Comprehensive Annual

Financial Report for the

Year Ended December 31, 2017

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Manasquan River Regional Sewerage Authority

BOROUGH OF FARMINGDALE | BOROUGH OF FREEHOLD | TOWNSHIP OF FREEHOLD
TOWNSHIP OF HOWELL | TOWNSHIP OF WALL

BRIAN J. BRACH, P.E.
Executive Director

May 15, 2018

To the Board of Commissioners of the Manasquan River Regional Sewerage Authority:

The Comprehensive Annual Financial Report (CAFR) of the Manasquan River Regional Sewerage Authority (Authority) for the year ended December 31, 2017, is submitted herewith. Responsibility of the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority's management. The Authority's management certifies that:

- The data presented is accurate in all material respects.
- The report is presented in a manner designed to fairly set forth the results of operations of the Authority, as measured by the financial activity of its funds.
- The report fairly presents the financial position of the Authority for the year then ended.
- All disclosures necessary to enable the reader to gain a maximum understanding of the Authority's financial activities have been provided.

The following CAFR is presented in three (3) main sections:

- The **Introductory Section** provides information on the contents of the report, this transmittal letter and the Authority's organizational structure.
- The **Financial Section** includes the auditor's opinion, management discussion and analysis, basic financial statements and other supplemental information.
- The **Statistical Section** contains additional financial and general information generally presented on a multiyear basis.

PROFILE OF THE AUTHORITY

The Manasquan River Regional Sewerage Authority was originally created in May of 1972 by parallel ordinances of the five (5) member municipalities of Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township and Wall Township. The original purpose of the Authority was to provide for the regional conveyance and treatment of wastewater in the Manasquan River Basin and a portion of the Metedeconk Basin. Subsequent to the original creation of this Authority, it was determined by Federal and State officials that this Authority would become a collection and conveyance system only and transport its wastewater for treatment to the Ocean County Utilities Authority (OCUA).

The total area of coverage for this Authority is approximately 103-square miles and the Authority's Services Area presently consists of approximately 100,000-residents, including numerous commercial and industrial establishments.

ORGANIZATION OF STRUCTURE

The Authority consists of ten (10) Commissioners, who act as its Board of Directors. Each Member Municipality appoints two (2) of these Commissioners to staggered five (5)-year terms. The Commissioners annually select members to serve as Chairperson, Vice Chairperson, and Treasurer. The Chairperson, or in his or her absence, the Vice-Chairperson, presides over the Public Meetings, which are generally held once a month. The Secretary is responsible for the execution, witnessing and certification of various Authority documents. (Refer to Appendix A for current roster of Commissioners).

The Commissioners are responsible for setting the policy for this Authority. The Commissioners also appoint an Executive Director, who acts as chief administrator to carry out the rules and policies enacted by the Commissioners. The Executive Director is responsible for the day-to-day affairs of the Authority and is responsible to the Commissioners for administering the policies established by them.

The Commissioners are also responsible for annually appointing an Authority Attorney, Engineer and Auditor, along with any other special counsels or consultants as deemed appropriate and necessary. These Professionals report both to the Commissioners and to the Executive Director. (Refer to Appendix B for current list of professionals.)

Within the Authority, there are two (2) Divisions: the Administrative Division and the Operations Division. The Administrative Division is responsible for the preparation of all necessary Authority paperwork and documents, along with the day-to-day finances of the Authority and purchasing. Within the Administrative Division, a designated employee (typically the Executive Secretary or Finance Officer) is also responsible for attending the Authority's meetings and recording the minutes. Also, there is a Finance Officer responsible for the preparation of Authority documents as they pertain to the processing and payment of bills, payroll, receipt of monies due to the Authority and proper disposition. The Finance Officer also serves as the primary Human Resource contact, in cooperation and shared responsibility with the Executive Director. These Administrative Personnel report directly to the Executive Director.

The Operations Division is responsible for the day-to-day operation and maintenance of the physical facilities. The Operations Division is headed by the Superintendent, who reports directly to the Executive Director. (Refer to Appendix C for the current Authority organization chart).

LOCAL ECONOMY

The Authority's service area, which includes its five (5) Member Municipalities of Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township, and Wall Township, has historically been a fast growing area and is showing signs of recovery from the economic downturn during 2008-2009.

Monmouth County is located in east central New Jersey and contains a land area of approximately 469-square miles, which ranks fourth largest in the State. Its population in 2010 was 630,380, placing it fifth among New Jersey counties. With its relatively level topography, and with its only significant physical constraint the large areas covered by wetlands, the County was poised for rapid growth once the New York-Northern New Jersey "growth belt" expanded beyond Middlesex County.

The Authority service area primarily consists of residential housing with a major transportation spine, Route 9. Route 9 acts as a corridor to a large commuter base that is predominantly employed in the New York Metropolitan area. In addition to Route 9 being a transportation corridor, it is also a recognized for shopping. This includes a large number of national chain box stores, strip malls and a large regional mall.

Freehold Borough is the county seat. It is located in the heart of western Monmouth County and hosts many professional offices. Freehold Township hosts an expanding medical facility, CentraState Healthcare System, and its associated services. The service area also has major manufacturing such as Nestle USA and light industry in different pockets throughout. There is a regional airport (Monmouth Executive) in Wall Township.

Over the course of the next few years, Wall Township is projected to host the greatest number of jobs at about 17,104, followed by Freehold Township at 16,000, Howell Township at 10,746, Freehold Borough at 10,026 and Farmingdale Borough at 250.

Table 1: At Place Employment, 1995-2020

	1995	2005	2020
Farmingdale Borough	225	250	250
Freehold Borough	9,030	10,026	11,401
Freehold Township	13,941	16,000	17,500
Howell Township	8,696	10,746	11,470
Wall Township	13,985	17,104	20,183
Service Area Total	**45,877**	**54,126**	**60,804**

The median household income in the Authority's service area can be seen in the following table:

Table 2: Median Household Income, 2000 and 2010

	2000	2010
New Jersey	N/A	N/A
Monmouth County	$73,263	$73,263
Farmingdale Borough	$62,086	$63,191
Freehold Borough	$48,654	$52,000
Freehold Township	$77,185	$94,735
Howell Township	$68,069	$89,287
Wall Township	$73,989	$89,278

Source: 2000 and 2010 US Census

The Consumer Price Index (CPI) in the New York-Northern New Jersey area (which includes Monmouth County) as measured for the year ended December 2017 increased 1.6% (12-month change)*, while core inflation as measured by the "*All Items Less Food and Energy Index*" increased 1.2% (change from February 2017)*.

**Source United States Department of Labor, Bureau of Labor Statistics (https://www.bls.gov/regions/new-york-new-jersey/news-release/consumerpriceindex_newyorkarea.htm)*

MAJOR INITIATIVES

During 2013, the Authority funded and commenced a five-year $7,000,000 Capital Plan that will seek to update key system components that are starting to meet the end of their useful life expectancies. These capital projects include the rehabilitation of the Route 9 Upper Force Main, improvements to the Upper Manasquan Pump Station Wet Well, upgrades to the Mingamahone Pump Station, replacement of force main air release valves on the lower system, upgrading chemical feed stations and an aggressive internal inspection program of the Authority's gravity interceptor lines.

During 2016-2017, the Authority completed the development of a more comprehensive, long-term, 15-year Capital Improvement Program (CIP). The CIP was developed as a mechanism for the Board to:

1. Identify and prioritize capital projects;
2. Develop project cost estimates for those projects;
3. Determine funding mechanisms available (i.e.: bond or pay-as-you-go);
4. Develop an aggressive CIP implementation schedule;
5. Develop financial models (to correlate capital expenditures to rate setting practices); and
6. Correlate the data to develop sound fiscal practices;
7. Ultimately create a fiscally resilient Authority.

