

## PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 9, 2019

**New Issue  
(Book Entry Only)**

**Moody's Rating: Aa3**

*In the opinion of Malamut & Associates, Bond Counsel to the Authority, based on certifications of the Authority and the County (each as hereinafter defined) and assuming continuing compliance with their respective covenants pertaining to provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Bonds (as hereinafter defined), interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, interest on the Bonds and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a full discussion.*

**\$14,420,000\***

### **The Evesham Municipal Utilities Authority (Burlington County, New Jersey) Revenue Bonds, Series 2019**

Dated: Date of Delivery

Due: July 1, as shown on the inside cover page

The Revenue Bonds, Series 2019 (the "Bonds") of The Evesham Municipal Utilities Authority (the "Authority") will be issued as fully registered bonds, under a book-entry system, registered in the name of Cede & Co., as nominee of The Depository Trust Company. Individual purchases will be made in book-entry only form in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. TD Bank, National Association, Cherry Hill, New Jersey, will serve as trustee for the Bonds.

Interest on the Bonds will be payable on July 1, 2020 and semiannually thereafter on each January 1 and July 1. The Bonds are subject to optional and mandatory sinking fund redemption as described in this Official Statement.

Proceeds of the Bonds will be used for (a) financing the cost of certain water main replacements and a new well building; and (b) paying costs of issuing the Bonds (the "Projects").

The Bonds are issued pursuant to the Bond Resolution and are secured thereunder by the pledge of the Revenues of the Authority's System (consisting of the water system and sewer system) after payment of Operating Expenses and other lawful expenses. The Bonds are issued on a parity with the Authority's outstanding 2004 Bonds, 2006 NJEIT Bonds, 2008 NJEIT Bonds, 2009/2010 NJEIT Bonds, 2011 Bonds, 2012 Bonds, 2014 NJEIT Bonds, and 2019 NJIB Construction Loan (all as defined herein). The Authority has covenanted to impose rates and charges to provide in each fiscal year Net Revenues equal to 105% of the debt service on the aggregate principal amount of Outstanding Bonds issued under the Bond Resolution.

THE BONDS ARE OBLIGATIONS OF THE AUTHORITY AS DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE TOWNSHIP OF EVESHAM, IN THE COUNTY OF BURLINGTON, NEW JERSEY, THE STATE OF NEW JERSEY, OR ANY OTHER POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

This cover page and the inside cover page contain certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to their making an informed investment decision.

The Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriter, subject to the approval of legality of Malamut and Associates, LLC, Cherry Hill, New Jersey, Bond Counsel to the Authority. Legal matters pertaining to the Authority will be passed upon by its general counsel, Parker McCay P.A., Mount Laurel, New Jersey. Certain matters will be passed upon for the Underwriter by its counsel, Chiesa Shahinian & Giantomasi PC, New York, New York. Acacia Financial Group, Inc., Mount Laurel, New Jersey is the municipal advisor to the Authority in connection with the issuance of the Bonds. Delivery of the Bonds is expected to be made on or about October 30, 2019 through the facilities of The Depository Trust Company in New York, New York.

**RAYMOND JAMES®**

Dated: \_\_\_\_\_, 2019

\* Preliminary, subject to change.

**Maturities, Principal Amounts, Interest Rates and Yields or Prices\*****\$14,420,000<sup>‡</sup> Revenue Bonds, Series 2019**

<u>Year (July 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP**</u>
2023	\$265,000			
2024	275,000			
2025	290,000			
2026	305,000			
2027	320,000			
2028	335,000			
2029	355,000			
2030	370,000			
2031	390,000			
2032	410,000			
2033	430,000			
2034	450,000			
2035	475,000			
2036	500,000			
2037	520,000			
2038	550,000			
2039	575,000			
2040	605,000			
2041	635,000			
2042	665,000			
2043	700,000			
2044	735,000			
2045	770,000			
2046	810,000			
2047	850,000			
2048	895,000			
2049	940,000			

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<sup>‡</sup> Preliminary, subject to change.

