

**GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED  
FEBRUARY 28, 2018 & 2017**

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Roster of Officials  
As of February 28, 2018**

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Members

Richard P. Calabrese  
Joseph Pillo  
Dora Guevara  
Glen Bianchini  
Franklin Schmidt  
Dorothy Bradley  
  
Ken Garbowski

Position

Chairman  
Vice-Chairman  
Treasurer  
Secretary  
Assistant Secretary  
Assistant Treasurer/  
Alternate Member  
Alternate Member

Other Officials

Raymond J. Carr  
Marlene Hrynio  
Thomas Leisse  
Howard C. Long, Jr., Esq.  
TD Bank Wealth Management  
Fulton Bank

Executive Director  
Administrative Secretary  
Engineer  
Solicitor  
Trustee  
Legal Depository

**GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED  
FEBRUARY 28, 2018 & 2017**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Gloucester Township Municipal Utilities Authority  
Glendora, New Jersey

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

We have audited the accompanying financial statements of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester (Authority), as of and for the fiscal years ended February 28, 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester, as of February 28, 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**

*Prior Period Restatement*

Because the financial statements for the prior fiscal years did not include an accounts receivable related to debt issued for another governmental agency as required by the Governmental Accounting Standards Board, the Authority's February 28, 2017 statement of net position and beginning net position on the comparative statements of revenues, expenses and changes in net position has been restated for the fiscal year ended February 28, 2017, as discussed in note 12 to the financial statements. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 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  
June 18, 2018

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

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Gloucester Township Municipal Utilities Authority  
Glendora, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester, (Authority), as of and for the fiscal year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 18, 2018. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements.

**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.

33600

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 18, 2018

THE GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY  
FOR THE FISCAL YEARS ENDED FEBRUARY 28, 2018 AND 2017

**Management's Discussion & Analysis (Unaudited)**

The Gloucester Township Municipal Utilities Authority's ("Authority") primary function is to maintain and service the Gloucester Township sewer system, which consists of 51 pumping stations with an associated 13 miles of sanitary sewer force mains, 368 miles of sanitary gravity sewer mains and 4,851 manholes. We maintain over 300 miles of pipe that transport 8.8 million gallons of sewage per day from the Authority to the Camden County M.U.A.'s regional treatment plant. The age of various system components range from 50 plus years to the present. Currently, there are 29,574 equivalent dwelling units (300 GPD/EDU) with an associated estimated average daily flow (# of EDU's x 300 g/EDU) of 8.87 MGD.

Flows from the Authority collection system are discharged into the Camden County Municipal Utilities Authority's ("CCMUA") regional collection system for treatment and disposal at the CCMUA's Delaware No. 1 Treatment Plant in the City of Camden.

The Authority primarily services Gloucester Township. There are also minor points of connection from the neighboring municipalities of the Boroughs of Runnemede, Pine Hill, Magnolia and the Township of Winslow.

The majority of Gloucester Township is serviced by public sewer, with the exception of a few small areas still on individual septic systems. In order to accomplish these services, the Authority must maintain a fleet of twenty vehicles, including a TV camera and two Jet Vac trucks. The TV camera can capture and record on video, pictures of such problems as breaks in sewer mains, grease blockages and intrusive tree roots. Once this camera pinpoints the problem, it enables a crew to uncover the underground pipe and make repairs with minimal interruption of service. Some problems can be fixed without unearthing the pipe by simply using a high pressure Jet Vac that can clear many blockages. When no emergencies exist, both of these pieces of equipment are used to inspect and clean the Township's sewer mains on a routine schedule as part of a preventative maintenance program. In addition to the mains, the Authority is also responsible for the lateral line from the curb line to the main. There are emergency generators located at forty-four pumping stations in case there is a power outage. The generators will automatically "power up" to insure that there is no interruption in service. In addition, there are three portable generators that are utilized to maintain the remaining pumping stations.

Although budgeted separately, the Authority is also responsible for the Township's Solid Waste program. The primary function of this program is to collect recyclables (cans, bottles, newspapers) and grass & leaves. We maintain and operate a sixty-acre compost site. This budget is supported by the Township along with revenue from compost sales and tipping fees. In order to accomplish these services, the Authority must maintain another fleet of vehicles, which includes recycling trucks, compactor trucks and composting equipment. Gloucester Township has joined several other towns across New Jersey by successfully implementing a Single-Stream Recycling program. Single-Stream Recycling refers to a collection system where all of your recyclables can be put into a single collection container. Rather than having to separate items such as paper and cardboard from items such as metal and glass, the new system allows for commingling of all recyclable items for the first time. The new system allows more of what people once threw into their trash cans, into their recycling containers instead. This has lightened the load of trash disposal considerably, thereby reducing the costs for the Township. The Township purchased five

Single-Stream Automated Recycling Trucks, one Compactor Truck and one retro-fitted truck. The Township also purchased 20,500 Automated Recycling Carts (Toters). The toters have scan bars in them, which tells the Authority the address, the tonnage amount recycled and if recycling is being done at all. The Recycling Trucks have GPS systems installed which informs the Authority of their locations at all times. The GTMUA began Single-Stream Recycling Collection on November 28, 2012. As a result of implementing this new State-of the Art Collection System, the Township has increased its Recycling tonnage amount by forty percent. Due to this increase, cost savings and revenue earned, amounted to an additional \$200,000.00 after the 1<sup>st</sup> year of Single Stream.

In order for all of these services to run smoothly, we have to maintain billing, bookkeeping and accounting departments. Primary functions include budgeting; accounting; managing and investing cash; managing debt; paying invoices; executing payroll; and billing and collection of receivables (sewer rents, interest on delinquent accounts, connection fees, searches, tower rentals and other various revenues). The Authority's management is responsible for the financial reporting to the Board of Commissioners. We are also responsible for purchasing and maintaining all operating equipment and supplies at our location.

The Authority's main office is located at 401 W. Landing Road, Blackwood, in the Chews Landing section of the Township, adjacent to the central maintenance garage and composting facility. All data processing, billing and administration are conducted at this location. Rules and Regulations, plus standards for operation and control, are maintained to regulate development and existing facilities.

For the fiscal year ending February 28, 2018, the Authority's net revenues were sufficient to satisfy the Authority's Bond Resolution requirement contained in Section 6.10. The Authority's ability to meet its Bond Resolution requirement for the last five fiscal years is the result of rate increases adopted in August, 2012. The increases were as follows: October 1, 2012 - \$41.00 to \$43.00 and January 1, 2014 - \$43.00 to \$46.00 for a total increase of \$5.00 per quarter.

## **FINANCIAL HIGHLIGHTS**

- 1) Governmental Accounting Standard Board (GASB) Statement Nos. 68 & 71** - During the fiscal year ended February 29, 2016, the Authority was required to implement Governmental Accounting Standard Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. In addition, the notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and the effects to the financial statements.
- 2) NJ Environmental Infrastructure Trust Loan – Series 2001A** On November 1, 2001, The Authority received a Wastewater Trust Infrastructure Loan, which enabled us to implement preventive measures in the repair of old lines and pump stations. These measures have kept our emergency repairs to a minimum. We borrowed 2.1 million dollars, of which half is interest free and the other half carries a 4% rate of interest. Although the Authority does not operate under any debt limitations, it is required to receive approval by Township resolution prior to issuing any new debt. The Authority has completed the slip-lining of some of the oldest lines in the Township and upgraded several pump stations. The Glen Oaks, College Drive, Girard Avenue and Cherrywood Pump Stations have all been completely renovated due to the funds received from this loan.

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

- 3) NJ Environmental Infrastructure Trust Loan – Series 2004A** The Authority applied for and received a second loan from the Trust totaling 4.1 million dollars. These funds were used for the following projects: fifteen new emergency generators, a new truck mounted hydraulic sewer cleaner with video inspection equipment, one central station, twenty-one remote telemetry units and slip-lining in Catalina Hills, Pine Run Interceptor and Prospect Avenue. This encompassed the rehab of 29,500 linear feet of gravity sewer mains. Manholes were slip-lined due to deterioration from hydrogen sulfide. The Black Horse Pike needed new manholes because they were too far apart and we needed to fill in the gaps. The following pumping stations were upgraded: Pine Run and Timber Cove. A new pumping station at Lincoln Drive was installed. The Authority had been band aiding the Pine Run Interceptor since 1985 with expensive emergency repairs. This preventive maintenance has been very cost effective.
- 4) NJ Environmental Infrastructure Trust Loan – Series 2008A** The Authority received a third loan from the Trust totaling 4.5 million dollars. The Authority has completed 100% of the work funded by the third loan. We slip-lined many areas in the Township that are thirty years old or more. The lines consisted of asbestos and concrete pipes, which were badly deteriorating. Work on slip-lining of all easements was completed; this included some properties with wooded and marshy areas behind homes. Laurel Hills, Tilford Road and Woods Lane Pumping Stations were the last to be rehabilitated. They are the latest pumping stations to convert to submersible Flygt Pumps. These conversions make the pumps more accessible and less hazardous to repair. The major difference is that instead of sending four men out for a problem, we only need one. A sorely needed project was a new Administration Building. The original building was very old and it would not be cost effective to renovate it. The Authority went out for bids and the project moved forward. The employees moved into the new building in May 2012. The Authority purchased a Compost Screener several years ago. This machine can screen three times the amount of compost per day than our old screener could. Since we are screening faster, we have the time to re-screen overs (waste material from screener). This procedure saves on disposal fees, trucking cost and increases our material available for sale. The Authority also purchased a new Compost Turner. This machine can turn a windrow (leaf & grass pile) in seven minutes. Our old turner needed two - twenty minute passes to complete. The process of turning windrows almost six times as fast enables us to turn more often. This all results in giving us a better product and gives our operators more time for site maintenance. Both of these pieces of equipment were acquired through the NJ Environmental Infrastructure Trust Loan – Series 2008A. The Township reimburses the Authority on a yearly basis for their share of the loan.
- 5) NJ Environmental Infrastructure Trust Loan – Series 2010A** The Authority applied for and received a fourth loan from the Trust totaling 2.2 million dollars. The projects were as follows: Pumping Station Installation and Rehab - Clementon Avenue submersible pump, including site work, pumps, control system, generator set, electrical work, etc. This is the very last station that was converted to the new submersible Flygt Pumps. Other Projects included were gravity sewer lines, wet well rehab, sanitary sewer CIPP and manhole rehab. One wet well was slip-lined at the Glen Oaks Pump Station, which included cleaning and coating of the wet well. The concrete deteriorates, so the epoxy coating protects the well from erosion that is incurred by gases. White Birch and the older sections of Glendora were all slip-lined up to the Front & Rowand Pumping Station discharge area. The Orr Road Pumping Station was upgraded with a new lined wet well, bypass pump, three vari-drives, three motors and a new Channel Monster. Slip-lining was completed for the Central Avenue Pumping Station sending district and the Glenn Avenue Pumping Station sending district.

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

- 6) **NJ Environmental Infrastructure Trust Loan – Series 2017A** The Authority settled on its fifth loan from the Trust totaling 1.295 million dollars during the fiscal year ending February 28, 2018. The projects were as follows: Sewer Vacuum Truck. This truck releases water pressure of approximately 75 gallons per minute into the manhole. The water flushes out the debris (stones, bottles, grease, sludge, etc.) that may be lodged in the pipe. The air vacuum system then sucks all the debris and pushes it into disposal bins. Regular cleaning of the lines ensures that we reside in an environmentally safe neighborhood. Another project is slip-lining. With this project, we were able to “sleeve” the older pipes in the Hydes Chemical Pumping Station discharge area and also several broken pipes in the Blackwood Estates Section without having to excavate a newly paved street. The last project is Pump Station Monitoring & Control Hardware & Software Upgrades. This project entails the installation of new SCADA (Supervisory Control and Data Acquisition) hardware/software. This equipment monitors, gathers and processes real-time data for our pumping stations. It helps maintain efficiency at our Pumping Stations and communicates to the staff any issues with keeping the sewage flowing. It also records any events into a log file.
- 7) **Sewer Charge Collection Rate** – The collection rate for fiscal year ending February 28, 2018 was 93.97%. Sewer rents were up approximately \$67,000.00.
- 8) **Connection Fees** – Connection fee revenue for fiscal year ending February 28, 2018 was \$260,925.00. This represents a 27.23% increase compared to last year. The increase was attributed to several large commercial entities connecting to the system during the fiscal year.
- 9) **Total Sewer Operating Revenue** – Operating revenue for fiscal year ending February 28, 2018 was \$5,814,759.62 which is an increase from last year’s amount of \$5,765,214.06.
- 10) **Total Sewer Operating Expenses** – For fiscal year ending February 28, 2018, operating expenses of \$3,540,349.63 were down from last year’s amount of \$3,574,739.48.
- 11) **Solid Waste Revenue** -The Authority operates a state-of-the-art composting facility that converts leaves and grass into high quality compost and topsoil that is sold to the public. Compost sales and tipping fees generated revenue totaling \$310,395.28, which is a decrease of \$49,545.56 from the previous fiscal year. The Authority also collects all of the recyclable materials in the Township. All of this is accomplished with a savings of more than a half million dollars per year to the Township.
- 12) **Total Capital Assets** -Total capital assets for fiscal year ending February 28, 2018 were \$70,164,179.43, which includes land, buildings, pipelines, pump stations, vehicles, equipment, alarms, telemetering, etc. Asset value, net of accumulated depreciation is \$45,970,705.34.
- 13) **1993 Debt Service** - As of February 28, 2018, the Authority has outstanding Revenue Bonds totaling \$750,000.00. The Authority’s Bond Resolution requires the Authority to generate “Net Revenues” that will exceed 110% of their current fiscal years’ Debt Service. For the fiscal year ending February 28, 2018, the percentage of “Net Revenues” to Debt Service was 170%. At the present time, other than the five (5) Wastewater Trust loans, this is our only major debt and it will be paid off on March 1, 2018.
- 14) **Interest Income** – For the fiscal year ending February 28, 2018, the Authority generated \$28,655.15 in interest income from investments. This was \$19,887.80 higher than fiscal year ending February 28, 2017.

## 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 include all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Authority follows the accrual method of accounting, 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 provide a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statements of cash flows provide a breakdown of the various sources of cash, which include operating activities, non-capital financing activities, capital and related financing activities and investing activities.

## FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total assets were \$56,522,530.36 on February 28, 2018. Total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are detailed below.

