>10,338,845.99</b>	<b>2,557,714.74</b>	<b>200,912.52</b>	<b>4,155,546.29</b>	<b>67,770,227.75</b>
Disbursements:								
Budgetary Expenses:								
Water	3,992,882.43							3,992,882.43
Sewer	5,117,509.34							5,117,509.34
Payroll Deductions Payable	3,864,528.20							3,864,528.20
Prepaid Expenses	553,368.80							553,368.80
Other Accounts Receivable	27,922.85							27,922.85
Accounts Payable	545,319.23			17,880.13				563,199.36
Municipal Appropriation	823,393.00							823,393.00
Bond Principal				3,695,000.00				3,695,000.00
Loan Principal				940,025.24				940,025.24
Bond and Loan Interest				589,583.76				589,583.76
Transfers Out	12,344,576.85	191,000.00	145,724.41		1,011,489.29	0.42	2,385.70	13,695,176.67
Capital Outlays:								
Expensed		788,841.77						788,841.77
Construction in Progress		3,029,929.82						3,029,929.82
Fixed Assets		458,408.78						458,408.78

(Continued)



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
For the Fiscal Year Ended June 30, 2018

	Revenue/Operating <u>Accounts</u>	<u>General</u>	<u>Bond Reserve</u>	<u>Bond Service</u>	<u>Restricted Renewal and Replacement</u>	<u>Planning Escrow</u>	<u>Connection Fee</u>	<u>Total</u>
Disbursements (Cont'd):								
Expenditures for Planning Escrow						\$ 155,641.46		\$ 155,641.46
Overpayments	\$ 36,113.89							36,113.89
Due to Unrestricted Funds							\$ 2,449,237.40	2,449,237.40
<b>Total Disbursements</b>	<b>27,305,614.59</b>	<b>\$ 4,468,180.37</b>	<b>\$ 145,724.41</b>	<b>\$ 5,242,489.13</b>	<b>\$ 1,011,489.29</b>	<b>155,641.88</b>	<b>2,451,623.10</b>	<b>40,780,762.77</b>
Cash, Cash Equivalents and Investments June 30, 2018	\$ 5,376,398.72	\$ 8,710,288.05	\$ 4,511,002.07	\$ 5,096,356.86	\$ 1,546,225.45	\$ 45,270.64	\$ 1,703,923.19	\$ 26,989,464.98
<u>Analysis of Balance June 30, 2018</u>								
Cash and Cash Equivalents	\$ 2,451,294.27	\$ 8,630,919.70	\$ 107,664.96	\$ 5,096,356.86	\$ 1,000,000.00	\$ 45,270.64	\$ 1,703,923.19	\$ 19,035,429.62
Investments:								
F.N.M.A. Notes	470,594.83		433,400.25					903,995.08
F.N.M.A. Pool	1,906,612.26		2,053,034.55					3,959,646.81
F.H.L.M.C.			1,158,375.29					1,158,375.29
Freddie Mac		77,455.56	16,597.63					94,053.19
GNMA Remic	67,047.45	1,912.79	538,666.89					607,627.13
GNMA Pool	480,849.91		203,262.50					684,112.41
GNMA Bonds					546,225.45			546,225.45
	\$ 5,376,398.72	\$ 8,710,288.05	\$ 4,511,002.07	\$ 5,096,356.86	\$ 1,546,225.45	\$ 45,270.64	\$ 1,703,923.19	\$ 26,989,464.98

