RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

REPORT OF AUDIT

WITH
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2017 AND 2016

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

37100

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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For the Fiscal Year Ended November 30, 2017

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RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
As of November 30, 2017

Authority Commissioners	POSITION
Peter L. Kinsella	Chairperson
Dr. Lori Buza	Vice Chairperson
Lawrence Grand	Assistant Treasurer and Assistant Secretary
John Kendzulak	Treasurer
Valerie E. Robitzski	Secretary
OFFICIALS	
Johnson, Mirmiran & Thompson	Wastewater Engineer
Watts, Tice & Skowronek	Attorney
Gregory LaFerla	Chief Operator / Director
Pamela Struening	Manager Accounting Operations / Human Resource Administrator

RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

PART I

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Raritan Township Municipal Utilities Authority
Flemington, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan (Authority), as of and for the fiscal years ended November 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey as of November 30, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Restatement

Because of a correction of an error related to the implementation of GASB Statement No. 45, beginning net position on the comparative statements of revenues, expenses and changes in net position has been restated for the fiscal year ended November 30, 2016, as discussed in note 11 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 May 25, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 25, 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
Raritan Township Municipal Utilities Authority
Flemington, 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 Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan (Authority), as of and for the fiscal year ended November 30, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 25, 2018. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the correction of an error relating to the implementation of GASB Statement No. 45.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying Schedule of Findings and Recommendations as finding number 2017-001.

The Authority's Response to the Finding

The Authority's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Recommendations.* The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 25, 2018

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2017 AND 2016
(UNAUDITED)

The Raritan Township Municipal Utilities Authority (the Authority) is a public agency providing wastewater services to Raritan Township, the Borough of Flemington and the Township of Readington. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the fiscal years ending November 30, 2017 and 2016. The entire annual financial report consists of five parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, required supplementary information and supplemental schedules.

FINANCIAL HIGHLIGHTS

- **Total Assets** - Total assets as of November 30, 2017 were $36,047,483.23. After adding deferred outflows of resources of $1,690,217.00 and deducting liabilities of $15,103,345.80 and deferred inflows of resources of $2,187,021.88; the resulting net position is $20,447,332.55.

- **Total Operating Revenue**- Revenues for the fiscal year ending November 30, 2017 totaling $6,799,935.57 were up from last year's ending amount of $5,731,930.87, mainly due to an increase in utility service charges.

- **Total Operating Expenses** – Operating expenses for the fiscal year ending November 30, 2017 of $6,620,048.82 were down 0.31% from last year's amount of $6,640,882.36, mainly due to a decrease in pension expense.

- **Interest Income** – For the fiscal year ended November 30, 2017, the Authority generated $13,650.58 interest income from investments.

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. As the Authority follows the accrual method of accounting, the current fiscal year's revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when revenues are earned and expenses are incurred. 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 fiscal year.

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

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was $20,447,332.55 on November 30, 2017. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed below.

A significant portion of the Authority's net position represents its investment in capital assets (i.e. sewer lines, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position represents resources that are subject to external restrictions on how they can be used under the Bond Resolution covenants.

The remaining portion of the Authority's net position is a deficit in unrestricted net position. The deficit is primarily a result of the Authority's net pension liability.

Comparative Statements of Net Position
As of November 30, 2017, 2016 and 2015

	2017	2016 (Restated)	2015 (Restated)
Current Assets	$ 5,599,175.43	$ 5,159,555.04	$ 6,552,003.94
Noncurrent Assets			
Capital Assets	29,047,521.22	29,783,261.55	29,311,425.62
Other Assets	1,400,786.58	1,487,202.54	1,571,057.51
Total Assets	**36,047,483.23**	**36,430,019.13**	**37,434,487.07**
Total Deferred Outflows of Resources	**1,690,217.00**	**2,463,828.00**	**1,018,281.92**
Current Liabilities	1,460,757.40	1,621,852.17	1,698,427.65
Long-Term Liabilities	13,642,588.40	16,052,105.81	14,290,327.77
Total Liabilities	**15,103,345.80**	**17,673,957.98**	**15,988,755.42**
Total Deferred Inflows of Resources	**2,187,021.88**	**845,503.80**	**1,051,691.14**
Net Position			
Net Investment in Capital Assets	23,280,495.11	24,051,354.62	24,677,514.70
Restricted	670,310.01	679,411.00	618,475.06
Unrestricted	(3,503,472.57)	(4,356,380.27)	(3,883,667.33)
Total Net Position	**$ 20,447,332.55**	**$ 20,374,385.35**	**$ 21,412,322.43**

FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended November 30, 2017, 2016 and 2015

	2017	2016	2015 (Restated)
Utility Service Charges	$ 6,087,002.96	$ 5,193,752.63	$ 5,556,984.32
Connection Fees	298,998.50	163,657.75	143,918.50
Other Operating Revenues	413,934.11	374,520.49	25,060.99
Total Operating Revenues	**6,799,935.57**	**5,731,930.87**	**5,725,963.81**
Operating Expenses	5,534,002.23	5,621,328.78	5,333,866.81
Depreciation Expense	1,086,046.59	1,019,553.58	1,014,012.97
Operating Income (Loss)	**179,886.75**	**(908,951.49)**	**(621,915.97)**
Net Non-Operating Expenses	**(106,939.55)**	**(128,985.59)**	**(178,915.71)**
Capital Contributions	**-**	**-**	**720,997.80**
Change in Net Position	**72,947.20**	**(1,037,937.08)**	**(79,833.88)**
Net Position - Beginning, as originally stated	**20,374,385.35**	**21,412,322.43**	**21,430,822.81**
Prior Period Adjustment	**-**	**-**	**61,333.50**
Net Position - Beginning, as restated	**20,374,385.35**	**21,412,322.43**	**21,492,156.31**
Net Position - Ending	**$ 20,447,332.55**	**$ 20,374,385.35**	**$ 21,412,322.43**

OVERALL ANALYSIS

According to a Notice of Rule Proposal, the NJ Department of Environmental Protection (Land Use Management) Division of Watershed Management is proposing changes to the Water Quality Management Planning rules, N.J.A.C. 7:15.

The Department is proposing to amend the rules in numerous ways to, among other things, include the following:

- Reassignment of wastewater management planning responsibility to the County Board of Chosen Freeholders.
- Withdrawal and re-designation of wastewater service areas where the applicable wastewater management plan (WMP) is not in compliance with the mandatory updated schedule contained in the rules (statewide there are 193 non-complying plans (including RTMUA) and 12 that are in compliance).
- A requirement that municipalities pass an ordinance designed to assure septic system maintenance.

OVERALL ANALYSIS (CONT'D)

- A requirement that updated WMPs addresses septic density in a manner that demonstrates compliance with a 2 mg/L (ppm) nitrate-planning standard.

The first and second proposed amendments can be viewed as detrimental to RTMUA in that our involvement in the WMP process will be greatly reduced. We will no longer be able to lead the WMP process; instead, we will be relegated to the role of a source of data for the Plan. This process began in late 2008 with a required completion date of August 31, 2009 which date has been extended several times at the request of The Hunterdon County Planning Office. This matter is still in negotiation.

The effect on lost revenues and probable legal action should these rules be adopted as proposed will be significant but is unknown at this time.

There is the probability that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be somewhere in the range of 0.6 mg/1, which is an improvement over the previously anticipated level of less than or equal to 0.1 mg/1. The NJDEP will be setting this level after reviewing the final results of the Raritan River TMDL (Total Maximum Daily Load) study that has been completed and is awaiting publication.

NJDEP has stated that discharge permits will be revised as soon as the TMDL is published, not at the normal expiration of the permit, and authorities will be given about 36 months, not the usual 60 months, to comply. The cost of modifications to the main plant to meet these limits will be significant but is unknown until the permit parameters and implementation timing are published.

The RTMUA is currently operating under a Capacity Assurance Program with the NJDEP that limits the amount of new sewer connections RTMUA is allowed to make. This was caused by a discharge rate that exceeded 80% of the main plant's permitted capacity of 3.8 million gallons per day for a 90-day moving average. During the past several years, significant work was done by both RTMUA and the Borough of Flemington to reduce extraneous flows aimed at reducing our discharge rate to less than 80% of rated capacity. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a sewer hookup ban could be imposed with significant but unknown financial impact.

The RTMUA is operating the Flemington Wet Weather Facility under a NJDEP NJPDES permit effective May 1, 2010 that contains "report only" parameters for various components of effluent. It appears that our effluent will be required to meet certain levels of the various components in the new permit, effective April 1, 2015. As technology does not exist to meet these parameters in an intermittent facility such as Flemington, a permit with these requirements will create a major financial impact. The matter is under appeal and is before an Administrative Law Judge.

The RTMUA is operating the Main Plant at 365 Old York Road Flemington under a NJDEP NJPDES permit that expired May 30, 2013 and is currently in discussions with NJDEP for the new permit. There is the possibility that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be approximately equal to 0.6 mg/1. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time.

In this difficult economic period, the Governor and Legislature are attempting to bring about financial relief and a balanced budget by many means including Executive Orders and new legislation. If some of these are passed and made into law, Municipal Authorities will be affected, and the financial impact could be significant, but is unknown at this time.

OVERALL ANALYSIS (CONT'D)

For the calendar year beginning January 1, 2018, the user fee for one EDU (Equivalent Dwelling Unit or 300 gallons per day) was increased from $624.00 to $636.00 per year and the base user fee portion increased from $162.00 to $165.00. The connection fee, set by statute, increased from $3,961.00 to $4,039.00.