### Gloucester Township Municipal Utilities Authority Net Position

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>	<u>Restated Feb. 29, 2016</u>
Current Assets	\$ 8,955,933.48	\$ 7,578,662.60	\$ 8,336,026.24
Capital Assets (net of accumulated depreciation)	46,780,158.58	46,837,044.31	46,799,463.89
Other Assets	<u>786,438.30</u>	<u>858,207.16</u>	<u>878,817.04</u>
<b>Total Assets</b>	<b>56,522,530.36</b>	<b>55,273,914.07</b>	<b>56,014,307.17</b>
<b>Total Deferred Outflows of Resources</b>	<b>2,149,764.65</b>	<b>2,301,617.26</b>	<b>894,658.00</b>
Current Liabilities	3,777,866.97	3,491,891.93	3,019,825.99
Long-Term Liabilities	<u>13,378,675.89</u>	<u>14,605,255.04</u>	<u>13,983,110.39</u>
<b>Total Liabilities</b>	<b>17,156,542.86</b>	<b>18,097,146.97</b>	<b>17,002,936.38</b>
<b>Total Deferred Inflows of Resources</b>	<b>1,863,125.00</b>	<b>782,654.00</b>	<b>1,113,556.00</b>
Net Position			
Net Investment in Capital Assets	40,050,478.39	39,548,839.33	38,263,539.89
Restricted	2,832,254.25	3,651,504.24	4,010,080.85
Unrestricted	<u>(3,230,105.49)</u>	<u>(4,504,613.21)</u>	<u>(3,481,147.95)</u>
<b>Total Net Position</b>	<b>\$ 39,652,627.15</b>	<b>\$ 38,695,730.36</b>	<b>\$ 38,792,472.79</b>

The Authority realized operating income of \$1,371,338.82 for the current fiscal year and when combined with net non-operating revenues (expenses) of (\$414,442.03), net position increased by \$956,896.79.

**THE GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY  
REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>	<u>Restated Feb. 29, 2016</u>
Operating Revenues:			
Service Charges	\$ 5,409,858.78	\$ 5,342,847.05	\$ 5,356,328.50
Service Agreements (Twp.)	1,653,645.00	1,697,306.55	1,633,532.07
Connection Fees	260,925.00	205,075.00	497,740.00
Miscellaneous Charges	<u>454,371.12</u>	<u>579,034.01</u>	<u>502,923.31</u>
<b>Total Operating Revenues</b>	<b>7,778,799.90</b>	<b>7,824,262.61</b>	<b>7,990,523.88</b>
Operating Expenses	5,391,659.86	5,610,030.67	5,172,790.46
Depreciation Expense	<u>1,015,801.22</u>	<u>1,045,024.77</u>	<u>1,010,601.23</u>
<b>Total Operating Expenses</b>	<b>6,407,461.08</b>	<b>6,655,055.44</b>	<b>6,183,391.69</b>
<b>Operating Income</b>	<b>1,371,338.82</b>	<b>1,169,207.17</b>	<b>1,807,132.19</b>
Non-Operating Revenues (Expenses)			
Investment Income	28,655.15	8,767.35	3,454.12
Net Unemployment Claims	13,722.91	24,259.46	22,079.44
Bond Interest	(142,075.52)	(191,528.62)	(279,604.61)
Cancellation of Construction in Progress			(46,308.21)
Loan Issue Costs	(28,193.85)	(6,417.61)	
Excess Funds Transferred to Township		(450,000.00)	(203,881.20)
Net Reserve for System Improvements	55,972.75	(107,441.95)	(101,962.88)
Net Reserve for Payment of Debt	(416.40)	710.89	(16.56)
Per Township Agreement – Excess Funds			
Due to Township of Gloucester	(262,016.05)	(319,995.83)	
Refund of Prior Year Revenue			(38,560.00)
Additional Prior Year Expenses			(87,098.05)
Municipal Appropriation	(260,000.00)	(200,000.00)	
Cancellation of NJEIT Loan Receivable		(50,816.31)	
Cancellation of Accounts Payable	185,675.44		
Loss on Disposal of Fixed Assets	(2,255.06)	(83,245.63)	(1,762.82)
Prepaid Bond Insurance Expense	<u>(3,511.40)</u>	<u>(3,511.35)</u>	<u>(3,511.35)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(414,442.03)</b>	<b>(1,379,219.60)</b>	<b>(737,172.12)</b>
Developer's Contributions-Capital Assets	<u>-</u>	<u>113,270.00</u>	<u>-</u>
<b>Change in Net Position</b>	<b>956,896.79</b>	<b>(96,742.43)</b>	<b>1,069,960.07</b>
<b>Net Position, Beginning of Year</b>	<b>38,695,730.36</b>	<b>38,792,472.79</b>	<b>36,723,268.80</b>
<b>Net Position – End of Year</b>	<b>39,652,627.15</b>	<b>38,695,730.36</b>	<b>37,852,518.80</b>
<b>Restatement to Record Township Receivable Associated with Debt Service Agreement</b>	<u>-</u>	<u>-</u>	<u>939,953.99</u>
<b>Net Position – End of Year Restated</b>	<b><u>\$ 39,652,627.15</u></b>	<b><u>\$ 38,695,730.36</u></b>	<b><u>\$ 38,792,472.79</u></b>

## **OVERALL ANALYSIS**

Overall, the Authority is in a sound financial position due, in part, to the long-term goal of eliminating its reliance on connection fee revenue in order to meet its revenue obligations. It is felt that connection fees, particularly at the level the Authority has long been accustomed to, are winding down and at some future date, the Authority must be in a financial position to afford operating expenses, debt service and capital expenditures without a substantial portion of revenue dependent on connection fees.

Connection fee revenue in the current year increased from the prior year by \$55,850.00. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's sewer system. The Authority treats these payments as liabilities until issuing the developer a Certificate of Approval (CA) of their hookup into our system. Then the developer must acquire a Certificate of Occupancy (CO) from the Township. This release of a CA triggers the Authority's recognition of connection fee revenue and the property is subsequently billed for sewer charges.

The Authority operates very efficiently with minimal staffing. We have saved a substantial amount of money in the past few years by having high salaried employees retire. We did not replace most of them because we have a very hard working staff in place that has absorbed much of the extra work. The few positions that were filled were at lower entry salary levels. We have also saved money because our diligent workers provided the labor for some projects in lieu of hiring independent contractors. A few examples are a new manual transfer switch and electrical upgrade at the Wye Oaks Pumping Station, Muffin Monster replacement at the Orr Road Pumping Station, new generators installed at the Front & Woodland & Twin Streams Pumping Stations, upgrades at the LaCascata & Fay Ann Drive Pumping Stations, replacement of two (2) pumps at the Front & Woodland & Evesham Road Pumping Stations, wet wells relined at the Fay Ann Drive & Stephen Drive Pumping Stations and various pump replacements throughout the system. We also purchased a portable by-pass pump to be used when we need to redirect flow during emergency repairs.

We purchased two (2) new pick-up trucks and four (4) portable 10-ton lifts for the garage to better service our vehicles.

Our sewer cleaning crew cleaned 49 miles of pipe, with 31 main blockages cleared. Thirty-five miles of internal pipelines were televised. We repaired 2 main breaks, 7 laterals and 6 manholes. These saving measures all help in keeping the sewer charges as low as possible.

The Authority slip-lined the aging sanitary sewage line in the Pine Run Pumping Station discharge area. These pipes were over 50 years old. The Authority also hired a contractor to upgrade the Scada system for pumping station monitoring and control.

The Authority has 51 Pumping Stations, which are checked, maintained and serviced by Authority staff daily. All force main locations are marked in order to get to them faster in an emergency and are inspected yearly. The Authority Personnel also performed the following services this year: Emergency callouts, most of which are outside of normal working hours, inspected new sewer main & laterals, maintenance of vehicles, repaired generators & pumps, reviewed proposed pumping stations and design. Service calls are provided to our users seven days a week, 24 hours a day for sewer back-ups. Last year alone, we performed approximately 1,000 service calls, which save the Township residents money by not having to contact a plumber. The staff also performs markouts to ensure that other contractors working on other facilities do not hit our sanitary sewer lines.

## **OVERALL ANALYSIS (CONT'D)**

All Authority collection system staff are trained in various safety programs and attend seminars to keep up with the latest technology throughout the year.

The Authority also changed its health care plan sixteen years ago from a private provider to the State of New Jersey Health Care Plan for an initial cost savings of \$100,000.00 per year. The Authority is complying with Chapter 78, P.L. 2011, which mandates that local government employees pay a portion of their healthcare cost.

The Authority has a very old sewer system. Some of our lines were put in as early as 1958. The original pipe that was installed was asbestos clay and terracotta. House connections (laterals) were orangeburg and that was not much better than heavy tar-paper rolled up to make a pipe. Over the years, these pipes have deteriorated badly and need to be replaced. In order to do this, utilizing conventional methods, the street would have to be dug up, the lines replaced with PVC pipe and then the street filled in and repaved. This is a very costly measure. The Authority found a better, less expensive method called slip-lining. This procedure is done by creating a bypass to the existing line of flow. Then a heavy canvass bag is inserted in the old line and pulled through to the other end. It is then heated to a very high temperature, cooled for several hours and it hardens to the same diameter as the old pipe. This procedure has been very successful and has a 50-year warranty. All this is done without tearing up the street and replacing it. In the past, pipes would deteriorate, the street would collapse and total restoration would have to be implemented. Obviously, it is easier and accomplished at a much lower cost than the old methods.

The U.S. Environmental Protection Agency and the Gems Landfill Trust are using the public sewer system as a vehicle for removing groundwater from the Superfund site, despite the possibility that the groundwater could be contaminated with radioactive uranium, radium and other pollutants. The DEP and "Gems Superfund" contended that the water was now at "Drinking Water Standards".

The Authority believed that the groundwater might still be contaminated with radioactive material. The Authority maintains that the safety of their employees is the top priority, as they are the ones who have to monitor, maintain and repair the pump stations that will be handling this water. As a result, the employees had to take HAZMAT courses and they need to wear badges that will detect levels of radiation. They need portable meters and preventive safety gear, such as boots, gloves and protective suits. The Camden County MUA performs monthly tests on the groundwater before it is discharged into the closest pumping station, which is located in Erial. The Authority collects user fees of approximately \$12,500.00 per year. These funds are used for the purchase of all the safety equipment noted above. Testing is still performed regularly and on a positive note, after eleven (11) full years of reporting, there are still no problems and Gems has met their Industrial Discharge Monitoring standards.

The Authority's recycling, grass/leaf collection and composting facility have become enormously successful. In 2017, we collected 10,067 tons of recyclables/vegetative waste and the total amount of materials that Gloucester Township accepted at our facility was 15,171 tons. If a private contractor had taken this to a landfill, the cost to the Township would have exceeded \$1,000,000.00 plus collection costs. The Authority has been accepting leaves and grass clippings from twenty (20) neighboring communities, who are paying us a tipping fee of \$3.00 per cubic yard for leaves and \$8.00 for a cubic yard of grass.

## **OVERALL ANALYSIS (CONT'D)**

The Authority also accepts material from landscapers for a charge of \$5.00 per cubic yard for leaves and \$10.00 per cubic yard for grass. Revenue was \$128,344.00 from this source in our fiscal year ending February 28, 2018. This added income lowers the Authority's operational costs as well as provides us with another source of income from selling compost derived from other community's waste co-mingled with ours.

Expanding this and other revenue producing endeavors is high on our list of priorities. The composting program processes grass and leaves only. Composting of yard waste is done on-site by Authority employees. Revenue from the sale of compost was \$181,961.28 in our fiscal year ending February 28, 2018. Total Revenue for all three (3) programs was \$310,395.28. Additional fees would be added to the Trash Collection Fees paid by the Township, if the Authority were not collecting grass and leaves. That figure could be well over \$300,000.00 a year for collection and \$370,000.00 for disposal. If these programs were implemented privately, additional costs and fees would be well over \$800,000.00 a year. After operational costs are factored in, we realize a savings of over \$1.2 million yearly.

Since the Camden County M.U.A. took over the treatment of our wastewater several years ago, we feel that the Gloucester Township M.U.A. has been very innovative in finding other avenues of responsibility and revenue to support them. We are always looking for ways to improve the Authority in order to better serve our community.

## **BUDGET VARIANCES**

The Authority expended 84.17% of its \$3,968,936.00 Sewer operating budget with a few variances. It expended 86.85% of its \$1,944,210.00 Solid Waste operating budget with several variances. The Authority was not required to amend its fiscal year ending February 28, 2018 budgets. The percentage of amount expended to amount budgeted compares favorably to past years budgets.

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

During the current fiscal year, the Authority expended \$1,123,948.01 from its Renewal & Replacement Fund for capital activities. \$162,777.46 was classified as repairs/other expenses and charged as operating expenses. During the current year, the Authority disbursed \$961,170.55 for capital assets. Purchases include pump replacements at various pumping stations, camera for 4-inch laterals, bypass chamber @ Pierce Battery Pumping Station, upgrade to Wye Oaks Electrical System and several pumping stations were upgraded.

The more significant disbursements were for sewer system rehabilitation and pumping station upgrades. These projects were funded by the NJDEP Environmental Infrastructure Trust Loans – Series 2001A, 2004A, 2008A, 2010A and 2017A. The result of these major improvements is being felt already. Our major emergency repairs were down from past fiscal years as a result of slip-lining and pumping station upgrades. The lines presently consist of asbestos and terracotta, which are badly deteriorating and at the end of their serviceable life and are subject to hydrogen gases. The Authority is planning for continuation of slip-lining and various other improvements. Future improvements include: Prospect Avenue Force Main, Orr Road Gravity Sewer to Pumping Station, Glen Oaks Pumping Station Rehabilitation/Replacement, Miscellaneous Generator Replacements, Force Main Condition Testing, Force Main Locations (GIS), Gravity System Locations (GIS), Sewer Rehabilitation – Gravity Main and Lateral Lining.

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

All of these improvements will help the Authority to serve the public in a safer, more efficient capacity.

The fiscal year ending February 28, 2018 sewer & solid waste capital budgets and five-year capital programs are \$1,938,000.00 and \$9,680,500.00 respectively. The major line items of the capital budget are:

1) Emergency Repairs	\$ 75,000.00
2) Equipment Replacement	100,000.00
3) Telemetry	530,000.00
4) Standby Generators	100,000.00
5) Sewer Rehab Program	100,000.00
6) Buildings & Grounds	25,000.00
7) Computer Upgrade	10,000.00
8) Electrical Upgrade	3,000.00
9) Pump Station Upgrades	250,000.00
10) Maintenance Equipment/Repairs	50,000.00
11) Administration Building	15,000.00
12) Record Maintenance	15,000.00
13) Health & Safety	5,000.00
14) Vehicles	125,000.00

These projects are currently underway at different stages in the process.

