WASHINGTON TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY
COUNTY OF MORRIS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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YEARS ENDED DECEMBER 31, 2018 AND 2017

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INTRODUCTORY SECTION

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
• WASTEWATER TREATMENT • PUBLIC WATER SUPPLY •

PO Box 226 - 46 E. Mill Road
Long Valley, NJ 07853

Phone: (908) 876-3145
Fax: (908) 876-5528

May 15, 2019

The Honorable Chairman and Members
Of the Washington Township Municipal Utilities Authority
Long Valley, NJ

Dear Authority Members:

The annual financial report of the Washington Township Municipal Utilities Authority (The "Authority") for the years ended December 31, 2018 and 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, *Government Auditing Standards* section and comments and recommendations. The introductory section includes this transmittal letter, the Authority's organizational chart and a list of principal officials. The financial section includes the financial statements as well as the auditors' report thereon. Information related to the *Government Auditing Standards section*, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and related responses, are included in the *Government Auditing Standards* section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

GENERAL TRENDS AND SIGNIFICANT EVENTS

During 2018, the Authority experienced the following in the administrative area:

- Negotiations began for a new contract with the Employee Association that expired at the end of 2018.
- A Cyber Security Plan has been developed and implemented in conjunction with the Authority's compliance with the State Water Quality Accountability Act and the NJ JIF insurance requirements.
- Planning began to upgrade the server due to the maintenance phase out of the current server configuration and upgrades required to comply with the State Water Quality Accountability Act Asset Management.
- Maintenance was performed for the outside of the Administrative building.

During 2018, the Authority's water division was involved with the following:

- Highlands Applicability Determination from the NJDEP for a proposed well (SM23) in the Schooley's Mountain Water System is expected by the end of 2019.
  This approval is necessary prior to the construction of the new well & pump building.
- The installation of radio read water meters is ongoing. Over 93% of the water meters have been replaced. With this upgrade to automated read meters to all our customers' residences, man power is being reduced and customer service is improving.
- Several major leaks in both water systems were found and repaired.
- Began implementing the requirements of the State Water Quality Accountability Act. All hydrants have been located and exercised. A valve exercise machine has been ordered to exercise all valves. Planning has begun for the asset management requirement.

During 2018, the Authority's sewer division experienced the following:

- A major repair to a sinking manhole was made in the Long Valley sewer system.
- The Authority has continued its Inflow & Infiltration (I & I) program to reduce the volume of water treated and reduce the treatment cost.
- The Authority continues to explore improvements to the Schooley's Mountain plant to generate cost savings and improve working conditions.

CASH MANAGEMENT: The investment policy of the Authority is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 6. 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 ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Authority carries various forms of insurance, including but not limited to general liability, excess liability, public officials liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds.

OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Authority. The auditors' report on the financial statements is included in the financial section of this report.

The auditors' report related specifically to *Government Auditing Standards* is included in the *Government Auditing Standards* section of this report.

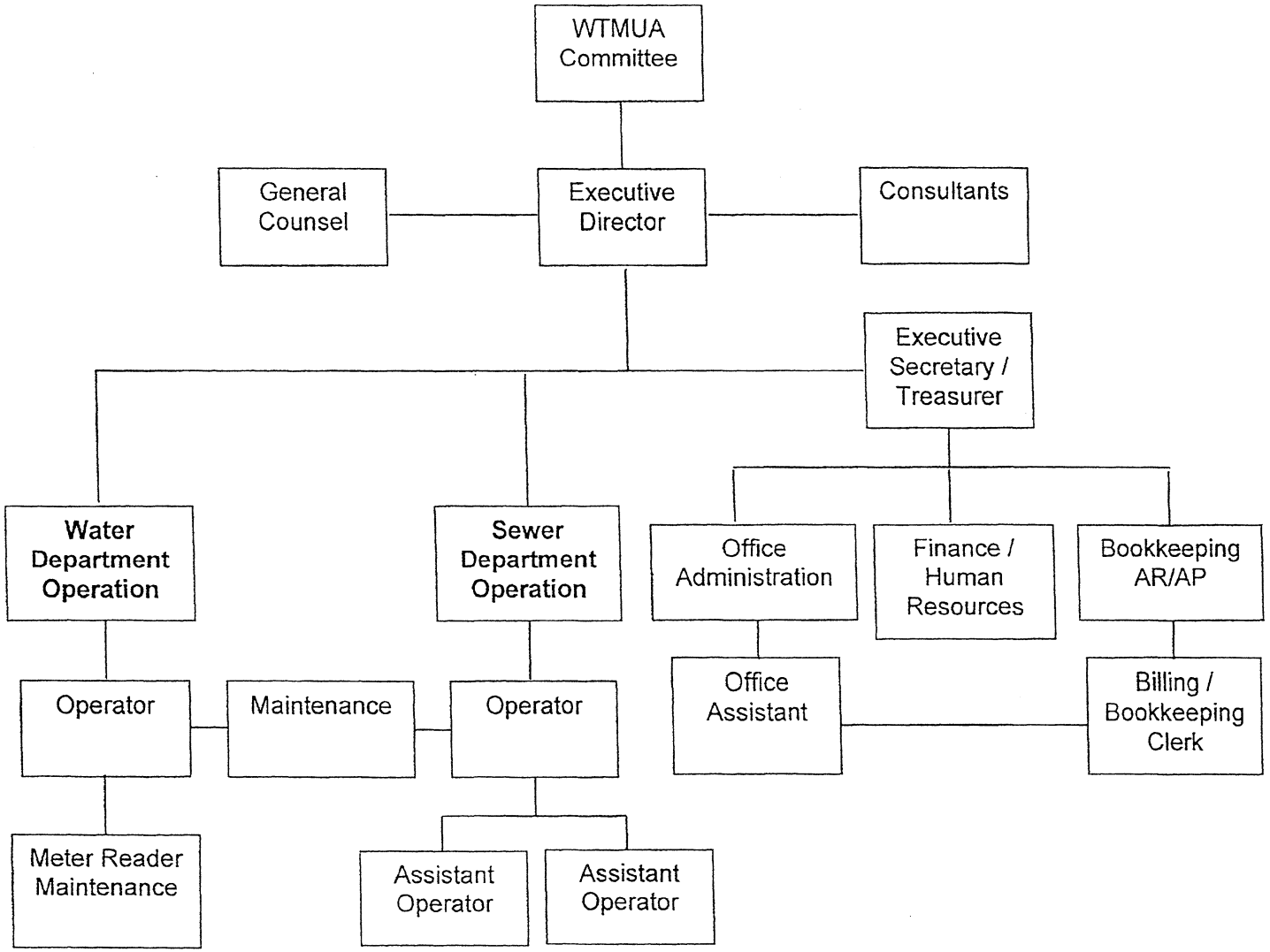
ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Washington Township Municipal Utilities Authority for their concern in providing fiscal accountability to the citizens of Washington Township and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