BUDGET VARIANCES

As the original budget was formulated in September 2016, certain actual events during the year caused the Authority to go over budget in several line items. During the year, the Authority realized increases in pension expense and sludge disposal, which resulted in unfavorable variances as compared to the amount budgeted. The Authority did not overspend the budget as a whole.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During fiscal year 2017, the Authority expended $350,306.26 for capital activities. All expenditures were classified as capital assets.

The proposed five-year capital programs total $14,100,000.00. The major line items making up a portion of the Capital Budget are:

1. Mechanical Screen Replacement
2. Final Clarifier Improvements
3. Sludge Holding Tank Replacement
4. Hach Lab Data Replacement
5. Upstream Interceptor Rehabilitation
6. Aeration Tank Valve and Gates
7. Primary Sludge Collectors
8. Phosphorus Removal
9. Flemington Waste Water Facility Equalization Tank Construction
10. Flem. Borough Rt.31(HS) Interceptor
11. Commerce Street Sewer Replacement

The Authority has not experienced any change in its credit rating, nor does it anticipate any. The Authority does not operate under any debt limitations; it is required to receive approval from the Township and the Local Finance Board prior to issuing of debt.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Raritan Township residents, investors, clients and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need any additional information, contact the Authority at 365 Old York Road, Flemington, NJ 08822 or by telephone at 908-782-7453.

BASIC FINANCIAL STATEMENTS

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Net Position
As of November 30, 2017 and 2016

	2017	2016 (Restated)
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 2,609,885.28	$ 1,511,030.86
Investments	454,970.01	452,787.45
Consumer Accounts Receivable	706,861.50	698,881.19
Other Accounts Receivable		4,125.25
Accrued Investment Income Receivable	2,545.95	887.42
Prepaid Expenses	16,010.54	16,041.42
Total Unrestricted Assets	3,790,273.28	2,683,753.59
Restricted Assets:		
Cash	824,934.79	923,346.31
Investments	795,448.82	794,508.55
Due from Flemington - Restricted for Debt Service	187,754.82	153,623.29
Accrued Investment Income Receivable	763.72	458.30
NJ EIT Loan Receivable		603,865.00
Total Restricted Assets	1,808,902.15	2,475,801.45
Total Current Assets	5,599,175.43	5,159,555.04
Noncurrent Assets:		
Capital Assets		
Completed (Net of Accumulated Depreciation)	28,795,169.45	27,029,886.94
Construction in Progress	252,351.77	2,753,374.61
Total Capital Assets	29,047,521.22	29,783,261.55
Other Assets		
Due from Flemington - Restricted for Debt Service	1,400,786.58	1,487,202.54
Total Noncurrent Assets	30,448,307.80	31,270,464.09
Total Assets	36,047,483.23	36,430,019.13
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,690,217.00	2,463,828.00

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Net Position
As of November 30, 2017 and 2016

	2017	2016 (Restated)
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 238,015.88	$ 327,845.43
Accounts Payable - Related to Pensions	241,742.00	241,297.00
Unearned Revenue	339,481.10	309,203.34
Unfunded PERS Obligation - Current Portion	4,227.00	3,788.00
Prepaid Rents	22,833.32	12,167.01
Total Current Liabilities Payable from Unrestricted Assets	846,299.30	894,300.78
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	21,293.23	155,473.54
Retainage Payable		36,076.26
Developer's Escrow	90,335.90	104,582.00
Revenue Bonds Payable - Current Portion	170,000.00	160,000.00
NJ EIT Loans - Current Portion	305,202.01	242,375.70
Accrued Interest Payable	27,626.96	29,043.89
Total Current Liabilities Payable from Restricted Assets	614,458.10	727,551.39
Long-term Liabilities:		
Compensated Absences	115,613.94	113,853.38
Unfunded PERS Obligation	29,773.00	34,000.00
Net Pension Liability	6,074,491.00	8,044,394.00
Accrued Liability - Related to Pensions	100,726.00	100,540.00
Net OPEB Obligation	453,170.00	386,627.00
Revenue Bonds Payable	2,891,122.43	3,084,673.50
NJ EIT Loans Payable	3,977,692.03	4,288,017.93
Total Long-Term Liabilities	13,642,588.40	16,052,105.81
Total Liabilities	15,103,345.80	17,673,957.98
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	777,652.88	845,503.80
Related to Pensions	1,409,369.00	
Total Deferred Inflows of Resources	2,187,021.88	845,503.80

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Net Position
As of November 30, 2017 and 2016

	2017	2016 (Restated)
NET POSITION		
Net Investment in Capital Assets	$ 23,280,495.11	$ 24,051,354.62
Restricted:		
Bond Resolution Covenants	636,928.25	648,605.46
State Unemployment Compensation	33,381.76	30,805.54
Unrestricted	(3,503,472.57)	(4,356,380.27)
Total Net Position	$ 20,447,332.55	$ 20,374,385.35

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended November 30, 2017 and 2016

	2017	2016 (Restated)
Operating Revenues:		
Utility Service Charges	$ 6,087,002.96	$ 5,193,752.63
Connection Fees	298,998.50	163,657.75
Other Operating Revenues	413,934.11	374,520.49
Total Operating Revenues	6,799,935.57	5,731,930.87
Operating Expenses:		
Administration:		
Salaries and Wages	236,052.34	271,322.42
Fringe Benefits	150,937.04	183,427.66
Other Expenses	838,219.80	704,914.47
Cost of Providing Services:		
Salaries and Wages	1,997,882.69	1,863,362.21
Fringe Benefits	876,775.24	1,333,136.29
Other Expenses	1,434,135.12	1,265,165.73
Depreciation	1,086,046.59	1,019,553.58
Total Operating Expenses	6,620,048.82	6,640,882.36
Operating Income (Loss)	179,886.75	(908,951.49)
Non-operating Revenue (Expenses):		
Investment Income	13,650.58	9,523.86
Interest on Debt	(120,590.13)	(138,509.45)
Net Non-Operating Expenses	(106,939.55)	(128,985.59)
Change in Net Position	72,947.20	(1,037,937.08)
Net Position - Beginning, as originally stated	20,374,385.35	21,348,863.93
Prior Period Adjustment (see note 11)	-	63,458.50
Net Position - Beginning, as restated	20,374,385.35	21,412,322.43
Net Position - Ending	$ 20,447,332.55	$ 20,374,385.35

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended November 30, 2017 and 2016

	2017	2016 (Restated)
Cash Flows from Operating Activities:		
Receipts from Customers and Users	$ 6,119,966.72	$ 4,950,121.11
Payments for Other Goods or Services	(2,358,028.34)	(2,035,079.40)
Payments for Employee Services	(2,997,669.85)	(3,046,617.64)
Other Operating Receipts	645,081.69	427,230.90
Net Cash Provided by Operating Activities	1,409,350.22	295,654.97
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bonds	(160,000.00)	(155,000.00)
Principal Paid on Loans	(242,375.70)	(164,549.39)
NJ EIT Loan Receivable	603,865.00	1,452,316.00
Debt Issue Costs Payable	(6,596.26)	(7,819.39)
Due From Flemington	96,406.17	66,841.65
Acquisitions of Capital Assets	(513,966.57)	(1,571,097.28)
Interest on Debt	(194,803.76)	(187,091.26)
Net Cash Used in Capital and Related Financing Activities	(417,471.12)	(566,399.67)
Cash Flows from Investing Activities:		
Investment Income Receipts	11,686.63	9,404.25
Purchases of Investments	(1,250,418.83)	(1,247,296.00)
Proceeds from Maturities of Investments	1,247,296.00	1,244,441.67
Net Cash Provided by Investing Activities	8,563.80	6,549.92
Net Change in Cash and Cash Equivalents	1,000,442.90	(264,194.78)
Cash and Cash Equivalents, December 1	2,434,377.17	2,698,571.95
Cash and Cash Equivalents, November 30	$ 3,434,820.07	$ 2,434,377.17

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended November 30, 2017 and 2016

	2017	2016 (Restated)
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 179,886.75	$ (908,951.49)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,086,046.59	1,019,553.58
Pension Liability Expense - GASB 68	213,708.00	600,447.00
Changes in Assets, Liabilities and Deferred Inflows of Resources:		
Consumer Accounts Receivable	(7,980.31)	(277,756.16)
Other Accounts Receivable	4,125.25	(4,125.25)
Prepaid Expenses	30.88	125.56
Unrestricted Accounts Payable	(89,829.55)	(60,999.51)
Unearned Revenue	30,277.76	26,819.20
Compensated Absences	1,760.56	(15,619.68)
Unfunded PERS Obligation	(3,788.00)	(3,473.00)
Prepaid Rents	10,666.31	7,305.44
Developers' Deposits	(14,246.10)	(40,332.88)
OPEB Obligation	66,543.00	63,609.50
Deferred Revenue	(67,850.92)	(110,947.34)
Total Adjustments	1,229,463.47	1,204,606.46
Net Cash Provided by Operating Activities	$ 1,409,350.22	$ 295,654.97

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Raritan 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 Raritan Township Municipal Utilities Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created as a municipal utilities authority by an ordinance adopted on August 10, 1964 by the governing body of the Township of Raritan (the "Township"), pursuant to the Municipal and County Utilities Authorities Law.

The Authority was created to construct and operate a wastewater collection and treatment system to serve the residents of Raritan Township. The plant has 3.8 millions of gallons per day of treatment capacity. The five commissioners of the Authority are appointed by the elected body of Raritan Township.

