Comprehensive Annual

Financial Report for the

Year Ended December 31, 2018

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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FINANCIAL SECTION (continued)

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

June 19, 2019

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, 2018, 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.

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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 for All Urban Consumers (CPI-U) in the New York-Northern New Jersey area (which includes Monmouth County) as measured for the year ended December 2018 increased 1.6% (12-month change)*, while core inflation as measured by the "*All Items Less Food and Energy Index*" increased 1.8% (change from April 2017 to April 2018)*.

**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

The Authority funded and has commenced a $7,000,000 Capital Improvement Plan in 2013 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, replacement of force main air release valves on the lower system, upgrading chemical feed stations and an aggressive assessment 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 (ie: 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) with the CIP model has provided the Board with valuable foresight during development of annual operating 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.

The CIP has been aggressively progressing, with more than ten (10) projects and initiatives authorized by the Board during 2018 alone. Proactively addressing aging and ineffective infrastructure will continue to pay dividends moving into the future.

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 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 judgement 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

2018 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)

OCUA REPRESENTATIVE

Jesse J. Tantillo
(February 1, 2018 thru January 31, 2023)

2018 BOARD APPOINTMENTS

A. Richard Gatto (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 21, 2018

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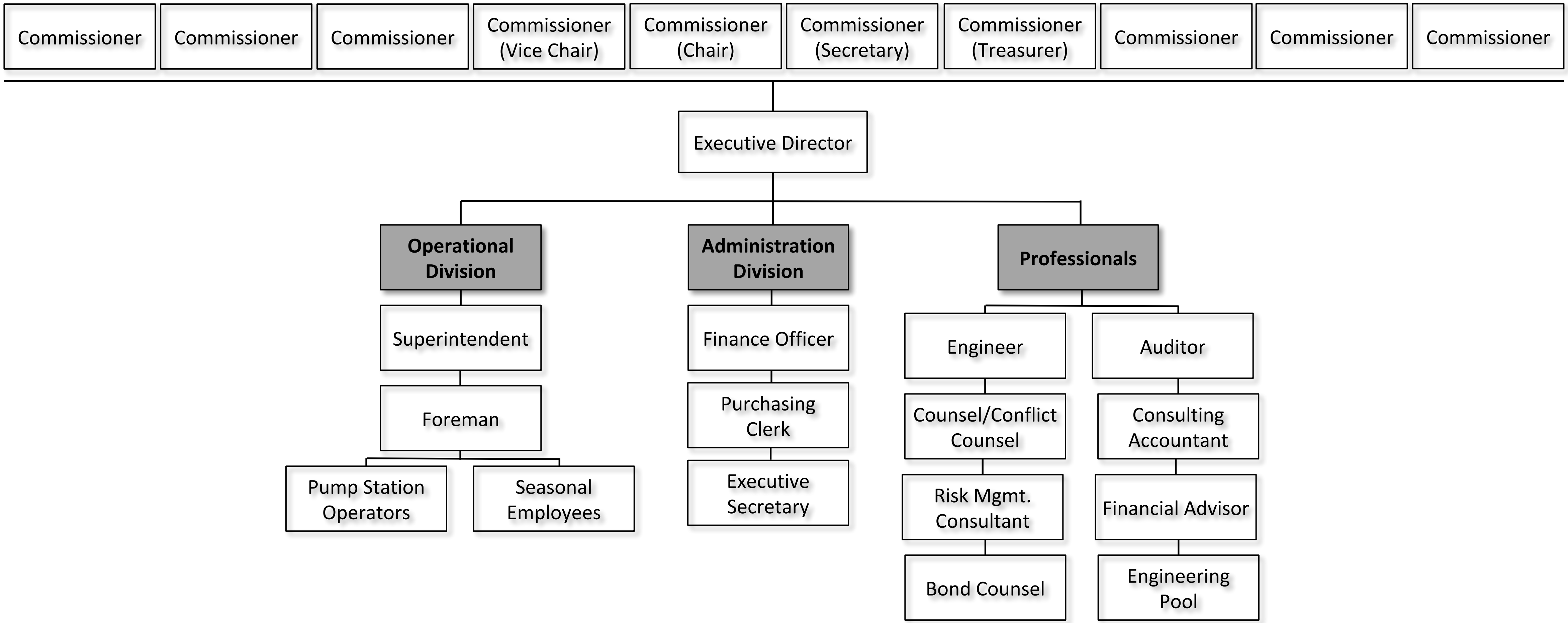
Appendix B:
2018 Authority Management

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.	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
O'Brien & Gere	Special Project Engineering Pool
T&M Associates	Special Project Engineering Pool
H2M Architects and Engineers	Special Project Engineering Pool
Conner Strong Companies, Inc.	Risk Management Consultant
Holman, Frenia, Allison, P.C.	Auditor
Antonides & Simone, CPAs	Consulting Accountant
NW Financial Group, LLC	Financial Advisor