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

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

	<u>Budget</u>	<u>2017-18 Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 5,365,170.00	\$ 5,497,482.04	\$ 132,312.04
Connection Fees	60,000.00	632,830.25	572,830.25
Miscellaneous	700,000.00	870,590.49	170,590.49
Total Operating Revenues	6,125,170.00	7,000,902.78	875,732.78
Other Budget Revenues:			
Investment Income	150,000.00	132,917.30	(17,082.70)
Change in Fair Value of Investments		(38,134.87)	(38,134.87)
	150,000.00	94,782.43	(55,217.57)
Total Anticipated Revenues	6,275,170.00	7,095,685.20	820,515.20
Operating Appropriations:			
Administrative:			
Salaries and Wages	249,500.00	244,642.17	4,857.83
Fringe Benefits	150,350.00	117,376.05	32,973.95
Trustee Fees	3,500.00	556.20	2,943.80
Audit Fees	34,750.00	24,112.50	10,637.50
Legal Fees	81,300.00	35,186.09	46,113.91
Engineer Fees	28,500.00	11,895.26	16,604.74
Office Expenses	185,000.00	132,049.12	52,950.88
Cellular Lease/Insurance Consultant	36,300.00	17,495.68	18,804.32
Dues and Meetings	8,000.00	4,092.91	3,907.09
Education and Training	39,000.00	8,873.46	30,126.54
Total Administrative Expenses	816,200.00	596,279.44	219,920.56
Cost of Service			
Salaries and Wages	1,181,050.00	1,070,874.22	110,175.78
Fringe Benefits	587,050.00	515,600.28	71,449.72
Electric and Utilities	400,000.00	311,945.21	88,054.79
Insurance	139,000.00	135,148.67	3,851.33
Vehicle Expense	35,000.00	15,013.99	19,986.01
Vehicle Repairs	35,000.00	25,915.84	9,084.16
Parts and Supplies	81,000.00	69,311.08	11,688.92
Chemicals	63,500.00	42,022.57	21,477.43
Repairs and Maintenance	84,000.00	59,670.67	24,329.33
Telephone and Communications	42,000.00	37,388.44	4,611.56
Well Testing	32,000.00	9,587.70	22,412.30
Bulk Water Purchases	1,514,850.00	1,440,206.52	74,643.48
Uniforms and Safety Equipment	24,300.00	15,836.96	8,463.04
Dues and Meetings	4,500.00	2,664.95	1,835.05

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

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

	<u>Budget</u>	2017-18 <u>Actual</u>	Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd)			
Education and Training	\$ 11,250.00	\$ 7,179.95	\$ 4,070.05
State Fees	51,500.00	39,037.19	12,462.81
Public Information	12,300.00	9,802.26	2,497.74
One Call/Public Relations	8,350.00	6,279.10	2,070.90
OPEB Obligation		55,510.00	(55,510.00)
Total Cost of Service	4,306,650.00	3,868,995.60	437,654.40
Principal Payments on Debt Service in Lieu of Depreciation	1,108,400.00	981,686.00	126,714.00
	6,231,250.00	5,446,961.04	784,288.96
Non-Operating Appropriations:			
Interest on Bonds	43,920.00	43,916.90	3.10
Municipal Appropriation	303,727.00	303,727.00	
Total Operating, Principal Payments and Non-Operating Appropriations	6,578,897.00	5,794,604.94	784,292.06
Unrestricted Net Position to Balance Budget	(303,727.00)	-	(303,727.00)
Total Appropriations and Unrestricted Net Position	6,275,170.00	5,794,604.94	480,565.06
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ -	\$ 1,301,080.26	\$ 1,301,080.26
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 1,301,080.26
Add:			
Bond Principal		\$ 981,686.00	
Bond Interest		43,916.90	
Municipal Appropriation		303,727.00	
			1,329,329.90
			2,630,410.16
Less:			
Investment Income		94,782.43	
Depreciation		669,677.62	
Related to Pensions		216,500.20	
Major Repairs and Replacements		276,094.62	
			1,257,054.87
Operating Income (Schedule 2)			\$ 1,373,355.30