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*, and 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 would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

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

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

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

Basis of Presentation

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

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

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 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.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond premiums, 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.

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

Budgets and Budgetary Accounting (Cont'd)

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.

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

Inventories

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

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end. The Authority had no prepaid expenses for the fiscal year ended November 30, 2017.

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

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual 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 capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the 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 $1,500.00 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

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

	Years
Building, Sewage Treatment Plant and Pumping Stations	15-75
Infrastructure	75
Equipment	3-15
Vehicles	7-10

Debt Discounts / Debt Premiums

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

Deferred Outflows of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its comparative statements of net position. The only deferred outflows of resources reported in this fiscal year's financial statements is 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.

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 fee funds 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.

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

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.

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 debts, 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.

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

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from facility charges and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in certificates of deposit.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassifications

Certain fiscal year 2016 amounts have been reclassified to conform to fiscal year 2017 presentation.

Impact of Recently Issued Accounting Policies

Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended November 30, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority's financial statements.

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

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

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

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 November 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

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

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

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the fiscal year ending November 30, 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 November 30, 2018. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues.* The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement will become effective for the Authority in the fiscal year ending November 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

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

Recently Issued Accounting Pronouncements (Cont'd).

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

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

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions
Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

General Bond Resolution
The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted June 17, 2010 and Supplemental Resolution adopted December 15, 2011 (collectively the "Bond Resolution"). A summary of the activities of each account created by the Bond Resolution is covered below.

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

Operating Account - The balance on deposit shall be used to pay for the operating expenses of the Authority.

Debt Service Account - The balance on deposit must be sufficient as of any particular date of computation in a particular fiscal year; and with respect to the Debts Outstanding on such date, an amount of money equal to any unpaid interest or principal then due, plus, all interest payable on or payment of which is deemed to accrue through the end of the month during which such date of computation occurs and all principal payable on or payment of which may be deemed to accrue through the end of such month. In the case of Capital Appreciation Bonds, the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included when due and payable as part of the principal or Sinking Fund Installment in accordance with the above provisions. At November 30, 2017, the balance in the debt service account meets the requirements of the Bond Resolution.

Debt Reserve Account - The amount of funds on deposit must be maintained at the lower of the maximum annual debt service on the 2010 Sewer System Revenue Bonds or one hundred twenty-five percent (125%) of the average annual debt service on the 2010 Sewer System Revenue Bonds. The Bond Resolution states that there shall be no Debt Reserve Requirement, in connection with the issuance of debts issued through the NJEIT Financing Program. At November 30, 2017, the balance in the debt reserve account meets the requirements of the Bond Resolution.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At November 30, 2017, the balance in the renewal and replacement account meets the requirements of the Bond Resolution.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

General Bond Resolution (Cont'd)

Rebate Account - This account is to be established in accordance with Section 401 of the Bond Resolution in the event that a rebate to the United States Government arises from excess investment earnings pursuant to the IRS code.

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

Construction Account - This account was established in accordance with Section 401 of the Bond Resolution. The construction account is held by the Trustee and is used to pay the cost of the project and is pledged, pending application to such costs.

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 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 following schedule.

As of November 30, 2017 and 2016, the Authority's bank balances were exposed to custodial credit risk as follows:

	November 30,	
	2017	2016
Insured by FDIC	$ 250,000.00	$ 250,000.00
Insured by GUDPA	2,197,178.32	1,478,000.25
Collateralized by Bank	653,833.20	672,285.84
Uninsured and Uncollateralized	360,968.16	38,733.08
Total	$ 3,461,979.68	$ 2,439,019.17

Investments

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

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

Investments (Cont'd)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's $1,250,418.83 as of November 30, 2017 and $1,247,296.00 of November 30, 2016 investments in Certificate of Deposits are held in the name of the Authority.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. More than 5.0% of the Authority's investments are short-term investments. These investments represent 100.00% of the Authority's total investments. All of the Authority's investments are in certificates of deposit.

As of November 30, 2017 and 2016, the Authority had the following investments and maturities:

Investment	Maturities	Fair Value Hierarchy Level*	Credit Rating	Fair Value November 30, 2017	Fair Value November 30, 2016
TD Bank Certificate of Deposit	1/12/2018	Level 1	N/A	$ 454,970.01	
TD Bank Certificate of Deposit	11/2/2018	Level 1	N/A	700,000.00	
Unity Bank Certificate of Deposit	2/8/2018	Level 1	N/A	95,448.82	
First Bank Certificate of Deposit	1/11/2017	Level 1	N/A		$ 452,787.45
First Bank Certificate of Deposit	11/2/2017	Level 1	N/A		450,000.00
First Bank Certificate of Deposit	11/2/2017	Level 1	N/A		250,000.00
Unity Bank Certificate of Deposit	2/8/2017	Level 1	N/A		94,508.55
				$ 1,250,418.83	$ 1,247,296.00

	November 30, 2017	November 30, 2016
Insured by FDIC	$ 95,448.82	$ 344,508.55
Insured by GUDPA	454,970.01	452,787.45
Uninsured and Uncollateralized	700,000.00	450,000.00
	$ 1,250,418.83	$ 1,247,296.00

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

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

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

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

Investments (Cont'd)

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

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

Service Fees

The following is service charge billings and collections for all types of accounts maintained by the Authority:

Fiscal Year Ended November 30,	Beginning Balance	Billings	Total Collections	Percentage of Collections
2017	$ 698,881.19	$ 6,087,002.96	$ 6,079,022.65	89.58%
2016	421,125.03	5,193,752.63	4,915,996.47	87.55%
2015	483,762.10	5,556,984.32	5,619,621.39	93.03%

Capital Assets

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

	Balance December 1, 2016	Additions	Transfers	Balance November 30, 2017
Construction in Progress	$ 2,753,374.61	$ 270,288.27	$ (2,771,311.11)	$ 252,351.77
Buildings, Plant & Pumping Stations	584,276.60	42,243.74	2,713,710.06	3,340,230.40
Infrastructure	41,727,851.29		57,601.05	41,785,452.34
Equipment	4,455,774.66	37,774.25		4,493,548.91
Vehicles	316,937.21			316,937.21
Total Capital Assets being Depreciated	47,084,839.76	80,017.99	2,771,311.11	49,936,168.86
Total Assets	49,838,214.37	350,306.26	-	50,188,520.63
Less: Accumulated Depreciation	20,054,952.82	1,086,046.59	-	21,140,999.41
Total Capital Assets	$ 29,783,261.55	$ (735,740.33)	$ -	$ 29,047,521.22

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

Capital Assets (Cont'd)

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

	Balance December 1, 2015	Additions	Transfers	Balance November 30, 2016
Construction in Progress	$ 1,404,077.57	$ 1,369,580.02	$ (20,282.98)	$ 2,753,374.61
Buildings, Plant & Pumping Stations	584,276.60			584,276.60
Infrastructure	41,703,166.36	4,401.95	20,282.98	41,727,851.29
Equipment	4,338,367.12	117,407.54		4,455,774.66
Vehicles	316,937.21			316,937.21
Total Capital Assets being Depreciated	46,942,747.29	121,809.49	20,282.98	47,084,839.76
Total Assets	48,346,824.86	1,491,389.51	-	49,838,214.37
Less: Accumulated Depreciation	19,035,399.24	1,019,553.58	-	20,054,952.82
Total Capital Assets	$ 29,311,425.62	$ 471,835.93	$ -	$ 29,783,261.55

Note 4: DETAIL NOTES - LIABILITIES

Long Term Liabilities

During the fiscal years ended November 30, 2017 and 2016, the following changes occurred in long-term obligations:

	(Restated) Balance December 1, 2016	Additions	Reductions	Balance November 30, 2017	Due Within One Year
Loans Payable					
NJEIT Loans	$ 4,444,234.94		$ (242,375.70)	$ 4,201,859.24	$ 305,202.01
Issuance Premiums	86,158.69		(5,123.89)	81,034.80	
Total Loans Payable	4,530,393.63	$ -	(247,499.59)	4,282,894.04	305,202.01
Bonds Payable					
Bonds	3,075,000.00		(160,000.00)	2,915,000.00	170,000.00
Issuance Premiums	169,673.50		(23,551.07)	146,122.43	
Total Bonds Payable	3,244,673.50	-	(183,551.07)	3,061,122.43	170,000.00
Other Liabilities					
Compensated Absences	113,852.70	22,800.32	(21,039.08)	115,613.94	
Unfunded PERS Obligation	37,788.00		(3,788.00)	34,000.00	4,227.00
Net Pension Liability	8,044,394.00	2,044,496.00	(4,014,399.00)	6,074,491.00	
Other Liabilities - Related to Pension	100,540.00	100,726.00	(100,540.00)	100,726.00	
Net OPEB Obligation	386,627.00	74,400.00	(7,857.00)	453,170.00	
Total Other Liabilities	8,683,201.70	2,242,422.32	(4,147,623.08)	6,778,000.94	4,227.00
Total Long Term Liabilities	$ 16,458,268.83	$ 2,242,422.32	$ (4,578,673.74)	$ 14,122,017.41	$ 479,429.01