Craig Spencer
Executive Director

E. Jill Waller
Executive Secretary/Treasurer


WTMUA Committee
General Counsel
Executive Director
Consultants
Executive Secretary / Treasurer
Water Department Operation
Sewer Department Operation
Office Administration
Finance / Human Resources
Bookkeeping AR/AP
Operator
Maintenance
Operator
Office Assistant
Billing / Bookkeeping Clerk
Meter Reader Maintenance
Assistant Operator
Assistant Operator

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2018

Board Members

Walt Cullen	Chairman
Mark Napolitano	Vice Chairman
Joe Sparone	Board Member
Donald Babb	Board Member
Sam Akin	Board Member
Vacant	Board Member Alternate 1
Vacant	Board Member Alternate 2

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEY

James R. Gregory, Esq.
Gregory and Reed
2 Sylvan Way, Suite 303
Parsippany, NJ 07054

ENGINEER

D.J. Egarian & Associate, Inc.
271 Route 46, Suite G208
Fairfield, NJ 07004

FINANCIAL SECTION

NISIVOCCIA LLP
Certified Public Accountants & Advisors

Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-298-8500 | 973-298-8501 Fax

Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Long Valley, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington Township Municipal Utilities Authority, (the "Authority"), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, as listed in the foregoing 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Authority at December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information pension schedules and the related notes 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 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information schedules listed in the table of contents and the other information in the introductory section are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information schedules 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 supplementary information schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
May 15, 2019

NISIVOCCIA LLP

William F. Schroeder
Registered Municipal Accountant #452
Certified Public Accountant

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

The Authority is well within its stringent financial policies and guidelines set by the Board and management. The following are key highlights:

- The Authority lowered its total bonded debt by $534,892 and the balance is $2,841,544 at December 31, 2018.
- During 2018, the Authority treated 250.23 million gallons of wastewater. This is 40% more than the 178.77 million gallon quantity processed during fiscal year 2017.
- For 2018, the Authority delivered in excess of 297.25 million gallons of potable water as compared to 2017 when 299.59 million gallons were delivered. This represents a decrease of 0.008%.
- Combined operating revenues were $4.37 million, an increase of $232,500 compared to 2017.

Overview of Annual Financial Report

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the audited financial statements and supplementary information. The Management's Discussion and Analysis represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting as utilized by similar government entities. The financial statements include a statement of net position; a statement of revenue, expenses, and changes in net position; a statement of cash flows and notes to the financial statements.

The ***statement of net position*** presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on all of the Authority's assets and liabilities, as well as any deferred inflows or outflows of resources with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the ***statement of revenue, expenses, and changes in net position*** presents the results of the business activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and ensure that capital costs are allocated on the basis of long-term requirements, ensuring that growth pays for growth.

The ***statement of cash flows*** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

The ***notes to the financial statements*** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information concerning the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Conditions

The Authority's financial condition remained solid at year-end with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

The Authority's total net position increased from the prior year by $607,201. The analysis below focuses on the Authority's net position (Table I) and changes in net position (Table 2) during the year.

Table I
Condensed Statement of Net Position

	December 31,		Increase/ (Decrease)	% Increase/
	2018	2017	From 2017	(Decrease)
Current and Other Assets	$ 8,040,463	$ 7,292,621	$ 747,842	10.25%
Noncurrent Assets	16,134,431	16,811,532	(677,101)	-4.03%
Total Assets	24,174,894	24,104,153	70,741	0.29%
Deferred Outflows of Resources	471,025	508,860	(37,835)	-7.44%
Current Liabilities	921,291	1,053,820	(132,529)	-12.58%
Long-term Liabilities	3,743,012	4,311,733	(568,721)	-13.19%
Total Liabilities	4,664,303	5,365,553	(701,250)	-13.07%
Deferred Inflows of Resources	480,777	353,822	126,955	35.88%
Net Investment in Capital Assets	13,292,887	13,435,096	(142,209)	-1.06%
Restricted	4,571,628	4,018,288	553,340	13.77%
Unrestricted	1,636,324	1,440,254	196,070	13.61%
Total Net Position	$ 19,500,839	$ 18,893,638	$ 607,201	3.21%

Total net position increased 3.21%. This was a result of adopting a conservative balanced budget which provides for the continued payment of debt service in excess of annual depreciation and planned growth in operating and maintenance reserves.