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

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

	<u>Budget</u>	<u>2017-18 Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 10,822,792.00	\$ 11,220,144.89	\$ 397,352.89
Connection Fees	100,000.00	1,816,407.15	1,716,407.15
Miscellaneous	38,000.00	109,137.16	71,137.16
Total Operating Revenues	10,960,792.00	13,145,689.20	2,184,897.20
Other Budget Revenues:			
Investment Income	150,000.00	246,846.41	96,846.41
Change in Fair Value of Investments		(70,821.91)	(70,821.91)
	150,000.00	176,024.50	26,024.50
Total Anticipated Revenues	11,110,792.00	13,321,713.71	2,210,921.71
Operating Appropriations:			
Administrative:			
Salaries and Wages	249,500.00	244,641.72	4,858.28
Fringe Benefits	136,350.00	105,061.47	31,288.53
Trustee Fees	55,000.00	48,099.69	6,900.31
Audit Fees	34,750.00	39,562.50	(4,812.50)
Legal Fees	81,300.00	35,203.00	46,097.00
Engineer Fees	66,500.00	26,718.00	39,782.00
Office Expenses	185,000.00	140,542.46	44,457.54
Cellular Lease/Insurance Consultant	21,300.00	12,495.66	8,804.34
Dues and Meetings	8,000.00	4,468.17	3,531.83
Education and Training	34,000.00	14,075.01	19,924.99
Total Administrative Expenses	871,700.00	670,867.68	200,832.32
Cost of Service:			
Salaries and Wages	2,251,550.00	2,229,931.03	21,618.97
Fringe Benefits	1,215,250.00	898,501.89	316,748.11
Electric and Utilities	850,000.00	676,669.76	173,330.24
Insurance	139,000.00	135,148.68	3,851.32
Vehicle Expense	83,000.00	35,092.30	47,907.70
Vehicle Repairs	72,000.00	70,740.69	1,259.31
Parts and Supplies	117,000.00	91,176.51	25,823.49
Chemicals	260,000.00	188,538.22	71,461.78
Repairs and Maintenance	157,500.00	134,009.52	23,490.48
Telephone and Communications	98,000.00	87,238.43	10,761.57
Wastewater Testing	16,000.00	16,015.80	(15.80)
Sludge Removal	530,000.00	479,692.05	50,307.95
Uniforms and Safety Equipment	54,200.00	39,848.06	14,351.94
Dues and Meetings	8,000.00	5,728.81	2,271.19

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

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

	<u>Budget</u>	<u>2017-18 Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Education and Training	\$ 22,500.00	\$ 10,831.02	\$ 11,668.98
State Fees	71,000.00	58,087.34	12,912.66
Public Information	31,500.00	22,298.69	9,201.31
One Call/Public Relations	5,500.00	5,776.71	(276.71)
OPEB Obligation		103,085.00	(103,085.00)
Total Cost of Service	5,982,000.00	5,288,410.51	693,589.49
Principal Payments on Debt Service in Lieu of Depreciation	3,793,146.00	3,653,339.24	139,806.76
	10,646,846.00	9,612,617.43	1,034,228.57
Non-Operating Appropriations:			
Interest on Bonds	463,946.00	463,939.36	6.64
Municipal Appropriation	519,666.00	519,666.00	
Total Operating, Principal Payments and Non-Operating Appropriations	11,630,458.00	10,596,222.79	1,034,235.21
Unrestricted Net Position to Balance Budget	(519,666.00)	-	(519,666.00)
Total Appropriations and Unrestricted Net Position	11,110,792.00	10,596,222.79	514,569.21
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ -	\$ 2,725,490.92	\$ 2,725,490.92
<u>Reconciliation to Operating Income</u>			
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 2,725,490.92
Add:			
Bond Principal		\$ 3,653,339.24	
Bond Interest		463,939.36	
Municipal Appropriation		519,666.00	
			4,636,944.60
			7,362,435.52
Less:			
Investment Income		176,024.50	
Depreciation		2,543,867.77	
Related to Pensions		402,071.80	
Major Repairs and Replacements		512,747.15	
			3,634,711.23
Operating Income (Schedule 2)			\$ 3,727,724.29