	(Restated) Balance December 1, 2015	Additions	Reductions	(Restated) Balance November 30, 2016	Due Within One Year
Loans Payable					
NJEIT Loans	$ 4,608,784.33		$ (164,549.39)	$ 4,444,234.94	$ 242,375.70
Issuance Premiums	91,282.57		(5,123.88)	86,158.69	
Total Loans Payable	4,700,066.90	$ -	(169,673.27)	4,530,393.63	242,375.70
Bonds Payable					
Bonds	3,230,000.00		(155,000.00)	3,075,000.00	160,000.00
Issuance Premiums	194,578.31		(24,904.81)	169,673.50	
Total Bonds Payable	3,424,578.31	-	(179,904.81)	3,244,673.50	160,000.00
Other Liabilities					
Compensated Absences	129,473.06	9,480.28	(25,100.64)	113,852.70	
Unfunded PERS Obligation	41,261.00		(3,473.00)	37,788.00	3,788.00
Net Pension Liability	5,923,603.00	3,285,842.00	(1,165,051.00)	8,044,394.00	
Other Liabilities - Related to Pension	94,527.92	100,540.00	(94,527.92)	100,540.00	
Net OPEB Obligation	323,017.50	70,664.00	(7,054.50)	386,627.00	
Total Other Liabilities	6,511,882.48	3,466,526.28	(1,295,207.06)	8,683,201.70	3,788.00
Total Long Term Liabilities	$ 14,636,527.69	$ 3,466,526.28	$ (1,644,785.14)	$ 16,458,268.83	$ 406,163.70

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

Sewer System Revenue Bonds Payable - Series 2010

The Sewer System Revenue Bonds Series 2010 are direct obligations of the Authority and are secured under the provisions of the Resolution pledging the revenues and all funds established by the Resolution to secure the payment of principal and the interest on the bonds. The Bonds are further secured by the limited service agreement between the Authority and the Township (See Note 6).

The 2010 Series Bonds were issued to provide funds for certain capital improvements of the Authority and to pay the costs of the issuance of the bonds. The Bonds were issued originally for $3,810,000.00 and carried interest rates ranging from 3.00% to 5.00% with a final maturity due on May 1, 2030.

The following schedule reflects the Debt Service maturities for Series 2010 Bonds:

Fiscal Year Ending November 30,	Principal	Rates	Interest	Total
2018	$ 170,000.00	4.00%	$ 135,200.00	$ 305,200.00
2019	175,000.00	4.00%	128,300.00	303,300.00
2020	180,000.00	4.00%	121,200.00	301,200.00
2021	190,000.00	4.00%	113,800.00	303,800.00
2022	200,000.00	5.00%	105,000.00	305,000.00
2023-2027	1,155,000.00	5.00%	361,125.00	1,516,125.00
2028-2030	845,000.00	5.00%	64,625.00	909,625.00
	2,915,000.00		$ 1,029,250.00	$ 3,944,250.00
Current Maturities	(170,000.00)			
Premium on Bonds	146,122.43			
Long-Term Portion	$ 2,891,122.43			

New Jersey Environmental Infrastructure Trust Loans

On May 3, 2012, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2012A") totaling $2,319,383.00 for the repair of various pump stations and other capital improvements. The Authority received principal forgiveness on a portion of fund loan in the amount of $214,271.00. The Fund portion of the award is for $1,554,383.00 and is interest free. The remaining Trust portion is for $765,000.00 and carries interest rates varying from 2.0% to 5.0% with a final maturity due on August 1, 2031.

On May 28, 2015, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2015A-1") totaling $1,029,299.00 for the Woodside Farms Pump Station. The Fund portion of the award is for $784,299.00 and is interest free. The remaining Trust portion is for $245,000.00 and carries interest rates varying from 4.0% to 5.0% with a final maturity due on August 1, 2034.

On November 24, 2015, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2015A-2") totaling $1,593,700.00 for Motor Control Center Panel. The Fund portion of the award is for $1,193,700.00 and is interest free. The remaining Trust portion is for $400,000.00 and carries interest rates varying from 3.0% to 5.0% with a final maturity due on August 1, 2035.

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

New Jersey Environmental Infrastructure Trust Loans (Cont'd)

The following schedule reflects the loan maturities for NJEIT Series 2012A, 2015A-1 and 2015A-2:

Fiscal Year Ending November 30,	Interest Free Loan Principal	Loan Principal	Total Principal	Rates	Interest	Total
2018	$ 187,375.70	$ 55,000.00	$ 242,375.70	5.00%	$ 50,253.76	$ 292,629.46
2019	187,375.70	60,000.00	247,375.70	5.00%	47,503.76	294,879.46
2020	187,375.70	60,000.00	247,375.70	5.00%	44,503.76	291,879.46
2021	187,375.70	60,000.00	247,375.70	5.00%	41,503.76	288,879.46
2022	187,375.70	70,000.00	257,375.70	5.00%	38,503.76	295,879.46
2023-2027	936,878.50	390,000.00	1,326,878.50	3.00% - 5.00%	138,168.80	1,465,047.30
2028-2032	832,065.33	415,000.00	1,247,065.33	3.00% - 4.00%	57,305.02	1,304,370.35
2033-2035	271,036.91	115,000.00	386,036.91	3.125% - 4.00%	7,468.76	393,505.67
	$2,976,859.24	$1,225,000.00	4,201,859.24		$425,211.38	$ 4,627,070.62
Current Maturities			(242,375.70)			
Premium on Bonds			81,034.80			
Long-Term Portion			$4,040,518.34			

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Additionally, administrative employees may carry over a maximum of 5 unused vacation days for one year. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at November 30, 2017 and 2016 is estimated at $115,613.94 and $113,853.38, respectively.

Net Pension Liability

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

Lease Obligations

At November 30, 2017, the Authority has operating lease agreements in effect for copiers and a postage machine.

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

Fiscal Year Ending November 30,	Lease Payment
2018	$12,255.96
2019	5,117.16
2020	1,547.76
2021	773.88
	$19,694.76

Current fiscal year payments under operating leases totaled $12,255.96.

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

Pension Plans

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

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

Plan Descriptions

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

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

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

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 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 rate for the fiscal years ended November 30, 2017 and 2016 was 13.49% and 13.72% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Note 4: 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 November 30, 2017 was $241,742.00 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 November 30, 2016 was $241,297.00, which was paid on April 1, 2017. Employee contributions to the Plan during the fiscal years ended November 30, 2017 and 2016 were $134,104.71 and $128,168.07, respectively.

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

For the fiscal years ended November 30, 2017 and 2016, there were no employees participating in DCRP.

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

At November 30, 2017, the Authority's proportionate share of the net pension liability was $6,074,491.00. 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 .0260949670%, which was a decrease of .0010663206% from its proportion measured as of June 30, 2016.

At November 30, 2016, the Authority's proportionate share of the net pension liability was $8,044,394.00. 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 .0271612876%, which was an increase of .0007731746% from its proportion measured as of June 30, 2015.

For the fiscal years ended November 30, 2017 and 2016, the Authority recognized pension expense of $455,003.00 and $827,299.00, respectively. These amounts were based on the plan's June 30, 2017 and 2016 measurement dates, respectively.

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

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources - At November 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	November 30, 2017		November 30, 2016	
	Measurement Date June 30, 2017		Measurement Date 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	$ 143,033.00	$ -	$ 149,601.00	$ -
Changes of Assumptions	1,223,801.00	1,219,314.00	1,666,369.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	41,363.00	-	306,740.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	181,294.00	190,055.00	240,578.00	-
Authority Contributions Subsequent to the Measurement Date	100,726.00	-	100,540.00	-
	$ 1,690,217.00	$ 1,409,369.00	$ 2,463,828.00	$ -

The deferred outflows of resources related to pensions totaling $100,726.00 and $100,540.00 will be included as a reduction of the net pension liability in the fiscal years ended November 30, 2018 and 2017, 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 November 30, 2017 and 2016.

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

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
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

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

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS (Cont'd)

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

Fiscal Year Ending November 30,	
2018	$ 159,860.00
2019	232,651.00
2020	135,343.00
2021	(200,614.00)
2022	(147,118.00)
	$ 180,122.00

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:

	Measurement Date June 30, 2017	Measurement Date June 30, 2016
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

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

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

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

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

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

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

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

	Measurement Date June 30, 2017		Measurement Date June 30, 2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100.00%		100.00%	

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

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

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

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

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – 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 (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Proportionate Share of the Net Pension Liability	$ 7,535,819.00	$ 6,074,491.00	$ 4,857,024.00

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 (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Proportionate Share of the Net Pension Liability	$ 9,857,466.00	$ 8,044,394.00	$ 6,547,546.00

Pension Plan Fiduciary Net Position

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

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

Public Employees' Retirement System (PERS) Payment Deferral

On March 17, 2009, P.L. 2009, c.19 (S-21) was signed into legislation and provided the option of deferring fifty percent (50%) of the Authority's 2009 regular PERS pension liability. Authorities that elected to defer the pension liability are required to begin repaying the deferred amount over fifteen (15) years, starting in April of 2012. The amount to be paid will fluctuate based on the pension system investment earnings on the unfunded liability. At any time, however, upon requesting a payoff amount from the Division of Pensions and Benefits, an authority may pay off the deferred amount. The deferral of the aforementioned PERS payment is only an option for the 2009 fiscal year. Commencing in fiscal year 2010 and beyond, the full annual PERS pension liability was required to be budgeted and paid.

In fiscal year 2009, the Authority elected to defer fifty percent (50%) of the April 2009 payment, equaling a total deferral of $52,221.00. The following is a schedule for the payment of the PERS deferral, based on an interest rate of 8.25%. N.J.S.A 43:15A-24b requires the use of "regular interest" when the actuary calculates the amortization of the unfunded accrued liability of the pension system, which is set by the State Treasurer (N.J.S.A. 43:15A-6n) and currently is 8.25%.