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table II
Condensed Statement of Revenue, Expenses and Changes in Net Position

	December 31, 2018	December 31, 2017	Increase/ (Decrease) From 2017	% Increase/ (Decrease)
Revenue				
Operating Revenue	$ 4,373,953	$ 4,141,453	$ 232,500	5.61%
Nonoperating Revenue	64,931	14,468	50,463	348.79%
Total Revenue	4,438,884	4,155,921	282,963	6.81%
Expenses				
Water Transmission	1,165,237	1,138,012	27,225	2.39%
Sewer Disposal	1,365,186	1,287,410	77,776	6.04%
Depreciation	751,873	764,122	(12,249)	-1.60%
Interest Expense - Debt Service	549,387	538,357	11,030	2.05%
Total Expenses	3,831,683	3,727,901	103,782	2.78%
Change in Net Position	607,201	428,020	179,181	41.86%
Beginning Net Position	18,893,638	18,465,618	428,020	2.32%
Ending Net Position	$ 19,500,839	$ 18,893,638	$ 607,201	3.21%

Results of Operations

Operating Revenue: Revenue from operations falls into several categories: water and sewer service fees and water and sewer connection fees. Water rent revenue increased 3.74% from 2017. Sewer rent revenue increased 0.29% over 2017. Water connection fee revenue decreased $2,575 over 2017. Sewer connection fee revenue increased $130,690 over 2017.

Budgetary Highlights: The Authority made minimal amendments to its 2018 water and sewer operating budgets.

Nonoperating Revenue: The Authority's non-operating revenue increased $50,463 from 2017. The primary reason for the increase was an increase in interest income.

Expenses: The Authority operates two water systems and two sewerage systems. Operating expenses for the water systems increased $27,225 or 2.39% over 2017. Operating expenses for the sewer systems increased $77,776 or 6.04% from 2017.

Capital Assets: As of December 31, 2018, the Authority had $16.1 million invested in net capital assets, including land, two wastewater treatment plants, two sewage collection systems including eight pumping stations, two water distribution systems including five water storage tanks, sixteen wells and potable water treatment systems. The amount represents a net decrease of $677,101 over the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the years ended December 31, 2018 and 2017. These changes are presented in detail in Note 3 to the financial statements.

Table III
Capital Assets, Net of Accumulated Depreciation

	December 31, 2018	December 31, 2017	Increase/ (Decrease) 2017	% Increase/ (Decrease)
Land	$ 485,970	$ 485,970		
Buildings/Treatment Plants	8,272,944	8,272,944		
Transmission Facilities	27,026,019	26,951,247	$ 74,772	0.28%
Equipment/Vehicles	270,995	270,995		
Office Furniture/Fixtures	27,807	27,807		
Total	36,083,735	36,008,963	74,772	0.21%
Less: Accumulated Depreciation	19,949,304	19,197,431	751,873	3.92%
Capital Assets, Net	$ 16,134,431	$ 16,811,532	$ (677,101)	-4.03%

Cash Flow Activity: Cash and cash equivalents at year-end 2018 increased by $768,687 or 10.77% from the previous year. The Authority maintains an adequate cash balance to meet future emergencies and capital requirements.

Long-Term Liabilities: At year end, the Authority had $2,841,544 in bonded debt outstanding – a decrease of $534,892 from last year, as shown in Table IV. More detailed information about the Authority's long-term liability is presented in Note 4 to the financial statements. Additionally, at year end, the Authority had $1,347,952 of net pension liability.

Table IV
Outstanding Long-Term Liabilities

	Dec. 31, 2018	Dec. 31, 2017	(Decrease) From 2017	% Increase/ (Decrease)
Water and Sewer Revenue Bonds Payable	$ 2,841,544	$ 3,376,436	$ (534,892)	-15.84%
Net Pension Liability	1,347,952	1,470,189	(122,237)	-8.31%
	$ 4,189,496	$ 4,846,625	$ (657,129)	-13.56%

Final Comments: The Authority has developed future water supply sources to meet the increased demands of growth within its franchise areas and is developing another new source to permit the abandonment of older sources. Infrastructure improvements and vehicle and equipment replacement continue to be a priority of the Authority. Upgrades to both the sewerage and water systems are planned as the systems age.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

FINANCIAL STATEMENTS

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 3,241,327	$ 3,028,059
Water and Sewer Charges Receivable (Net of Allowance for Uncollectible Receivables of $10,000 in 2018 and 2017)	136,265	157,110
Total Unrestricted Assets	3,377,592	3,185,169
Restricted Assets:		
Cash and Cash Equivalents:		
Bond Reserve Account	122,925	121,479
Renewal and Replacement Account	83,047	82,070
General Account	3,994,712	3,457,112
Debt Service Account (1998 Series A & B)	5,382	2,530
Bond Reserve Account (1998 Series A)	285,404	282,046
Bond Reserve Account (1998 Series B)	26,854	26,538
Bond Service Reserve Account (2005 Series)	1,136	268
Escrow Deposits Account	91,243	89,164
Unemployment/Disability Compensation Account	52,168	46,245
Total Restricted Assets	4,662,871	4,107,452
Total Current Assets	8,040,463	7,292,621
Noncurrent Assets:		
Capital Assets, Net	16,134,431	16,811,532
Total Assets	24,174,894	24,104,153
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	387,425	419,577
Authority Contribution Subsequent to the Measurement Date - Pensions	68,213	58,508
Unamortized Loss on Advance Refunding	15,387	30,775
Total Deferred Outflows of Resources	471,025	508,860

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017
(Continued)

	2018	2017
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 259,092	$ 303,033
Accrued Interest Payable	24,192	23,987
Total Current Liabilities Payable from Unrestricted Assets	283,284	327,020
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable - Short-Term Portion	446,484	534,892
Escrow Deposits Payable	191,523	191,908
Total Current Liabilities Payable from Restricted Assets	638,007	726,800
Total Current Liabilities	921,291	1,053,820
Long-Term Liabilities:		
Revenue Bonds Payable - Long-Term Portion	2,395,060	2,841,544
Net Pension Liability	1,347,952	1,470,189
Total Long-Term Liabilities	3,743,012	4,311,733
Total Liabilities	4,664,303	5,365,553
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows Related to Pensions	480,777	353,822
Total Deferred Inflows of Resources	480,777	353,822
NET POSITION		
Net Investment in Capital Assets	13,292,887	13,435,096
Unrestricted	1,636,324	1,440,254
Restricted:		
Debt Service	4,519,460	3,972,043
Other Purposes	52,168	46,245
Total Net Position	$ 19,500,839	$ 18,893,638