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Consumer Accounts Receivable  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>
Balance July 1, 2017	\$ 409,109.27	\$ 865,840.10
Rental Charges	<u>5,497,482.04</u>	<u>11,220,144.89</u>
	5,906,591.31	12,085,984.99
Less:		
Collections	\$ 5,471,424.30	\$ 11,356,329.98
Overpayments Applied	17,545.81	1,814.81
Prepaid Applied	<u>20,384.44</u>	<u>37,856.81</u>
	<u>5,509,354.55</u>	<u>11,396,001.60</u>
Balance June 30, 2018	<u><u>\$ 397,236.76</u></u>	<u><u>\$ 689,983.39</u></u>

## Schedule 6

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Connection Fees Receivable  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2017-18 Charges	\$ 632,830.25	\$ 1,816,407.15	\$ 2,449,237.40
Less:			
Cash Receipts	<u><u>\$ 632,830.25</u></u>	<u><u>\$ 1,816,407.15</u></u>	<u><u>\$ 2,449,237.40</u></u>

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Miscellaneous Charges Receivable  
For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>2017-2018 Charges</u>	<u>Cash Receipts</u>	<u>Prepayments Applied</u>	<u>Balance June 30, 2018</u>
Water Meter Charges		\$ 65,503.89	\$ 65,503.89		
Filing, Review and Application Fees		1,140.00	1,140.00		
Cingular/AT&T Rental Agreement		152,256.20	130,029.80	\$ 22,226.40	
Sprint Rental Agreement		145,415.30	145,415.30		
Verizon Rental Agreement		104,631.48	104,631.48		
T-Mobile Rental Agreement		215,315.03	215,315.03		
Clearwire Rental Agreement		165,532.22	165,532.22		
Shared Services - Revenue		13,424.84	13,424.84		
Prior Year Refund of Expenses	\$ 7,176.37	1,542.86	7,522.04		\$ 1,197.19
Bid Package Fees		25.00	25.00		
Repair Reimbursements		2,840.31	2,840.31		
Clean Energy Rebates		10,000.00	10,000.00		
Sale of Scrap Metal		340.38	340.38		
Insurance Claim		34,277.27	34,277.27		
Lead Testing - Evesham School District		14,064.00	14,064.00		
Sale of Obsolete Equipment/Vehicles		405.00	405.00		
FEMA Reimbursement of Prior Year Expenses		11,663.78	11,663.78		
Flexible Spending Account Forfeitures		287.19	287.19		
Excess N.J.E.I.T. Funds		24,587.22	24,587.22		
Insurance Dividends		875.68	875.68		
Returned Check Fees		1,325.00	1,325.00		
Water Turn-On/Off Charges		14,275.00	14,275.00		
	<u>\$ 7,176.37</u>	<u>\$ 979,727.65</u>	<u>\$ 963,480.43</u>	<u>\$ 22,226.40</u>	<u>\$ 1,197.19</u>
Recap:					
Water	\$ 2,511.73	\$ 870,590.49	\$ 850,456.80	\$ 22,226.40	\$ 419.02
Sewer	4,664.64	109,137.16	113,023.63		778.17
	<u>\$ 7,176.37</u>	<u>\$ 979,727.65</u>	<u>\$ 963,480.43</u>	<u>\$ 22,226.40</u>	<u>\$ 1,197.19</u>

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Accrued Interest Receivable  
For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Investment Income</u>	<u>Received</u>	<u>Balance June 30, 2018</u>
Unrestricted:				
Revenue/Operating Accounts	\$ 5,119.64	\$ 21,135.35	\$ 18,307.20	\$ 7,947.79
General Account	347.54	74,493.07	74,668.04	172.57
	<u>5,467.18</u>	<u>95,628.42</u>	<u>92,975.24</u>	<u>8,120.36</u>
Restricted:				
Bond Reserve Account	12,120.99	67,873.15	67,967.50	12,026.64
Bond Service Account	29,214.79	73,411.47	73,546.17	29,080.09
Renewal and Replacement Account	2,083.33	33,893.89	33,893.89	2,083.33
	<u>43,419.11</u>	<u>175,178.51</u>	<u>175,407.56</u>	<u>43,190.06</u>
	<u>\$ 48,886.29</u>	<u>\$ 270,806.93</u>	<u>\$ 268,382.80</u>	<u>\$ 51,310.42</u>
Recap:				
Water	\$ 17,110.21	\$ 94,782.43	\$ 93,933.98	\$ 17,958.66
Sewer	31,776.08	176,024.50	174,448.82	33,351.76
	<u>\$ 48,886.29</u>	<u>\$ 270,806.93</u>	<u>\$ 268,382.80</u>	<u>\$ 51,310.42</u>