The following schedule reflects the remaining amounts due:

Fiscal Year Ending November 30,	Deferral Payment	Interest	Total Projected Payment
2018	$ 4,227.00	$ 3,979.00	$ 8,206.00
2019	3,549.00	2,456.00	6,005.00
2020	3,643.00	2,163.00	5,806.00
2021	3,739.00	1,863.00	5,602.00
2022	3,838.00	1,554.00	5,392.00
2023-2026	15,004.00	2,967.00	17,971.00
	$34,000.00	$14,982.00	$48,982.00

Postemployment Benefits

The State Pension Fund provides health benefits 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.

The Authority also provides a reimbursement of Medicare B premiums to employees that have retired from the Authority in addition to benefits provided through the State Pension Fund. The benefits and reimbursement for the Medicare Part B deduction amounts are established by the Authority. GASB Statement 45 requires that accrued liabilities associated with these benefits be recorded on the Authority's financial statements.

State Health Benefits

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

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

Postemployment Benefits (Cont'd)

State Health Benefits (Cont'd)

Plan Description (Cont'd) - The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On November 16, 1978, the Authority authorized participation in the SHPB's post-retirement benefit program through a resolution. The Authority provides postemployment health care benefits, at its cost, to all Authority retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a State locally administered retirement system and have served at least twenty (20) years as an employee of the Authority. Benefits provided include health insurance, dental coverage, and prescription coverage for retirees and their dependents only during the retired employees' life.

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

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

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

The Authority's contributions to SHBP for the fiscal year ended November 30, 2017, 2016 and 2015 were $193,807.41, $155,537.85, and $99,880.79 which equaled the required contributions each year. As of November 30, 2017, there were 10 retirees, 7 spouses and 2 children eligible for postemployment medical benefits.

Authority's Plan – Medicare B Reimbursement

Plan Description – The Authority also provides Medicare Part B reimbursement to retirees and their covered dependents. 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 postemployment benefit costs on a "pay-as-you-go" basis. The Authority's contributions to the plan for the fiscal year ended November 30, 2017, 2016 and 2015 were $7,857.00, $7,054.50, and $5,764.50 respectively. As of November 30, 2017, there were 4 retirees and 2 spouses eligible for Medicare B reimbursement.

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 $73,387.00 at an unfunded discount rate of 4.0%. For the fiscal year ending November 30, 2017, the Authority has funded the cost of existing retirees in the amount of $7,857.00 contributed to the plan for Medicare part B reimbursements. The Authority has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost – For fiscal year 2017, the Authority's annual OPEB cost (expense) of $74,400.00 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

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

Postemployment Benefits (Cont'd)

Authority's Plan – Medicare B Reimbursement (Cont'd)

Annual OPEB Cost (Cont'd) - The Authority's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 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) of the plan over a period not to exceed thirty years.

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

	2017	2016 (Restated)	2015 (Restated)
Normal cost	$ 28,462.00	$ 28,462.00	$ 28,462.00
Amortization Payment	44,925.00	44,925.00	44,925.00
Annual required contribution (expense)	73,387.00	73,387.00	73,387.00
Interest on Outstanding Net OPEB Obligation	10,467.00	10,467.00	10,467.00
Adjustment to Annual Required Contribution	(9,454.00)	(13,190.00)	(16,751.00)
Total Annual OPEB Cost	74,400.00	70,664.00	67,103.00
Contributions Made	7,857.00	7,054.50	5,769.50
	66,543.00	63,609.50	61,333.50
Net OPEB obligation - beginning of year	386,627.00	323,017.50	261,684.00
Net OPEB obligation - end of year	$ 453,170.00	$ 386,627.00	$ 323,017.50
Percentage of Annual OPEB Cost Contribution	10.56%	9.98%	8.60%

Funded Status and Funding Progress - 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.

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

Postemployment Benefits (Cont'd)

Authority's Plan – Medicare B Reimbursement (Cont'd)

Actuarial Methods and Assumptions (Cont'd) - In the December 1, 2014 actuarial valuation, the projected unit credit 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 remaining amortization period at November 30, 2017, was twenty-two years. The actuarial assumptions included the following:

- *Mortality*: Sex-distinct RP-2014 Employee/Annuitant Mortality Tables with generational mortality improvements at scale MP-2014
- *Annual Discount Rate:* 4.0 % investment rate of return (net of administrative expenses)
- *Healthcare Trend Rate:* 4.5%

Note 5: 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 6: INTERGOVERNMENTAL AGREEMENTS

Major Customer

The Authority derives a significant portion of its total service fees from the Borough of Flemington. Since the charges are based upon the flow from the system, the Authority's revenues are subject to large fluctuations from one customer. A comparison of the billings is shown below:

Year	Borough of Flemington Billings	Total Billings	Percentage
2017	$ 695,414.95	$ 6,087,002.96	11.42%
2016	567,494.51	5,193,752.63	10.93%
2015	532,438.89	5,556,984.32	9.58%

Borough of Flemington Service Agreement

The Authority entered into an ongoing wastewater service agreement with the Borough of Flemington (Borough) on April 8, 1970. This agreement was amended on September 15, 1977, February 26, 1988, January 11, 1996, March 20, 2001, and August 27, 2013. The purpose of this agreement is to determine the amount of operating and capital costs the Borough must reimburse the Authority for the operation of the Flemington Wet Weather Facility (FWWF). The FWWF is owned and operated by the Authority; however, the facility's sole purpose is to service the wastewater from the Borough. Further, the FWWF only operates at time of excessive waste water flow which typically occurs during storm events. The Borough must reimburse the Authority for 80% of the FWWF operational costs and capital costs. If the Authority issues debt for capital improvements at the FWWF, the Borough must reimburse the Authority based on an agreed upon percentage of the debt payments in the year the principal and interest is paid to the bondholders.

Note 6: INTERGOVERNMENTAL AGREEMENTS (CONT'D)

Borough of Flemington Service Agreement (Cont'd)

As of November 30, 2017 and 2016, the receivable on capital acquisitions and related debt obligations is $1,588,541.40 and $1,640,825.83, respectively.

Township of Raritan Service Agreement

A Service Agreement was entered into on March 1, 1970 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Service Charges).

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

Note 7: COMMITMENTS

The Authority had several outstanding or planned construction projects as of November 30, 2017 and 2016. These projects are evidenced by contractual commitments with contractors and include:

Project	Total Project	Total Expended as of Nov. 30, 2017	Commitment Remaining as of Nov. 30, 2017
Commerce Street - Sewer Improvements	$ 54,100.00		$ 54,100.00
Flemington Borough Rt. 31 Interceptor Relocation	458,241.00		458,241.00
	$ 512,341.00	$ -	$ 512,341.00

Project	Total Project	Total Expended as of Nov. 30, 2016	Commitment Remaining as of Nov. 30, 2016
Woodside Farms Pump Station Rehabilitation	$ 669,727.49	$ 656,332.94	$ 13,394.55
Motor Control Center Replacement	1,243,599.17	1,111,404.03	132,195.14
	$ 1,913,326.66	$1,767,736.97	$ 145,589.69

Note 8: DEFERRED COMPENSATION SALARY ACCOUNT

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

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

Note 9: RISK MANAGEMENT

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

Property and Physical Damage
Workers Compensation
Excess Liability
Boiler and Machinery
General and Automobile Liability

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

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

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

Note 10: CONTINGENCIES

There is the possibility that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be approximately equal to 0.6 mg/1. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time. The Authority is operating the Main Plant under a NJDEP NJPDES permit that expired May 30, 2013 and is currently in discussions with NJDEP for the new permit.

The RTMUA is currently operating under a Capacity Assurance Program with the NJDEP that could limit the amount of new sewer connections allowed. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a ban on new sewer hookups could be imposed.

The Authority is operating the Flemington Wet Weather Facility under a NJDEP NJPDES permit effective May 1, 2010 that contains "report only" parameters for various components of effluent. It appears that the Authority's effluent will be required to meet certain levels of the various components in the new permit, effective April 1, 2015. As technology does not exist to meet these parameters in an intermittent facility such as Flemington, a permit with these requirements will create a major financial impact, the amount of which cannot be estimated at this time. The matter is under appeal and is before an Administrative Law Judge.

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: RESTATEMENT OF NET POSITION

Because of a correction of an error related to the implementation of GASB Statement No. 45, net position as of November 30, 2015 has been restated.