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Operating Revenue:		
Water Charges	$ 1,339,889	$ 1,291,572
Sewer Charges	2,784,529	2,776,385
Connection Fees	146,768	18,653
Other Fees and Income	102,767	54,843
Total Operating Revenue	4,373,953	4,141,453
Operating Expenses:		
Water Transmission	1,165,237	1,138,012
Sewer Disposal	1,365,186	1,287,410
Unallocated Depreciation	751,873	764,122
Total Operating Expenses	3,282,296	3,189,544
Operating Income	1,091,657	951,909
Nonoperating Revenue/(Expenses):		
Interest Income	64,931	14,468
Interest Expense - Debt Service	(549,387)	(538,357)
Total Nonoperating Revenue/(Expenses)	(484,456)	(523,889)
Change in Net Position	607,201	428,020
Net Position, Beginning of Year	18,893,638	18,465,618
Net Position, End of Year	$ 19,500,839	$ 18,893,638

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 4,145,263	$ 4,182,599
Other Receipts and Payments	249,535	73,496
Cash Paid to Suppliers and Employees	(2,547,584)	(2,384,104)
Net Cash Provided by Operating Activities	1,847,214	1,871,991
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Debt	(534,892)	(550,261)
Interest Expense	(533,794)	(522,147)
Purchase of Capital Assets	(74,772)	(399,281)
Net Cash Used for Capital and Related Financing Activities	(1,143,458)	(1,471,689)
Cash Flows from Noncapital Financing Activities:		
Transfers In	553,340	648,240
Transfers Out	(553,340)	(648,240)
Net Cash Provided by Noncapital Financing Activities	-0-	-0-
Cash Flows from Investing Activities:		
Interest on Investments	64,931	14,468
Net Cash Provided by Investing Activities	64,931	14,468
Net Increase in Cash and Cash Equivalents	768,687	414,770
Cash and Cash Equivalents - Beginning of Year	7,135,511	6,720,741
Cash and Cash Equivalents - End of Year	$ 7,904,198	$ 7,135,511
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 1,091,657	$ 951,909
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	751,873	764,122
Decrease in Water and Sewer Charges Receivable	20,845	114,642
Decrease in Deferred Outflows Related to Pensions	32,152	180,158
Increase in Deferred Inflows Related to Pensions	126,955	273,519
(Decrease) in Net Pension Liability	(122,237)	(397,147)
(Decrease) in Accounts Payable	(53,646)	(16,321)
Increase/(Decrease) in Escrow Deposits Payable	(385)	1,109
Net Cash Provided by Operating Activities	$ 1,847,214	$ 1,871,991

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1: Nature of Authority

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The Authority utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. Operating revenue, such as charges for services result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings and interest expense. The Authority applies all applicable GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user changes; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all position and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., totals assets plus deferred outflows net of total liabilities and deferred inflows) is segregated into "net investment in capital assets"; "restricted"; and "unrestricted" components.

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

A. Basis of Presentation and Accounting (Cont'd)

Reporting Entity (Cont'd)

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above in the current year. Furthermore, the Authority is not includable in any other reporting entity on the basis of such criteria.

B. Grants

Recognition of revenue from grants is based on the accrual basis of accounting. Unearned revenue represents cash which has been received but not yet earned.

Grant related expenses incurred prior to the receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue. The Authority was not awarded any grants in 2018.

C. Inventories

The cost of inventories of supplies is recorded as an expense at the time individual items are purchased, since they are immaterial to the financial position and results of operations of the Authority.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

E. Compensated Absences

In the *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components -- the amount due within one year and the amount due in more than one year.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

F. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority has deferred outflows of resources related to pensions and for the unamortized loss on an advance refunding.

A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority had deferred inflows of resources related to pensions at December 31, 2018.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of 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 would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

G. Restricted Accounts

The Authority has established a restricted escrow account to hold the cash portion of performance bonds required to be posted by developers whose work affects the Authority. The security portion of such deposits, together with interest earned on that portion, is refunded to the developer, once the work has been satisfactorily completed. At December 31, 2018, $191,523 held in escrow deposits payable for this purpose and $91,243 was held for cash and cash equivalents. The amount held for this purpose is less than the amount restricted due to other related expenses being paid from this account in prior years.

In accordance with the provisions of the July 1, 1995, October 1, 1998, and December 15, 2005 bond sales, the Authority has established restricted cash accounts for the following purposes:

Bond Reserve and Debt Services Accounts - The Authority is required to segregate the next year's average annual debt service requirement. At December 31, 2018, $441,701 was held for this purpose.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

G. Restricted Accounts (Cont'd)

Renewal and Replacement Account - The Authority has segregated $83,047 at December 31, 2018 for the renewal and replacement of Authority capital assets.

Bond General Account - The restricted bond account is to be used after the other restricted bond accounts have been satisfied. This account will be used for bond sale provisions. At December 31, 2018, $3,994,712 was held for this purpose.

The Authority also has $52,168 held for unemployment/disability compensation at December 31, 2018.

H. Revenue Recognition

The Authority has service agreements with Washington Township, Chester Township, and Tewksbury Township. The majority of the Authority's customers are residential. However, there are several commercial customers who are charged a different usage rate. All customers are billed quarterly based on actual usage readings. Estimates based on prior usage are utilized where actual readings cannot be obtained. Adjustments for actual usage are applied to the following quarter's bill or to the first quarter for which an actual reading can be obtained. Revenue is recorded net of any discounts, assessments or abatements, if applicable.