**Schedule 9****EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Prepaid Expenses  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2017	\$ 296,730.83	\$ 639,639.63	\$ 936,370.46
Add:			
Disbursements Fiscal Year 2018	<u>204,151.21</u>	<u>349,217.59</u>	<u>553,368.80</u>
	500,882.04	988,857.22	1,489,739.26
Less:			
Charged to Operations Fiscal Year 2018	<u>175,250.17</u>	<u>356,184.76</u>	<u>531,434.93</u>
Balance June 30, 2018	<u>\$ 325,631.87</u>	<u>\$ 632,672.46</u>	<u>\$ 958,304.33</u>



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Capital Assets -- Completed  
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018	Useful Life
<b>Water:</b>					
Land and Improvements	\$ 187,079.00			\$ 187,079.00	
Buildings and Improvements	10,481,120.83			10,481,120.83	40 Yrs.
Infrastructure	46,406,378.97	\$ 740,678.10		47,147,057.07	40 Yrs.
Fixed Equipment	1,893,232.25	356,660.38	\$ 6,652.15	2,243,240.48	15 Yrs.
Equipment	545,026.57	43,446.64	194.10	588,279.11	5 to 15 Yrs.
Vehicles	1,020,296.06			1,020,296.06	7 Yrs.
	60,533,133.68	1,140,785.12	6,846.25	61,667,072.55	
Less: Accumulated Depreciation	51,166,574.48	669,677.62	6,846.25	51,829,405.85	
	<u>\$ 9,366,559.20</u>	<u>\$ 471,107.50</u>	<u>\$ -</u>	<u>\$ 9,837,666.70</u>	
<b>Sewer:</b>					
Land and Improvements	\$ 5,145,239.00			\$ 5,145,239.00	
Buildings and Improvements	44,646,826.44			44,646,826.44	40 Yrs.
Infrastructure	55,745,621.97	\$ 884,088.00		56,629,709.97	40 Yrs.
Fixed Equipment	9,204,905.84	4,293,851.10	\$ 1,429.40	13,497,327.54	15 Yrs.
Equipment	1,504,421.14	44,152.46	11,412.86	1,537,160.74	5 to 15 Yrs.
Vehicles	1,498,559.26			1,498,559.26	7 Yrs.
	117,745,573.65	5,222,091.56	12,842.26	122,954,822.95	
Less: Accumulated Depreciation	81,611,780.79	2,543,867.77	12,842.26	84,142,806.30	
	<u>\$ 36,133,792.86</u>	<u>\$ 2,678,223.79</u>	<u>\$ -</u>	<u>\$ 38,812,016.65</u>	
<b>Recap:</b>					
Total Capital Assets	\$ 178,278,707.33	\$ 6,362,876.68	\$ 19,688.51	\$ 184,621,895.50	
Less:					
Accumulated Depreciation	132,778,355.27	3,213,545.39	19,688.51	135,972,212.15	
	<u>\$ 45,500,352.06</u>	<u>\$ 3,149,331.29</u>	<u>\$ -</u>	<u>\$ 48,649,683.35</u>	
Contributions		\$ 921,330.60			
Cash Disbursed		458,408.78			
Transferred from Construction in Progress		<u>4,983,137.30</u>			
		<u>\$ 6,362,876.68</u>			