The 15-year CIP is intended to be a "living" document and will act as a guideline for fiscal practices and Authority planning. Correlation of the budgetary model (completed during 2017) and the CIP model, shall provide the Board with valuable foresight during development of future budgets. The Board has taken great strides over the past several years in identifying budgetary issues and addressing them appropriately. Development of the 15-year CIP is another example of the Board's commitment to developing a fiscally resilient Authority. Resiliency is the product of a series of sound decisions. It is a goal that the Board recognizes and is striving to meet over the next decade and beyond.

Additionally, the Authority established a number of reserve funds for various specified purposes during September 2017. These reserve funds shall assist to provide resilience through contingencies, assist in achieving and maintaining a good standing with credit rating agencies, provide a means for investments, and offer a source of liquidity during times of revenue shortfalls. Funding of these reserve funds is the beginning of a larger financial planning initiative and it is the Authority's goal to incrementally increase the various fund balances towards industry recommended funded levels.

The Board's foresight has already paid dividends. Historically low wastewater flows were realized during 2017. In years past, this may have been an issue. However, the Board's identification of a trend towards lower wastewater flows, which is the primary source of revenue for the Authority, was addressed with the decision to approve a 3.6% increase in the 2017 bulk rate. The result was strong financial performance even in a year of decreased revenues. This decision was driven by metrics and an eye toward future Authority needs, not politics, and is commensurate with the sound fiscal practices implemented by the Board.

FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the Authority's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide Authority management with reasonable (but not absolute) assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition; and (b) the overall reliability of the financial records for preparing financial statements and for maintaining accountability and control over the Authority's assets.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgment by management.

Budgetary Control

Annually, appropriations are established by the Board of Commissioners to record the current year's fiscal requirements of the Authority. Portions of these appropriations are encumbered as purchase orders and/or contracts are awarded. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. To facilitate this determination, the Authority accounting records are delineated by function and specific activity.

Financial Operating Results

The management discussion and analysis that follows, summarizes and reviews the changes of the Authority's financial operations.

Cash and Investment Administration

The Authority's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. During 2017, the Authority continued to invest all funds in the higher yield money market accounts at Ocean First Bank. All investments are made in accordance with permitted investment vehicles as determined by the State of New Jersey.

RISK MANAGEMENT

The Authority continues to look to the New Jersey Utilities Authority Joint Insurance Fund (NJUAJIF) for its property and casualty insurance coverage. This fund has provided comprehensive and reliable coverage for many years. The relationship has also resulted in thousands of dollars in cost savings on premiums, plus many annual dividends being paid to the Authority.

The NJUAJIF coverage includes Employment Practices Liability Coverage (EPL) and Public Officials Liability Coverage (POL). There has also been the inclusion of extended Environmental Coverage as a result of the NJUAJIF becoming a member of the New Jersey Environmental Joint Insurance Fund (NJEJIF).

A comprehensive listing of the Insurance Coverage can be found on file in the Authority's offices.

OTHER INFORMATION

Independent Audit

The Authority is required to have an annual audit of the books of account, financial records, and transactions conducted by independent certified public accountants selected by the Board of Commissioners. This requirement has been complied with. The independent auditors' report on the 2017 financial statements of the Authority has been included in the financial section of this report.

Acknowledgement

The preparation of this report on a timely basis was made possible with the assistance of the following people:

Donald F. Hill, CPA, Finance Officer
James H. Roe, IV, Superintendent
William E. Antonides, Jr., CPA, RMA, Consulting Accountant

In closing, preparation of the report would not have been possible without the leadership and support of the Board of Commissioners.

Sincerely,

Brian J. Brach, P.E.
Executive Director

BRIAN J. BRACH, P.E.
Executive Director

Manasquan River Regional Sewerage Authority

BOROUGH OF FARMINGDALE | BOROUGH OF FREEHOLD | TOWNSHIP OF FREEHOLD
TOWNSHIP OF HOWELL | TOWNSHIP OF WALL

Appendix A:
2017 MRRSA Board of Commissioners Appointments

BOARD OF COMMISSIONERS

James A. Daly, Farmingdale Borough
(February 1, 2016 thru January 31, 2021)

Michael Wilson, Freehold Borough
(February 1, 2016 thru January 31, 2021)

Julisa Garcia, Freehold Township
(February 1, 2016 thru January 31, 2021)

Stephen R. Johnson, Howell Township
(February 1, 2016 thru January 31, 2021)

Olga R. McKenna, Wall Township
(February 1, 2016 thru January 31, 2021)

Michael J. Romano, Farmingdale Borough
(February 1, 2017 thru January 31, 2022)

Richard J. Gartz, Freehold Borough
(February 1, 2017 thru January 31, 2022)

A. Richard Gatto, Freehold Township
(February 1, 2017 thru January 31, 2022)

Jesse J. Tantillo, Howell Township
(February 1, 2017 thru January 31, 2022)

Mary DeSarno, Wall Township
(February 1, 2017 thru January 31, 2022)

2017 BOARD APPOINTMENTS

Richard J. Gartz (Chair)
Stephen R. Johnson (Vice Chair)
Jesse J. Tantillo (Treasurer)
Olga McKenna (Secretary)
Donald F. Hill (Assistant Secretary)

ENGINEERING COMMITTEE

Michael Wilson (Chair)
James A. Daly
Mary DeSarno
A. Richard Gatto
Stephen R. Johnson

FINANCE COMMITTEE

Richard J. Gartz (Chair)
A. Richard Gatto
Olga R. McKenna
Michael J. Romano
Jesse J. Tantillo

INSURANCE COMMITTEE

James A. Daly (Chair)
Julisa Garcia
Stephen R. Johnson
Olga R. McKenna
Michael Wilson

PERSONNEL COMMITTEE

Mary DeSarno (Chair)
Julisa Garcia
Richard J. Gartz
Michael J. Romano
Jesse J. Tantillo