APPENDIX C:
MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
2018 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended December 31, 2018 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, 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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 19, 2019
Toms River, New Jersey

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting 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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 19, 2019
Toms River, New Jersey

Management's Discussion and Analysis

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 assets -** 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 assets** - 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,	2018	2017	2016
Assets:			
Current Assets:			
Unrestricted	$ 10,439,681	$ 7,994,184	$ 6,446,955
Restricted	1,542,267	1,634,212	3,556,081
Capital Assets, Net	12,813,418	12,810,368	11,873,317
Total Assets	$ 24,795,366	$ 22,438,764	$ 21,876,353
Deferred Outflow of Resources	$ 1,213,317	$ 1,226,146	$ 807,289
Liabilities:			
Current Liabilities:			
Unrestricted	$ 2,011,284	$ 1,611,851	$ 1,871,717
Restricted	472,080	465,971	977,714
Non-Current Liabilities	6,697,837	7,128,802	7,445,092
Total Liabilities	$ 9,181,201	$ 9,206,624	$ 10,294,523
Deferred Inflow of Resources	$ 1,915,637	$ 1,840,911	$ 1,530,517
Net Position:			
Invested in Capital Fixed Assets, Net of Related Debt	$ 9,482,349	$ 9,215,349	$ 9,834,936
Unrestricted	5,429,496	3,402,026	1,023,666
Total Net Position	$ 14,911,845	$ 12,617,375	$ 10,858,602

STATEMENT OF NET POSITION (CONTINUED)

The net position of the Authority increased to $14,911,845 during 2018, a $2,294,470 increase from 2017. The change in net position is mainly attributable to an increase in service charges.

REVIEW OF REVENUES

Years Ended December 31,	2018	2017	2016
Operating Revenues:			
Service Charges	$ 15,013,090	$ 12,769,945	$ 12,087,657
Connection Fees	618,668	577,474	607,589
Total Operating Revenues	15,631,758	13,347,419	12,695,246
Non-Operating Revenues:			
Gain on Sale Leaseback	41,194	41,194	41,194
Interest Revenue	86,946	48,816	28,251
Insurance Proceeds	114,333		
Other	111,783	157,680	104,856
Total Non-Operating Revenues	354,256	247,690	174,301
Total Revenues	$ 15,986,014	$ 13,595,109	$ 12,869,547

In 2018, revenues increased by $2,390,905 when compared to 2017. The change in revenues was mainly attributable to an increase in service charges receivables.

REVIEW OF EXPENSES

Years Ended December 31,	2018	2017	2016
Operating Expenses:			
Personnel Services	$ 1,615,020	$ 1,595,654	$ 1,650,341
Purchase of Services	10,393,741	8,904,020	8,684,580
Other Operating Expenses	767,835	638,956	660,053
Depreciation	647,026	562,134	521,722
Total Operating Expenses	13,423,622	11,700,764	11,516,696
Non-Operating Expenses:			
Loss on Disposal of Assets	27,758		
Bond Interest Expense	125,877	135,572	143,557
Total Non-Operating Expenses	153,635	135,572	143,557
Total Expenses	$ 13,577,257	$ 11,836,336	$ 11,660,253

In 2018, expenses increased $1,740,921 when compared to 2017. The change in expenses was mainly attributable to an increase in treatment costs and implementation of capital improvement programs, funded in-house through appropriations from available Capital Reserve balances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation

In 2018, capital assets had a net increase (addition, deductions and depreciation) of $3,050.

Years Ended December 31,	2018	2017	2016
Land	$ 1,431,160	$ 1,431,160	$ 1,431,160
Buildings	971,545	1,011,454	1,051,364
Equipment and Apparatus	192,290	200,117	215,746
Office Equipment	7,183	7,636	7,636
Vehicles	213,605	171,639	61,864
Conveyance System	9,520,313	9,936,443	6,668,947
Construction in Progress	477,322	51,919	2,436,601
Total Capital Assets, Net	$ 12,813,418	$ 12,810,368	$ 11,873,317

DEBT OUTSTANDING

The Authority's bonded debt was $3,825,000 at December 31, 2018, a decrease of $305,000 when compared to 2017. 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, 2018 AND 2017 **Sheet 1 of 2**