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Capital Assets -- Construction in Progress  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2017	\$ 582,699.29	\$ 2,569,069.64	\$ 3,151,768.93
Increased by:			
Cash Disbursements - General Fund	478,448.49	2,551,481.33	3,029,929.82
	1,061,147.78	5,120,550.97	6,181,698.75
Decreased by:			
Transferred to Capital Assets	124,432.50	4,858,704.80	4,983,137.30
Balance June 30, 2018	\$ 936,715.28	\$ 261,846.17	\$ 1,198,561.45

Analysis of Balance June 30, 2018

Hydrogeologic Evaluation of Well 13 & 14 ASR	\$ 98,818.93		\$ 98,818.93
South Side Elevated Tank Design	13,091.00		13,091.00
Woodlake Drive Water Main Replacement	293,155.90		293,155.90
Locust Ave. Pump Station Upgrade		\$ 134,316.09	134,316.09
Rt. 70 Water Main Replacement	71,491.85		71,491.85
Rt. 70 Sewer Rehabilitation		25,161.40	25,161.40
Kings Grant Effluent Pump Replacement		74,485.13	74,485.13
S. Maple Water Main Replacement	87,914.65		87,914.65
Knox Blvd. Water Main Replacement	133,393.34		133,393.34
Knox Blvd. Sewer Rehabilitation		17,881.05	17,881.05
Elmwood Plant Storage Building		10,002.50	10,002.50
Heritage Village Water Main Replacement	220,569.38		220,569.38
Well 14 Screen Replacement	18,280.23		18,280.23
	\$ 936,715.28	\$ 261,846.17	\$ 1,198,561.45

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Accrued Interest on Revenue Bonds and Loans Payable  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2017	\$ 41,437.61	\$ 294,218.02	\$ 335,655.63
Increased by:			
Interest Charges Fiscal Year 2018 Budget	43,916.90	463,939.36	507,856.26
Amortization of Deferred Amount of Refunding	5,489.05	19,200.15	24,689.20
Amortization of Premium on Bonds	(47,975.69)	(115,936.68)	(163,912.37)
Total Interest Expense	1,430.26	367,202.83	368,633.09
	42,867.87	661,420.85	704,288.72
Decreased by:			
Interest Paid	63,396.06	526,187.70	589,583.76
Amortization of Deferred Amount of Refunding	5,489.05	19,200.15	24,689.20
Amortization of Premium on Bonds	(47,975.69)	(115,936.68)	(163,912.37)
	20,909.42	429,451.17	450,360.59
Balance June 30, 2018	\$ 21,958.45	\$ 231,969.68	\$ 253,928.13

## Schedule 13

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Payroll Deductions Payable  
For the Fiscal Year Ended June 30, 2018

Balance July 1, 2017	\$ (3,360.96)
Receipts:	
Payroll Deductions Payable	3,865,948.48
	3,862,587.52
Disbursements:	
Checks Drawn to Payroll Agencies	3,864,528.20
Balance June 30, 2018	\$ (1,940.68)
<u>Analysis of Balance June 30, 2018</u>	
State Unemployment Insurance	\$ (57.42)
N.J. Family Leave	11.83
Public Employees Retirement System	226.31
Cafeteria - 125 Plan	(2,191.45)
Life Insurance	70.05
	\$ (1,940.68)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds  
For the Fiscal Year Ended June 30, 2018