Revised February 15, 2017

BRIAN J. BRACH, P.E.
Executive Director

Manasquan River Regional Sewerage Authority

BOROUGH OF FARMINGDALE | BOROUGH OF FREEHOLD | TOWNSHIP OF FREEHOLD
TOWNSHIP OF HOWELL | TOWNSHIP OF WALL

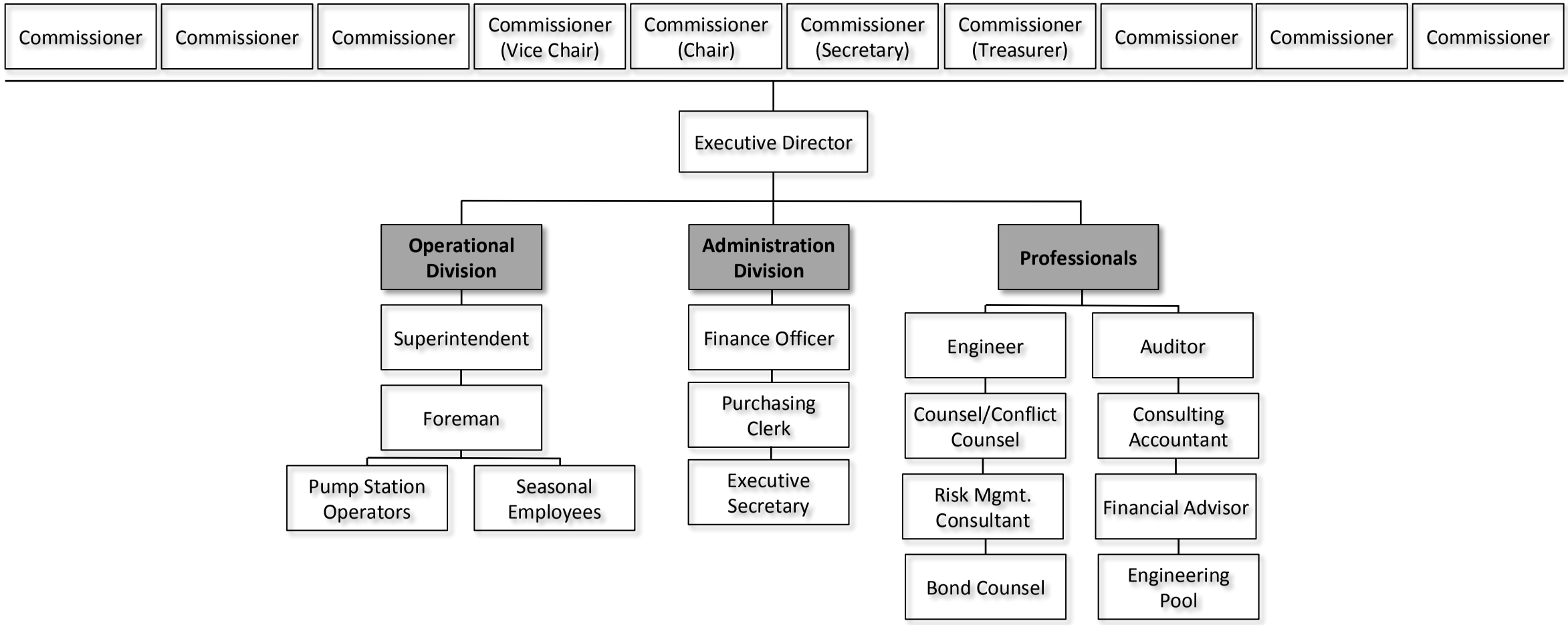
Appendix B:
2017 Authority Management

Brian J. Brach, P.E., Executive Director
James H. Roe, IV, Superintendent
Donald F. Hill, CPA, Finance Officer

CONSULTANTS	FIRM
Sonnenblick, Parker & Selvers, P.C. (*formerly Mehr, LaFrance & Williams*)	General Counsel
Dasti, Murphy, McGuckin, Ulaky, Koutsoris & Connors	Conflict Counsel
GluckWalrath	Bond Counsel
Mott MacDonald	Consulting Engineer/ Special Project Engineering Pool
Greeley and Hansen	Special Project Engineering Pool
CME Associates	Special Project Engineering Pool
Conner Strong Companies, Inc.	Risk Management Consultant
Holman, Frenia, Allison, P.C.	Auditor
William E. Antonides & Company	Consulting Accountant
NW Financial Group, LLC	Financial Advisor

APPENDIX C:

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
2017 ORGANIZATIONAL CHART



HFA
HOLMAN | FRENIA ALLISON, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

The Chairman and Commissioners
of Manasquan River Regional Sewerage Authority
Farmingdale, New Jersey 07727

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Manasquan River Regional Sewerage Authority, County of Monmouth, State of New Jersey, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Manasquan River Regional Sewerage Authority, as of December 31, 2017 and 2016, 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 other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manasquan River Regional Sewerage Authority's basic financial statements. The accompanying schedule of revenues and appropriations compared to budget is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements. The other supplementary information, such as the analysis of accounts receivable – service fees and industrial surcharges and the schedule of sewer revenue bonds, are also presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The accompanying schedule of revenues and appropriations compared to budget, the analysis of accounts receivable – service fees and industrial surcharges and the schedule of sewer revenue bonds are the responsibility of management and were derived from and relates 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 other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of revenues and appropriations compared to budget, the analysis of accounts receivable – service fees and industrial surcharges and the schedule of sewer revenue bonds are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Manasquan River Regional Sewerage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Manasquan River Regional Sewerage Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON PC

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 15, 2018
Toms River, New Jersey

HFA
HOLMAN | FRENIA ALLISON, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S 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*

The Chairman and Commissioners
of Manasquan River Regional Sewerage Authority
Farmingdale, NJ 07727

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Manasquan River Regional Sewerage Authority (herein referred to as " the Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

Respectively Submitted,

HOLMAN FRENIA ALLISON PC

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 15, 2018
Toms River, New Jersey

The discussion and analysis is designed to provide an analysis of the Authority's financial condition and operating results and to also inform the reader on Authority financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Transmittal Letter (beginning on page 1) and the Authority's basic financial statements (beginning on page 18).

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. As enterprise funds, the Authority's basic financial statements include:

- **Statement of net position** - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (Exhibit A)
- **Statement of revenues, expenses and changes in fund net position** - reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (Exhibit B)
- **Statement of cash flows** - reports the Authority's cash flows from operating activities, investing, capital and non-capital activities. (Exhibit C)

STATEMENT OF NET POSITION

Years Ended December 31,	2017	2016	2015
Assets:			
Current Assets:			
Unrestricted	$ 7,994,184	$ 6,446,955	$ 4,977,057
Restricted	1,634,212	3,556,081	5,281,045
Capital Assets, Net	12,810,368	11,873,317	10,213,223
Total Assets	$ 22,438,764	$ 21,876,353	$ 20,471,325
Deferred Outflow of Resources	$ 1,226,146	$ 807,289	$ 538,228
Liabilities:			
Current Liabilities:			
Unrestricted	$ 1,611,851	$ 1,871,717	$ 1,809,417
Restricted	465,971	977,714	475,233
Non-Current Liabilities	7,128,802	7,445,092	8,114,465
Total Liabilities	$ 9,206,624	$ 10,294,523	$ 10,399,115
Deferred Inflow of Resources	$ 1,840,911	$ 1,530,517	$ 961,130
Net Position:			
Invested in Capital Assets, Net of Related Debt	$ 9,215,349	$ 9,834,936	$ 10,328,971
Unrestricted	3,402,026	1,023,666	(679,663)
Total Net Position	$ 12,617,375	$ 10,858,602	$ 9,649,308

STATEMENT OF NET POSITION (CONTINUED)

The net position of the Authority increased to $12,617,375 during 2017, a $1,758,773 increase from 2016. The increase was attributable to a service charge rate increase, 57-MG increase in wastewater flows, $600,000 towards renewal/replacement/capital, and no sizable emergency repairs for the first time in several years.

REVIEW OF REVENUES

Years Ended December 31,	2017	2016	2015
Operating Revenues:			
Service Charges	$ 12,769,945	$ 12,087,657	$ 12,274,903
Connection Fees	577,474	607,589	474,530
Total Operating Revenues	13,347,419	12,695,246	12,749,433
Non-Operating Revenues:			
Gain on Sale Leaseback	41,194	41,194	41,194
Interest Revenue	48,816	28,251	3,291
Insurance Proceeds			658,577
Other	157,680	104,856	110,431
Total Non-Operating Revenues	247,690	174,301	813,493
Total Revenues	$ 13,595,109	$ 12,869,547	$ 13,562,926

In 2017, operating revenues increased by $652,173 when compared to 2016. The increase was attributable to a service charge rate increase and a 57-MG increase in wastewater flows from the service territory.

REVIEW OF EXPENSES

Years Ended December 31,	2017	2016	2015
Operating Expenses:			
Personnel Services	$ 1,595,654	$ 1,650,341	$ 1,810,572
Purchase of Services	8,904,020	8,684,580	9,007,700
Other Operating Expenses	638,956	660,053	1,361,366
Depreciation	562,134	521,722	504,381
Total Operating Expenses	11,700,764	11,516,696	12,684,019
Non-Operating Expenses:			
Bond Interest Expense	135,572	143,557	150,375
Total Non-Operating Expenses	135,572	143,557	150,375
Total Expenses	$ 11,836,336	$ 11,660,253	$ 12,834,394

REVIEW OF EXPENSES (CONTINUED)

In 2017, expenses increased $176,083 when compared to 2016. The increase was attributable to treatment costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation

In 2017, capital assets had a net increase (additions, deductions and depreciation) of $937,051.