The cumulative effect on the financial statements as reported for November 30, 2015 is as follows:

	As Previously Reported November 30, 2015	Cumulative Effect - Increase / Decrease	As Restated November 30, 2015
Liabilities:			
Long-term Liabilities			
Net OPEB Obligation	$ 386,476.00	$ (63,458.50)	$ 323,017.50
Total Long-term Liabilities	14,353,786.27	(63,458.50)	14,290,327.77
Total Liabilities	$ 16,052,213.92	$ (63,458.50)	$ 15,988,755.42
Net Position:			
Unrestricted (Deficit)	$ (3,947,125.83)	$ 63,458.50	$ (3,883,667.33)
Total Net Position	$ 21,348,863.93	$ 63,458.50	$ 21,412,322.43

Note 12: SUBSEQUENT EVENTS

Subsequent to November 30, 2017, the Authority issued bonds to partially refund the Series 2010 bonds as follows:

Purpose	Date	Amount
Refunding Bonds	December 29, 2017	$ 2,465,000.00

REQUIRED SUPPLEMENTARY INFORMATION

Schedule RSI-1

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/1/2014	$ -	$ 701,817.00	$ 701,817.00	0 %	*	*

* Not Provided

Schedule RSI-2

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

Fiscal Year Ended November 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	(Restated) Net OPEB Obligation
2017	$ 74,400.00	10.56%	$ 453,170.00
2016	70,664.00	9.98%	386,627.00
2015	67,103.00	8.60%	323,017.50

RARITAN 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

	Measurement Date Ending June 30,				
	2017	**2016**	**2015**	**2014**	**2013**
Authority's Proportion of the Net Pension Liability	0.0260949670%	0.0271612876%	0.0263881130%	0.0258060070%	0.0253975033%
Authority's Proportionate Share of the Net Pension Liability	$ 6,074,491.00	$ 8,044,394.00	$ 5,923,603.00	$ 4,831,590.00	$ 4,853,968.00
Authority's Covered Payroll (Plan Measurement Period)	$ 1,740,448.00	$ 1,869,916.00	$ 1,820,268.00	$ 1,784,632.00	$ 1,705,552.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	349.02%	430.20%	325.42%	270.73%	284.60%
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.

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

	Fiscal Year Ended November 30,				
	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 241,742.00	$ 241,297.00	$ 226,867.00	$ 212,741.00	$ 191,365.00
Contributions in Relation to Contractually Required Contribution	(241,742.00)	(241,297.00)	(226,867.00)	(212,741.00)	(191,365.00)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll (Fiscal Year)	$ 1,792,272.00	$ 1,758,439.00	$ 1,852,418.00	$ 1,808,163.00	$ 1,773,216.00
Authority's Contributions as a Percentage of Covered Payroll	13.49%	13.72%	12.25%	11.77%	10.79%

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.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Fiscal Year Ended November 30, 2017

Note 1: OTHER POSTEMPLOYMENT BENEFITS

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

Valuation Date	December 1, 2014
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Closed, Level Dollar Method
Remaining Amortization Periods	22 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate:	4.0%
Healthcare Trend Rate:	4.5%

For determining the GASB ARC, the rate of employer contributions to the Raritan 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%.

SUPPLEMENTARY SCHEDULES

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended November 30, 2017

		Restricted				
	Operating & General	Debt Service Reserve	Debt Service	Renewal and Replacement	Unemployment Compensation	Total
Operating Revenues:						
Utility Service Charges	$ 6,087,002.96					$ 6,087,002.96
Connection Fees	298,998.50					298,998.50
Other Operating Revenues	411,357.89				$ 2,576.22	413,934.11
Total Operating Revenues	6,797,359.35	$ -	$ -	$ -	2,576.22	6,799,935.57
Operating Expenses:						
Administration:						
Salaries and Wages	236,052.34					236,052.34
Fringe Benefits	150,937.04					150,937.04
Other Expenses	838,219.80					838,219.80
Cost of Providing Service:						
Salaries and Wages	1,997,882.69					1,997,882.69
Fringe Benefits	876,775.24					876,775.24
Other Expenses	1,434,135.12					1,434,135.12
Depreciation	1,086,046.59					1,086,046.59
Total Operating Expenses	6,620,048.82	-	-	-	-	6,620,048.82
Operating Income	177,310.53	-	-	-	2,576.22	179,886.75
Non-operating Revenue (Expenses):						
Investment Income	11,099.60	576.37	728.92	1,245.69		13,650.58
Interest on Debt	28,674.96		(149,265.09)			(120,590.13)
Net Income (Loss) Before Transfers	217,085.09	576.37	(148,536.17)	1,245.69	2,576.22	72,947.20
Transfers	(135,036.90)	(576.37)	136,858.96	(1,245.69)	-	-
Change in Net Position	82,048.19	-	(11,677.21)	-	2,576.22	72,947.20
Net Position - Beginning, as restated	19,694,974.35	305,500.00	249,831.46	93,274.00	30,805.54	20,374,385.35
Net Position - Ending:						
Net Investment in Capital Assets	23,280,495.11					23,280,495.11
Restricted		305,500.00	238,154.25	93,274.00	33,381.76	670,310.01
Unrestricted	(3,503,472.57)					(3,503,472.57)
Total Net Position	$ 19,777,022.54	$ 305,500.00	$ 238,154.25	$ 93,274.00	$ 33,381.76	$ 20,447,332.55

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts and Disbursements
For the Fiscal Year Ended November 30, 2017

		Restricted					
	Operating and General	Debt Service Reserve	Debt Service	Renewal and Replacement	Project Fund	Unemployment Compensation	Total
Cash, Cash Equivalents and Investments:							
Balance December 1, 2016	$ 2,913,903.02	$ 305,500.00	$ 336,954.97	$ 94,508.55	$ 1.09	$ 30,805.54	$ 3,681,673.17
Receipts:							
Investment Income	9,441.07	576.37	728.92	940.27			11,686.63
Consumer Accounts Receivable	5,757,652.30						5,757,652.30
Prepaid Rents	22,833.32						22,833.32
Unearned Revenue	339,481.10						339,481.10
Deferred Revenue	231,147.58						231,147.58
Escrow Deposits	62,019.04						62,019.04
Other Operating Revenues	415,483.14					2,576.22	418,059.36
Due From Flemington	96,406.17						96,406.17
NJEIT Loan Receivable					603,865.00		603,865.00
Transfers In	89,891.28		588,383.08				678,274.36
Total Cash and Investments Available	9,938,258.02	306,076.37	926,066.97	95,448.82	603,866.09	33,381.76	11,903,098.03
Disbursements:							
Budgetary	4,997,494.37		4,227.00				5,001,721.37
Prepaid Expenses	16,010.54						16,010.54
Bond Principal			160,000.00				160,000.00
Loan Principal			242,375.70				242,375.70
Interest on Debt			194,803.76				194,803.76
Capital Assets					342,878.92		342,878.92
Accounts Payable	327,845.43		6,596.26		171,087.65		505,529.34
Escrow Disbursements	76,265.14						76,265.14
Transfers Out	587,806.71	576.37			89,891.28		678,274.36
Total Disbursements	6,005,422.19	576.37	608,002.72	-	603,857.85	-	7,217,859.13
Cash, Cash Equivalents and Investments:							
Balance November 30, 2017	$ 3,932,835.83	$ 305,500.00	$ 318,064.25	$ 95,448.82	$ 8.24	$ 33,381.76	$ 4,685,238.90
Analysis of Balance November 30, 2017							
Cash and Cash Equivalents	$ 2,777,865.82	$ 305,500.00	$ 318,064.25		$ 8.24	$ 33,381.76	$ 3,434,820.07
Investments	1,154,970.01			$ 95,448.82			1,250,418.83
	$ 3,932,835.83	$ 305,500.00	$ 318,064.25	$ 95,448.82	$ 8.24	$ 33,381.76	$ 4,685,238.90

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Fiscal Year Ended November 30, 2017

	Adopted Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Service Charges	$ 5,807,663.00	$ 6,087,002.96	$ 279,339.96
Connection Fees	75,000.00	298,998.50	223,998.50
Other Operating Revenues	317,000.00	413,934.11	96,934.11
Total Operating Revenues	6,199,663.00	6,799,935.57	600,272.57
Non-Operating Revenues:			
Investment Income	5,000.00	13,650.58	8,650.58
Total Anticipated Revenues	6,204,663.00	6,813,586.15	608,923.15
Operating Appropriations:			
Administration:			
Salaries and Wages:			
Administration Salaries	238,902.00	228,748.50	10,153.50
Commissioners' Salaries	8,400.00	7,303.84	1,096.16
Total Salaries and Wages	247,302.00	236,052.34	11,249.66
Fringe Benefits	133,945.20	150,937.04	(16,991.84)
Other Expenses:			
Professional Services - Legal	60,000.00	34,211.96	25,788.04
Professional Services - Audit	40,000.00	40,000.00	
Professional Services - Accounting	8,000.00	8,170.50	(170.50)
Professional Services - Engineering	140,700.00	92,621.43	48,078.57
Medical	1,000.00	1,462.40	(462.40)
Trustee Fee	6,000.00	6,000.00	
NJEIT Fees	10,824.00	2,477.48	8,346.52
Professional Services - Ind. Contractor	95,960.00	61,005.86	34,954.14
Insurance	214,080.00	189,986.57	24,093.43
Education	10,000.00	15,761.24	(5,761.24)
Travel Expenses	7,000.00	6,996.48	3.52
Dues and Memberships	5,500.00	5,529.00	(29.00)
Conferences & Seminars	5,000.00	3,578.00	1,422.00
Office Expense	25,000.00	31,017.68	(6,017.68)
Public Advertising	2,500.00	1,854.84	645.16
Postage	10,500.00	12,868.12	(2,368.12)
Permits, Licenses & Easement Fees	20,000.00	27,086.18	(7,086.18)
Retirement Benefits	237,861.00	269,413.41	(31,552.41)
Computer Maintenance & Upgrade	50,306.00	28,178.65	22,127.35
Total Other Expenses	950,231.00	838,219.80	112,011.20
Total Administration	1,331,478.20	1,225,209.18	106,269.02

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Fiscal Year Ended November 30, 2017