Looking at the five-year Capital Program, two projects should be mentioned because these are the projects that we are actively pursuing.

1) Sewer Rehab Program	FY 19	\$500,000.00
2) Pump Station Upgrades	FY 19	350,000.00

In any planning that is done by the Authority, these projects must be included as part of the capital budget. They are essential projects that will have an effect on the operation of our sewer facilities. The two projects are set up to upgrade and renew our aging lines and pump stations. We have been reaping the benefits of the five (5) trust loans by seeing a major drop in emergency repairs. This is because we were able to upgrade several pump stations and implement slip-lining of the Sewer lines, which we have discussed in detail in our Overall Analysis. The second, third, fourth and fifth trust loans have given the Authority more than double the financial relief from emergency repairs and hopefully this trend will continue.

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

This financial report is designed to provide New Jersey, Gloucester Township residents and in particular, 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 information, contact the Authority at The Gloucester Township Municipal Utilities Authority, 401 W. Landing Road, P.O. Box 216, Glendora, NJ 08029 or visit our website at: [www.gtmua.com](http://www.gtmua.com).

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Comparative Statements of Net Position  
As of February 28, 2018 and 2017

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>
<b>ASSETS</b>		
Current Assets:		
Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 2,236,569.31	\$ 3,769,889.69
Consumer Accounts Receivable	351,726.18	424,801.15
Refunds Receivable	9,645.84	47,986.21
Other Accounts Receivable	37,641.15	58,920.39
Due from Township of Gloucester	154,183.71	48.00
Prepaid Expenses	123,189.31	104,854.20
	2,912,955.50	4,406,499.64
Total Unrestricted Assets		
Restricted Assets:		
Debt Service Account:		
Cash and Cash Equivalents	1,359,242.37	929,638.62
Debt Service Reserve Account:		
Cash and Cash Equivalents	147,493.85	919,623.58
Renewal and Replacement Account:		
Cash and Cash Equivalents	3,527,285.17	986,271.88
Due from New Jersey Environmental Infrastructure Trust	579,766.00	
Due from Township of Gloucester - Restricted for Debt Service	64,679.24	62,933.38
Prepaid Bond Insurance Expense		3,511.40
Other Accounts:		
Cash and Cash Equivalents	364,511.35	270,184.10
	6,042,977.98	3,172,162.96
Total Restricted Assets		
Total Current Assets	8,955,933.48	7,578,662.60
Noncurrent Assets:		
Capital Assets:		
Construction in Progress	809,453.24	880,425.06
Completed (Net of Accumulated Depreciation)	45,970,705.34	45,956,619.25
	46,780,158.58	46,837,044.31
Total Capital Assets		
Other Assets:		
Due from Township of Gloucester - Restricted for Debt Service	786,438.30	858,207.16
	786,438.30	858,207.16
Total Assets	56,522,530.36	55,273,914.07
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding of Loan Related to Pensions	119,752.65	130,639.26
	2,030,012.00	2,170,978.00
Total Deferred Outflows of Resources	2,149,764.65	2,301,617.26

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Net Position

As of February 28, 2018 and 2017

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 173,897.75	\$ 180,934.37
Accounts Payable--Related to Pensions	240,864.00	213,428.00
Prepaid Rental Charges	993,058.20	892,124.98
Overpayments	5,698.89	
Unearned Revenue	2,198.43	2,158.76
Compensated Absences	28,798.06	35,064.00
Accrued Liabilities	26,497.60	50,803.56
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	1,471,012.93	1,374,513.67
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	85,273.50	272,493.14
Serial Bonds Payable--Current Portion	750,000.00	710,000.00
Accounts Payable--Due to Township of Gloucester N. J. Environmental Infrastructure Loans	522,016.05	319,995.83
Payable -- Current Portion	721,621.98	646,501.95
Accrued Bond and Loan Interest Payable	33,716.25	54,030.53
Accrued Liabilities	8,710.60	8,710.60
Escrow Deposits	185,515.66	105,646.21
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	2,306,854.04	2,117,378.26
Long-term Liabilities:		
Serial Bonds Payable		750,000.00
N. J. Environmental Infrastructure Loans Payable	6,755,485.16	6,233,482.83
Net Pension Liability	6,052,429.00	7,115,294.00
OPEB Liability	289,985.02	254,473.66
Accrued Liabilities--Related to Pension	160,576.00	142,285.00
Compensated Absences	120,200.71	109,719.55
	<hr/>	<hr/>
Total Long-term Liabilities	13,378,675.89	14,605,255.04
	<hr/>	<hr/>
Total Liabilities	17,156,542.86	18,097,146.97
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Connection Fee Revenue	269,920.00	265,245.00
Related to Pensions	1,593,205.00	517,409.00
	<hr/>	<hr/>
Total Deferred Inflows of Resources	1,863,125.00	782,654.00
	<hr/>	<hr/>

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**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Net Position  
 As of February 28, 2018 and 2017

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 40,050,478.39	\$ 39,548,839.33
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	153,025.84	925,458.34
Renewal and Replacement	500,000.00	500,000.00
Operating Requirement	1,822,611.00	1,938,707.75
Reserve for Payment of Bond Principal and Interest	523.02	939.42
Unemployment Claims	177,905.27	164,182.36
Reserve for System Upgrades	178,189.12	122,216.37
	2,832,254.25	3,651,504.24
Unrestricted	(3,230,105.49)	(4,504,613.21)
Total Net Position	\$ 39,652,627.15	\$ 38,695,730.36

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

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended February 28, 2018 and 2017

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>
Operating Revenues:		
Service Charges	\$ 5,409,858.78	\$ 5,342,847.05
Service Agreements	1,653,645.00	1,697,306.55
Connection Fees	260,925.00	205,075.00
Miscellaneous Charges	454,371.12	579,034.01
	<hr/>	<hr/>
Total Operating Revenues	7,778,799.90	7,824,262.61
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	600,328.27	531,661.54
Fringe Benefits	497,680.44	423,216.07
Other	294,826.90	310,486.72
	<hr/>	<hr/>
	1,392,835.61	1,265,364.33
Cost of Service:		
Salaries and Wages	1,657,924.81	1,592,204.38
Fringe Benefits	1,132,679.81	1,446,071.95
Other	1,045,442.17	950,839.45
	<hr/>	<hr/>
	3,836,046.79	3,989,115.78
Major Repairs and Other Expenses	162,777.46	355,550.56
Depreciation	1,015,801.22	1,045,024.77
	<hr/>	<hr/>
Total Operating Expenses	6,407,461.08	6,655,055.44
Operating Income	<hr/>	<hr/>
	1,371,338.82	1,169,207.17
Non-operating Revenue (Expenses):		
Investment Income	28,655.15	8,767.35
Net Unemployment Claims	13,722.91	24,259.46
Loss on Disposal of Capital Assets	(2,255.06)	(83,245.63)
Excess Funds Transferred to Township		(450,000.00)
Net Reserve for System Improvements	55,972.75	(107,441.95)
Net Reserve for Payment of Bond		
Principal and Interest	(416.40)	710.89
Bond and Loan Interest	(142,075.52)	(191,528.62)
Per Township Agreement - Excess Funds		
Due to Township of Gloucester	(262,016.05)	(319,995.83)
Municipal Appropriation	(260,000.00)	(200,000.00)
Loan Issue Costs	(28,193.85)	(6,417.61)
Cancellation of N.J.E.I.T. Loan Receivable		(50,816.31)
Cancellation of Accounts Payable	185,675.44	
Prepaid Bond Insurance Expended	(3,511.40)	(3,511.35)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(414,442.03)	(1,379,219.60)
Income (Loss) Before Contributions (Carried Forward)	<hr/>	<hr/>
	956,896.79	(210,012.43)

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended February 28, 2018 and 2017

	<u>Feb. 28, 2018</u>	<u>Feb. 28, 2017</u>
Income (Loss) Before Contributions (Brought Forward)	\$ 956,896.79	\$ (210,012.43)
Contributions -- Capital Assets	-	113,270.00
Change in Net Position	<u>956,896.79</u>	<u>(96,742.43)</u>
Net Position - Beginning, As Originally Stated	38,695,730.36	37,852,518.80
Restatement (See Note 12)	-	939,953.99
Net Position - Beginning, As Restated	<u>38,695,730.36</u>	<u>38,792,472.79</u>
Net Position, End of Year:		
Net Investment in Capital Assets	\$ 40,050,478.39	\$ 39,548,839.33
Restricted	\$ 2,832,254.25	\$ 3,651,504.24
Unrestricted	<u>\$ (3,230,105.49)</u>	<u>\$ (4,504,613.21)</u>

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

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Cash Flows  
 For the Fiscal Years Ended February 28, 2018 and 2017

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 5,961,695.32	\$ 5,651,395.82
Receipts from Township	1,577,032.00	2,002,084.00
Payments to Suppliers	(2,953,923.76)	(2,994,333.64)
Payments to Employees	(2,258,253.08)	(2,123,865.92)
Other Operating Receipts	369,160.57	453,943.65
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	2,695,711.05	2,989,223.91
Cash Flows from Noncapital Financing Activities:		
Planning Escrow Activity	80,959.87	(51,132.89)
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
N.J.E.I.T. Loan Proceeds	712,234.00	
Capital Acquisitions	(907,961.31)	(1,052,580.82)
Developer's Contributions - System Upgrades	55,972.75	(107,441.95)
Excess Funds Transferred to Township	(319,995.83)	(450,000.00)
Municipal Appropriation		(200,000.00)
Interest Earned on Investments - Reserved to Pay Debt Service	43,583.60	25,710.89
Debt Service:		
Principal	(1,411,078.21)	(1,313,426.58)
Interest	(217,496.47)	(247,960.52)
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(2,044,741.47)	(3,345,698.98)
Cash Flows from Investing Activities:		
Interest on Investments	27,564.73	8,411.82
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	759,494.18	(399,196.14)
Cash and Cash Equivalents--Beginning	6,875,607.87	7,274,804.01
	<hr/>	<hr/>
Cash and Cash Equivalents--Ending	\$ 7,635,102.05	\$ 6,875,607.87
	<hr/>	<hr/>

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**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Cash Flows  
 For the Fiscal Years Ended February 28, 2018 and 2017

	<u>Feb. 28, 2018</u>	<u>Restated Feb. 28, 2017</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,371,338.82	\$ 1,169,207.17
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,015,801.22	1,045,024.77
Pension Liability Expense - GASB 68	199,624.00	375,777.00
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	73,074.97	49,386.31
(Increase) Decrease in Due from Township	(154,135.71)	285,964.00
(Increase) Decrease in Refunds Receivable	38,340.37	(14,865.57)
(Increase) Decrease in Other Accounts Receivable	21,279.24	(22,319.62)
(Increase) Decrease in Prepaid Expenses	(18,335.11)	7,471.15
(Increase) Decrease in Due from Township - Restricted for Debt Service	70,023.00	18,813.45
Increase (Decrease) in Accounts Payable	(61,790.06)	105,347.18
Increase (Decrease) in Prepaid Rents	100,933.22	58,528.21
Increase (Decrease) in Overpayments	5,698.89	
Increase (Decrease) in Unearned Revenue	39.67	38.51
Increase (Decrease) in Deferred Connection Fee Revenue	4,675.00	(107,250.00)
Increase (Decrease) in Accrued Liabilities	(24,305.96)	21,560.38
Increase (Decrease) in OPEB Liability	35,511.36	38,475.59
Increase (Decrease) in Reserve for Unemployment Claims	13,722.91	24,259.46
Increase (Decrease) in Compensated Absences Payable	4,215.22	(66,194.08)
Net Cash Provided by Operating Activities	<u>\$ 2,695,711.05</u>	<u>\$ 2,989,223.91</u>

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

## GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements

For the Fiscal Years Ended February 28, 2018 and 2017

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

The financial statements of the Gloucester Township Municipal Utilities 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 Township of Gloucester (the "Township") is located in the western portion of the County of Camden, approximately 15 miles southeast of Philadelphia, Pennsylvania and 59 miles south of Trenton, New Jersey, and is bounded by the Borough of Runnemede on the north, the Boroughs of Lindenwold, Stratford and Pine Hill on the east, Winslow Township on the south and Deptford Township on the west.

The Township, by ordinance dated October 6, 1958 and amended November 29, 1963, created the Gloucester Township Municipal Utilities Authority (the "Authority"). The Authority is organized under P.L. 1957 C.183 of the laws of the State of New Jersey (the Act). The Act grants power to every municipality of the State by means and through agency of a municipal utilities authority to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewage or other wastes. A seven-member board governs the Authority. The Township Council appoints members of the Board for five-year terms on a staggered basis. The members of the Board oversee the Authority's operations.

The Authority operates and maintains a sewage collection system within the municipal boundaries of the Township. The sewerage is then passed on to the Camden County Municipal Utilities Authority (CCMUA) system. The CCMUA in turn is responsible for the treatment of all waste materials.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Under its solid waste department, the Authority provides curbside recycling for the Township under an Intra-Local Service agreement that is executed annually detailing the arrangements with the Township. In addition to its curbside recycling, the Authority collects grass and leaves throughout the Township and receives grass and leaves from other municipalities within the County at a compost facility that is operated and maintained by the Authority.

#### **Component Unit**

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

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

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

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 Gloucester.

**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 (sewer and solid waste) 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. Sewer and solid waste 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 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 year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond and loan issue costs, bond and loan premiums, 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 year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Cash, Cash Equivalents and Investments**

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

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 Authority's fiscal year end.

**Capital Assets**

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

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the 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 & Improvements	30-40
Major Moveable Equipment	5-20
Vehicles	7
Infrastructure	40

Assets are recorded during the year by acquisition date and depreciation is calculated monthly from that date forward.

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

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

**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 deferred outflows of resources reported in this fiscal year's financial statements are a deferred amount arising from a loss on refunding of the Authority's 2008 New Jersey Environmental Infrastructure Trust loan by the Trust 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 loan 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 a future periods. Deferred inflows of resources are reported in the Authority's Comparative Statements of Net Position for connection fees received prior to providing 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 are 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 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.

**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 facility charges (i.e., sewer service and solid waste revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts, net unemployment claims and deposits for system improvements.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system, solid waste operations and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and amounts payable to the Township of Gloucester.