Years Ended December 31,	2017	2016	2015
Land	$ 1,431,160	$ 1,431,160	$ 1,431,160
Buildings	1,011,454	1,051,364	1,091,274
Equipment and Apparatus	200,117	215,746	231,374
Office Equipment	7,636	7,636	7,636
Vehicles	171,639	61,864	75,188
Conveyance System	9,936,443	6,668,947	7,110,530
Construction in Progress	51,919	2,436,601	266,061
Total Capital Assets, Net	$ 12,810,368	$ 11,873,317	$ 10,213,223

DEBT OUTSTANDING

The Authority's bonded debt was $4,130,000 at December 31, 2017, a decrease of $295,000 when compared to 2016. Interest on these bonds is paid semi-annually with interest rates ranging from 3.00% to 5.00%. Principal payments on the outstanding debt are due annually with final maturity on August 1, 2028.

FINANCIAL CONTACT

The Authority’s statements are designed to present users (sewer users, ratepayers and creditors) with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability. If you have any questions about the report or need additional financial information, please contact the Finance Department, Manasquan River Regional Sewerage Authority, P.O. Box 646, Farmingdale, NJ 07727.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION **Exhibit A**

DECEMBER 31, 2017 AND 2016 **Sheet 1 of 2**

	2017	2016
Assets		
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	$ 7,310,592	$ 5,358,294
Intergovernmental Accounts Receivable	653,228	1,072,981
Inventory	30,364	15,680
Total Unrestricted Current Assets	7,994,184	6,446,955
Restricted Assets:		
Cash and Cash Equivalents	463,041	472,260
Funds Held by Trustee	1,171,171	3,083,821
Total Restricted Current Assets	1,634,212	3,556,081
Total Current Assets	9,628,396	10,003,036
Capital Assets:		
Land	1,431,160	1,431,160
Buildings	1,992,793	1,992,793
Equipment and Apparatus	1,711,905	1,711,905
Office Equipment	83,487	83,487
Vehicles	523,034	397,195
Conveyance System	20,131,345	16,373,318
Construction in Progress	51,919	2,436,601
	25,925,643	24,426,459
Less: Accumulated Depreciation	13,115,275	12,553,142
Capital Assets, Net	12,810,368	11,873,317
Total Assets	22,438,764	21,876,353
Deferred Outflow of Resources		
Related to Pensions	1,226,146	807,289
Total Assets and Deferred Outflows of Resources	$ 23,664,910	$ 22,683,642

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION **Exhibit A**

DECEMBER 31, 2017 AND 2016 **Sheet 2 of 2**

	2017	2016
Liabilities		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 170,445	$ 90,784
Accrued Expenses	28,090	27,088
Accrued Interest Payable	79,458	82,424
Overpayment of Service Charges	857,493	1,235,269
Sewer Revenue Bonds Payable	366,012	356,012
Pension Payable	110,353	80,140
Total Current Liabilities Payable from Unrestricted Assets	1,611,851	1,871,717
Current Liabilities Payable from Restricted Assets:		
Escrow Accounts - Review Fees	457,893	467,111
Accounts Payable	8,078	510,603
Total Current Liabilities Payable from Restricted Assets	465,971	977,714
Non-Current Liabilities:		
Sewer Revenue Bonds Payable	4,400,178	4,766,191
Compensated Absences Payable	26,284	22,851
Related to Pensions	2,702,340	2,656,050
Total Non-Current Liabilities	7,128,802	7,445,092
Total Liabilities	9,206,624	10,294,523
Deferred Inflow of Resources		
Related to Pensions	1,191,127	839,540
Unearned Profit on Sales - Leaseback	649,784	690,977
Total Deferred Inflow of Resources	1,840,911	1,530,517
Net Position		
Invested in Capital Assets, Net of Related Debt	9,215,349	9,834,936
Unrestricted	3,402,026	1,023,666
Total Net Position	12,617,375	10,858,602
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 23,664,910	$ 22,683,642

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Exhibit B

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Operating Revenue:		
Service Charges	$ 12,769,945	$ 12,087,657
Connection Fees	577,474	607,589
Total Operating Revenue	13,347,419	12,695,246
Operating Expenses:		
Personnel Services	1,595,654	1,650,341
Purchase of Services	8,904,020	8,684,580
Other Operating Expenses	638,956	660,053
Depreciation	562,134	521,722
Total Operating Expenses	11,700,764	11,516,696
Operating Income	1,646,655	1,178,550
Non-Operating Revenue/(Expenses):		
Gain on Sale Leaseback	41,194	41,193
Interest Revenue	48,816	28,251
Bond Interest Expense/Amortization Expense	(135,572)	(143,557)
Other Non-Operating Revenues	157,680	104,857
Total Non-Operating Revenue/(Expenses)	112,118	30,744
Net Income (Before Transfer of Depreciation on Assets Purchased with Contributed Capital)	1,758,773	1,209,294
Transfer of Depreciation to Contributed Capital		
Change in Net Position	1,758,773	1,209,294
Net Position January 1	10,858,602	9,649,308
Net Position December 31	$ 12,617,375	$ 10,858,602

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS **Exhibit C**

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 **Sheet 1 of 2**

	2017	2016
Cash Flows from Operating Activities:		
Cash Received from Service Charges	$ 12,443,361	$ 12,150,943
Cash Received from Service Surcharges	187,203	165,401
Cash Received from Connection Fees	577,474	607,589
Cash Received from Miscellaneous	157,680	196,150
Cash Received/Payments from/to Escrows	(9,218)	14,610
Cash Payments for Goods and Services	(9,370,676)	(8,393,925)
Cash Payments to Employees	(1,581,989)	(2,970,344)
Net Cash Flows from Operating Activities	2,403,835	1,770,424
Cash Flows from Capital and Related Financing Activities:		
Insurance Proceeds		458,577
Payments for Capital Acquisitions	(1,927,672)	(1,693,944)
Bond Payments	(295,000)	(285,000)
Interest Paid	(199,550)	(208,100)
Net Cash Flows from Capital and Related Financing Activities	(2,422,222)	(1,728,467)
Cash Flows from Investing Activities:		
Receipts of Interest	48,816	28,250
Net Cash Flows from Investing Activities	48,816	28,250
Net Increase/(Decrease) in Cash and Cash Equivalents	30,429	70,207
Cash and Cash Equivalents January 1	8,914,375	8,844,168
Cash and Cash Equivalents December 31	$ 8,944,804	$ 8,914,375

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS **Exhibit C**

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 **Sheet 2 of 2**

	2017	2016
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 1,646,655	$ 1,178,550
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	562,134	521,722
Escrow Accounts - Review Fees (From)/To	(9,218)	14,610
Non-Operating Miscellaneous Revenue	157,680	104,855
(Increase)/Decrease in Intergovernmental Receivables	419,753	(132,075)
(Increase)/Decrease in Other Accounts Receivable		102
(Increase)/Decrease in Inventory	(14,684)	(1,331)
Increase/(Decrease) in Accounts Payable	5,624	(56,605)
Increase/(Decrease) in Accrued Expenses	1,002	5,190
Increase/(Decrease) in Pension Liability	76,503	(316,835)
(Increase)/Decrease in Deferred Pension Outflows	(418,857)	(269,061)
Increase/(Decrease) in Deferred Pension Inflows	351,587	610,581
Increase/(Decrease) in Overpayment of User Fees	(377,777)	107,248
Increase/(Decrease) in Compensated Absences Payable	3,433	3,473
Total Adjustments	757,180	591,874
Net Cash Provided by Operating Activities	$ 2,403,835	$ 1,770,424

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Manasquan River Regional Sewerage Authority (the "Authority") was created in 1972 by virtue of parallel ordinances adopted by the Boroughs of Farmingdale and Freehold and the Townships of Freehold, Howell and Wall, and is a public body politic and corporate of the State of New Jersey organized and existing pursuant to the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946, of the State of New Jersey, as amended and supplemented. The municipalities would be required to provide for deficits resulting from failure of the Authority to derive adequate revenues from the operation of the system.