	2018	2017
Assets		
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	$ 8,769,712	$ 7,310,592
Intergovernmental Accounts Receivable	1,655,525	653,228
Inventory	14,444	30,364
Total Unrestricted Current Assets	10,439,681	7,994,184
Restricted Assets:		
Cash and Cash Equivalents	473,157	463,041
Funds Held by Trustee	1,069,110	1,171,171
Total Restricted Current Assets	1,542,267	1,634,212
Total Current Assets	11,981,948	9,628,396
Capital Assets:		
Land	1,431,160	1,431,160
Buildings	1,992,793	1,992,793
Equipment and Apparatus	1,646,640	1,711,905
Office Equipment	78,957	83,487
Vehicles	458,977	523,034
Conveyance System	20,286,512	20,131,345
Construction in Progress	477,322	51,919
	26,372,361	25,925,643
Less: Accumulated Depreciation	13,558,943	13,115,275
Capital Assets, Net	12,813,418	12,810,368
Total Assets	24,795,366	22,438,764
Deferred Outflow of Resources		
Related to Pensions	1,213,317	1,226,146
Total Assets and Deferred Outflows of Resources	$ 26,008,683	$ 23,664,910

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, 2018 AND 2017

Sheet 2 of 2

	2018	2017
Liabilities		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 951,649	$ 170,445
Accrued Expenses	23,988	28,090
Accrued Interest Payable	75,646	79,458
Overpayment of Service Charges	459,237	857,493
Sewer Revenue Bonds Payable	371,012	366,012
Pension Payable	129,752	110,353
Total Current Liabilities Payable from Unrestricted Assets	2,011,284	1,611,851
Current Liabilities Payable from Restricted Assets:		
Escrow Accounts - Review Fees	468,008	457,893
Accounts Payable	4,072	8,078
Total Current Liabilities Payable from Restricted Assets	472,080	465,971
Non-Current Liabilities:		
Sewer Revenue Bonds Payable	4,029,168	4,400,178
Compensated Absences Payable	33,380	26,284
Net OPEB Liability	94,934	
Net Pension Liability	2,540,355	2,702,340
Total Non-Current Liabilities	6,697,837	7,128,802
Total Liabilities	9,181,201	9,206,624
Deferred Inflow of Resources		
Related to Pensions	1,307,047	1,191,127
Unearned Profit on Sales - Leaseback	608,590	649,784
Total Deferred Inflow of Resources	1,915,637	1,840,911
Net Position		
Invested in Capital Assets, Net of Related Debt	9,482,349	9,215,349
Unrestricted	5,429,496	3,402,026
Total Net Position	14,911,845	12,617,375
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 26,008,683	$ 23,664,910

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, 2018 AND 2017

	2018	2017
Operating Revenue:		
Service Charges	$ 15,013,090	$ 12,769,945
Connection Fees	618,668	577,474
Total Operating Revenue	15,631,758	13,347,419
Operating Expenses:		
Personnel Services	1,615,020	1,595,654
Purchase of Services	10,393,741	8,904,020
Other Operating Expenses	767,835	638,956
Depreciation	647,026	562,134
Total Operating Expenses	13,423,622	11,700,764
Operating Income	2,208,136	1,646,655
Non-Operating Revenue/(Expenses):		
Gain on Sale Leaseback	41,194	41,194
Interest Revenue	86,946	48,816
Insurance Proceeds	114,333	
Loss on Disposal of Assets	(27,758)	
Bond Interest Expense	(125,877)	(135,572)
Other Non-Operating Revenues	111,783	157,680
Total Non-Operating Revenue/(Expenses)	200,621	112,118
Net Income (Before Transfer of Depreciation on Assets Purchased with Contributed Capital)	2,408,757	1,758,773
Change in Net Position	2,408,757	1,758,773
Net Position January 1	12,617,375	10,858,602
Restatement (Note 17)	(114,287)	
Net Position January 1, as Restated	12,503,088	10,858,602
Net Position December 31	$ 14,911,845	$ 12,617,375

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, 2018 AND 2017

Sheet 1 of 2

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Service Charges	$ 12,999,339	$ 12,443,361
Cash Received from Service Surcharges	165,546	187,203
Cash Received from Connection Fees	618,668	577,474
Cash Received from Miscellaneous	111,783	157,680
Cash Received/Payments from/to Escrows	10,115	(9,218)
Cash Payments for Goods and Services	(10,065,186)	(9,370,676)
Cash Payments to Employees	(1,645,215)	(1,581,989)
Net Cash Flows from Operating Activities	2,195,050	2,403,835
Cash Flows from Capital and Related Financing Activities:		
Insurance Proceeds	114,333	
Disposal of Assets	21,681	
Payments for Capital Acquisitions	(555,135)	(1,927,672)
Bond Payments	(305,000)	(295,000)
Interest Paid	(190,700)	(199,550)
Net Cash Flows from Capital and Related Financing Activities	(914,821)	(2,422,222)
Cash Flows from Investing Activities:		
Receipts of Interest	86,946	48,816
Net Cash Flows from Investing Activities	86,946	48,816
Net Increase/(Decrease) in Cash and Cash Equivalents	1,367,175	30,429
Cash and Cash Equivalents January 1	8,944,804	8,914,375
Cash and Cash Equivalents December 31	$ 10,311,979	$ 8,944,804