**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)****Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended February 28, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority's financial statements.

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

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

Lastly, the Authority adopted GASB Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption this Statement had no impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

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

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Authority in the fiscal year ending February 28, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the fiscal year ending February 29, 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. 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 February 29, 2020. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The Statement will become effective for the Authority in the fiscal year ending February 28, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement will become effective for the Authority in the fiscal year ending February 28, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending February 28, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement will become effective for the Authority in the fiscal year ending February 29, 2020. Management has not yet determined the impact of this Statement on the financial statements.

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

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

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the 1993 Bond Resolution. A summary of the activities of each account created by the Bond Resolution is covered below.

**Revenue Account** - All revenues collected by the Authority are required to be deposited in the Revenue Account. A balance equal to an amount for operating expenses for the ensuing three months is maintained in the Revenue Account. In each quarter commencing with February 15th of each year the Trustee to the extent that monies are available, is required to transfer or credit to the following accounts: Operating, Sinking/Debt Service, Debt Service Reserve and Renewal and Replacement.

**Sinking Account** - Required sinking account installments of the Revenue Bonds, Series 1993 are deposited in this account. The Trustee may apply moneys on deposit to the redemption of 1993 Bonds, maturing March 1, 2018.

**Debt Service Account** - This fund is maintained to pay maturing interest and principal on the 1993 Revenue Bonds and the New Jersey Environmental Infrastructure Trust Loans of the Authority. On or before February 15, May 15, August 15 and November 15 amounts equal to a pro rata portion of the Debt Service Requirement for the immediately ensuing Interest Payment Date plus a pro rata portion of the amount necessary to pay the maturing Bond and Loan principal should be deposited from the Revenue Account into this Account.

**Debt Service Reserve Account** - The amount of funds on deposit must be maintained at a level equal to the maximum annual debt service of all the series of bonds and the 2001 New Jersey Environmental Infrastructure Loans then outstanding. In accordance with the Authority's bond resolution, an amount totaling \$153,025.84 was restricted by the Authority and deposited with the Authority's trustee. This amount satisfies the debt service reserve requirement.

Funding of the debt service reserve requirement for the 2004 New Jersey Environmental Infrastructure Loans has been provided by the New Jersey Environmental Infrastructure Trust. The debt service reserve fund contribution for the 2004 loan was \$178,776.61. These funds were deposited with an agent for the Trust and will be returned to the Trust upon maturity of the loans. The 2008 loan, refunded by the 2016 loan, the 2010 loan and 2017 loan were issued as subordinate debt under the General Bond Resolution and shall be payable out of and secured by a subordinate pledge of gross revenues and there was no deposit required into the Debt Service Reserve Fund.

**Renewal and Replacement Account** - All excess funds of the Authority are recorded in the Renewal and Replacement account. Amounts may be withdrawn from this account for costs necessary with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Funds on deposit must be equal to the System Reserve Requirement, currently established at \$500,000.00. The System Reserve Requirement is established by the Consulting Engineer's Certificate most recently filed with the Trustee or five percent of the Gross Revenues set forth in the Authority's then-current budget.

**Construction Account** - The Construction account is designated as depository for moneys from any source including proceeds from the sale of additional bonds for the construction or acquisition to the system. All moneys in the Construction account are pledged to secure the principal or redemption price and interest on the Bonds. Currently, there is no balance or required balance for the Construction Account.

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

**Rebate Account** - This account was established for the purpose of paying to the United States any rebatable arbitrage. All amounts in this account shall be held by the Trustee free and clear of any liens created by the Bond resolution. Currently, there is no balance or required balance for the rebate account.

**Other Restricted Accounts** - In addition to those accounts required by the trust indentures, an escrow fund and an unemployment trust account are maintained to hold monies that are being held in trust for others.

**Debt Service Coverage**

Section 6.10 of the 1993 Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with this covenant is calculated as follows:

	<u>Bond Year Ending March 1</u>	
	<u>2018</u>	<u>2017</u>
<u>1993 Revenue Bond Resolution</u>		
Operating Revenue	\$ 7,778,799.90	\$ 7,824,262.61
Interest Revenue	<u>28,655.15</u>	<u>8,767.35</u>
Total Revenues	<u>7,807,455.05</u>	<u>7,833,029.96</u>
Operating Expenses:		
Administrative	1,392,835.61	1,265,364.33
Cost of Service	<u>3,836,046.79</u>	<u>3,989,115.78</u>
Total Operating Expenses	<u>5,228,882.40</u>	<u>5,254,480.11</u>
Excess of Revenues	2,578,572.65	2,578,549.85
110% of Current Fiscal Year's Annual Debt Service Requirement	<u>1,715,186.44</u>	<u>1,666,824.51</u>
Excess of Revenues	<u>\$ 863,386.21</u>	<u>\$ 911,725.34</u>
Percentage of Net revenues to Debt Service	165%	170%

The ratio for bond years ending March 1, 2018 and 2017 meets the required debt service coverage of 110% required under the 1993 Bond Resolution. The bond years ending March 1, 2018 and 2017 include the Authority's five New Jersey Environmental Infrastructure Loans.

**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 February 28, 2018 and 2017, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Insured by FDIC	\$ 500,000.00	\$ 500,000.00
Insured by GUDPA	<u>7,117,884.84</u>	<u>6,386,451.08</u>
Total Bank Balance	<u>\$7,617,884.84</u>	<u>\$6,886,451.08</u>

**Service Fees**

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 424,801.15	\$ 5,409,858.78	\$ 5,482,933.75	93.97%
2017	474,187.46	5,342,847.05	5,392,233.36	92.70%
2016	411,131.70	5,356,328.50	5,293,272.74	91.78%

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

During the fiscal year ended February 28, 2018, the following changes in Capital Assets – Completed occurred:

	Balance Feb. 28, 2017	Additions	Disposals	Balance Feb. 28, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 214,000.00	\$ -	\$ -	\$ 214,000.00
Capital Assets Being Depreciated:				
Buildings and Improvements	2,352,538.87	6,977.00		2,359,515.87
Moveable Equipment	1,994,143.87	77,620.87	13,996.18	2,057,768.56
Vehicles	1,694,871.16	29,759.00		1,724,630.16
Infrastructure	62,890,479.34	917,785.50		63,808,264.84
Total Capital Assets Being Depreciated	68,932,033.24	1,032,142.37	13,996.18	69,950,179.43
Total Capital Assets	69,146,033.24	1,032,142.37	13,996.18	70,164,179.43
Less: Accumulated Depreciation	23,189,413.99	1,015,801.22	11,741.12	24,193,474.09
	\$ 45,956,619.25	\$ 16,341.15	\$ 2,255.06	\$ 45,970,705.34

During the fiscal year ended February 28, 2017, the following changes in Capital Assets – Completed occurred:

	Balance Feb. 29, 2016	Additions	Disposals	Balance Feb. 28, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 214,000.00	\$ -	\$ -	\$ 214,000.00
Capital Assets Being Depreciated:				
Buildings and Improvements	2,292,485.19	74,167.50	14,113.82	2,352,538.87
Moveable Equipment	2,233,460.61	18,182.26	257,499.00	1,994,143.87
Vehicles	1,385,081.66	428,103.50	118,314.00	1,694,871.16
Infrastructure	62,492,692.10	420,397.56	22,610.32	62,890,479.34
Total Capital Assets Being Depreciated	68,403,719.56	940,850.82	412,537.14	68,932,033.24
Total Capital Assets	68,617,719.56	940,850.82	412,537.14	69,146,033.24
Less: Accumulated Depreciation	22,473,680.73	1,045,024.77	329,291.51	23,189,413.99
	\$ 46,144,038.83	\$ (104,173.95)	\$ 83,245.63	\$ 45,956,619.25

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

In May 2016, the New Jersey Environmental Infrastructure Trust (N.J.E.I.T.) refunded \$1,260,000.00 of the Authority's 2008 N.J.E.I.T. Trust Loan. The N.J.E.I.T. issued \$1,132,000.00 in 2016 bonds, along with a premium totaling \$275,943.48, of which \$1,400,697.77 was used to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt and pay associated debt issue costs. As a result, the refunded loan is considered to be defeased and the liability has been removed from the financial statements. At February 28, 2018, \$1,260,000.00 of 2008 N.J.E.I.T. loan outstanding is considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$141,525.87. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations as a component of interest expense over the life of the refunding bonds using a systematic and rational method. The advance refunding was undertaken to reduce total debt payments over the next 12 fiscal years by \$233,576.39 and to obtain a present value economic gain of \$212,852.15.

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

During the fiscal year ended February 28, 2018, the following changes occurred in long-term obligations:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>February 28, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>February 28, 2018</b>	<b>One Year</b>
<b>Bonds and Loans Payable:</b>					
Bonds Payable	\$ 1,460,000.00		\$ (710,000.00)	\$ 750,000.00	\$ 750,000.00
NJEIT Loans	6,625,267.72	\$ 1,295,000.00	(696,078.21)	7,224,189.51	721,621.98
<b>Total Bonds and Loans Payable</b>	<b>8,085,267.72</b>	<b>1,295,000.00</b>	<b>(1,406,078.21)</b>	<b>7,974,189.51</b>	<b>1,471,621.98</b>
<b>Other Liabilities</b>					
Net Pension Liability	7,115,294.00		(1,062,865.00)	6,052,429.00	
Net OPEB Obligation	254,473.66	35,511.36		289,985.02	
Other Liabilities -					
Related to Pension	142,285.00	18,291.00		160,576.00	
Compensated Absences	144,783.55	39,279.22	(35,064.00)	148,998.77	28,798.06
<b>Total Other Liabilities</b>	<b>7,656,836.21</b>	<b>93,081.58</b>	<b>(1,097,929.00)</b>	<b>6,651,988.79</b>	<b>28,798.06</b>
<b>Total Long Term Liabilities</b>	<b>\$ 15,742,103.93</b>	<b>\$ 1,388,081.58</b>	<b>\$(2,504,007.21)</b>	<b>\$ 14,626,178.30</b>	<b>\$ 1,500,420.04</b>

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Long-term Liabilities (Cont'd)**

During the fiscal year ended February 28, 2017, the following changes occurred in long-term obligations:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>February 29, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>February 28, 2017</b>	<b>One Year</b>
Bonds and Loans Payable:					
Bonds Payable	\$ 2,135,000.00		\$ (675,000.00)	\$ 1,460,000.00	\$ 710,000.00
NJEIT Loans	7,391,694.30		(766,426.58)	6,625,267.72	646,501.95
<b>Total Bonds and Loans Payable</b>	<b>9,526,694.30</b>	<b>\$ -</b>	<b>(1,441,426.58)</b>	<b>8,085,267.72</b>	<b>1,356,501.95</b>
Other Liabilities					
Net Pension Liability	5,259,535.00	1,855,759.00		7,115,294.00	
Net OPEB Obligation	215,998.07	38,475.59		254,473.66	
Accrued Liabilities -					
Related to Pension	134,289.00	7,996.00		142,285.00	
Compensated Absences	210,977.63		(66,194.08)	144,783.55	35,064.00
<b>Total Other Liabilities</b>	<b>5,820,799.70</b>	<b>1,902,230.59</b>	<b>(66,194.08)</b>	<b>7,656,836.21</b>	<b>35,064.00</b>
<b>Total Long Term Liabilities</b>	<b>\$ 15,347,494.00</b>	<b>\$ 1,902,230.59</b>	<b>\$(1,507,620.66)</b>	<b>\$ 15,742,103.93</b>	<b>\$ 1,391,565.95</b>

**Compensated Absences**

Authority employees are entitled to fifteen (15) paid sick leave days each year. Unused sick leave may be accumulated and carried forward to subsequent years, up to a maximum of forty-five (45) days. Vacation days not used during the year may not be accumulated and carried forward; however, employees have until March 31 of the succeeding year to use any unused vacation days from the prior year. Authority employees are permitted to sell back a maximum of fifteen sick days a year. Upon separation in good standing or retirement from the Authority, the employee may sell back up to forty-five accumulated sick days at the time of departure or retirement. Any employee hired after March 1, 2010 shall be limited to thirty (30) days upon separation of service or retirement. The payout at the time of separation or retirement shall be paid at the salary level in effect for the employee at that time.

Authority employees are also entitled to compensatory time, which is defined as paid time away from the job that is earned and accrued by an employee in lieu of cash payment for overtime, which is accrued at the rate of no less than one and one half hours of compensatory time for each hour of overtime worked. Accrued compensatory time can be paid out at time of good separation or retirement from Authority. Employees cannot accrue more than 240 hours of compensatory time, and any employee engaged in public safety activity, emergency response activity, or seasonal activity cannot accrue more than 480 hours of compensatory time. The accrued liability for accumulated sick time and compensatory time at February 28, 2018 and 2017 is estimated at \$148,998.77 and \$144,783.55, respectively.

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

**Vesting and Benefit Provisions**

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)****Public Employees' Retirement System (Cont'd)**

The following represents the membership tiers for PERS:

**Tier    Definition**

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

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

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

**Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 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 rates for the fiscal years ended February 28, 2018 and 2017 were 12.74% and 11.75% of the Authority's covered payroll. These amount were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Contributions (Cont'd)****Public Employees' Retirement System (Cont'd)**

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 February 28, 2018 is \$240,864.00, and is payable by 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 February 28, 2017 was \$213,428.00, which was paid on April 1, 2017. Employee contributions to the Plan during the fiscal year ended February 28, 2018 were \$138,074.77.

Based on the most recent PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the fiscal year ended February 28, 2017 is \$213,428.00, and is payable by April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the fiscal year ended February 29, 2016 was \$201,434.00, which was paid on April 1, 2016. Employee contributions to the Plan during the fiscal year ended February 28, 2017 were \$132,533.87.

**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's contribution amounts for each pay period, 3% of the employees' base salary, are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended February 28, 2018, employee contributions totaled \$339.02, and the Authority's contributions were \$130.56. For the fiscal years ended February 28, 2017 and February 29, 2016, employee contributions totaled \$259.22 and 239.28, and the Authority's contributions were \$141.44 and 130.56, respectively. There were no forfeitures during the fiscal year.

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

At February 28, 2018, the Authority's proportionate share of the net pension liability was \$6,052,429.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was 0.0260001908%, which was an increase of 0.0019759414% from its proportion measured as of June 30, 2016.

At February 28, 2017, the Authority's proportionate share of the net pension liability was \$7,115,294.00. 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 0.0240242494%, which was an increase of 0.0005943845% from its proportion measured as of June 30, 2015.