The Authority operates and maintains a network of interceptors, collectors, pump stations and trunk lines to accept wastewater flow from the sewerage systems serving the territorial limits of the Boroughs of Farmingdale and Freehold, the Township of Howell, and portions of the Townships of Freehold and Wall. Treatment and disposal is handled by facilities of the Ocean County Utilities Authority. The Authority is a legally separate entity and does not satisfy the criteria for being a component unit as set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34.*

B. Basis of Presentation and Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

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 enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues 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 assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. New Accounting Standards

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions" in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement No. 75 is effective for financial statements for periods beginning after June 15, 2018. The Authority has not implemented Statement No. 75 as of the audit date.

GASB issued Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, 68, and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statement Nos. 67, 68, and 73. Statement No. 82 is effective for financial statements for periods beginning after June 15, 2017. The Authority has not implemented Statement No. 82 as of the audit date.

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

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

D. Inventory

Inventory consists of chemicals used for odor control and fuel oil used for operation of emergency generators and is stated at cost (determined on a first-in, first-out basis). The value of inventory at December 31, 2017 and 2016 is $30,364 and $15,680, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property, Plant and Equipment

The Authority records its property and equipment at cost. Contributed fixed assets are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expense, whereas additions and improvement are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operations. Interest costs relating to construction are capitalized. Certain applicable labor and legal costs are also capitalized. The Authority's capitalization level is $5,000 for capital assets.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Conveyance system	7 to 50 years
Pump stations and apparatus	40 years
Equipment - pumping stations	7 to 15 years
Buildings and improvements	40 years
Vehicles	7 years
Equipment - office	7 to 20 years

F. Unearned Profit on Sale-Leaseback

The unearned profit on the sale-leaseback will be amortized in proportion to the depreciable life of the asset.

G. Budgets

Budgets which are required by state statute are adopted in accordance with regulations promulgated by the Bureau of Authority Regulation (the "Bureau"). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the Bureau. A capital program adopted by the Authority is management's six-year plan for financing the estimated cost of addition or replacement of major fixed assets used in the Authority's operation.

Budgets are adopted on a basis consistent with GAAP with the following exceptions:

- Principal retired is budgeted as nonoperating expenses.
- Depreciation is not budgeted.
- Capital expenses are treated as nonoperating expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Compensated Absences Payable

The Authority allows employees to earn vacation time based on the employee's length of service and time worked during the preceding year. A maximum of 10 unused vacation days may be carried forward, but must be taken in the subsequent year.

Unused sick leave may be carried forward into subsequent calendar years. Upon resignation or retirement, accumulated sick leave may be converted to a cash payment at a rate of not more than 50% of the employee's current hourly salary up to a maximum of $10,000. It is estimated that the cost of unpaid sick time as of December 31, 2017 is $26,284 and as of December 31, 2016 was $22,851. These amounts are reflected as an expenditure and liability on the financial statements.

J. Funds Held by Trustee

The net proceeds from the Sewer Revenue Bonds (Series 2013) were placed with the U.S. Bank. These funds are being held by the trustee and are being released to the Authority upon requisitions for the payment of expenditures on the projects for which the loans were authorized.

K. Developer Contributions

Developer contributions received are recorded in the period received. Developer financed construction is recorded in the period in which applicable costs are incurred. Donated assets are recorded at fair market value at the time of the contribution.

L. Bond Premium

Bond premium is amortized on a straight-line method as principal payments are made. Bond premium as of December 31, 2017 and 2016 was $626,191 and $697,203, respectively. Per GASB 65, for financial statement presentation purposes, the bond premium was included in the long term debt sewer revenue bonds payable on the statement of net position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Restricted Assets

Restricted assets represent cash and cash equivalents, investments and interest receivable maintained in accordance with bond resolutions, loan agreements and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions the utility systems.

N. Deferred Outflow and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualify for reporting in this category which is related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category which are deferred profit on sales-leaseback and related to pensions.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position

In the statement of net position, there are three classes of net position:

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.

Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - any portion of net position not already classified as either net investment in capital assets or net position - restricted is classified as net position - unrestricted.

Designated Unrestricted Net Position - The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net position. The Authority Board of Commissioners may dedicate net position to establish designations of unrestricted net position to meet policy adopted by the Board. During the fiscal year ended December 31, 2017, the Board established the following designated unrestricted reserve funds: The Rate Stabilization Reserve Fund, the Capital Reserve Fund and the Renewal/Replacement Reserve Fund.

Q. Subsequent Events

Manasquan River Regional Sewerage Authority has evaluated subsequent events occurring after December 31, 2017 through the date of May 15, 2018, which is the date the financial statements were available to be issued.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost. U.S Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost. All of the investments are stated at fair value.

A. 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 ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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 five percent of the average daily balance of public funds; or
>
> If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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.

B. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every authority shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the members and may be modified from time to time in order to reflect changes in federal or state law or regulations. The finance officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the commissioners summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

C. Restricted Cash

Restricted cash at December 31, 2017 and 2016 totaled $1,634,212 and $3,556,018, respectively. At December 31, 2017, restricted cash consisted of $463,041 of escrow deposits for review and inspection of developers' projects within the Authority's service region and $1,171,171 of funds held by trustee. At December 31, 2016, restricted cash consisted of $472,260 of escrow deposit and $3,083,821 of funds held by trustee.

D. Custodial Credit Risks

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's limits its credit risk by investing in direct obligations of the United States government, its agencies or instrumentalities secured by the full faith and credit of the government of the United States. U.S. government securities carry an underlying rating of AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Authority has no policy on credit risk however, investments are limited to securities guaranteed by the U.S. Government.

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in any one issuer. 100% of the Authority's investments are in obligations of the United States or its agencies or instrumentalities.

At December 31, 2017 and 2016 the carrying amount of the Authority's deposits was $7,773,633 and $5,830,554, respectively. The bank balance amount was $7,815,223 and $5,906,118 at December 31, 2017 and 2016. Of this amount $250,000 was covered by federal depository insurance at December 31, 2017 and 2016. A collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered $7,094,465 and $5,183,858 as of December 31, 2017 and 2016, respectively. An amount of $463,041 and $472,260 was on deposit in the name of various developers for escrow and is either insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the escrow depository at December 31, 2017 and 2016.

NOTE 3. ACCOUNTS RECEVABLE

Receivables at December 31, 2017 and 2016 are summarized by major classification as follows:

	2017	2016
OCUA Excess Service Charges	$ 598,127	$ 965,224
Insurance Proceed Receivable	-0-	-0-
Service Surcharges	43,700	45,163
Service Charges	11,401	62,594
Other	-0-	-0-
	$ 653,228	$ 1,072,981

NOTE 4. LONG-TERM DEBT

A. Revenue Bonds

The Authority has issued a revenue bond to provide funds for the construction of capital facilities.