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, 2018 AND 2017 — Sheet 2 of 2

	2018	2017
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 2,208,136	$ 1,646,655
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	647,026	562,134
Escrow Accounts - Review Fees (From)/To	10,115	(9,218)
Non-Operating Miscellaneous Revenue	111,783	157,680
(Increase)/Decrease in Intergovernmental Receivables	(1,002,297)	419,753
(Increase)/Decrease in Other Accounts Receivable		
(Increase)/Decrease in Insurance Proceeds Receivable		
(Increase)/Decrease in Inventory	15,919	(14,684)
Increase/(Decrease) in Accounts Payable	652,219	5,624
Increase/(Decrease) in Accrued Expenses	(4,102)	1,002
Increase/(Decrease) in Net OPEB Liability	(19,353)	
Increase/(Decrease) in Pension Liability	(161,985)	76,503
(Increase)/Decrease in Deferred Pension Outflows	12,829	(418,857)
Increase/(Decrease) in Deferred Pension Inflows	115,920	351,587
Increase/(Decrease) in Overpayment of User Fees	(398,256)	(377,777)
Increase/(Decrease) in Compensated Absences Payable	7,096	3,433
Total Adjustments	(13,086)	757,180
Net Cash Provided by Operating Activities	$ 2,195,050	$ 2,403,835

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, 2018 AND 2017

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.

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. Impact of Recently Issued Accounting Principles

Current Year Accounting Standards

In fiscal year 2018, the Authority implemented Governmental Accounting Standards Board Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement were applied retroactively.

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, and did not impact the Authority.

GASB issued Statement No. 85, "*Omnibus 2017*" in March 2017. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Statement No. 85 is effective for financial statements for periods beginning after June 15, 2017, and did not impact the Authority.

GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*" in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Statement No. 86 is effective for financial statements for periods beginning after June 15, 2017, and did not impact the Authority.

Pending Accounting Standards

GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*" in November 2016. The objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. Statement No. 83 is effective for financial statements for periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Impact of Recently Issued Accounting Principles (Continued)

Pending Accounting Standards (Continued)

GASB issued Statement No. 84, "*Fiduciary Activities*" in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 is effective for financial statements for periods beginning after December 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

GASB issued Statement No. 87, "*Leases*" in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. Statement No. 87 is effective for financial statements for periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

GASB issued Statement No. 88, "*Certain Asset Retirement Obligations*" in March 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 is effective for financial statements for periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*" in June 2018. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. Statement No. 89 is effective for financial statements for periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

GASB issued Statement No. 90, "*Certain Asset Retirement Obligations*" in August 2018. The objectives of this Statement to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 is effective for financial statements for periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017 is $14,444 and $30,364, respectively.

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, 2018 is $33,380 and as of December 31, 2017 was $26,284. 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, 2018 and 2017 was $575,180 and $636,191, 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 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, 2017
- Measurement Date: June 30, 2018
- Measurement Period: July 1, 2017 to June 30, 2018

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, 2018 through the date of June 19, 2019, 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, 2018 and 2017 totaled $1,542,267 and $1,634,212, respectively. At December 31, 2018, restricted cash consisted of $473,157 of escrow deposits for review and inspection of developers' projects within the Authority's service region and $1,069,110 of funds held by trustee. At December 31, 2017, restricted cash consisted of $463,041 of escrow deposit and $1,171,171 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, 2018 and 2017 the carrying amount of the Authority's deposits was $9,242,869 and $7,773,633, respectively. The bank balance amount was $9,288,513 and $7,815,223 at December 31, 2018 and 2017. Of this amount $250,000 was covered by federal depository insurance at December 31, 2018 and 2017. A collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered $8,565,356 and $7,094,465 as of December 31, 2018 and 2017, respectively. An amount of $473,157 and $463,041 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, 2018 and 2017.

NOTE 3. ACCOUNTS RECEVABLE

Receivables at December 31, 2018 and 2017 are summarized by major classification as follows:

	2018	2017
OCUA Excess Service Charges	$ -0-	$ 598,127
Insurance Proceed Receivable	-0-	-0-
Service Surcharges	28,629	43,700
Service Charges	1,626,896	11,401
Other	-0-	-0-
	$ 1,655,525	$ 653,228

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:

	2018	2017
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	$ 3,825,000	$ 4,130,000
Less: Current Portion	310,000	305,000
Long-Term Debt	$ 3,515,000	$ 3,825,000

A summary of maximum annual debt service for principal and interest for bonded debt issued and outstanding at December 31, 2018 is provided below:

Year	Principal	Interest	Total
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	370,000	125,250	495,250
2024-2028	2,135,000	331,000	2,466,000
	$ 3,825,000	$ 1,105,850	$ 4,930,850