	Adopted Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service:			
Operations			
Salaries and Wages	$ 1,930,943.00	$ 1,925,415.00	$ 5,528.00
Fringe Benefits	759,022.80	876,775.24	(117,752.44)
Other Expenses:			
Chemical Costs - Chlorine	36,000.00	31,681.01	4,318.99
Chemical Costs - Polymer	28,500.00	27,844.18	655.82
Chemicals Costs - Sulfur Dioxide	20,000.00	17,933.00	2,067.00
Utility Costs - Electricity	320,000.00	352,978.92	(32,978.92)
Utility Costs - Natural Gas	34,500.00	21,318.73	13,181.27
Utility Costs - Telephone	24,500.00	28,023.38	(3,523.38)
Supplies and Services - Dyed Diesel	5,000.00	4,825.10	174.90
Sludge Disposal	560,000.00	629,388.65	(69,388.65)
Tools	5,500.00	4,706.97	793.03
Supplies & Services - Gasoline	10,000.00	8,932.59	1,067.41
Supplies & Services - Lab	17,000.00	14,706.67	2,293.33
Supplies & Services - Ind. Lab	14,000.00	16,732.00	(2,732.00)
Safety Equipment	10,000.00	8,309.97	1,690.03
Pump Station & Collection System	50,000.00	43,655.67	6,344.33
Maintenance - Treatment Plant	100,000.00	68,206.99	31,793.01
Maintenance - Buildings & Grounds	16,000.00	14,842.20	1,157.80
Maintenance - Instr & Meter Calibration	28,000.00	10,198.13	17,801.87
Maintenance - Vehicle	12,000.00	8,185.04	3,814.96
Maintenance - Plant Lab	4,000.00	4,310.81	(310.81)
Maintenance - Septage & Tank Cleaning	20,000.00	15,544.45	4,455.55
Miscellaneous	30,350.00	18,513.64	11,836.36
Total Other Expenses	1,345,350.00	1,350,838.10	(5,488.10)
Total Operations	4,035,315.80	4,153,028.34	(117,712.54)

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Fiscal Year Ended November 30, 2017

	Adopted Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Flemington Storm Water Facility			
Salaries and Wages:	$ 59,943.00	$ 72,467.69	$ (12,524.69)
Other Expenses:			
Legal	40,000.00	15,679.97	24,320.03
Accounting	10,000.00	8,425.00	1,575.00
Engineering	27,000.00	4,682.00	22,318.00
Insurance	6,246.00	6,246.00	
Permits	7,500.00	6,095.00	1,405.00
Chemicals	10,000.00	4,826.87	5,173.13
Utilities	35,000.00	22,666.58	12,333.42
Service & Supplies - Lab	10,000.00	6,411.00	3,589.00
Safety Supplies & Equipment	1,000.00	834.38	165.62
Maintenance - Operations	2,500.00	2,454.34	45.66
Maintenance - Buildings & Grounds	8,000.00	2,453.88	5,546.12
Maintenance - Instr & Meter Calibration	3,500.00	2,522.00	978.00
Miscellaneous	20,000.00		20,000.00
Total Other Expenses	180,746.00	83,297.02	97,448.98
Total Flemington Storm Water Facility	240,689.00	155,764.71	84,924.29
Total Cost of Service	4,276,004.80	4,308,793.05	(32,788.25)
Principal Payments on Debt Service in Lieu of Depreciation	402,376.00	402,375.70	0.30
Total Operating Appropriations	6,009,859.00	5,936,377.93	73,481.07
Non-Operating Appropriations:			
Interest on Debt	194,804.00	120,590.13	74,213.87
Total Operating, Principal Payments and Non-Operating Appropriations	6,204,663.00	6,056,968.06	147,694.94
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	$ -	$ 756,618.09	$ 756,618.09

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedules of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Fiscal Year Ended November 30, 2017

Reconciliation of Excess Budget Revenues over Budget Appropriations to Operating Income		$ 756,618.09
Add:		
Debt Service Principal Payments	$ 402,375.70	
Interest on Debt	120,590.13	
		522,965.83
		1,279,583.92
Less:		
Investment Income	13,650.58	
Depreciation	1,086,046.59	
		1,099,697.17
Operating Income (Exhibit B)		$ 179,886.75

Reconciliation of Actual Expenditures

Cash Disbursements	$ 5,001,721.37
Accounts Payable	238,015.88
Prepaid Expenses	16,041.42
Change in Accrued OPEB Costs	66,543.00
Change in Unfunded PERS Obligation	(3,788.00)
Change in Compensated Absences Payable	1,760.56
Change in Deferred Outflows of Resources	773,611.00
Change in Accounts Payable - Related to Pension	445.00
Change in Accrued Liability - Related to Pensions	186.00
Change in Net Pension Liability	(1,969,903.00)
Change in Deferred Inflows of Resources - Related to Pensions	1,409,369.00
Debt Principal	402,375.70
Interest on Debt	120,590.13
	$ 6,056,968.06

Schedule 4

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended November 30, 2017

Balance December 1, 2016		$ 698,881.19
Add:		
User Fees		6,087,002.96
		6,785,884.15
Less:		
Current Year Collections	$ 5,757,652.30	
Unearned Revenue Realized	309,203.34	
Prepaid Rents Applied	12,167.01	
		6,079,022.65
Balance November 30, 2017		$ 706,861.50

Schedule 5

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Accrued Investment Income Receivable
For the Fiscal Year Ended November 30, 2017

	Balance December 1, 2016	Investment Income	Received	Balance November 30, 2017
Unrestricted Accounts				
Operating & General Accounts	$ 887.42	$ 11,099.60	$ 9,441.07	$ 2,545.95
Restricted Accounts:				
Debt Service Reserve Account		576.37	576.37	
Debt Service Account		728.92	728.92	
Renewal & Replacement Account	458.30	1,245.69	940.27	763.72
	458.30	2,550.98	2,245.56	763.72
Total Investment Income	$ 1,345.72	$ 13,650.58	$ 11,686.63	$ 3,309.67

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Capital Assets - Completed
For the Fiscal Year Ended November 30, 2017

	Balance December 1, 2016	Additions	Deletions	Balance November 30, 2017
Buildings, Plant & Pump Stations	$ 584,276.60	$ 2,755,953.80		$ 3,340,230.40
Infrastructure	41,727,851.29	57,601.05		41,785,452.34
Equipment	4,455,774.66	37,774.25		4,493,548.91
Vehicles	316,937.21			316,937.21
	47,084,839.76	2,851,329.10	$ -	49,936,168.86
Less: Accumulated Depreciation	20,054,952.82	1,086,046.59		21,140,999.41
	$ 27,029,886.94	$ 1,765,282.51	$ -	$ 28,795,169.45

Transferred from CIP	$ 2,771,311.11
Disbursed	80,017.99
	$ 2,851,329.10

Schedule 7

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Construction in Progress
For the Fiscal Year Ended November 30, 2017

Balance December 1, 2016		$ 2,753,374.61
Add:		
Disbursed	$ 262,860.93	
Accounts Payable	7,427.34	
		270,288.27
		3,023,662.88
Less:		
Transferred to Completed		2,771,311.11
Balance November 30, 2017		$ 252,351.77

Schedule 8

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Deferred Revenue (Connection Fees)
For the Fiscal Year Ended November 30, 2017

Balance December 1, 2016	$ 845,503.80
Add:	
Receipts	231,147.58
	1,076,651.38
Less:	
Realized as Revenue	298,998.50
Balance November 30, 2017	$ 777,652.88

Schedule 9

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Accrued Interest Payable
For the Fiscal Year Ended November 30, 2017

Balance December 1, 2016		$ 29,043.89
Increased by:		
Accrued	$ 149,265.09	
Due from Flemington	44,121.74	
		193,386.83
		222,430.72
Decreased by:		
Cash Disbursed		194,803.76
Balance November 30, 2017		$ 27,626.96

Analysis of Interest Expense:	
Accrued	$ 149,265.09
Amortization of Loan Premium	(5,123.89)
Amortization of Bond Premium	(23,551.07)
Total Interest Expense	$ 120,590.13

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Bonds Payable
For the Fiscal Year Ended November 30, 2017

Purpose	Date of Issue	Original Issue	Maturities of Bonds Date	Maturities of Bonds Amount	Interest Rate	Balance December 1, 2016	Paid or Amortized	Balance November 30, 2017
Sewer System Revenue Bonds, Series 2010	08/12/10	$ 3,810,000.00	05/01/18	$ 170,000.00	4.00%			
			05/01/19	175,000.00	4.00%			
			05/01/20	180,000.00	4.00%			
			05/01/21	190,000.00	4.00%			
			05/01/22	200,000.00	5.00%			
			05/01/23	210,000.00	5.00%			
			05/01/24	220,000.00	5.00%			
			05/01/25	230,000.00	5.00%			
			05/01/26	240,000.00	5.00%			
			05/01/27	255,000.00	5.00%			
			05/01/28	270,000.00	5.00%			
			05/01/29	280,000.00	5.00%			
			05/01/30	295,000.00	5.00%			
				2,915,000.00		$ 3,075,000.00	$ 160,000.00	$ 2,915,000.00
Premium on Bonds						169,673.50	23,551.07	146,122.43
						$ 3,244,673.50	$ 183,551.07	$ 3,061,122.43

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loans
For the Fiscal Year Ended November 30, 2017