Revenue bonds currently outstanding are as follows:

	2017	2016
Series 2013 Revenue Bonds - authorized and issued $5,230,000, dated June 5, 2013, for the purpose of construction of capital facilities, interest rates range from 2% to 5%, maturities August 1, 2014 to 2028	$ 4,130,000	$ 4,425,000
Less: Current Portion	305,000	295,000
Long-Term Debt	$ 3,825,000	$ 4,130,000

A summary of maximum annual debt service for principal and interest for bonded debt issued and outstanding at December 31, 2017 is provided below:

Year	Principal	Interest	Total
2018	$ 305,000	$ 190,700	$ 495,700
2019	310,000	181,550	491,550
2020	325,000	169,150	494,150
2021	335,000	156,150	491,150
2022	350,000	142,750	492,750
2023-27	2,035,000	432,750	2,467,750
2028	470,000	23,500	493,500
	$ 4,130,000	$ 1,296,550	$ 5,426,550

NOTE 4. LONG-TERM DEBT (CONTINUED)

B. Debt Summary

A summary of the activity in the Authority's principal portion of its debt is as follows:

	Balance Jan. 1, 2017	Additions	Reductions	Balance Dec. 31, 2017	Due Within One Year
Sewer Revenue Bonds (Series 2013)	$ 4,425,000	$	$ 295,000	$ 4,130,000	$ 305,000
Unamortized Bond Premium	697,203		61,013	636,190	61,012
Subtotal	5,122,203		356,013	4,766,190	366,012
Compensated Absences	22,851	3,433		26,284	
Pension Liability	2,656,050		64,063	2,591,987	
	$ 7,801,104	$ 3,433	$ 420,076	$ 7,384,461	$ 366,012

	Balance Jan. 1, 2016	Additions	Reductions	Balance Dec. 31, 2016	Due Within One Year
Sewer Revenue Bonds (Series 2013)	$ 4,710,000	$	$ 285,000	$ 4,425,000	$ 295,000
Unamortized Bond Premium	758,214		61,011	697,203	61,012
Subtotal	5,468,214		346,011	5,122,203	356,012
Compensated Absences	19,378	3,473		22,851	
Pension Liability	2,972,885		316,835	2,656,050	
	$ 8,460,477	$ 3,473	$ 662,846	$ 7,801,104	$ 356,012

NOTE 5. SERVICE CHARGES RECEIVABLE

The Authority issues to participants, its certificate stating the estimated amount of the annual charge. The annual charge is based upon estimated flows and an approved bulk rate. The Authority sends this certificate to participants in December of the year preceding the fiscal year for which the charges are levied. The Authority sends participants quarterly reminders. A deficiency charge or credit is issued at the beginning of the following year when actual annual flows have been verified. Bills are payable within 30 days.

NOTE 6. SERVICE AGREEMENT WITH OCEAN COUNTY UTILITIES AUTHORITY ("OCUA")

A service agreement was executed with Ocean County Utilities Authority ("OCUA") during 1981 providing for sewage and other wastes originating within the regional district to be treated and disposed of by the County Authority.

NOTE 7. THREE PARTY SERVICE AGREEMENT RE: SOUTHWESTERN WALL TOWNSHIP

Wall Township, in anticipation of developing facilities in the Metedeconk basin of the Authority service area, where Ocean County Utilities Authority ("OCUA") has no facilities to provide direct service, entered into an agreement with Brick Township Municipal Utilities Authority ("BTMUA"), the Authority and OCUA for service to be provided to this portion of Wall Township through facilities of BTMUA.

The agreement setting forth the responsibilities of each authority was dated April 10, 1991. Billing for usage is submitted to the Authority and in turn passed through to Wall Township.

NOTE 8. RATE SCHEDULE

2017 Rate - A 2017 rate of $5,559 per million gallons was adopted by the Authority on November 9, 2016, based on the 2017 budget requirements.

Subsequent Event

2018 Rate - A 2018 rate of $5,726 per million gallons was adopted by the Authority on November 8, 2017, based on the 2018 budget requirements.

NOTE 9. CONSTRUCTION COMMITMENTS

The Authority has active construction projects at December 31, 2017. The projects include construction improvements to waste water treatment and delivery systems.

Project	Completed to Date	Remaining Commitment
Mingamahone Pump Station	$ 32,867	$ 1,815
Check Valve Assemblies – UMPS		89,890
	$ 32,867	$ 91,705

NOTE 10. CONNECTION FEES

An October 1989 revision to the previously adopted sewer extension application fee, connection fee and review deposit resolution provided for the connection fee portion of the charge to be deferred at the option of the developer until actual connection date at the then current rate. The Authority has requested the cooperation of member municipal construction officials to require proof of payment of the Authority charges before a certificate of occupancy is issued for individual units. The connection fees for 2017 were $2,033 per unit effective July 21, 2016 until July 20, 2017 when the amount increased to $2,168.

NOTE 11. PENSION PLAN

A. Plan Description

The Authority contributes to a cost-sharing multiple employer defined benefit pension plan, the, Public Employee's Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml. The report may also be obtained by writing to the State of New Jersey, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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

NOTE 11. PENSION PLAN (CONTINUED)

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and 43:3B. The policy requires contributions by active members and contributing employers.

The contribution requirements of plan members are determined by State Statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increases to 6.5% plus and additional 1.0% phased in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

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 will be paid by the employer in level annual payments over a period of 15 years beginning 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.

NOTE 11. PENSION PLAN (CONTINUED)

C. Contributions (continued)

As of the fiscal year ended June 30, the contributions recognized as part of pension expense for the Plan was as follows:

	2017	2016	2015
	PERS	PERS	PERS
Normal Contribution	$ 14,155	$ 12,462	$ 19,276
Accrued Liability	88,146	63,421	88,796
Total Regular Pension Contribution	102,301	75,883	108,072
Non-Contributory Group Life Insurance	5,242	3,787	
Long-term - Disability	2,328		5,786
Accrued Liability ERI	482	470	457
Total Due	$ 110,353	$ 80,140	$ 114,315

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

At December 31, 2017, the Authority reported a liability of $2,702,340 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 school Authority's, actuarially determined. At June 30, 2017, the Authority's proportion share of the Fund's total net pension liability was .012 percent.

For the year ended December 31, 2017, the Authority recognized net pension gain of $9,233. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 11. PENSION PLAN (CONTINUED)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 544,428	$ 542,432
Differences Between Expected and Actual Experiences	63,631	
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	18,401	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	489,333	648,695
Authority Contributions Subsequent to the Measurement Date	110,353	
	$ 1,226,146	$ 1,191,127

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

Year Ended December 31	PERS
2018	$ (13,193)
2019	26,298
2020	(10,445)
2021	18,008
2022	13,721

NOTE 11. PENSION PLAN (CONTINUED)

E. Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	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	7.0%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 based on Projection Scale AA. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

F. Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public 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 markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

NOTE 11. PENSION PLAN (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability was 5.00 and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.0% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

a. Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	As of June 30, 2017		
	1% Decrease Discount Rate (4.00%)	Current Discount Rate (5.00%)	1% Increase Discount Rate (6.00%)
Authority's Proportionate Share of the Net Pension Liability	$ 3,352,436	$ 2,702,340	$ 2,160,729

	As of June 30, 2016		
	1% Decrease Discount Rate (2.98%)	Current Discount Rate (3.98%)	1% Increase Discount Rate (4.98%)
Authority's Proportionate Share of the Net Pension Liability	$ 3,254,680	$ 2,656,050	$ 2,161,830

NOTE 11. PENSION PLAN (CONTINUED)

H. Pension Plan Fiduciary Net Position

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

NOTE 12. CAPITAL ASSETS

Activity in the capital assets for the Authority for the years ended December 31, 2017 and 2016 was as follows:

	Balance Dec. 31, 2016	Increased by Current Year Additions	Transfers	Balance Dec. 31, 2017
Owned Property				
Non-depreciable Assets:				
Land	$ 1,431,160	$	$	$ 1,431,160
Depreciable Assets:				
Buildings	1,992,793			1,992,793
Equipment and Apparatus	1,711,905			1,711,905
Office Equipment	83,487			83,487
Vehicles	397,195	125,839		523,034
Conveyance System	16,373,318		3,758,027	20,131,345
Construction in Progress	2,436,601	1,373,345	(3,758,027)	51,919
Total Historical Cost	24,426,459	1,499,184		25,925,643
Less Accumulated Depreciation:				
Buildings	941,429	39,910		981,339
Equipment and Apparatus	1,496,160	15,628		1,511,788
Office Equipment	75,851			75,851
Vehicles	335,331	16,064		351,395
Conveyance System	9,704,371	490,531		10,194,902
Total Accumulated Depreciation	12,553,142	562,133		13,115,275
Total Capital Assets, Net	$ 11,873,317	$ 937,051	$	$ 12,810,368

NOTE 12. CAPITAL ASSETS (CONTINUED)

	Balance Dec. 31, 2015	Increased by Current Year Additions	Transfers	Balance Dec. 31, 2016
Owned Property				
Non-depreciable Assets:				
Land	$ 1,431,160	$	$	$ 1,431,160
Depreciable Assets:				
Buildings	1,992,793			1,992,793
Equipment and Apparatus	1,711,905			1,711,905
Office Equipment	83,487			83,487
Vehicles	397,195			397,195
Conveyance System	16,362,042		11,276	16,373,318
Construction in Progress	266,061	2,181,816	(11,276)	2,436,601
Total Historical Cost	22,244,643	2,181,816		24,426,459
Less Accumulated Depreciation:				
Buildings	901,519	39,910		941,429
Equipment and Apparatus	1,480,531	15,629		1,496,160
Office Equipment	75,851			75,851
Vehicles	322,007	13,324		335,331
Conveyance System	9,251,512	452,859		9,704,371
Total Accumulated Depreciation	12,031,420	521,722		12,553,142
Total Capital Assets, Net	$ 10,213,223	$ 1,660,094	$	$ 11,873,317

NOTE 13. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority is a member of the New Jersey Utilities Joint Insurance Fund. The joint insurance pool is both an insured and self-administered group of authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums.

NOTE 14. CONTINGENT LIABILITIES

Pending Litigation

There are actions which have been instituted against the Authority which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Authority.

It is the opinion of the Authority officials that there is no litigation threatened or pending that would materially affect the financial position of the Authority or adversely affect the Authority's ability to levy, collect and enforce the collection of revenue for the payment of its obligations.

The Authority officials believe that negligence and other types of liability suits, of which the Authority is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 15. DEFERRED COMPENSATION

The Authority has instituted a Deferred Compensation Plan ("Plan") pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Authority has engaged a private contractor to administer the Plan.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF **Schedule 1**

THE NET PENSION LIABILITY

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2013

(UNAUDITED)

	December 31				
	2017	**2016**	**2015**	**2014**	**2013**
Authority's proportion of the net pension liability	0.012%	0.013%	0.006%	0.007%	0.007%
Authority's proportionate share of the net pension liability	$ 2,702,340	$ 2,656,050	$ 2,972,885	$ 2,693,064	$ 2,699,847
Authority's covered-employee payroll	$ 866,211	$ 796,001	$ 872,906	$ 995,964	$ 1,008,901
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.972%	333.674%	340.573%	270.398%	267.603%
Plan fiduciary net position as a percentage of the total pension liability	48.100%	47.928%	52.080%	42.741%	40.713%

This schedule is presented to illustrate the requirement for 10 years. However; until a full 10 year trend is compiled, the Authority will present information for those years for which the information is available.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS **Schedule 2**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FOR THE YEARS ENDED DECEMBER 31, 2017 THROUGH 2013

(UNAUDITED)

	December 31				
	2017	**2016**	**2015**	**2014**	**2013**
Contractually required contribution	$ 110,353	$ 80,104	$ 114,315	$ 119,022	$ 106,870
Contributions in relation to the the contractually required contribution	110,353	80,104	114,315	119,022	106,870
Contribution deficiency (excess)	$ -0-	-0-	$ -0-	$ -0-	$ -0-
Authority's covered-employee payroll	$ 866,211	796,001	$ 872,906	$ 995,964	$ 1,008,901
Contributions as a percentage of covered-employee payroll	12.74%	10.06%	13.10%	11.95%	10.59%

This schedule is presented to illustrate the requirement for 10 years. However; until a full 10 year trend is compiled, the Authority will present information for those years for which the information is available.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Public Employees' Retirement System (PERS)

Changes of Benefit Terms – None

Changes of Assumptions – The discount rate changed from 3.98% as of June 30, 2016, to 5.00% as of June 30, 2017.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS **Schedule 3**

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2017 **Sheet 1 of 4**

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016

(NON-GAAP BUDGETARY BASIS)

	2017 Budget	2017 Actual	2016 Actual
Anticipated Revenues			
Operating Revenues:			
Service Fees	$ 12,776,800	$ 12,769,945	$ 12,087,657
Connection Fees	350,000	577,474	607,589
Total Operating Revenues	13,126,800	13,347,419	12,695,246
Non-Operating Revenues:			
Interest on Investments		48,816	28,251
Application Fees	7,500	12,950	11,650
Other Non-Operating Revenues	10,000	144,731	551,784
Total Non-Operating Revenues	17,500	206,497	591,685
Total Anticipated Revenues	$ 13,144,300	$ 13,553,916	$ 13,286,931
Budget Appropriations			
Operating Appropriations:			
Administration:			
Salaries and Wages	$ 394,500	$ 341,409	$ 331,547
Fringe Benefits	372,290	309,727	229,398
Other Expenses	295,750	230,656	205,929
Total Administration	1,062,540	881,792	766,874
Cost of Providing Service:			
Salaries and Wages	742,000	642,459	605,176
Fringe Benefits	346,000	287,899	484,848
Other Expenses	9,669,870	9,340,651	9,065,226
Total Cost of Providing Service	10,757,870	10,271,009	10,155,250
Capital Outlay	195,500	206,149	75,839
Total Principal Payments on Debt Service in Lieu of Depreciation	295,000	295,000	285,000
Total Operating Appropriations	12,310,910	11,653,950	11,282,963
Non-Operating Appropriations:			
Total Interest Payments	199,550	199,550	208,100
Renewal and Replacement Reserve	600,000	600,000	600,000
Total Non-Operating Appropriations	799,550	799,550	808,100
Total Operating and Non-Operating Appropriations	$ 13,110,460	12,453,500	12,091,063
Total Appropriations - Unreserved Retained Earnings	$ 13,110,460	12,453,500	12,091,063
Excess/(Deficit) of Revenues over Appropriations		$ 1,100,416	$ 1,195,868

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS **Schedule 3**

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2017 **Sheet 2 of 4**

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016

(NON-GAAP BUDGETARY BASIS)

	2017 Budget	2017 Actual	2016 Actual
Administration			
Salaries and Wages:			
Commissioner's Salaries	$ 42,000	$ 40,842	$ 40,299
Administrators Salaries	352,500	300,567	290,148
Temporary and Overtime Salaries			1,100
Total Salaries and Wages	394,500	341,409	331,547
Fringe Benefits:			
Social Security	44,100	36,293	21,341
Public Employees' Retirement System	41,579	41,579	36,715
Health Benefits	272,383	229,367	167,413
Unemployment	2,335	1,926	1,172
Disability	337	236	138
Vision	1,556	326	613
457 Plan			2,006
Accumulated Sick Leave	10,000		
Total Fringe Benefits	372,290	309,727	229,398
Other Expenses:			
Office Supplies	4,500	2,919	3,064
Postage	2,500	1,935	1,211
Legal Advertising	2,500	987	1,606
Telephone	24,500	15,937	18,054
Conference, Travel and Dues	15,000	9,577	9,459
Operation and Maintenance of Vehicles	900	300	
Insurance	73,500	67,068	59,039
Office Equipment Maintenance	40,000	13,175	31,667
Bank Fees			214
Miscellaneous	2,500	11,280	433
Employee Assistance Service	350		
Permits and Fees	7,500	3,840	3,698
General Counsel	20,000	4,272	4,934
Special Counsel	5,000		128
Bonding Costs	2,000		
Auditor	30,000	26,794	26,156
Engineer	65,000	72,572	46,266
Total Other Expenses	295,750	230,656	205,929
Total Administration	$ 1,062,540	$ 881,792	$ 766,874