I. 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 State of New Jersey Public Employees' Retirement System (PERS) from the PERS's, net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

Note 3: Capital Assets

Capital assets, balances and activity for the year ended December 31, 2018 were as follows:

	12/31/2017	Additions	Deletions	12/31/2018
Land	$ 485,970			$ 485,970
Buildings/Treatment Plant	8,272,944			8,272,944
Transmission Facilities	26,951,247	$ 74,772		27,026,019
Equipment/Vehicle	270,995			270,995
Office Furniture/Fixtures	27,807			27,807
Total	36,008,963	74,772		36,083,735
Less: Accumulated Depreciation	(19,197,431)	(751,873)		(19,949,304)
	$ 16,811,532	$ (677,101)	$ -0-	$ 16,134,431

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 3: Capital Assets (Cont'd)

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets were reviewed for impairment.

Major classes of property, plant and equipment and their estimated useful lives are summarized below:

	Estimated Useful Life
Building - Administration	40 Years
Treatment Plant	40 Years
Transmission Facilities	40 Years
Equipment/Vehicles	5 Years
Office Furniture/Fixtures	5 Years

Note 4: Long-Term Liabilities

During 2005, the Authority issued $2,265,000 refunding bonds dated December 15, 2005 with interest rates ranging from 3.00% to 4.00%. The proceeds of these bonds were used to refund $2,215,000 of the Authority's 1995 Series A bonds, make a deposit to the bond reserve fund and pay certain costs of issuance in connection with the refunding bonds. The refunding met the requirements of an in-substance debt defeasance and the 1995 Series A Bonds were removed from the Authority's financial statements.

Maturity Schedule Giving Effect to the
"Water and Sewer Revenue Refinancing Bonds (of 2005)"

Year	Interest Rate	Principal	Interest	Total
2019	4.00%	$ 145,000	$ 5,800	$ 150,800
Less: Short-Term Portion		145,000	5,800	150,800
Long-Term Portion		$ -0-	$ -0-	$ -0-

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 4: Long-Term Liabilities (Cont'd)

On October 1, 1998, the Authority issued $4,285,066 "Water and Sewer Revenue (1998 Series A) (Capital Appreciation Bonds)" and $490,000 "Water and Sewer Revenue Bonds (1998 Series B)" for a total of $4,775,066. The Bonds were issued to provide bonds: (i) to currently refund and permanently finance $3,765,000 principal amount of 1996 Project Notes (Series C) maturing October 15, 2000; (ii) to pay the costs of sewer and water system improvements' (iii) to make a deposit to the Bond Reserve Fund; (iv) to pay the cost of a bond insurance premium; and (v) to pay the costs and expenses incidental to the issuance and delivery of the Bonds.

Maturity Schedule Giving Effect to the
"Water and Sewer Revenue Refunding Bonds (1998 Series A&B)"

Year	Interest Rate	Principal	Interest	Total
2019	4.90%	$ 301,484	$ 538,516	$ 840,000
2020	4.95%	356,875	698,125	1,055,000
2021	5.00%	336,028	718,972	1,055,000
2022	5.00%	319,834	735,166	1,055,000
2023 to 2027	5.00%	1,382,323	3,892,676	5,274,999
		2,696,544	6,583,455	9,279,999
Less: Short-Term Portion		301,484	538,516	840,000
Long-Term Portion		$ 2,395,060	$ 6,044,939	$ 8,439,999

Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability is recorded in the current and long-term liabilities. The current position of the net pension liability at June 30, 2018 is $-0- and the long-term portion is $1,347,952. See Note 5 for further information on PERS.

Note 5: Pension

Authority employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of $1/55^{th}$ of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{th}$ of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Authority contributions to PERS amounted to $58,508 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2018, the Authority's liability was $1,347,952 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Authority's proportion was 0.0068%, which was an increase of 0.0005% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Authority recognized actual pension expense in the amount of $104,967. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	$ 10,669	
	2015	5.72	48,154	
	2016	5.57	163,297	
	2017	5.48		$ 248,484
	2018	5.63		182,519
			222,120	431,003
Changes in Proportion	2014	6.44	39,270	
	2015	5.72		37,130
	2016	5.57	7,413	
	2017	5.48	1,491	
	2018	5.63	98,375	
			146,549	37,130
Net Difference Between Projected and Actual	2015	5.00		(8,145)
Investment Earnings on Pension Plan Investments	2016	5.00		(45,536)
	2017	5.00		40,985
	2018	5.00		25,340
				12,644
Difference Between Expected and Actual	2015	5.72	13,360	
Experience	2016	5.57	4,956	
	2017	5.48	7,390	
	2018	5.63		6,950
			25,706	6,950

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

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

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority Contribution Subsequent to the Measurement Date	2018	1.00	$ 68,213	
			$ 462,588	$ 487,727

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the Authority contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2019	9,356
2020	(12,952)
2021	(92,882)
2022	(80,512)
2023	(25,781)
	$ (202,771)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the plan actuary's modified MP-2014 projection scale thereafter.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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 one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) 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 real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This 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 3.87% as of June 30, 2018 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, 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-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of the Net Pension Liability	$ 1,694,894	$ 1,347,952	$ 1,056,889

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 5: Pension (Cont'd)

Defined Contribution Retirement Program (DCRP) (Cont'd)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and, Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Authority recognized pension expense of $712 for the year ended December 31, 2018. Employee contributions to DCRP amounted to $1,305 for the year ended December 31, 2018.

Note 6: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Authority generally records investments at fair value and records gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Authority ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Authority limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following page.