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance		Paid	Balance
			Outstanding June 30, 2018			July 1, 2017	June 30, 2018		
			Date	Amount					
2004 Revenue Bonds (Series A)	3-1-04	\$ 4,435,000.00	7-1-2018	\$ 15,000.00	4.150%				
			7-1-2019	125,000.00	4.150%				
			7-1-2020	135,000.00	4.150%	\$ 295,000.00	\$ 20,000.00	\$ 275,000.00	
2011 Revenue Bonds (Series A)	11-16-11	3,655,000.00	7-1-2018	115,000.00	2.500%				
			7-1-2019	300,000.00	2.500%				
			7-1-2020	300,000.00	2.625%				
			7-1-2021	920,000.00	2.750%				
			7-1-2022	945,000.00	5.000%				
			7-1-2023	100,000.00	3.375%				
			7-1-2024	100,000.00	3.500%				
			7-1-2025	100,000.00	3.600%				
			7-1-2026	145,000.00	3.750%	3,135,000.00	110,000.00	3,025,000.00	
2012 Revenue Bonds (Series A)	4-4-12	18,865,000.00	7-1-2018	3,715,000.00	4.00%				
			7-1-2019	200,000.00	3.00%				
			7-1-2020	205,000.00	3.00%	7,685,000.00	3,565,000.00	4,120,000.00	
						\$ 11,115,000.00	\$ 3,695,000.00	7,420,000.00	
Add: Premium on Bonds								526,347.85	
								\$ 7,946,347.85	
Sewer						\$ 9,007,730.00	\$ 2,713,314.00	\$ 6,294,416.00	
Water						2,107,270.00	981,686.00	1,125,584.00	
						11,115,000.00	3,695,000.00	7,420,000.00	
Premium on Bonds									
Sewer						498,357.51	115,936.68	382,420.83	
Water						191,902.71	47,975.69	143,927.02	
						690,260.22	163,912.37	526,347.85	
						\$ 11,805,260.22	\$ 3,858,912.37	\$ 7,946,347.85	

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2018</u>
			<u>Outstanding June 30, 2018</u>	<u>Date</u>					
2006A Fund Loan Agreement	11-7-06	\$ 5,699,574.00	7-1-2018	\$ 289,914.16	N/A				
			7-1-2019	288,211.16	N/A				
			7-1-2020	289,455.66	N/A				
			7-1-2021	286,956.43	N/A				
			7-1-2022	287,257.32	N/A				
			7-1-2023	286,999.42	N/A				
			7-1-2024	285,218.64	N/A				
			7-1-2025	286,225.69	N/A				
			7-1-2026	287,634.14	N/A	\$ 2,875,887.28		\$ 288,014.66	\$ 2,587,872.62
2006A Trust Loan Agreement	11-7-06	5,695,000.00	7-1-2018	310,000.00	4.000%				
			7-1-2019	320,000.00	4.000%				
			7-1-2020	335,000.00	4.000%				
			7-1-2021	345,000.00	4.125%				
			7-1-2022	360,000.00	4.125%				
			7-1-2023	375,000.00	4.250%				
			7-1-2024	390,000.00	5.000%				
			7-1-2025	410,000.00	4.250%				
			7-1-2026	430,000.00	4.250%	3,570,000.00		295,000.00	3,275,000.00
2008A Fund Loan Agreement	11-6-08	1,307,340.00	7-1-2018	65,250.90	N/A				
			7-1-2019	66,249.56	N/A				
			7-1-2020	64,313.70	N/A				
			7-1-2021	65,604.28	N/A				
			7-1-2022	66,526.12	N/A				
			7-1-2023	67,063.86	N/A				
			7-1-2024	67,655.37	N/A				
			7-1-2025	68,239.21	N/A				
			7-1-2026	17,426.69	N/A	612,428.29		64,098.60	548,329.69