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS **Schedule 3**

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2017 **Sheet 3 of 4**

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016

(NON-GAAP BUDGETARY BASIS)

	2017 Budget	2017 Actual	2016 Actual
Cost of Providing Service			
Salaries and Wages:			
Operator' Salaries	$ 700,000	$ 601,020	$ 548,069
Longevity Bonus			21,657
Overtime	42,000	41,439	34,831
Total Salaries and Wages	742,000	642,459	604,557
Fringe Benefits:			
Social Security	40,900	33,659	45,106
Public Employees' Retirement System	38,561	38,561	77,600
Health Benefits	252,617	212,723	353,838
Vision	2,165	1,786	2,477
Unemployment	313	218	291
Disability	1,444	952	1,295
457 Plan			4,241
Accumulated Sick Leave	10,000		619
Total Fringe Benefits	346,000	287,899	485,467
Other Expenses:			
NJ One Call	2,000	1,137	1,172
Electricity	225,000	156,833	155,136
Fuel Oil	20,000	8,044	8,163
Chemicals	125,000	55,180	70,061
Gasoline	25,000	11,271	9,302
Maintenance Materials	7,500	5,402	4,959
Operation of Vehicles	9,000	8,402	8,576
Site Maintenance	7,500	4,270	6,110
Training and Seminars	7,500	4,545	2,944
Contracts - Repair and Maintenance	110,000	62,905	10,324
Liquid Oxygen Tank Rentals	5,500	5,100	5,525
Repair of Equipment	50,000	49,934	29,832
Safety Equipment	10,000	9,243	5,163
Tools and Equipment	3,500	3,487	3,028
Uniform Service	6,000	3,954	4,646
Miscellaneous	1,000	375	943
Water	5,000	1,293	2,038
Instrumentation Replacement	10,000	9,994	10,516
Manhole Maintenance	20,000	19,810	7,210
Emergency Repairs	100,000	15,452	34,999

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS **Schedule 3**

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2017 **Sheet 4 of 4**

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2016

(NON-GAAP BUDGETARY BASIS)

	2017 Budget	2017 Actual	2016 Actual
Cost of Providing Service (Continued)			
Other Expenses (Continued):			
Service Charges:			
OCUA	$ 8,870,370	$ 8,854,543	$ 8,631,080
BTMUA	50,000	49,477	53,501
Total Other Expenses	9,669,870	9,340,651	9,065,228
Total Cost of Providing Service	$ 10,757,870	$ 10,271,009	$ 10,155,252
Capital Outlay:			
System Equipment	$ 150,000.00	$ 180,081	$ 56,416
Office Equipment	10,500.00	10,242	10,252
Support Equipment	20,000.00	4,545	8,020
Emergency Response Equipment	15,000.00	11,281	1,151
Total Capital Outlay	$ 195,500.00	$ 206,149	$ 75,839
Reconciliation of Change in Net Position			
Reconciliation to Change in Net Position:			
Excess/(Deficit) from Above - Budgetary Basis		$ 1,100,416	$ 1,195,868
Adjustments to Budgetary Basis:			
Non Budgeted Pension Exp		(9,233)	9,290
Depreciation Expense		(562,134)	(521,722)
Accrued Bond Interest (net of Bond Sale Premium)		61,012	61,012
Unearned Profit on Sales - Leaseback		41,194	41,194
Insurance Refund Receivable			(458,577)
Compensated Absences		(3,434)	(3,473)
Reserve for Encumbrances (net)		93,464	53,217
Non-capital Expenditures Paid from Bond Proceeds		125,840	17,511
Inventory (net)		14,684	(68,367)
Accrued Expenses (net)		1,964	(1,659)
Renewal and Replacement Reserve		600,000	600,000
Debt Service Principal		295,000	285,000
Change in Net Position Exhibit B		$ 1,758,773	$ 1,209,294

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES

Schedule 4

YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Increased by 2017 Service Fees	Decreased by Collected in 2017	Balance Dec. 31, 2017
Farmingdale Borough	$ (10,732)	$ 317,147	$ 295,013	$ 11,402
Freehold Borough	(458,804)	2,604,653	2,153,926	(8,077)
Freehold Township	(463,467)	4,936,965	4,734,198	(260,700)
Howell Township	(302,267)	4,593,024	4,867,603	(576,846)
Wall Township	62,594	318,157	392,621	(11,870)
	$ (1,172,676)	$ 12,769,946	$ 12,443,361	$ (846,091)

ANALYSIS OF ACCOUNTS RECEIVABLE - INDUSTRIAL SURCHARGES

YEAR ENDED DECEMBER 31, 2017

Schedule 5

	Balance Dec. 31, 2016	Increased by 2017 Service Fees	Decreased by Collected in 2017	Balance Dec. 31, 2017
Freehold Borough	$ 14,701	$ 81,564	$ 80,034	$ 16,231
Freehold Township	30,462	104,176	107,169	27,469
	$ 45,163	$ 185,740	$ 187,203	$ 43,700

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF SEWER REVENUE BONDS

Schedule 6

YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding December 31, 2017 Year	Amount	Interest Rates	Balance Dec. 31, 2016	Paid	Balance Dec. 31, 2017
Sewer Revenue Bonds (Series A)	2013	$ 5,230,000	8/01/2018	$ 305,000	3.00%			
			8/01/2019	310,000	4.00%			
			8/01/2020	325,000	4.00%			
			8/01/2021	335,000	4.00%			
			8/01/2022	350,000	5.00%			
			8/01/2023	370,000	5.00%			
			8/01/2024	385,000	5.00%			
			8/01/2025	405,000	5.00%			
			8/01/2026	425,000	5.00%			
			8/01/2027	450,000	5.00%			
			8/01/2028	470,000	5.00%	$ 4,425,000	$ 295,000	$ 4,130,000

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To the Chairman and Commissioners
of Manasquan River Regional Sewerage Authority
Farmingdale, New Jersey 07727

We have audited the financial accounts and transactions of the Manasquan River Regional Sewerage Authority for the year ended December 31, 2017. In accordance with requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be advertised by (*N.J.S.A.40A:11-4*)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate $17,500 except by contract or agreement.

The Management of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

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. The results or our examination did not disclose any discrepancies.

The minutes indicate that bids were requested by public advertising for the following items:

> Route 9 Force Main Air Release Valve No. 5 Replacement (Con. 49), Route 547 Air Release Valve Replacements (Con. 50), Furnishing and Delivery of Hydrogen Peroxide and Appurtenant Equipment (Con. 15K), Upper Manasquan Pump Station Comminutor Upgrades (Con. 51), and Upper Manasquan Pump Station Check Valve Replacements (Con. 52).

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Contracts and Agreements Required to be advertised by (*N.J.S.A.40A:11-4*)(continued)

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of $2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 19, 2016 and adopted its operating budget on December 14, 2016.

Follow-Up of Prior Years' Findings

In accordance with G*overnment Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings to review.

Acknowledgment

We received the complete cooperation of all the Authority Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

Respectively Submitted,

HOLMAN FRENIA ALLISON PC

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 15, 2018
Toms River, New Jersey