Custodial Credit Risk - The Authority's policy with respect to custodial credit risk requires that the Authority ensures that Authority funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

Deposits: (Cont'd)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

Investments:

New Jersey statutes permit the Authority to purchase the following types of securities:

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, c. 281 (C.52:18A-90.4); or

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

(8) Agreements for the repurchase of fully collateralized securities if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970 c.236 (C.17:9-41); and

(e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2018, cash and cash equivalents of the Washington Township Municipal Utilities Authority consisted of the following:

Account	Checking/Savings and Money Market Accounts	Certificate of Deposit	Total
Unrestricted	$ 3,166,316	$ 75,011	$ 3,241,327
Bond Reserve	122,925		122,925
Renewal and Replacement	83,047		83,047
General Account	3,994,712		3,994,712
Unemployment Compensation	52,168		52,168
Escrow Deposit	91,243		91,243
Debt Service Account (1998 Series A & B)	5,382		5,382
Bond Reserve Account (1998 Series A)	285,404		285,404
Bond Reserve Account (1998 Series B)	26,854		26,854
Bond Service Reserve (2005 Series)	1,136		1,136
	$ 7,829,187	$ 75,011	$ 7,904,198

During the year ended December 31, 2018, the Authority did not hold any investments. The carrying amount of the Washington Township Municipal Utilities Authority's cash and cash equivalents at year end was $7,904,198 and the bank balance was $8,175,053.

Note 7: Loss on Advance Refunding (2005 Series)

During 2005, the Authority issued Water and Sewer Revenue Refunding Bonds (2005 Series) for $2,265,000 with interest rates which range from 3.00% to 4.00%. These Bonds were issued to 1) refund $2,215,000 principal amount of Water and Sewer Revenue Bonds (1995 Series A) (being those bonds maturing December 15, 2005 and thereafter), 2) to make a deposit to the bond reserve fund, and 3) to pay the costs and expenses incidental to the issuance and delivery of the Bonds. The net proceeds of $2,820,059 (which includes funds previously on hand of $526,595 and after payment of $111,925 in underwriting fees and other issuance costs and $113,250 deposited into the Bonds Reserve Fund) were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Series A Bonds. As a result, the 1995 Series A Bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position.

Although the advance refunding resulted in the recognition of an accounting loss of $101,688 for the year ended December 31, 2005, the Authority reduced its aggregate debt service payments by approximately $648,038 over the next 14 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $301,418.

The loss on the advance refunding of $101,688 is being amortized over the life of the issue of 14 years on a straight-line basis. During 2018, $7,263 was amortized. The unamortized Loss on Advance Refunding balance was $7,263 at December 31, 2018.

Note 8: Loss on Advance Refunding (1995 Series A)

During 1995, the Authority issued Water and Sewer Revenue Refunding Bonds (1995 Series A) for $4,795,000 with interest rates which range from 3.75% to 5.625%. These Bonds were issued to 1) currently refund $1,770,000 principal amount of Water and Sewer Revenue Bonds (Series A) (being those bonds maturing December 15, 1995 and thereafter) (the "1986 Series A Bonds"); 2) to advance refund $2,565,000 outstanding principal amount of Water and Sewer Revenue Bonds (Series B) (being those bonds maturing on and after December 15, 1995 (the "1990 Series B Bonds") which have been issued by the Authority for or with respect to the Authority's System and which are presently outstanding; 3) to pay the cost of a bond insurance premium; and 4) to pay the costs and expenses incidental to the issuance and delivery of the Bonds. The net proceeds of $4,658,202 (which includes funds previously on hand of $235,031 and after payment of $213,148 in underwriting fees and other issuance costs and $158,681 deposited into the Bond Reserve Fund) were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1986 and 1990 Series Bonds. As a result, the 1986 and 1990 Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position.

Although the advance refunding resulted in the recognition of an accounting loss of $199,038 for the year ended December 31, 1995, the Authority reduced its aggregate debt service payments by approximately $464,000 over the next 25 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $291,262.

The loss on the advance refunding of $199,038 is being amortized over the life of the issue of 24-1/2 years on a straight-line basis. During 2018, $8,124 was amortized. The unamortized Loss on Advance Refunding balance was $8,124 at December 31, 2018.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 9: Recognition of Depreciation Expense Versus Bond Principal for Budget Purposes

The State of New Jersey Local Finance Board's "Budget Manual for Local Public Authorities" allows authorities to either budget for depreciation expense or bond principal. In the official budget document submitted to the State, the Authority budgeted $534,892 for bond principal in lieu of depreciation expense. In the Authority's internal budget document, both bond principal of $534,892 and depreciation expense of $751,873 were included. The actual depreciation expense is therefore not reflected on the supplementary "Schedule of Water and Sewer Operating Fund Revenue and Expenditures Compared to Budget" since it was not budgeted on the state budget document.

Note 10: Risk Management

The Authority is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

The Authority is currently a member of the Public Alliance Insurance Coverage Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep expenses at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

The following coverages are offered by the Fund to its members:

a) Workers' Compensation and Employers Liability
b) Liability Other Than Motor Vehicles
c) Property Damage Other Than Motor Vehicles
d) Motor Vehicle
e) Environmental

As a member of the Fund, the Authority could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2018 audit report of the Fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2017 is as follows:

Total Assets	$ 17,943,551
Net Position	$ 12,560,915
Total Revenue	$ 6,398,288
Total Expenses	$ 4,896,757
Changes in Net Position	$ 1,501,531
Member's Dividends	$ 510,154

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 10: Risk Management (Cont'd)

Financial statements for the Fund are available at the office of the Fund's Executive Director:

Public Alliance Insurance Coverage Fund

Public Entity Group Administrative Services
51 Everett Drive, Suite B-40
West Windsor, NJ 08550
(609) 275-1155

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

The following is a summary of Authority contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Authority's expendable trust fund for the current and previous two years.

Year	Authority Contributions	Employee Contributions	Interest Earnings	Amount Reimbursed	Ending Balance
2018	5,000	$ 856	$ 67	$ -0-	$ 52,168
2017	5,000	973	39	-0-	46,245
2016	5,000	953	18	-0-	40,233

Note 11: Intraentity and Interfund Transfers

In the normal course of business, the Authority will, from time to time, authorize advances between accounts. During 2018, the Authority transferred $553,340 between restricted and unrestricted accounts based on the bond provisions. There were no advances outstanding as of December 31, 2018.

Note 12: Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations to provide sewer service for its customers including other local governments. Below is a summary of the significant contracts or agreements:

- The Authority has an ongoing contract with Passaic Valley Sewerage Commission for disposal of residual sludge waste. The cost of this service is $0.045 per gallon.