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

<u>Purpose</u>	<u>Issue</u>	<u>Issue</u>	Maturities of Bonds		<u>Interest</u>	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
			<u>Outstanding June 30, 2018</u>	<u>Amount</u>					
			<u>Date</u>		<u>Rate</u>	<u>July 1, 2017</u>			<u>June 30, 2018</u>
2008A Trust Loan Agreement	11-6-08	\$ 1,325,000.00	7-1-2018	\$ 65,000.00	5.000%				
			7-1-2019	65,000.00	5.250%				
			7-1-2020	70,000.00	5.500%				
			7-1-2021	75,000.00	5.500%				
			7-1-2022	80,000.00	5.500%				
			7-1-2023	80,000.00	5.500%				
			7-1-2024	85,000.00	5.000%				
			7-1-2025	90,000.00	5.000%				
			7-1-2026	95,000.00	5.000%				
			7-1-2027	100,000.00	5.000%				
			7-1-2028	105,000.00	5.000%	\$ 970,000.00		\$ 60,000.00	\$ 910,000.00
2010A Fund Loan Agreement	11-5-09	276,863.00	7-1-2018	14,077.77	N/A				
			7-1-2019	14,077.77	N/A				
			7-1-2020	14,077.77	N/A				
			7-1-2021	14,077.77	N/A				
			7-1-2022	14,077.77	N/A				
			7-1-2023	14,077.77	N/A				
			7-1-2024	14,077.77	N/A				
			7-1-2025	14,077.77	N/A				
			7-1-2026	14,077.77	N/A				
			7-1-2027	14,077.77	N/A				
			7-1-2028	14,077.77	N/A				
			7-1-2029	9,385.37	N/A	178,318.61		14,077.77	164,240.84

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
2010A Trust Loan Agreement	11-5-09	\$ 270,000.00	7-1-2018	\$ 15,000.00	5.000%				
			7-1-2019	15,000.00	4.000%				
			7-1-2020	15,000.00	5.000%				
			7-1-2021	15,000.00	3.000%				
			7-1-2022	15,000.00	4.000%				
			7-1-2023	15,000.00	4.000%				
			7-1-2024	15,000.00	4.000%				
			7-1-2025	15,000.00	4.000%				
			7-1-2026	20,000.00	3.500%				
			7-1-2027	20,000.00	4.000%				
			7-1-2028	20,000.00	4.000%				
			7-1-2029	15,000.00	4.000%	\$ 210,000.00		\$ 15,000.00	\$ 195,000.00
2014A&B Fund Loan Agreement	5/21/14	3,222,073.00	7-1-2018	163,834.21	N/A				
			7-1-2019	163,834.21	N/A				
			7-1-2020	163,834.21	N/A				
			7-1-2021	163,834.21	N/A				
			7-1-2022	163,834.21	N/A				
			7-1-2023	163,834.21	N/A				
			7-1-2024	163,834.21	N/A				
			7-1-2025	163,834.21	N/A				
			7-1-2026	163,834.21	N/A				
			7-1-2027	163,834.21	N/A				
			7-1-2028	163,834.21	N/A				
			7-1-2029	163,834.21	N/A				
			7-1-2030	163,834.21	N/A				
			7-1-2031	163,834.21	N/A				
			7-1-2032	163,834.21	N/A				
			7-1-2033	109,223.01	N/A	2,730,570.37		163,834.21	2,566,736.16

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2017	Issued	Paid	Balance June 30, 2018
			Outstanding June 30, 2018 Date	Amount					
2014A&B Trust Loan Agreement	5/21/14	\$ 1,050,000.00	7-1-2018	\$ 40,000.00	5.000%				
			7-1-2019	45,000.00	5.000%				
			7-1-2020	45,000.00	5.000%				
			7-1-2021	50,000.00	5.000%				
			7-1-2022	50,000.00	5.000%				
			7-1-2023	55,000.00	5.000%				
			7-1-2024	55,000.00	5.000%				
			7-1-2025	60,000.00	3.000%				
			7-1-2026	60,000.00	3.000%				
			7-1-2027	60,000.00	3.000%				
			7-1-2028	65,000.00	3.000%				
			7-1-2029	65,000.00	3.000%				
			7-1-2030	70,000.00	3.000%				
			7-1-2031	70,000.00	3.000%				
			7-1-2032	70,000.00	3.125%				
			7-1-2033	75,000.00	3.250%				
						\$ 975,000.00		\$ 40,000.00	\$ 935,000.00
						\$ 12,122,204.55	\$ -	\$ 940,025.24	\$ 11,182,179.31



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**SCHEDULE OF FINDINGS & RECOMMENDATIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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***Schedule of Financial Statement Findings***

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

N/A - None

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

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

N/A - None

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**APPRECIATION**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