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

For the fiscal years ended February 28, 2018 and 2017, the Authority recognized pension expense of \$431,197.00 and \$577,199.00, respectively. These amounts were based on the plan's June 30, 2017 and 2016 measurement dates, respectively.

At February 28, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>February 28, 2018</u>		<u>February 28, 2017</u>	
	Measurement Date		Measurement Date	
	June 30, 2017		June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 142,514.00	\$ -	\$ 132,323.00	\$ -
Changes of Assumptions	1,219,356.00	1,214,885.00	1,473,909.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	41,213.00	-	271,313.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	466,353.00	378,320.00	151,148.00	517,409.00
Authority Contributions Subsequent to the Measurement Date	160,576.00	-	142,285.00	-
	<u>\$ 2,030,012.00</u>	<u>\$ 1,593,205.00</u>	<u>\$ 2,170,978.00</u>	<u>\$ 517,409.00</u>

The deferred outflows of resources related to pensions totaling \$160,576.00 and \$142,285.00 will be included as a reduction of the net pension liability in the fiscal years ended February 28, 2019 and 2018, respectively. This amount is based on an estimated 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 February 28, 2017 and 2016.

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

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

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><u>Fiscal Year Ending February 28,</u></b>	
2018	\$ 118,978.00
2019	191,504.00
2020	136,896.00
2021	(82,584.00)
2022	(88,563.00)
	<u>\$ 276,231.00</u>

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

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

	<b>Measurement Date June 30, 2017</b>	<b>Measurement Date June 30, 2016</b>
Inflation Rate	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%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

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).

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

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 below.

<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%	5.00%	0.87%
Cash Equivalents	5.50%	1.00%	1.50%	1.74%
U.S. Treasuries	3.00%	1.87%	8.00%	1.79%
Investment Grade Credit	10.00%	3.78%	2.00%	1.67%
Public High Yield	2.50%	6.82%	2.00%	4.56%
Global Diversified Credit	5.00%	7.10%	1.50%	3.44%
Credit Oriented Hedge Funds	1.00%	6.60%	26.00%	8.53%
Debt Related Private Equity	2.00%	10.63%	13.25%	6.83%
Debt Related Real Estate	1.00%	6.61%	6.50%	9.95%
Private Real Estate	2.50%	11.83%	9.00%	12.40%
Equity Related Real Estate	6.25%	9.23%	12.50%	4.68%
U.S. Equity	30.00%	8.19%	2.00%	6.91%
Non-U.S. Developed Markets Equity	11.50%	9.00%	0.50%	5.45%
Emerging Markets Equity	6.50%	11.64%	5.00%	-0.25%
Buyouts/Venture Capital	8.25%	13.08%	5.25%	5.63%
	<u>100.00%</u>		<u>100.00%</u>	

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

**Pension Plans (Cont'd)**

**Actuarial Assumptions – PERS (Cont'd)**

**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 non-employer 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.

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

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

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

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Proportionate Share of the Net Pension Liability	<u>\$ 7,508,449.00</u>	<u>\$ 6,052,429.00</u>	<u>\$ 4,839,384.00</u>

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

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:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Proportionate Share of the Net Pension Liability	<u>\$ 8,718,962.00</u>	<u>\$ 7,115,294.00</u>	<u>\$ 5,791,326.00</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>.

**Post-Employment Benefits**

**Authority Plan Description** - The Authority provides dental/prescription/vision coverage to employees that have retired from the Authority in addition to health and prescription drugs coverage provided through the State Pension Fund. Dental/Prescription/Vision coverage and the amount of the benefit are established by the Authority. GASB Statement 45 requires that accrued liabilities associated with the dental coverage be recorded on the Authority's financial statements.

The State Pension Fund provides health benefits and a prescription drug plan through the State Health Benefit Plan which is a cost-sharing multiple-employer defined benefit postemployment healthcare plan. As a result, GASB Statement 45 requires that the actuarial accrued liability for employee benefits are recorded as an obligation of the State Health Benefit Plan and not the Authority.

**State Health Benefit Plan**

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

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

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis.

The Authority's contributions to SHBP for the fiscal years ended February 28, 2018, February 28, 2017 and February 29, 2016, were \$219,442.97, \$241,926.79 and \$240,630.70, respectively, which equaled the required contributions each year. There were 16 retired participants eligible at February 28, 2018, February 28, 2017 and February 29, 2016.

**Authority's Plan – Dental/Prescription/Vision Coverage**

**Plan Description** - The Authority also provides dental, prescription and vision coverage to retirees and their covered dependents. The plan is available to employees and their dependents upon retirement provided the employee has completed twenty five years of service and is at least age sixty. The reimbursements are administered by the Authority; therefore, payments are made directly by the Authority to the retirees.

**Funding Policy** - The Authority presently funds its current retiree post-employment benefit costs on a "pay-as-you-go" basis. The Authority's contributions to the plan for the fiscal years ending February 28, 2018, February 28, 2017 and February 29, 2016, were \$19,348.81, \$21,336.15 and \$16,881.10, respectively. There were 16 retired participants eligible at February 28, 2018, February 28, 2017 and February 29, 2016.

**Future Retirees** - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$57,902.00 at an unfunded discount rate of 5.0%. As stated above, the Authority has funded the cost of existing retirees in the amount of \$19,348.81, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits (Cont'd)****Authority's Plan – Dental/Prescription/Vision Coverage (Cont'd)**

**Annual OPEB Cost** - For fiscal year 2018, the Authority's annual OPEB cost (expense) of \$54,860.16 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

The Authority's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for fiscal years 2018, 2017, and 2016 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Normal cost	\$ 18,873.00	\$ 18,873.00	\$ 18,873.00
Amortization Payment	39,029.00	39,029.00	39,029.00
Annual required contribution (ARC)	57,902.00	57,902.00	57,902.00
Interest on Net OPEB Obligation	12,723.68	10,799.90	
Adjustment to ARC	(15,765.52)	(8,890.15)	17,672.97
Total Annual OPEB Cost	54,860.16	59,811.75	75,574.97
Contributions (Existing Retirees)	(19,348.81)	(21,336.15)	(16,293.00)
Increase in Net OPEB Obligation	35,511.35	38,475.60	59,281.97
Net OPEB obligation - beginning of year	254,473.67	215,998.07	156,716.10
Net OPEB obligation - end of year	<u>\$ 289,985.02</u>	<u>\$ 254,473.67</u>	<u>\$ 215,998.07</u>
Percentage of Annual OPEB Cost Contributed	35.27%	35.67%	21.56%

**Funded Status and Funding Progress** - The funded status of the plan as of February 28, 2018 was as follows:

Actuarial Accrued Liability (AAL)	\$ 629,973.00
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 629,973.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%
Covered Payroll (Active Plan Members)	\$ 2,041,649.84
UAAL as a Percentage of Covered Payroll	30.9%

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

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

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

In the February 29, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality.* 1994 sex distinct Group Annuity Mortality Table.
- *Turnover.* U.S. Office of Personnel Management, specifically the employee group covered by the Federal Employee Retirement System.
- *Disability.* No terminations of employment due to disability
- *Assumed Retirement Age.* On average, when eligible but no earlier than age 60.
- *Spousal Coverage.* Assumed married employees would remain married.
- *Annual Discount Rate.* Future costs have been discounted at the rate of 5.0% compounded annually for GASB 45 purposes.
- *Healthcare Cost Inflation.* 5% Annual Rate Increase for Dental benefits.
- *Administration Expenses.* Assumed annual cost, approximately 2%, is included in annual healthcare costs
- *Dental Utilization.* Single retirees and employees greater than age 55 will utilize the dental benefits.

**Lease Obligations**

At February 28, 2018, the Authority had an expired lease agreement in effect for a postage meter. The Authority continues to lease the postage meter on an annual basis. Future minimum rental payments under operating lease agreement for the fiscal year ending February 28, 2019 is \$1,000.80.

Rental payments under the operating lease for the fiscal years ended February 28, 2018 and 2017 were \$1,000.80 and \$591.16, respectively.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Bonds Payable - Series 1993**

The Revenue Bonds, Series 1993 were issued to provide funds: (i) to advance refund the Authority's Second Lien Revenue Bonds, Series A, which were originally issued in February 1988 in the principal amount of \$3,660,000; (ii) to advance refund the Authority's Second Lien Revenue Bonds, Series B, which were originally issued in May 1988 in the principal amount of \$6,040,000; and (iii) to defray issuance costs of the 1993 Bonds.

The Bonds were issued originally for \$10,440,000 and carried interest rates ranging from 2.75% to 5.65% with a final maturity in 2018.

The following schedule reflects the Debt Service Requirements until 2018.

Bond Year Ending March 1,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 750,000.00</u>	<u>\$ 42,375.00</u>	<u>\$ 792,375.00</u>
Current Portion	<u>\$ 750,000.00</u>		

**New Jersey Environmental Infrastructure Trust**

In November 2001, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,095,000.00 from the Trust and a \$1,095,500.00 from the Fund. The loan proceeds were used to fund a sewer system rehabilitation project. As of February 28, 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 August 1, 2003. The Trust Loan carries rates from 4.00% to 5.50%. Both loans have a final maturity of August 1, 2021.

In November 2004, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$2,110,000.00 from the Trust and a \$2,069,790.00 from the Fund. The loan proceeds were used to fund the continuation of a sewer system rehabilitation project. As of February 28, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2024.

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling 1,960,000.00 from the Trust and a \$1,937,488.00 from the Fund. The loan proceeds are being used to fund the continuation of a sewer system rehabilitation project, construct a new administration building and provide equipment for its composting facility. As of February 28, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of August 1, 2028.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Environmental Infrastructure Trust (Cont'd)**

In November 2010, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$540,000.00 from the Trust and a \$1,653,750.00 from the Fund. The loan proceeds are being used to fund the continuation of a sewer system rehabilitation project. As of February 28, 2018, the Authority has drawn down \$2,142,933.69. The loan proceeds not drawn by the Authority, totaling \$50,816.31, were de-obligated by the Trust and as a result, the corresponding receivable was canceled in fiscal year 2017.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2029.

In May 2016, the Authority closed on a refunding loan from the New Jersey Environmental Infrastructure Trust totaling \$1,132,000.00 from the Trust. The loan proceeds are being used to refund \$1,260,000.00 of the Authority's 2008 Trust Loan. The Authority will receive "savings credits" that will offset future principal and interest payments.

The Trust Loan carries rates from 4.25% to 4.75% with its semi-annual principal and interest payments due August 1 and February 1. The loan has a final maturity of August 1, 2028.

In May 2017, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$320,000.00 from the Trust and a \$975,000.00 from the Fund. The loan proceeds are being used to fund the continuation of a sewer system rehabilitation project. As of February 28, 2018, the Authority has drawn down \$720,234.00. The loan proceeds not drawn by the Authority, totaling \$579,766.00, will be requested as project expenses are paid.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2036.

The following schedule reflects the Debt Service Requirements for all N.J.E.I.T. Loans until 2036.

Bond Year Ending <u>March 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 721,621.98	\$ 142,220.02	\$ 863,842.00
2019	735,785.26	125,820.02	861,605.28
2020	755,050.15	108,751.27	863,801.42
2021	764,677.71	91,113.77	855,791.48
2022	638,696.68	74,945.02	713,641.70
2023	645,481.81	60,651.27	706,133.08
2024	672,585.55	46,098.14	718,683.69
2025	401,952.89	34,413.76	436,366.65
2026	404,817.23	26,663.76	431,480.99
2027	415,482.85	19,073.76	434,556.61
2028	426,893.14	10,951.26	437,844.40
2029	165,635.64	5,668.76	171,304.40
2030	69,576.26	4,268.76	73,845.02
2031	69,576.26	3,668.76	73,245.02
2032	69,576.26	3,068.76	72,645.02
2033	69,576.26	2,456.26	72,032.52

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Environmental Infrastructure Trust (Cont'd)**

2034	\$ 69,576.26	\$ 1,818.76	\$ 71,395.02
2035	69,576.26	1,168.76	70,745.02
2036	<u>58,051.06</u>	<u>421.88</u>	<u>58,472.94</u>
	7,224,189.51	<u>\$ 763,242.75</u>	<u>\$ 7,987,432.26</u>
Premium on Loan	252,917.63		
Current Portion	<u>(721,621.98)</u>		
Long Term	<u>\$ 6,755,485.16</u>		

**Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES****Connection Fees**

The Authority receives payments for connection fees when new users connect to the 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 7: DETAIL NOTES – NET POSITION****Reserve for System Upgrades**

The Authority has several agreements with developers whose projects have connected to the Authority's system. These agreements require that money be deposited with the Authority for future costs that the Authority may incur as a result of the impact on the system by the developer's project. The Authority records these funds as "Reserve for System Upgrades".

**Note 8: 1983 SERVICE CONTRACT**

Under a Service Contract, dated October 24, 1983 between the Township of Gloucester and the Authority, the Township is obligated to pay to the Authority "amounts" equal to any deficits in Authority revenues necessary to pay or provide for (i) operation and maintenance expenses and administrative or other expenses of the Authority, (ii) the principal of and interest on bonds or notes of the Authority, (iii) the maintenance of such reserves as may be required by the General Bond Resolution or by any contract deemed necessary by the Authority, and (iv) amounts necessary to enable the Authority to comply with the terms of the General Bond Resolution.

Amounts referred to above are considered revenues if and when received under the General Bond Resolution and are available to provide for the 1993 Revenue Bonds and the requirements of the General Bond Resolution.

**Note 9: INTERGOVERNMENTAL AGREEMENTS**

The Authority has entered into three agreements with the Township of Gloucester. The first agreement is for the collection of residential grass clippings. The Authority provides curbside collection from April to October. The second agreement is for recycling in the Township. The Authority provides curbside collection of recyclable material on a year round basis. Each agreement is renewed annually.

The third agreement is for the expansion of the Authority's compost facilities. The Township has agreed to provide the funding for this project. Section IIB, Paragraph 7 of the agreement stipulated that the Authority shall reserve any earnings generated from grass collection, recycling and composting activities in excess of 35% of the compost facilities operating budget for payment of the Township's share of the Authority's future debt service. That covenant was removed during fiscal year 2017 and all excess funds have been returned to the Township.