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018	Prior Year Restatement	Additions	Reductions	Balance Dec. 31, 2018	Due Within One Year
Sewer Revenue Bonds (Series 2013)	$ 4,130,000	$	$	$ 305,000	$ 3,825,000	$ 310,000
Unamortized Bond Premium	636,191			61,011	575,180	61,012
Subtotal	4,766,191			366,011	4,400,180	371,012
Compensated Absences	26,284		7,096		33,380	
Pension Liability	2,591,987			51,652	2,540,335	
OPEB Liability		114,287	4,203	23,556	94,934	
	$ 7,384,462	$ 114,287	$ 11,299	$ 441,219	$ 7,068,829	$ 371,012

	Balance Jan. 1, 2017	Prior Year Restatement	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			61,012	636,191	61,012
Subtotal	5,122,203			356,012	4,766,191	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	$ 420,075	$ 7,384,462	$ 366,012

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

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.

Subsequent Event

2019 Rate - A 2019 rate of $5,898 per million gallons was adopted by the Authority on November 7, 2018, based on the 2019 budget requirements.

NOTE 9. CONSTRUCTION COMMITMENTS

The Authority has active construction projects at December 31, 2018. 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
Comminutor System Upgrades	40,829	130,871
	$ 73,696	$ 132,686

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 2018 were $2,168 per unit effective July 20, 2017 until July 18, 2018 when the amount increased to $2,176.

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 wee 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 2018, 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:

	2018 PERS	2017 PERS	2016 PERS
Normal Contribution	$ 16,037	$ 14,155	$ 19,276
Accrued Liability	106,462	88,146	88,796
Total Regular Pension Contribution	122,499	102,301	108,072
Non-Contributory Group Life Insurance	5,835	5,242	5,786
Long-term - Disability	923	2,328	
Accrued Liability ERI	495	482	457
Total Due	$ 129,752	$ 110,353	$ 114,315

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

At December 31, 2018, the Authority reported a liability of $2,540,355 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2018, the Authority's proportion share of the Fund's total net pension liability was .013 percent.

For the year ended December 31, 2018, the Authority recognized net pension credit of $13,837. At December 31, 2018, 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	$ 418,608	$ 812,270
Differences Between Expected and Actual Experiences	48,445	13,099
Net Differences Between Projected and Actual Earnings on Pension Plan Investments		23,829
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	616,512	457,849
Authority Contributions Subsequent to the Measurement Date	129,752	
	$ 1,213,317	$ 1,307,047

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
2019	$ (45,703)
2020	(51,566)
2021	63,675
2022	(73,706)
2023	13,570

E. Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

NOTE 11. PENSION PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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, 2017 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	100.00%	

NOTE 11. PENSION PLAN (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 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, 2018		
	1% Decrease Discount Rate (4.66%)	Current Discount Rate (5.66%)	1% Increase Discount Rate (6.66%)
Authority's Proportionate Share of the Net Pension Liability	$ 3,194,204	$ 2,540,355	$ 1,991,818

	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

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, 2018 and 2017 was as follows:

	Balance Dec. 31, 2017	Increased by Current Year Additions	Transfers	Decreased by Retirements	Balance Dec. 31, 2018
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	40,465		105,730	1,646,640
Office Equipment	83,487			4,530	78,957
Vehicles	523,034	78,480		142,537	458,977
Conveyance System	20,131,345	53,302	101,865		20,286,512
Construction in Progress	51,919	527,268	(101,865)		477,322
Total Historical Cost	25,925,643	699,515		252,797	26,372,361
Less Accumulated Depreciation:					
Buildings	981,339	39,910			1,021,249
Equipment and Apparatus	1,511,788	13,559		70,998	1,454,349
Office Equipment	75,851			4,077	71,774
Vehicles	351,395	22,260		128,283	245,372
Conveyance System	10,194,902	571,297			10,765,634
Total Accumulated Depreciation	13,115,275	647,026		203,358	13,558,943
Total Capital Assets, Net	$ 12,810,368	$ 52,489	$	$ 49,439	$ 12,813,418

NOTE 12. CAPITAL ASSETS (CONTINUED)

	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 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.

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

The Authority provides post-employment medical, dental and prescription drug coverage to one retired employee and their family. No other future retirees will be eligible for benefits. The Authority Plan is a single employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. The Authority Plan does not issue a separate financial report.

The Authority pays 100% of the insurance cost for the retiree.

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

Employees and Retirees Covered - At December 31, 2018, the following employees were covered by the Authority plan:

Participant Data	Amount
Retired Employees	
Retirees	1
Spouses	1
Children	1
Total	3
Retiree Average Age	61

Actuarial Assumptions and Other Inputs

This valuation has been conducted as of December 31, 2018 based on census, plan design and premium information provided by the Authority. Census includes 1 retired participant (including their family) and no active participants. The total OPEB Liability for fiscal year ending December 31, 2018 of $94,934 is measured at December 31, 2018 as allowed under GASB 75.