Purpose	Date of Issue	Original Issue	Loan Principal Payments Date	Loan Principal Payments Amount	Interest Rate	Balance December 1, 2016	Decreased	Balance November 30, 2017
New Jersey Environmental Infrastructure Trust Loan, Series 2012A (Interest Bearing)	05/03/12	$ 765,000.00	08/01/18	$ 30,000.00	5.000%			
			08/01/19	35,000.00	5.000%			
			08/01/20	35,000.00	5.000%			
			08/01/21	35,000.00	5.000%			
			08/01/22	40,000.00	5.000%			
			08/01/23	40,000.00	5.000%			
			08/01/24	45,000.00	5.000%			
			08/01/25	45,000.00	5.000%			
			08/01/26	45,000.00	5.000%			
			08/01/27	50,000.00	3.000%			
			08/01/28	50,000.00	3.000%			
			08/01/29	55,000.00	3.125%			
			08/01/30	55,000.00	3.200%			
			08/01/31	55,000.00	3.250%			
				615,000.00		$ 645,000.00	$ 30,000.00	$ 615,000.00
New Jersey Environmental Infrastructure Trust Loan, Series 2012A (Non-Interest Bearing)	05/03/12	1,554,383.00	02/01/18	27,756.83				
			08/01/18	55,513.67				
			02/01/19	27,756.83				
			08/01/19	55,513.67				
			02/01/20	27,756.83				
			08/01/20	55,513.67				
			02/01/21	27,756.83				
			08/01/21	55,513.67				
			02/01/22	27,756.83				
			08/01/22	55,513.67				
			02/01/23	27,756.83				
			08/01/23	55,513.67				
			02/01/24	27,756.83				
			08/01/24	55,513.67				
			02/01/25	27,756.83				
			08/01/25	55,513.67				
			02/01/26	27,756.83				
			08/01/26	55,513.67				

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loans
For the Fiscal Year Ended November 30, 2017

Purpose	Date of Issue	Original Issue	Loan Principal Payments Date	Loan Principal Payments Amount	Interest Rate	Balance December 1, 2016	Decreased	Balance November 30, 2017
New Jersey Environmental Infrastructure Trust Loan, Series 2012A (Non-Interest Bearing) (Cont'd)	05/03/12	$ 1,554,383.00	02/01/27	$ 27,756.83				
			08/01/27	55,513.67				
			02/01/28	27,756.83				
			08/01/28	55,513.67				
			02/01/29	27,756.83				
			08/01/29	55,513.67				
			02/01/30	27,756.83				
			08/01/30	55,513.67				
			02/01/31	27,128.13				
			08/01/31	34,599.70				
				1,144,244.33		$ 1,227,514.83	$ 83,270.50	$ 1,144,244.33
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-1 (Interest Bearing)	05/28/15	245,000.00	08/01/18	10,000.00	5.000%			
			08/01/19	10,000.00	5.000%			
			08/01/20	10,000.00	5.000%			
			08/01/21	10,000.00	5.000%			
			08/01/22	10,000.00	5.000%			
			08/01/23	10,000.00	5.000%			
			08/01/24	10,000.00	5.000%			
			08/01/25	15,000.00	5.000%			
			08/01/26	15,000.00	5.000%			
			08/01/27	15,000.00	4.000%			
			08/01/28	15,000.00	4.000%			
			08/01/29	15,000.00	4.000%			
			08/01/30	15,000.00	4.000%			
			08/01/31	15,000.00	4.000%			
			08/01/32	15,000.00	4.000%			
			08/01/33	15,000.00	4.000%			
			08/01/34	20,000.00	4.000%			
				225,000.00		235,000.00	10,000.00	225,000.00

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loans
For the Fiscal Year Ended November 30, 2017

Purpose	Date of Issue	Original Issue	Loan Principal Payments Date	Loan Principal Payments Amount	Interest Rate	Balance December 1, 2016	Decreased	Balance November 30, 2017
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-1 (Non-Interest Bearing)	05/28/15	$ 784,299.00	02/01/18	$ 13,759.63				
			08/01/18	27,519.26				
			02/01/19	13,759.63				
			08/01/19	27,519.26				
			02/01/20	13,759.63				
			08/01/20	27,519.26				
			02/01/21	13,759.63				
			08/01/21	27,519.26				
			02/01/22	13,759.63				
			08/01/22	27,519.26				
			02/01/23	13,759.63				
			08/01/23	27,519.26				
			02/01/24	13,759.63				
			08/01/24	27,519.26				
			02/01/25	13,759.63				
			08/01/25	27,519.26				
			02/01/26	13,759.63				
			08/01/26	27,519.26				
			02/01/27	13,759.63				
			08/01/27	27,519.26				
			02/01/28	13,759.63				
			08/01/28	27,519.26				
			02/01/29	13,759.63				
			08/01/29	27,519.26				
			02/01/30	13,759.63				
			08/01/30	27,519.26				
			02/01/31	13,759.63				
			08/01/31	27,519.26				
			02/01/32	13,759.63				
			08/01/32	27,519.26				
			02/01/33	13,759.63				
			08/01/33	27,519.26				
			02/01/34	13,759.63				
			08/01/34	27,519.35				
				701,741.22		$ 743,020.11	$ 41,278.89	$ 701,741.22

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loans
For the Fiscal Year Ended November 30, 2017

Purpose	Date of Issue	Original Issue	Loan Principal Payments Date	Loan Principal Payments Amount	Interest Rate	Balance December 1, 2016	Decreased	Balance November 30, 2017
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-2 (Interest Bearing)	11/24/15	$ 400,000.00	08/01/18	$ 15,000.00	5.000%			
			08/01/19	15,000.00	5.000%			
			08/01/20	15,000.00	5.000%			
			08/01/21	15,000.00	5.000%			
			08/01/22	20,000.00	5.000%			
			08/01/23	20,000.00	5.000%			
			08/01/24	20,000.00	5.000%			
			08/01/25	20,000.00	5.000%			
			08/01/26	20,000.00	3.000%			
			08/01/27	20,000.00	3.000%			
			08/01/28	25,000.00	3.000%			
			08/01/29	25,000.00	3.000%			
			08/01/30	25,000.00	3.000%			
			08/01/31	25,000.00	3.000%			
			08/01/32	25,000.00	3.000%			
			08/01/33	25,000.00	3.125%			
			08/01/34	25,000.00	3.125%			
			08/01/35	30,000.00	3.250%			
				385,000.00		$ 400,000.00	$ 15,000.00	$ 385,000.00
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-2 (Non-Interest Bearing)	11/24/15	1,193,700.00	02/01/18	20,942.10				
			08/01/18	41,884.21				
			02/01/19	20,942.10				
			08/01/19	41,884.21				
			02/01/20	20,942.10				
			08/01/20	41,884.21				
			02/01/21	20,942.10				
			08/01/21	41,884.21				
			02/01/22	20,942.10				
			08/01/22	41,884.21				
			02/01/23	20,942.10				
			08/01/23	41,884.21				
			02/01/24	20,942.10				
			08/01/24	41,884.21				

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loans
For the Fiscal Year Ended November 30, 2017

Purpose	Date of Issue	Original Issue	Loan Principal Payments Date	Loan Principal Payments Amount	Interest Rate	Balance December 1, 2016	Decreased	Balance November 30, 2017
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-2 (Non-Interest Bearing)	11/24/15	$ 1,193,700.00	02/01/25	$ 20,942.10				
			08/01/25	41,884.21				
			02/01/26	20,942.10				
			08/01/26	41,884.21				
			02/01/27	20,942.10				
			08/01/27	41,884.21				
			02/01/28	20,942.10				
			08/01/28	41,884.21				
			02/01/29	20,942.10				
			08/01/29	41,884.21				
			02/01/30	20,942.10				
			08/01/30	41,884.21				
			02/01/31	20,942.10				
			08/01/31	41,884.21				
			02/01/32	20,942.10				
			08/01/32	41,884.21				
			02/01/33	20,942.10				
			08/01/33	41,884.21				
			02/01/34	20,942.10				
			08/01/34	41,884.21				
			02/01/35	20,942.10				
			08/01/35	41,884.32				
				1,130,873.69		$ 1,193,700.00	$ 62,826.31	$ 1,130,873.69
						4,444,234.94	242,375.70	4,201,859.24
Premium on Loans						86,158.69	5,123.89	81,034.80
						$ 4,530,393.63	$ 247,499.59	$ 4,282,894.04

Amortized as Interest Expense	$ 5,123.89
Paid	242,375.70
	$ 247,499.59

RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

PART II

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2017 AND 2016

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended November 30, 2017

Schedule of Financial Statement Findings

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

Finding No. 2017-001

Criteria or Specific Requirement
N.J.S.A. 40A:11-1 (Local Public Contract Law) requires the Authority to pay contractors in accordance with awarded contracts.

Condition
During our test of bids and contracts, we found the Authority over-expended one professional service contract for engineering services.

Context
We noted the errors during our test of internal controls and compliance requirements with State of New Jersey Statutes and Regulations. The Authority had engineering costs associated with NJEIT, the High School, and general engineering, which led to over-expending their engineering contract.

Effect
The Authority did not comply with New Jersey Statutes and Regulations and as a result over-expended one contract for engineering services.

Cause
The Authority failed to track costs associated with the Authority's various projects.

Recommendation
The Authority should review N.J.S.A. 40A:11-1, Local Public Contracts Law, in order to ensure compliance with the statutes and regulations and ensure project costs are adequately tracked to ensure no over-expenditures occur.

View of Responsible Officials and Planned Corrective Action
The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

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

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

FINANCIAL STATEMENT FINDINGS

No prior period findings.

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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