**Note 10: COMMITMENTS AND 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 11: RISK MANAGEMENT**

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

**Note 12: RESTATEMENT**

As a result of recording an accounts receivable as required by the Governmental Accounting Standards Board (Due from the Township of Gloucester – Restricted for Debt Service), the Authority's financial statements for the fiscal year ending February 28, 2017 have been changed. The following schedule details the changes that were recorded in the Authority's Comparative Statements of Net Position as of February 28, 2017:

	Balance February 28, 2017 As Previously <u>Reported</u>	<u>Adjustment</u>	Balance February 28, 2017 <u>Restated</u>
<b>ASSETS</b>			
Current Assets:			
Restricted Assets:			
Renewal and Replacement Account			
Due from Township of Gloucester -			
Restricted for Debt Service	\$ -	\$ 62,933.38	\$ 62,933.38
Total Restricted Assets	3,109,229.58	62,933.38	3,172,162.96
Total Current Assets	7,515,729.22	62,933.38	7,578,662.60
Other Assets:			
Due from Township of Gloucester -			
Restricted for Debt Service	-	858,207.16	858,207.16
Total Assets	54,352,773.53	921,140.54	55,273,914.07
<b>NET POSITION</b>			
Net Investment in Capital Assets	38,627,698.79	921,140.54	39,548,839.33
Total Net Position	37,774,589.82	921,140.54	38,695,730.36

**Note 12: RESTATEMENT (CONT'D)**

The following schedule details the changes that were recorded in the Authority's Comparative Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Year Ended February 28, 2017:

	Balance February 28, 2017 As Previously <u>Reported</u>	<u>Adjustment</u>	Balance February 28, 2017 <u>Restated</u>
Operating Revenues:			
Service Agreements	\$ 1,716,120.00	\$ (18,813.45)	\$ 1,697,306.55
Total Operating Revenue	7,843,076.06	(18,813.45)	7,824,262.61
Operating Income	1,188,020.62	(18,813.45)	1,169,207.17
Income (Loss) Before Contributions	(191,198.98)	(18,813.45)	(210,012.43)
Change in Net Position	(77,928.98)	(18,813.45)	(96,742.43)
Net Position, Beginning *	37,852,518.80	939,953.99	38,792,472.79
Net Position, End of Year:			
Net Investment in Capital Assets	38,627,698.79	921,140.54	39,548,839.33

\* Reflects change made to February 29, 2016 balance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of Funding Progress for the OPEB Plan

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2/29/2016 *	\$ -	\$ 629,973.00	\$ 629,973.00	0 %	\$1,697,126.00	37.1%
2/28/2013 **	-	598,346.00	598,346.00	0 %	2,173,769.03	27.5%
2/28/2010	-	113,228.00	113,228.00	0 %	2,250,022.82	5.0%

## Schedule RSI-2

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of Employer Contributions to the OPEB Plan

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<u>Fiscal Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2018	\$ 57,902.00	35%
2017	57,902.00	36%
2016	57,902.00	22%

\* In the previous valuations, we assumed that benefits provided to eligible employees represented by Teamsters Local 500 after the expiration date of the current collective bargaining agreement were subject to the \$8,000.00 annual maximum.

\*\* Assumption Change - The February 28, 2013 OPEB Plan unfunded actuarial accrued liability and annual required contribution has significantly changed because the maximum annual plan benefit to eligible employees no longer applies.

**GLOUCESTER TOWNSHIP 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 Fiscal Years

	<u>Measurement Date Ending June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0260001908%	0.0240242494%	0.0234298649%	0.0275628306%	0.0270311242%
Authority's Proportionate Share of the Net Pension Liability	\$ 6,052,429.00	\$ 7,115,294.00	\$ 5,259,535.00	\$ 5,160,516.00	\$ 5,166,185.00
Authority's Covered Payroll	\$ 1,801,284.00	\$ 1,652,700.00	\$ 1,599,116.00	\$ 1,877,712.00	\$ 1,395,720.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	336.01%	430.53%	328.90%	274.83%	370.14%
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.

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

	Fiscal Year Ended				
	February 28, 2018	February 28, 2017	February 29, 2016	February 28, 2015	February 28, 2014
Contractually Required Contribution	\$ 240,864.00	\$ 213,428.00	\$ 201,434.00	\$ 227,224.00	\$ 203,674.00
Contributions in Relation to the Contractually Required Contribution	<u>(240,864.00)</u>	<u>(213,428.00)</u>	<u>(201,434.00)</u>	<u>(227,224.00)</u>	<u>(203,674.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Authority's Covered Payroll	\$ 1,889,947.00	\$ 1,815,942.00	\$ 1,697,126.00	\$ 1,631,933.00	\$ 1,829,983.00
Contributions as a Percentage of Authority's Covered Payroll	12.74%	11.75%	11.87%	13.92%	11.13%

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.

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Notes to Required Supplementary Information  
 For the Year Ended February 28, 2018

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**Note 1: OTHER POSTEMPLOYMENT BENEFITS**

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

Valuation Date	February 29, 2016
Actuarial Cost Method	Unit Credit Cost Method
Amortization Method	Present Value of Straight Line
Remaining Amortization Period	24 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Mortality	Group Annuity Morality Table
Future Costs Discount Rate	5% Compounded
Turnover Rate	U.S. Office of Personnel Management
Disability	No terminations due to disability
Age at Retirement	No Earlier than 60
Spousal Coverage	Married Employees will remain Married
Rate of Medical Inflation	5%
Administration Expenses	Cost included in Dental Care Costs

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

**Note 2: POSTEMPLOYMENT BENEFITS - PENSION**

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

Changes in Benefit Terms – None

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

## **SUPPLEMENTAL SCHEDULES**

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Net Position by Department  
 As of February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 2,075,701.99	\$ 160,867.32	\$ 2,236,569.31
Consumer Accounts Receivable	351,726.18		351,726.18
Refunds Receivable	6,229.60	3,416.24	9,645.84
Other Accounts Receivable	22,303.15	15,338.00	37,641.15
Due from Township of Gloucester		154,183.71	154,183.71
Prepaid Expenses	80,534.12	42,655.19	123,189.31
<b>Total Unrestricted Assets</b>	<b>2,536,495.04</b>	<b>376,460.46</b>	<b>2,912,955.50</b>
Restricted Assets:			
Debt Service Account:			
Cash and Cash Equivalents	1,359,242.37		1,359,242.37
Debt Service Reserve Account:			
Cash and Cash Equivalents	147,493.85		147,493.85
Renewal and Replacement Account:			
Cash and Cash Equivalents	3,527,285.17		3,527,285.17
Due from New Jersey Environmental Infrastructure Trust	579,766.00		579,766.00
Due from Township of Gloucester - Restricted for Debt Service		64,679.24	64,679.24
Other Accounts:			
Cash and Cash Equivalents	364,511.35		364,511.35
<b>Total Restricted Assets</b>	<b>5,978,298.74</b>	<b>64,679.24</b>	<b>6,042,977.98</b>
<b>Total Current Assets</b>	<b>8,514,793.78</b>	<b>441,139.70</b>	<b>8,955,933.48</b>
Capital Assets:			
Construction in Progress	809,453.24		809,453.24
Completed (Net of Accumulated Depreciation)	45,370,760.99	599,944.35	45,970,705.34
<b>Total Capital Assets</b>	<b>46,180,214.23</b>	<b>599,944.35</b>	<b>46,780,158.58</b>
Other Assets:			
Due from Township of Gloucester - Restricted for Debt Service	-	786,438.30	786,438.30
<b>Total Assets</b>	<b>54,695,008.01</b>	<b>1,827,522.35</b>	<b>56,522,530.36</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding of Loan Related to Pensions	79,755.27	39,997.38	119,752.65
	2,030,012.00		2,030,012.00
<b>Total Deferred Outflows of Resources</b>	<b>2,109,767.27</b>	<b>39,997.38</b>	<b>2,149,764.65</b>

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Net Position by Department  
 As of February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 117,482.49	\$ 56,415.26	\$ 173,897.75
Accounts Payable--Related to Pensions	240,864.00		240,864.00
Prepaid Rental Charges	993,058.20		993,058.20
Overpayments	5,698.89		5,698.89
Unearned Revenue	2,198.43		2,198.43
Compensated Absences	23,163.64	5,634.42	28,798.06
Accrued Liabilities	26,465.13	32.47	26,497.60
	<hr/>		
Total Current Liabilities Payable from Unrestricted Assets	1,408,930.78	62,082.15	1,471,012.93
	<hr/>		
Current Liabilities Payable from Restricted Assets:			
Accounts Payable	85,273.50		85,273.50
Accounts Payable--Due to Township of Gloucester	260,000.00	262,016.05	522,016.05
Serial Bonds Payable--Current Portion	750,000.00		750,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	656,942.74	64,679.24	721,621.98
Accrued Bond and Loan Interest Payable	32,063.78	1,652.47	33,716.25
Accrued Liabilities	8,710.60		8,710.60
Escrow Deposits	185,515.66		185,515.66
	<hr/>		
Total Current Liabilities Payable from Restricted Assets	1,978,506.28	328,347.76	2,306,854.04
	<hr/>		
Long-term Liabilities:			
N. J. Environmental Infrastructure Loans Payable	5,969,046.86	786,438.30	6,755,485.16
Net Pension Liability	6,052,429.00		6,052,429.00
OPEB Liability	289,985.02		289,985.02
Accrued Liabilities--Related to Pension	160,576.00		160,576.00
Compensated Absences	69,490.92	50,709.79	120,200.71
	<hr/>		
Total Long-term Liabilities	12,541,527.80	837,148.09	13,378,675.89
	<hr/>		
Total Liabilities	15,928,964.86	1,227,578.00	17,156,542.86
	<hr/>		
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Connection Fee Revenue	269,920.00		269,920.00
Related to Pensions	1,593,205.00		1,593,205.00
	<hr/>		
Total Deferred Inflows of Resources	1,863,125.00	-	1,863,125.00
	<hr/>		

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Net Position by Department  
 As of February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 39,410,536.66	\$ 639,941.73	\$ 40,050,478.39
Restricted for:			
Bond Covenants:			
Debt Service Reserve Requirement	153,025.84		153,025.84
Renewal and Replacement	500,000.00		500,000.00
Operating Requirement	1,822,611.00		1,822,611.00
Reserve for Payment of Bond Principal and Interest	523.02		523.02
Unemployment Claims	177,905.27		177,905.27
Reserve for System Upgrades	178,189.12		178,189.12
	<u>2,832,254.25</u>	-	<u>2,832,254.25</u>
Unrestricted	<u>(3,230,105.49)</u>	-	<u>(3,230,105.49)</u>
Total Net Position	<u>\$ 39,012,685.42</u>	<u>\$ 639,941.73</u>	<u>\$ 39,652,627.15</u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Revenues, Expenses and Changes in Net Position by Department  
 For the Fiscal Year Ended February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Service Charges	\$ 5,409,858.78		\$ 5,409,858.78
Service Agreements		\$ 1,653,645.00	1,653,645.00
Connection Fees	260,925.00		260,925.00
Miscellaneous Charges	143,975.84	310,395.28	454,371.12
<b>Total Operating Revenues</b>	<b>5,814,759.62</b>	<b>1,964,040.28</b>	<b>7,778,799.90</b>
<b>Operating Expenses:</b>			
<b>Administrative Expenses:</b>			
Salaries and Wages	431,978.26	168,350.01	600,328.27
Fringe Benefits	420,362.26	77,318.18	497,680.44
Other	294,826.90		294,826.90
	<b>1,147,167.42</b>	<b>245,668.19</b>	<b>1,392,835.61</b>
<b>Cost of Service:</b>			
Salaries and Wages	928,338.32	729,586.49	1,657,924.81
Fringe Benefits	755,185.17	377,494.64	1,132,679.81
Other	709,658.72	335,783.45	1,045,442.17
	<b>2,393,182.21</b>	<b>1,442,864.58</b>	<b>3,836,046.79</b>
Major Repairs and Other Expenses	162,777.46		162,777.46
Depreciation	947,434.55	68,366.67	1,015,801.22
<b>Total Operating Expenses</b>	<b>4,650,561.64</b>	<b>1,756,899.44</b>	<b>6,407,461.08</b>
<b>Operating Income</b>	<b>1,164,197.98</b>	<b>207,140.84</b>	<b>1,371,338.82</b>
<b>Non-operating Revenue (Expenses):</b>			
Investment Income	28,655.15		28,655.15
Net Unemployment Claims	13,722.91		13,722.91
Loss on Disposal of Capital Assets	(2,255.06)		(2,255.06)
Net Reserve for System Improvements	55,972.75		55,972.75
Net Reserve for Payment of Bond			
Principal and Interest	(416.40)		(416.40)
Bond and Loan Interest	(124,947.93)	(17,127.59)	(142,075.52)
Per Township Agreement - Excess Funds			
Due to Township of Gloucester		(262,016.05)	(262,016.05)
Municipal Appropriation	(260,000.00)		(260,000.00)
Loan Issue Costs	(28,193.85)		(28,193.85)
Cancellation of Accounts Payable	185,675.44		185,675.44
Prepaid Bond Insurance Expended	(3,511.40)		(3,511.40)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(135,298.39)</b>	<b>(279,143.64)</b>	<b>(414,442.03)</b>
<b>Change in Net Position (Carried Forward)</b>	<b>1,028,899.59</b>	<b>(72,002.80)</b>	<b>956,896.79</b>

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Revenues, Expenses and Changes in Net Position by Department  
 For the Fiscal Year Ended February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Change in Net Position (Brought Forward)	\$ 1,028,899.59	\$ (72,002.80)	\$ 956,896.79
Net Position, Beginning of Year (Restated)	<u>37,983,785.83</u>	<u>711,944.53</u>	<u>38,695,730.36</u>
Net Position, End of Year:			
Net Investment in Capital Assets	\$ 39,410,536.66	\$ 639,941.73	\$ 40,050,478.39
Restricted	\$ 2,832,254.25	\$ -	\$ 2,832,254.25
Unrestricted	<u>\$ (3,230,105.49)</u>	<u>\$ -</u>	<u>\$ (3,230,105.49)</u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
 For the Fiscal Year Ended February 28, 2018