The values are determined in accordance with GASB 75 including the Entry Age Normal Funding Method based on a level percentage of salary. There are no active employees and therefore no salaries are reported. The following assumptions and other inputs applied to all periods in the measurement, unless otherwise specified:

Discount Rate - The discount rate is 4.10% based on the Bond Buyer 20 Index as of December 31, 2018.

Changes in the Total OPEB Liability - The changes to the total OPEB Liability during the year ending December 31, 2018 were as follows:

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be, if it were calculated using a discount rate that is 1-percentage-point lower (3.10 percent) or 1-percentage pointer higher (5.10 percent) that the current discount rate:

	At December 31, 2018		
	At 1% Decrease (3.10%)	At Discount Rate (4.10%)	At 1% Increase (5.10%)
Total OPEB Liability	$ 96,770	$ 94,934	$ 93,163

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be, if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage pointer higher that the current healthcare cost trend rate:

	At December 31, 2018		
	At 1% Decrease (3.10%)	At Discount Rate (4.10%)	At 1% Increase (5.10%)
Total OPEB Liability	$ 96,286	$ 94,934	$ 93,598

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

For the year ended December 31, 2018, the Authority's OPEB expense was estimated to be $4,203. Also, because the initial OPEB Liability measurement occurred in 2018, net Deferred Outflows and Deferred Inflows are zero. In future years net Deferred Outflows and Deferred Inflows are likely to not be zero and will be disclosed.

NOTE 17. RESTATEMENT OF NET POSITION

As disclosed in Note 1, in the fiscal year 2018, the Authority implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Accounting changes adopted to conform to the provisions of Statement No. 75 were applied retroactively. Accordingly, the beginning balance of net position as of January 1, 2018 has been restated as follows:

Net position at January 1, 2018, as original reported	$ 12,617,375
Implementation of GASB Statement No. 75 to record OPEB liability as of the beginning of the year	(114,287)
Net position at January 1, 2018, as restated	$ 12,503,088

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE YEARS ENDED DECEMBER 31, 2018 THROUGH 2013

(UNAUDITED)

Schedule 1

	December 31					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
Authority's proportion of the net pension liability	0.013%	0.012%	0.013%	0.006%	0.007%	0.007%
Authority's proportionate share of the net pension liability	$ 2,540,355	$ 2,591,987	$ 2,656,050	$ 2,972,885	$ 2,693,064	$ 2,699,847
Authority's covered-employee payroll	$ 879,549	$ 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	288.825%	299.233%	333.674%	340.573%	270.398%	267.603%
Plan fiduciary net position as a percentage of the total pension liability	53.597%	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, 2018 THROUGH 2013

(UNAUDITED)

	December 31					
	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 129,752	$ 110,353	$ 80,104	$ 114,315	$ 119,022	$ 106,870
Contributions in relation to the contractually required contribution	129,752	110,353	80,104	114,315	119,022	106,870
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Authority's covered-employee payroll	$ 879,549	$ 866,211	$ 796,001	$ 872,906	$ 995,964	$ 1,008,901
Contributions as a percentage of covered-employee payroll	14.75%	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

SCHEDULE OF CHANGES IN THE TOTAL OPEB **Schedule 3**

LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

		December 31 2018
Measurement Date		12/31/18
Interest Cost	$	4,203
Changes of Assumptions *		-0-
Difference between Actual and Expected *		-0-
Benefits Paid (Implicit)		(23,556)
Net Change in Total OPEB Liability		(19,353)
Total OPEB Liability - Beginning of Year		114,287
Total OPEB Liability - End of Year	$	94,934
Total Covered Payroll	$	879,549
Net OPEB Liability as a Percentage of Payroll		10.79%

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.

* Fiscal year 2018 was the initial year of measurement and, as such, net Deferred Outflows and Inflows are zero. In future years net Deferred Outflows and Inflows are not likely to be zero and will be disclosed in future reports.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF OPEB FUNDING PROGRESS

Schedule 4

FOR THE YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

		December 31 2018
Total OPEB Liability	$	94,934
Fiduciary Net Position *		-0-
Net OPEB Liability	$	94,934
Funded Ratio		0%
Covered Payroll	$	879,549
Net OPEB Liability as a Percentage of Covered Payroll		10.79%

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, 2018 AND 2017

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

Other Post-Employment Benefits (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

None.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS **Schedule 5**

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2018 **Sheet 1 of 4**

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017

(NON-GAAP BUDGETARY BASIS)