- The Authority has inter-municipal service agreements with other local government agencies, namely:
    1. The Township of Washington
    2. The Township of Tewksbury
    3. The Township of Chester

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

Note 13: Accounts Payable

Accounts payable at December 31, 2018 were as follows:

	Operating Fund	Contributions Subsequent to the Measurement Date	Total
Due to State of New Jersey		$ 68,213	$ 68,213
Vendors	$ 249,387		249,387
	$ 249,387	$ 68,213	$ 317,600

Note 14: Environmental Matters

The Authority's past and present daily operations include activities which are subject to extensive federal and state environmental regulations. Compliance with these regulations has not had, nor does the Authority expect such compliance to have, any material effect upon expected capital expenses, net position, financial condition or competitive position of the Authority. The Authority believes that their current practices and procedures comply with applicable regulations. The Authority's policy is to accrue environmental and related costs of a noncapital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

Note 15: Contingencies

The Authority is periodically involved in various lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position. The Authority may participate in federal and state assisted grant programs. These programs would be subject to financial and compliance audits by the grantors or their representatives. In the opinion of Authority Management, liabilities resulting from such disallowed expenses, if any, will not be material to the accompanying financial statements.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS
UNAUDITED

	Year Ending June 30,			
	2015	2016	2017	2018
Authority's proportion of the net pension liability	0.0068654767%	0.0062240340%	0.0063156767%	0.0068460420%
Authority's proportionate share of the net pension liability	$ 1,397,171	$ 1,867,336	$ 1,470,189	$ 1,347,952
Authority's covered employee payroll	$ 426,581	$ 431,787	$ 436,277	$ 441,348
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	327.53%	432.47%	336.99%	305.42%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	48.10%	53.60%

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS
UNAUDITED

	Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	$ 56,598	$ 53,510	$ 56,012	$ 58,508
Contributions in relation to the contractually required contribution	(56,598)	(53,510)	(56,012)	(58,508)
Contribution deficiency/(excess)	$ -0-	$ -0-	$ -0-	$ -0-
Authority's covered employee payroll	$ 422,316	$ 426,581	$ 431,787	$ 436,277
Contributions as a percentage of covered employee payroll	13.40%	12.54%	12.97%	13.41%

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018
(Unaudited)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

SUPPLEMENTARY DATA

SCHEDULE I

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Unrestricted	Restricted	Net Investment in Capital Assets,	Memo Total 2018	Memo Total 2017
Operating Revenue:					
Water Charges	$ 1,339,889			$ 1,339,889	$ 1,291,572
Sewer Charges	2,784,529			2,784,529	2,776,385
Connection Fees	146,768			146,768	18,653
Other Income	102,767			102,767	54,843
Total Operating Revenue	4,373,953			4,373,953	4,141,453
Operating Expenses:					
Water Transmission	1,165,237			1,165,237	1,138,012
Sewer Disposal	1,365,186			1,365,186	1,287,410
Depreciation	751,873			751,873	764,122
Total Operating Expenses	3,282,296			3,282,296	3,189,544
Operating Income	1,091,657			1,091,657	951,909
Nonoperating Revenue/(Expenses):					
Interest Earned on Investments	64,931			64,931	14,468
Interest Expense - Debt Service	(549,387)			(549,387)	(538,357)
Total Nonoperating Revenue/(Expenses)	(484,456)			(484,456)	(523,889)
Change in Net Position (Before Transfers)	607,201			607,201	428,020
Transfers:					
Capital Acquisitions	(74,772)		$ 74,772		
Principal Paid on Debt Service	(534,892)		534,892		
Depreciation	751,873		(751,873)		
Designated per Bond Sale Provisions	(553,340)	$ 553,340			
Total Transfers	(411,131)	553,340	(142,209)		
Change in Net Position (After Transfers)	196,070	553,340	(142,209)	607,201	428,020
Net Position, January 1	1,440,254	4,018,288	13,435,096	18,893,638	18,465,618
Net Position, December 31	$ 1,636,324	$ 4,571,628	$ 13,292,887	$ 19,500,839	$ 18,893,638

SCHEDULE II

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF SEWER OPERATING FUND REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018 Final Budget	2018 Actual	Excess or (Deficit)	2017 Actual
Revenue:				
Operating Revenues:				
Service Fees	$ 2,773,340	$ 2,784,529	$ 11,189	$ 2,776,385
Connection Fees	138,250	144,193	5,943	13,503
Total Operating Revenues	2,911,590	2,928,722	17,132	2,789,888
Non-Operating Revenues:				
Interest on Investments	348	25,998	25,650	6,021
Other Non-Operating Revenue	38,412	28,808	(9,604)	32,293
Total Non-Operating Revenue	38,760	54,806	16,046	38,314
Total Revenue	$ 2,950,350	$ 2,983,528	$ 33,178	$ 2,828,202
Budgeted Appropriations:				
Cost of Providing Service:				
Salaries & Wages	$ 303,494	$ 302,786	$ 708	$ 332,030
Fringe Benefits	120,506	142,615	(22,109)	149,038
Other Expenses	669,000	668,817	183	581,685
Total Cost of Providing Service	1,093,000	1,114,218	(21,218)	1,062,753
Administration:				
Salaries & Wages	115,425	115,344	81	91,685
Fringe Benefits	28,423	27,841	582	19,594
Other Expenses	163,727	107,783	55,944	113,378
Total Administration	307,575	250,968	56,607	224,657
Total Principal Payments on Debt Service in Lieu of Depreciation	427,892	427,892		443,261
Total Operating Appropriations	1,828,467	1,793,078	35,389	1,730,671
Non-Operating Appropriations:				
Bond Interest Expense	532,908	538,991	(6,083)	532,270
Operations and Maintenance Reserve	588,975		588,975	
Total Non-Operating Appropriations	1,121,883	538,991	582,892	532,270
Total Appropriations	$ 2,950,350	$ 2,332,069	$ 618,281	$ 2,262,941
Operating Expenses		$ 1,365,186		$ 1,287,410
Debt Service in Lieu of Depreciation		427,892		443,261
Bond Interest Expense		538,991		532,270
		$ 2,332,069		$ 2,262,941