	Accounts Required by Bond Resolution							Total
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts		
Cash and Cash Equivalents								
Balance February 28, 2017	\$ 437,873.84	\$ 3,332,015.85	\$ 919,623.58	\$ 929,638.62	\$ 986,271.88	\$ 270,184.10		\$ 6,875,607.87
Receipts:								
Service Fees	4,590,808.77							4,590,808.77
Service Agreements	1,577,032.00							1,577,032.00
Connection Fee Deposits	68,800.00							68,800.00
Penalties on Delinquent Accounts -- Sewer	104,331.03							104,331.03
Other Revenue -- Sewer	51,410.29							51,410.29
Other Revenue -- Solid Waste	295,057.28							295,057.28
Prepaid Sewer Rents	993,058.20							993,058.20
Deferred Connection Fee Revenue	196,800.00							196,800.00
Prepaid Land Lease Agreements	2,198.43							2,198.43
Rent Overpayments	5,965.89							5,965.89
Compost Sales Receivable	7,580.00							7,580.00
Tipping Fees Receivable	15,113.00							15,113.00
Refunds Receivable	47,986.21							47,986.21
Accrued Liabilities	1,076.29							1,076.29
Reserve for System Upgrades					61,338.55			61,338.55
Planning Escrow Deposits						133,371.15		133,371.15
Investment Income	15,565.36		3,576.75		8,422.62			27,564.73
Payroll Deduction Payable	2,618,986.93							2,618,986.93
Unemployment Account Deposits						25,522.50		25,522.50
Premium Received on N.J.E.I.T. Loan					20,193.85			20,193.85
Due from N.J. Environmental Infrastructure Trust					720,234.00			720,234.00
Reserve to Pay Future Debt Service				43,583.60				43,583.60
Due to Unrestricted - Interest Receivable						1,090.42		1,090.42
Transfers In	5,380,355.53	8,874,707.60		2,045,313.94	3,260,423.09			19,560,800.16
Total Cash and Cash Equivalents Available	16,409,999.05	12,206,723.45	923,200.33	3,018,536.16	5,056,883.99	430,168.17		38,045,511.15

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
For the Fiscal Year Ended February 28, 2018

	Accounts Required by Bond Resolution						Total
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	
Disbursements:							
Budgetary Expenses:							
Sewer	\$ 3,124,051.58						\$ 3,124,051.58
Solid Waste	1,590,227.45						1,590,227.45
Prepaid Expenses	123,189.31						123,189.31
Accounts Payable	180,934.37				\$ 86,817.70		267,752.07
Payroll Deductions Payable	2,643,253.58						2,643,253.58
Refunds Receivable	9,645.84						9,645.84
Accrued Liabilities	1,115.60						1,115.60
Refund of Rent Overpayments	267.00						267.00
Bond and Loan Principal				\$ 1,411,078.21			1,411,078.21
Bond and Loan Interest				217,496.47			217,496.47
Transfers Out	8,044,839.73	\$ 10,658,628.18	\$ 775,706.48	2,525.26	78,744.98	\$ 355.53	19,560,800.16
Loan Issue Costs				28,193.85			28,193.85
Capital Outlays:							
Expensed					130,713.20		130,713.20
Capital Assets					376,717.31		376,717.31
Construction in Progress					531,244.00		531,244.00
Reserve for System Upgrades					5,365.80		5,365.80
Due to Township of Gloucester					319,995.83		319,995.83
Due from Township - Major Repairs	4,000.55						4,000.55
Expenditures for Planning Escrow						53,501.70	53,501.70
Unemployment Expenses						11,799.59	11,799.59
<b>Total Disbursements</b>	<b>15,721,525.01</b>	<b>10,658,628.18</b>	<b>775,706.48</b>	<b>1,659,293.79</b>	<b>1,529,598.82</b>	<b>65,656.82</b>	<b>30,410,409.10</b>
Cash and Cash Equivalents							
Balance February 28, 2018	\$ 688,474.04	\$ 1,548,095.27	\$ 147,493.85	\$ 1,359,242.37	\$ 3,527,285.17	\$ 364,511.35	\$ 7,635,102.05

**GLOUCESTER TOWNSHIP 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 February 28, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 5,108,443.00	\$ 5,409,858.78	\$ 301,415.78
Connection Fees	230,000.00	260,925.00	30,925.00
Other Revenue	173,500.00	143,975.84	(29,524.16)
Total Operating Revenues	5,511,943.00	5,814,759.62	302,816.62
Other Budget Revenues:			
Investment Income	17,000.00	28,655.15	11,655.15
Total Anticipated Revenues	5,528,943.00	5,843,414.77	314,471.77
Operating Appropriations:			
Administrative:			
Salaries and Wages:			
Boardmembers	30,450.00	30,450.00	
Administrative Employees	179,000.00	178,955.63	44.37
Office Personnel	224,000.00	204,309.60	19,690.40
Overtime - Summer Help	10,000.00	2,393.66	7,606.34
Longevity	16,600.00	15,869.37	730.63
Total Salaries and Wages	460,050.00	431,978.26	28,071.74
Employee Benefits:			
Prescription	7,000.00	4,071.25	2,928.75
Dental	25,000.00	24,396.00	604.00
Hospitalization	278,750.00	250,796.69	27,953.31
Eye Care	5,000.00	4,128.99	871.01
Social Security Tax	35,500.00	33,899.81	1,600.19
Public Employees' Retirement System	42,400.00	42,622.54	(222.54)
Unemployment Insurance	500.00	559.78	(59.78)
Total Employee Benefits	394,150.00	360,475.06	33,674.94

(Continued)

**GLOUCESTER TOWNSHIP 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 February 28, 2018

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Administrative (Cont'd):			
Other Expenses:			
Services	\$ 4,000.00	\$ 2,898.91	\$ 1,101.09
Compliance Testing	2,000.00	1,402.00	598.00
Payroll Services	13,000.00	12,952.49	47.51
Postage and Envelopes	28,200.00	22,007.72	6,192.28
Stationery and Printing	15,100.00	8,777.34	6,322.66
Maintenance Contracts	16,000.00	10,819.11	5,180.89
Archiving	8,000.00	8,000.00	
Supplies - Office	8,000.00	5,542.63	2,457.37
Equipment and Repairs	9,500.00	6,240.50	3,259.50
Auditor Fees	49,000.00	50,880.00	(1,880.00)
Trustee Fees	44,500.00	32,475.00	12,025.00
Solicitor Fees/Retainer	40,000.00	31,743.13	8,256.87
Engineer Fees/Retainer	35,200.00	29,611.50	5,588.50
Workers' Compensation Insurance	4,400.00	1,048.59	3,351.41
Auto Insurance	616.00	560.17	55.83
General Liability Insurance Policies	8,026.00	7,291.88	734.12
Bank Service Fees	10,000.00	17,945.09	(7,945.09)
Bond Counsel	5,000.00	6,164.55	(1,164.55)
Public Official Bond	6,423.00	5,835.54	587.46
Contingencies	6,500.00	4,709.33	1,790.67
Employee Appreciation	3,000.00	1,400.00	1,600.00
Telephone	10,000.00	7,008.81	2,991.19
Gas and Oil	2,000.00	1,305.09	694.91
I.T. Specialist	11,000.00	2,858.02	8,141.98
Service Agreement with Township	14,000.00		14,000.00
Hardware & Software Maintenance	15,500.00	15,263.00	237.00
Registration	300.00	71.50	228.50
Transportation-Other	550.00	15.00	535.00
Total Other Expenses	<u>369,815.00</u>	<u>294,826.90</u>	<u>74,988.10</u>
Total Administrative	<u>1,224,015.00</u>	<u>1,087,280.22</u>	<u>136,734.78</u>
Cost of Service:			
Salaries and Wages:			
Foreman Salaries	153,300.00	148,794.83	4,505.17
Overtime (Foreman)	9,500.00	8,498.95	1,001.05
Laborers Salaries	789,000.00	687,498.15	101,501.85
Overtime (Laborers)	26,500.00	37,993.06	(11,493.06)
Summer Help	32,000.00	11,610.00	20,390.00
Longevity (Laborers)	27,500.00	26,067.69	1,432.31
Longevity (Foremen)	8,000.00	7,875.64	124.36
Total Salaries and Wages	<u>1,045,800.00</u>	<u>928,338.32</u>	<u>117,461.68</u>

(Continued)

**GLOUCESTER TOWNSHIP 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 February 28, 2018

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Employee Benefits:			
Prescription	\$ 12,000.00	\$ 8,051.09	\$ 3,948.91
Dental	38,000.00	37,398.30	601.70
Hospitalization	523,150.00	383,435.93	139,714.07
Eye Care	7,850.00	7,517.00	333.00
Social Security Tax	80,000.00	71,731.90	8,268.10
Public Employees' Retirement System	105,650.00	106,074.07	(424.07)
Unemployment Insurance	1,000.00	1,240.08	(240.08)
Total Employee Benefits	<u>767,650.00</u>	<u>615,448.37</u>	<u>152,201.63</u>
Other Expenses:			
Services	4,900.00	992.54	3,907.46
Custodial Supplies	6,000.00	6,000.00	
Pollution Insurance	10,000.00	9,236.48	763.52
Supplies - Office	2,700.00	2,195.49	504.51
Equipment - Other	24,300.00	11,696.24	12,603.76
Equipment - Automotive	29,000.00	16,573.82	12,426.18
Workers' Compensation Insurance	40,000.00	20,905.53	19,094.47
Auto Insurance	16,006.00	14,543.03	1,462.97
General Liability/Special Multi-peril Insurance Policies	17,800.00	16,172.50	1,627.50
Boiler Insurance	9,415.00	8,554.72	860.28
Maintenance Contracts	9,500.00	4,622.15	4,877.85
Electricity	285,000.00	250,355.45	34,644.55
Uniforms	11,000.00	2,524.99	8,475.01
Telecommunications	12,000.00	9,557.03	2,442.97
Force Main Inspections	10,000.00	5,853.95	4,146.05
Water	11,500.00	9,632.35	1,867.65
Hardware & Software Maintenance	6,000.00	1,383.27	4,616.73
Natural Gas	23,000.00	15,617.29	7,382.71
Gas and Oil	78,000.00	31,613.97	46,386.03
Registration	1,600.00	431.00	1,169.00
Garage Expenses	10,000.00	2,226.52	7,773.48
Tires	11,500.00	3,065.97	8,434.03
Transportation-Other	1,950.00	255.00	1,695.00
Hardware Supplies	2,200.00	1,496.17	703.83
Safety Shoes	4,000.00	3,462.31	537.69
Administration Building Expenses	8,000.00	5,263.07	2,736.93
Hydrogen Sulfide Remediation	85,000.00	103,007.28	(18,007.28)
Solvent	1,000.00		1,000.00
Collection System Pump Stations	27,000.00	19,152.67	7,847.33
Collection System Supplies	27,000.00	16,641.65	10,358.35
Solicitor Fees	9,000.00	8,307.25	692.75

(Continued)

**GLOUCESTER TOWNSHIP 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 February 28, 2018

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Other Expenses (Cont'd):			
Engineer Fees	\$ 20,000.00	\$ 14,885.07	\$ 5,114.93
Miscellaneous	1,600.00	593.99	1,006.01
Trash Disposal	1,000.00	565.26	434.74
Markouts	8,000.00	12,230.86	(4,230.86)
Safety Equipment	14,000.00	12,058.20	1,941.80
Generator Maintenance	40,000.00	35,224.10	4,775.90
Generator Repairs	40,000.00	20,261.55	19,738.45
MUA Contribution/Unemployment	12,500.00	12,500.00	
Total Other Expenses	<u>931,471.00</u>	<u>709,658.72</u>	<u>221,812.28</u>
Total Cost of Service	<u>2,744,921.00</u>	<u>2,253,445.41</u>	<u>491,475.59</u>
Principal Payments on Debt in Lieu of Depreciation	<u>1,383,145.00</u>	<u>1,343,144.83</u>	<u>40,000.17</u>
Total Operating Appropriations	<u>5,352,081.00</u>	<u>4,683,870.46</u>	<u>668,210.54</u>
Non-operating Appropriations:			
Interest on Bonds and Loans	176,862.00	132,601.11	44,260.89
Municipal Appropriation	<u>260,000.00</u>	<u>260,000.00</u>	
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>5,788,943.00</u>	<u>5,076,471.57</u>	<u>712,471.43</u>
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>\$ (260,000.00)</u>	<u>\$ 766,943.20</u>	<u>\$ 1,026,943.20</u>
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations			\$ 1,026,943.20
Add:			
Bond and Loan Principal		\$ 1,343,144.83	
Bond and Loan Interest		<u>132,601.11</u>	
			<u>1,475,745.94</u>
			2,502,689.14
Less:			
Depreciation		947,434.55	
Major Repairs and Other Expenses		162,777.46	
Related to Pensions		199,624.00	
Interest on Investments		<u>28,655.15</u>	
			<u>1,338,491.16</u>
Operating Income (Schedule 2)			<u>\$ 1,164,197.98</u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and  
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended February 28, 2018

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
<b>Anticipated Revenues:</b>			
<b>Operating Revenues:</b>			
Service Agreements	\$ 1,716,360.00	\$ 1,723,668.00	\$ 7,308.00
Other Revenue	315,000.00	310,395.28	(4,604.72)
<b>Total Anticipated Revenues</b>	<b>2,031,360.00</b>	<b>2,034,063.28</b>	<b>2,703.28</b>
<b>Operating Appropriations:</b>			
<b>Administrative:</b>			
Salaries and Wages	152,750.00	158,528.71	(5,778.71)
Longevity	9,750.00	9,821.30	(71.30)
	<b>162,500.00</b>	<b>168,350.01</b>	<b>(5,850.01)</b>
<b>Employees Benefits:</b>			
Prescription	1,445.00	572.09	872.91
Dental	2,890.00	2,491.35	398.65
Hospitalization	60,082.50	49,337.11	10,745.39
Eye Care	892.50	255.85	636.65
Social Security Tax	10,727.00	9,588.29	1,138.71
Public Employees' Retirement System	14,790.00	14,822.14	(32.14)
Unemployment Insurance	255.00	251.35	3.65
<b>Total Employee Benefits</b>	<b>91,082.00</b>	<b>77,318.18</b>	<b>13,763.82</b>
<b>Total Administration</b>	<b>253,582.00</b>	<b>245,668.19</b>	<b>7,913.81</b>
<b>Cost of Service:</b>			
<b>Salaries and Wages:</b>			
Laborers	598,650.00	570,812.71	27,837.29
Mechanic	30,000.00	30,000.00	
Temporary Help	112,500.00	96,727.19	15,772.81
Summer Help	3,500.00		3,500.00
Overtime	20,500.00	16,258.20	4,241.80
Longevity	15,900.00	15,788.39	111.61
<b>Total Salaries and Wages</b>	<b>781,050.00</b>	<b>729,586.49</b>	<b>51,463.51</b>
<b>Employees Benefits:</b>			
Prescription	7,055.00	2,793.12	4,261.88
Dental	14,110.00	12,163.65	1,946.35
Hospitalization	293,342.50	240,881.17	52,461.33
Eye Care	4,357.50	1,249.15	3,108.35
Social Security Tax	52,373.00	46,813.42	5,559.58
Public Employees' Retirement System	72,210.00	72,366.93	(156.93)
Unemployment Insurance	1,245.00	1,227.20	17.80
<b>Total Employee Benefits</b>	<b>444,693.00</b>	<b>377,494.64</b>	<b>67,198.36</b>