	2018 Budget	2018 Actual	2017 Actual
Anticipated Revenues			
Operating Revenues:			
Service Fees	$ 13,271,800	$ 15,013,090	$ 12,769,945
Connection Fees	325,000	618,668	577,474
Total Operating Revenues	13,596,800	15,631,758	13,347,419
Non-Operating Revenues:			
Interest on Investments		86,946	48,816
Application Fees	7,500	9,400	12,950
Other Non-Operating Revenues	70,000	238,396	144,731
Total Non-Operating Revenues	77,500	334,742	206,497
Total Anticipated Revenues	$ 13,674,300	$ 15,966,500	$ 13,553,916
Budget Appropriations			
Operating Appropriations:			
Administration:			
Salaries and Wages	$ 401,700	$ 359,823	$ 341,409
Fringe Benefits	395,780	325,480	309,727
Other Expenses	333,250	281,789	230,656
Total Administration	1,130,730	967,092	881,792
Cost of Providing Service:			
Salaries and Wages	770,000	680,862	642,459
Fringe Benefits	379,120	279,228	287,899
Other Expenses	9,971,500	10,888,886	9,340,651
Total Cost of Providing Service	11,120,620	11,848,976	10,271,009
Capital Outlay	115,500	1,171,338	206,149
Total Principal Payments on Debt Service in Lieu of Depreciation	408,750	305,000	295,000
Total Operating Appropriations	12,775,600	14,292,406	11,653,950
Non-Operating Appropriations:			
Total Interest Payments	294,450	190,700	199,550
Renewal and Replacement Reserve	600,000	600,000	600,000
Total Non-Operating Appropriations	894,450	790,700	799,550
Total Operating and Non-Operating Appropriations	$ 13,670,050	15,083,106	12,453,500
Excess/(Deficit) of Revenues over Appropriations		$ 883,394	$ 1,100,416
Transfers from Budgetary Basis Designated Reserves			
Renewal & Replacement Reserve		1,115,364	
Total Result of Operations - Non-GAAP Budgetary Basis		$ 1,998,758.00	$ 1,100,416.00

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS **Schedule 5**

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2018 **Sheet 2 of 4**

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017

(NON-GAAP BUDGETARY BASIS)

	2018 Budget	2018 Actual	2017 Actual
Administration			
Salaries and Wages:			
Commissioner's Salaries	$ 43,000	$ 41,862	$ 40,842
Administrators Salaries	358,700	317,961	300,567
Total Salaries and Wages	401,700	359,823	341,409
Fringe Benefits:			
Social Security	35,000	25,681	36,293
Public Employees' Retirement System	37,000	36,674	41,579
Health Benefits	309,530	260,060	229,367
Unemployment	1,800	1,425	1,926
Disability	300	174	236
Vision	2,150	1,466	326
Accumulated Sick Leave	10,000		
Total Fringe Benefits	395,780	325,480	309,727
Other Expenses:			
Office Supplies	4,500	4,977	2,919
Postage	2,500	1,646	1,935
Legal Advertising	2,500	1,541	987
Telephone	24,500	13,440	15,937
Conference, Travel and Dues	15,000	8,947	9,577
Operation and Maintenance of Vehicles	900		300
Insurance	73,500	64,776	67,068
Office Equipment Maintenance	47,500	20,692	13,175
Miscellaneous	2,500	2,576	11,280
Employee Assistance Service	350	78	
Permits and Fees	7,500	3,625	3,840
General Counsel	20,000	22,109	4,272
Special Counsel	5,000	2,152	
Bonding Costs	2,000	3,200	
Auditor	30,000	27,720	26,794
Engineer	95,000	104,310	72,572
Total Other Expenses	333,250	281,789	230,656
Total Administration	$ 1,130,730	$ 967,092	$ 881,792

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS **Schedule 5**

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2018 **Sheet 3 of 4**

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017

(NON-GAAP BUDGETARY BASIS)