SCHEDULE III

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF WATER OPERATING FUND REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018 Final Budget	2018 Actual	Excess or (Deficit)	2017 Actual
Revenue:				
Operating Revenues:				
Service Fees	$ 1,321,008	$ 1,339,889	$ 18,881	$ 1,291,572
Connection Fees	2,730	2,575	(155)	5,150
Total Operating Revenues	1,323,738	1,342,464	18,726	1,296,722
Non-Operating Revenues:				
Interest on Investments	5,173	38,933	33,760	8,447
Other Non-Operating Revenue	16,622	73,959	57,337	22,550
Total Non-Operating Revenue	21,795	112,892	91,097	30,997
Total Revenue	$ 1,345,533	$ 1,455,356	$ 109,823	$ 1,327,719
Budgeted Appropriations:				
Cost of Providing Service:				
Salaries & Wages	$ 247,058	$ 239,430	$ 7,628	$ 264,123
Fringe Benefits	96,007	103,250	(7,243)	110,210
Other Expenses	474,000	473,723	277	439,551
Total Cost of Providing Service	817,065	816,403	662	813,884
Administration:				
Salaries & Wages	164,188	164,115	73	135,238
Fringe Benefits	48,881	38,378	10,503	28,590
Other Expenses	191,826	146,341	45,485	160,300
Total Administration	404,895	348,834	56,061	324,128
Total Principal Payments on Debt Service in Lieu of Depreciation	107,000	107,000		107,000
Total Operating Appropriations	1,328,960	1,272,237	56,723	1,245,012
Non-Operating Appropriations:				
Bond Interest Expense	6,810	10,396	(3,586)	6,087
Operations and Maintenance Reserve	9,763		9,763	
Total Non-Operating Appropriations	16,573	10,396	6,177	6,087
Total Appropriations	$ 1,345,533	$ 1,282,633	$ 62,900	$ 1,251,099
Operating Expenses		$ 1,165,237		$ 1,138,012
Debt Service in Lieu of Depreciation		107,000		107,000
Bond Interest Expense		10,396		6,087
		$ 1,282,633		$ 1,251,099

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF WATER AND SEWER REVENUE BONDS PAYABLE

Description	Original Date	Original Amount	Interest Rate	Maturities Date	Maturities Amount	Balance at Jan. 1, 2017	Matured	Balance at Dec. 31, 2017
Refinancing Issue of 2005	12/15/05	$ 2,265,000	4.00%	12/15/19	$ 145,000	$ 325,000	$ 180,000	$ 145,000
Issue of 1998 (Series A & B)	10/01/98	4,775,066	4.90%	12/15/19	301,484			
			4.95%	12/15/20	356,875			
			5.00%	12/15/21	336,028			
			5.00%	12/15/22	319,834			
			5.00%	12/15/23	304,420			
			5.00%	12/15/24	289,756			
			5.00%	12/15/25	275,788			
			5.00%	12/15/26	262,505			
			5.00%	12/15/27	249,855	3,051,436	354,892	2,696,544
						$ 3,376,436	$ 534,892	$ 2,841,544
Balance Comprised of:								
Short-term Portion						$ 534,892	$ 88,408	$ 446,484
Long-term Portion						2,841,544	446,484	2,395,060
						$ 3,376,436	$ 534,892	$ 2,841,544

SCHEDULE IV

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

GOVERNMENT AUDITING STANDARDS SECTION

YEAR ENDED DECEMBER 31, 2018

NISIVOCCIA LLP
Certified Public Accountants & Advisors

Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-298-8500 | 973-298-8501 Fax

Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

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 Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Long Valley, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Washington Township Municipal Utility Authority (the "Authority") as of, and for the years ended, December 31, 2018 and 2017, and the related notes to the financial statements, which comprise the Authority's financial statements, and have issued our report thereon dated May 15, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
May 15, 2019

NISIVOCCIA LLP

William F. Schroeder
Certified Public Accountant
Registered Municipal Accountant #452

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Authority.

- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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.*

- No instances of noncompliance material to the financial statements of the Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

The Authority had no prior year audit findings.

COMMENTS AND RECOMMENDATIONS

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids

N.J.S.A. 40A:11-3 states:

a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of $17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to $25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest $1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

The minutes indicated that bids were requested by public advertising and contracts awarded. The minutes also indicated that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for professional services per N.J.S. 40A:11-5.

Effective July 1, 2015, bid threshold in accordance with N.J.S.A 40A:11-3 and 40A:11-4 (as amended) is $17,500 and with a qualified purchasing agent the threshold may be up to $40,000.

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Authority Attorney's opinion should be sought before a commitment is made.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required Advertisement for Bids (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Analysis of Escrow Deposits Payable

The Authority currently does not maintain an analysis by individual of its escrow deposits payable. When an individual requests a refund of their deposit on a completed project, the Authority must research that individual's transactions to determine the amount to be refunded.

It is recommended that an analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

Management's Response

The Authority continued to analyze the activity in escrow deposits payable during 2018 but did not complete it. The Authority will attempt to finalize the analysis of the activity in the escrow deposits payable account by individual during the year 2019.

Over-expenditure of Individual Budget Appropriations

The analysis of the Authority schedules of sewer and water operating fund revenue and expenditures compared to budget has over-expenditures in the bond interest expense line item and the fringe benefits expense. This was caused by the amortization of loss on bond sale and the change in bond interest payable and the recording of the changes in net pension liability and related deferred inflows and outflows of resources, respectively. Prior to that implementation, the Authority made all necessary budget transfers and had no over-expenditures. As such, no formal recommendation is deemed necessary.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

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