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and  
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended February 28, 2018

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Other Expenses:			
Workers' Compensation Insurance	\$ 6,000.00	\$ 240.89	\$ 5,759.11
Auto Insurance	31,597.00	28,416.99	3,180.01
Office Supplies	4,450.00	2,186.59	2,263.41
Gas and Oil	102,500.00	82,468.35	20,031.65
Water - Fire Hydrant	2,100.00	2,346.53	(246.53)
Security	500.00	604.10	(104.10)
Custodial	1,000.00	385.70	614.30
Tires	56,500.00	51,560.86	4,939.14
Transportation - Other	450.00	225.00	225.00
Compost Testing	750.00	463.00	287.00
Uniforms	4,900.00	2,238.45	2,661.55
Other Services	500.00	80.16	419.84
Hardware	1,000.00	104.91	895.09
Hardware & Software Maintenance	2,000.00	714.00	1,286.00
Towing	2,100.00	275.00	1,825.00
General Liability Insurance Policies	22,205.00	20,235.55	1,969.45
Safety Shoes	3,000.00	2,349.93	650.07
Grass Phone	3,683.00	3,699.39	(16.39)
Testing Equipment	2,000.00	1,431.52	568.48
Other Equipment	28,000.00	24,056.47	3,943.53
Equipment - Automotive	27,500.00	21,620.21	5,879.79
Printing	1,000.00	967.44	32.56
Disposal and Tipping Fees	500.00		500.00
Trailer -- Electric	4,500.00	2,670.36	1,829.64
RFID Hardware, Software, Reader & Truck Fees	31,600.00	10,350.00	21,250.00
Gloucester Township Day	1,000.00		1,000.00
Miscellaneous	5,900.00	6,228.01	(328.01)
Stationery and Printing	150.00	208.45	(58.45)
Residue & Trash Disposal	31,000.00	432.20	30,567.80
Compost Marketing, Delivery & Packaging	2,600.00	308.65	2,291.35
Grading Materials	17,000.00	13,302.02	3,697.98
Solicitor Fees	6,000.00	3,912.00	2,088.00
Auditing Fees	4,500.00	4,500.00	
Compliance Testing	1,500.00	90.00	1,410.00
Payroll Service Fees	8,200.00	8,898.63	(698.63)
Engineering Fees	10,000.00	8,418.75	1,581.25
Communications	4,200.00	3,697.84	502.16
MUA Contribution/Unemployment	10,500.00	10,500.00	
N.J. DEP Inspection Fees	10,500.00	6,847.50	3,652.50
N.J. Recycling Center Fees	9,000.00	7,928.00	1,072.00
N.J. Permits	2,500.00	820.00	1,680.00
Total Other Expenses	464,885.00	335,783.45	129,101.55
Total Cost of Services	1,690,628.00	1,442,864.58	247,763.42

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and  
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended February 28, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance-- Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):			
Principal Payments on Debt			
In Lieu of Depreciation	\$ 62,934.00	\$ 62,933.38	\$ 0.62
Total Operating Appropriations	<u>2,007,144.00</u>	<u>1,751,466.15</u>	<u>255,677.85</u>
Non-operating Appropriations:			
Interest on Bonds	<u>24,216.00</u>	<u>20,581.08</u>	<u>3,634.92</u>
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>2,031,360.00</u>	<u>1,772,047.23</u>	<u>259,312.77</u>
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>\$ -</u>	<u>\$ 262,016.05</u>	<u>\$ 262,016.05</u>
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations			\$ 262,016.05
 Add:			
Loan Principal		\$ 62,933.38	
Loan Interest		<u>20,581.08</u>	
			<u>83,514.46</u>
			345,530.51
 Less:			
Service Agreement Revenue Associated with Debt Service Payment		70,023.00	
Depreciation		<u>68,366.67</u>	
			<u>138,389.67</u>
 Operating Income (Schedule 2)			<u><u>\$ 207,140.84</u></u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Consumer Accounts Receivable  
For the Fiscal Year Ended February 28, 2018

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Balance Feb. 28, 2017		\$ 424,801.15
Increased by:		
Service Fees		<u>5,409,858.78</u>
		5,834,659.93
Decreased by:		
Collections	\$ 4,590,808.77	
Prepayments Applied	<u>892,124.98</u>	
		<u>5,482,933.75</u>
Balance Feb. 28, 2018		<u><u>\$ 351,726.18</u></u>

**Schedule 6****GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Connection Fees Receivable  
For the Fiscal Year Ended February 28, 2018

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Connection Charges 2017-18		\$ 260,925.00
Decreased by:		
Collections	\$ 68,800.00	
Prepaid Connection Permit Applied	<u>192,125.00</u>	
		<u><u>\$ 260,925.00</u></u>

**Schedule 7****GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Penalties on Delinquent Accounts  
For the Fiscal Year Ended February 28, 2018

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Balance Feb. 28, 2017		\$ 36,227.39
Accrued in Fiscal Year 2018		<u>90,406.79</u>
		126,634.18
Decreased by:		
Collections		<u>104,331.03</u>
Balance Feb. 28, 2018		<u><u>\$ 22,303.15</u></u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Refunds Receivable  
 For the Fiscal Year Ended February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2017	\$ 6,925.31	\$ 41,060.90	\$ 47,986.21
Increased by:			
Accrued in Fiscal Year 2018	6,229.60	3,416.24	9,645.84
	13,154.91	44,477.14	57,632.05
Decreased by:			
Collections	6,925.31	41,060.90	47,986.21
Balance Feb. 28, 2018	<u>\$ 6,229.60</u>	<u>\$ 3,416.24</u>	<u>\$ 9,645.84</u>

## Schedule 9

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Interest Receivable  
 For the Fiscal Year Ended February 28, 2018

	<u>Balance Feb. 28, 2017</u>	<u>Interest Earned</u>	<u>Interest Collected</u>	<u>Balance Feb. 28, 2018</u>
Unrestricted Earnings:				
Revenue Fund	\$ 355.53	\$ 16,300.25	\$ 15,565.36	\$ 1,090.42 (1)
Debt Service Reserve Fund		3,576.75	3,576.75	
Renewal and Replacement Fund		8,422.62	8,422.62	
	109.32	28,299.62	27,564.73	1,090.42
Restricted Earnings:				
Performance Escrow Deposits	(355.53)	355.53	1,090.42	(1,090.42) (2)
	<u>\$ -</u>	<u>\$ 28,655.15</u>	<u>\$ 28,655.15</u>	<u>\$ -</u>

(1) Includes Due from Escrow Deposit Fund

(2) Due to Revenue Fund

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Service Agreements with the Township of Gloucester  
 For the Fiscal Year Ended February 28, 2018

Balance Feb. 28, 2017		\$ 48.00
Fiscal Year 2018 Service Agreements:		
Recycling Services	\$ 742,836.00	
Grass Collection	685,696.00	
Compost	<u>208,552.00</u>	
	1,637,084.00	
Agreement to Pay Debt Service	<u>86,584.00</u>	
		<u>1,723,668.00</u>
		1,723,716.00
Decreased by:		
Collections		<u>1,577,032.00</u>
Balance Feb. 28, 2018		<u><u>\$ 146,684.00</u></u>

Schedule 11

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Prepaid Expenses  
 For the Fiscal Year Ended February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2017	\$ 62,304.75	\$ 42,549.45	\$ 104,854.20
Add:			
Disbursements for Fiscal Year 2019	<u>80,534.12</u>	<u>42,655.19</u>	<u>123,189.31</u>
	142,838.87	85,204.64	228,043.51
Less:			
Charged to Operations Fiscal Year 2018	<u>62,304.75</u>	<u>42,549.45</u>	<u>104,854.20</u>
Balance Feb. 28, 2018	<u><u>\$ 80,534.12</u></u>	<u><u>\$ 42,655.19</u></u>	<u><u>\$ 123,189.31</u></u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Deferred Connection Fee Revenue  
For the Fiscal Year Ended February 28, 2018

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Balance Feb. 28, 2017	\$ 265,245.00
Increased by:	
Cash Received	<u>196,800.00</u>
	462,045.00
Decreased by:	
Applied	<u>192,125.00</u>
Balance Feb. 28, 2018	<u><u>\$ 269,920.00</u></u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Capital Assets - Completed  
 For the Fiscal Year Ended February 28, 2018

	Balance <u>Feb. 28, 2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>Feb. 28, 2018</u>	<u>Useful Life</u>
<b>Sewer:</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 114,000.00	\$ -	\$ -	\$ 114,000.00	
Capital Assets Being Depreciated:					
Buildings and Improvements	1,746,536.64	6,977.00		1,753,513.64	40 Yrs.
Sewer Mains	52,313,019.76	145,050.40		52,458,070.16	40 Yrs.
Pumping Stations	10,285,912.44	772,735.10		11,058,647.54	40 Yrs.
Telemetry	291,547.14			291,547.14	15 Yrs.
Alarm System	20,125.66			20,125.66	15 Yrs.
Paging System	1,861.50			1,861.50	20 Yrs.
Camera System	48,990.00			48,990.00	7 Yrs.
Vehicles	1,694,871.16	29,759.00		1,724,630.16	7 Yrs.
Telephone System	23,039.00			23,039.00	20 Yrs.
Furniture	38,895.29		1,265.00	37,630.29	10 Yrs.
Equipment-Other	726,804.27	77,620.87	12,731.18	791,693.96	5-10 Yrs.
<b>Total Capital Assets Being Depreciated</b>	<b>67,191,602.86</b>	<b>1,032,142.37</b>	<b>13,996.18</b>	<b>68,209,749.05</b>	
<b>Total Capital Assets</b>	<b>67,305,602.86</b>	<b>1,032,142.37</b>	<b>13,996.18</b>	<b>68,323,749.05</b>	
<b>Less: Accumulated Depreciation</b>	<b>22,017,294.63</b>	<b>947,434.55</b>	<b>11,741.12</b>	<b>22,952,988.06</b>	
	<b>\$ 45,288,308.23</b>	<b>\$ 84,707.82</b>	<b>\$ 2,255.06</b>	<b>\$ 45,370,760.99</b>	
<b>Solid Waste:</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 100,000.00	\$ -	\$ -	\$ 100,000.00	
Capital Assets Being Depreciated:					
Improvements	557,012.23			557,012.23	40 Yrs.
Equipment-Other	1,183,418.15	-	-	1,183,418.15	7 Yrs.
<b>Total Capital Assets Being Depreciated</b>	<b>1,740,430.38</b>	<b>-</b>	<b>-</b>	<b>1,740,430.38</b>	
<b>Total Capital Assets</b>	<b>1,840,430.38</b>	<b>-</b>	<b>-</b>	<b>1,840,430.38</b>	
<b>Less: Accumulated Depreciation</b>	<b>1,172,119.36</b>	<b>68,366.67</b>	<b>-</b>	<b>1,240,486.03</b>	
	<b>\$ 668,311.02</b>	<b>\$ (68,366.67)</b>	<b>\$ -</b>	<b>\$ 599,944.35</b>	
<b>Recap:</b>					
Total Capital Assets	\$ 69,146,033.24	\$ 1,032,142.37	\$ 13,996.18	\$ 70,164,179.43	
Less:					
Accumulated Depreciation	23,189,413.99	1,015,801.22	11,741.12	24,193,474.09	
	<b>\$ 45,956,619.25</b>	<b>\$ 16,341.15</b>	<b>\$ 2,255.06</b>	<b>\$ 45,970,705.34</b>	
Cash Disbursed		\$ 376,717.31			
Transfer from Construction in Progress		655,425.06			
		<b>\$ 1,032,142.37</b>			

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Construction in Progress  
 For the Fiscal Year Ended February 28, 2018

Balance Feb. 28, 2017		\$ 880,425.06
Increased by:		
Cash Disbursed	\$ 531,244.00	
Accounts Payable	53,209.24	
		584,453.24
		1,464,878.30
Decreased by:		
Transferred to Capital Assets - Completed		655,425.06
Balance Feb. 28, 2018		\$ 809,453.24

Analysis of Balance

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Pump Station Rehabilitation & Other Improvements	\$ 53,209.24	\$ -	\$ 53,209.24
NJEIT Pump Station Monitoring & Control	756,244.00	-	756,244.00
	\$ 809,453.24	\$ -	\$ 809,453.24
	\$ 809,453.24	\$ -	\$ 809,453.24

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Accrued Interest Payable on Bonds and Loans  
 For the Fiscal Year Ended February 28, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2017	\$ 52,252.81	\$ 1,777.72	\$ 54,030.53
Interest Charges for the Fiscal Year Ended Feb. 28, 2018:			
Budget:			
Series 1993 Revenue Bonds	42,375.00		42,375.00
NJEIT Loans	90,226.11	20,581.08	110,807.19
	132,601.11	20,581.08	153,182.19
Amortization of Deferred Amount of Refunding	7,250.48	3,636.13	10,886.61
Amortization of Premium on NJEIT Loan	(14,903.66)	(7,089.62)	(21,993.28)
Total Interest Expense (Exhibit B)	124,947.93	17,127.59	142,075.52
Bond Service Account Interest (Sewer)	44,000.00	-	44,000.00
	168,947.93	17,127.59	186,075.52
	221,200.74	18,905.31	240,106.05
Decreased by:			
Interest Paid	196,790.14	20,706.33	217,496.47
Amortization of Deferred Amount of Refunding	7,250.48	3,636.13	10,886.61
Amortization of Premium on NJEIT Loan	(14,903.66)	(7,089.62)	(21,993.28)
	189,136.96	17,252.84	206,389.80
Balance Feb. 28, 2018	\$ 32,063.78	\$ 1,652.47	\$ 33,716.25

**GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**FINDINGS AND RECOMMENDATIONS**

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended February 28, 2018**

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***Section 2 - Schedule of Financial Statement Findings***

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

**None**

**GLOUCESTER TOWNSHIP 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* 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.

**FINANCIAL STATEMENT FINDINGS**

**None**

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APPRECIATION

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