	2018 Budget	2018 Actual	2017 Actual
Cost of Providing Service			
Salaries and Wages:			
Operator' Salaries	$ 725,000	$ 647,203	$ 601,020
Overtime	45,000	33,659	41,439
Total Salaries and Wages	770,000	680,862	642,459
Fringe Benefits:			
Social Security	50,000	48,595	33,659
Public Employees' Retirement System	48,000	73,679	38,561
Health Benefits	267,220	150,445	212,723
Vision	850	848	1,786
Unemployment	2,700	2,696	218
Disability	350	330	952
Accumulated Sick Leave	10,000	2,635	
Total Fringe Benefits	379,120	279,228	287,899
Other Expenses:			
NJ One Call	2,000	1,718	1,137
Electricity	225,000	166,144	156,833
Fuel Oil	20,000	9,848	8,044
Chemicals	125,000	68,928	55,180
Gasoline	25,000	16,170	11,271
Maintenance Materials	7,500	6,544	5,402
Operation of Vehicles	9,000	8,942	8,402
Site Maintenance	7,500	8,236	4,270
Training and Seminars	7,500	6,104	4,545
Contracts - Repair and Maintenance	145,000	64,891	62,905
Liquid Oxygen Tank Rentals	5,500	5,100	5,100
Repair of Equipment	75,000	60,449	49,934
Safety Equipment	11,500	10,844	9,243
Tools and Equipment	3,500	3,622	3,487
Uniform Service	6,000	4,914	3,954
Miscellaneous	1,000	629	375
Water	5,000	1,366	1,293
Instrumentation Replacement	10,000	4,775	9,994
Manhole Maintenance	20,000	8,487	19,810
Emergency Repairs	100,000	37,434	15,452
Service Charges:			
OCUA	9,108,000	10,322,762	8,854,543
BTMUA	52,500	70,979	49,477
Total Other Expenses	9,971,500	10,888,886	9,340,651
Total Cost of Providing Service	$ 11,120,620	$ 11,848,976	$ 10,271,009

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS — Schedule 5

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2018 — Sheet 4 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2017

(NON-GAAP BUDGETARY BASIS)

	2018 Budget	2018 Actual	2017 Actual
Capital Outlay:			
System Equipment	$ 35,000	$ 27,318	$ 180,081
Office Equipment	10,500	3,259	10,242
Support Equipment	20,000		4,545
Emergency Response Equipment	50,000	28,016	11,281
Capital Reserve Fund - Appropriated		1,112,745	
Total Capital Outlay	$ 115,500	$ 1,171,338	$ 206,149
Reconciliation of Change in Net Position			
Result of Operations Excess/(Deficit) from Above		$ 1,998,758	$ 1,100,416
Adjustments to Budgetary Basis:			
Non Budgeted Pension Exp		13,837	(9,233)
Net Change in OPEB Liability		19,353	
Depreciation Expense		(647,026)	(562,134)
Accrued Bond Interest (net of Bond Sale Premium)		61,012	61,012
Unearned Profit on Sales - Leaseback		41,194	41,194
Compensated Absences		(7,096)	(3,434)
Reserve for Encumbrances (net)		592,312	93,464
Capital Expenditures		604,221	125,840
Inventory (net)		(15,919)	14,684
Accrued Expenses (net)		7,914	1,964
Renewal and Replacement Reserve		600,000	600,000
Debt Service Principal		305,000	295,000
Disposal of Assets at Carried GAAP Value		(49,439)	
Transfers from Designated Reserves		(1,115,364)	
Change in Net Position Exhibit B		$ 2,408,757	$ 1,758,773

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES

Schedule 6

YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Increased by 2018 Service Fees	Decreased by Collected in 2018	Balance Dec. 31, 2018
Farmingdale Borough	$ 11,402	$ 425,900	$ 326,332	$ 110,970
Freehold Borough	(8,077)	2,919,332	2,683,143	228,112
Freehold Township	(260,700)	6,500,041	5,007,220	1,232,121
Howell Township	(576,846)	4,808,683	4,691,074	(459,237)
Wall Township	(11,870)	359,133	291,570	55,693
	$ (846,091)	$ 15,013,089	$ 12,999,339	$ 1,167,659

ANALYSIS OF ACCOUNTS RECEIVABLE - INDUSTRIAL SURCHARGES

YEAR ENDED DECEMBER 31, 2018

Schedule 7

	Balance Dec. 31, 2017	Increased by 2018 Service Fees	Decreased by Collected in 2018	Balance Dec. 31, 2018
Freehold Borough	$ 16,231	$ 37,921	$ 54,152	$
Freehold Township	27,469	112,554	111,394	28,629
	$ 43,700	$ 150,475	$ 165,546	$ 28,629

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF SEWER REVENUE BONDS

Schedule 8

YEAR ENDED DECEMBER 31, 2018

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding December 31, 2018 Year	Maturities Outstanding December 31, 2018 Amount	Interest Rates	Balance Dec. 31, 2017	Paid	Balance Dec. 31, 2018
Sewer Revenue Bonds (Series A)	2013	$ 5,230,000	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%	$ 4,130,000	$ 305,000	$ 3,825,000

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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, 2018. 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. From January 1, 2018 to February 20, 2018, 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. Effective February 21, 2018, the Authority appointed a qualified purchasing agent and therefore may award contracts up to $40,000 without competitive bids.

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:

> Liquid Oxygen and Equipment (Con. 17M) and Lower Manasquan Pump Station Communitor (Con. 53).

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 from January 1, 2018 to February 20, 2018 and $6,000 from February 21, 2018 to December 31, 2018 "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 18, 2017 and adopted its operating budget on December 13, 2017.

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 19, 2019
Toms River, New Jersey