\*\* Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

# THE EVESHAM MUNICIPAL UTILITIES AUTHORITY

100 Sharp Road  
Marlton, New Jersey 08053

## **AUTHORITY MEMBERS**

Edward T. Waters	Chairman
George Tencza	Vice Chairman
Albert Lutner	Secretary
Nancy Jamanow	Assistant Secretary
Michael Schmidt	Assistant Secretary
Byron Druss	Alternate Member
Lewis Kipness	Alternate Member

## **EXECUTIVE DIRECTOR**

Jeffrey Rollins

## **DEPUTY EXECUTIVE DIRECTOR OF FINANCE**

Laura Puszczyk

## **GENERAL COUNSEL**

Parker McCay P.A.  
Mount Laurel, New Jersey

## **CONSULTING ENGINEER**

Richard A. Alaimo Associates  
Mount Holly, New Jersey

## **AUDITOR**

Bowman & Company LLP  
Voorhees, New Jersey

## **FINANCIAL ADVISOR**

Acacia Financial Group, Inc.  
Mount Laurel, New Jersey

## **BOND COUNSEL**

Malamut & Associates, LLC  
Cherry Hill, New Jersey

The Authority has issued and is responsible for the contents of the Official Statement. The Authority has authorized the Underwriter to offer the Bonds for sale to the public by means of this Official Statement and has approved all information within this Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority or by the Underwriter to give any information or to make any representations other than those contained in the Official Statement in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction, in which it is unlawful for such offer, solicitation or sale to be made.

Certain information set forth herein has been obtained from the Authority, the Township of Evesham, DTC and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and it is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended and will not be listed on any stock or other securities exchange. Neither the Securities Exchange Commission nor any other Federal, state, municipal or other governmental entity, other than the Authority, will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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## OFFICIAL STATEMENT

### RELATING TO

**\$14,420,000\***

**The Evesham Municipal Utilities Authority  
(Burlington County, New Jersey)  
Revenue Bonds, Series 2019**

## INTRODUCTION

This Official Statement, including the cover page and inside cover page hereof and appendices attached hereto, is furnished by The Evesham Municipal Utilities Authority (“Authority”), a public body, politic and corporate duly organized and presently existing under the laws of the State of New Jersey (“State”), to provide certain information in connection with the offering of the Authority’s \$14,420,000\* Revenue Bonds, Series 2019 (the “Bonds”).

The Bonds are issued for the primary purpose of (a) financing the cost of certain water main replacements and a new well building; and (b) paying costs of issuing the Bonds (the “Projects”). Upon the issuance of the Bonds, the outstanding Revenue Bonds of the Authority will consist of the Bonds, \$135,000 principal amount of 2004 Series A Bonds (the “2004 Bonds”), \$4,654,747 principal amount due in connection with loans made to the Authority in 2006 from the New Jersey Environmental Infrastructure Trust (the “NJEIT”) (the “2006 NJEIT Bonds”), \$1,196,829 principal amount due in connection with loans made to the Authority in 2008 from the NJEIT (the “2008 NJEIT Bonds”), \$301,085 principal amount due in connection with loans made to the Authority in 2009 and 2010 from the NJEIT (the “2009/2010 NJEIT Bonds”), \$2,610,000 Revenue Bonds, 2011 Series A (the “2011 Bonds”), \$205,000 Revenue Bonds, 2012 Series A (the “2012 Bonds”) and \$3,089,068 principal amount due in connection with loans made to the Authority in 2014 from the NJEIT (the “2014 NJEIT Bonds”). The Authority also has \$1,915,662 principal amount due in connection with an interim construction loan made to the Authority in 2019 from the New Jersey Infrastructure Bank (formerly the NJEIT, the “NJIB”). The 2004 Bonds, the 2006 NJEIT Bonds, the 2008 NJEIT Bonds, the 2009/2010 NJEIT Bonds, the 2011 Bonds, the 2012 Bonds, the 2014 NJEIT Bonds, 2019 NJIB Construction Loan and the Bonds are herein collectively called the “Outstanding Bonds.”

In preparing this Official Statement, the Authority has relied upon certain information set forth in the report of Bowman & Company LLP, independent auditors of the Authority, a copy of which is attached hereto as “APPENDIX A”.

Words and terms used herein which are not otherwise defined elsewhere shall have the meanings ascribed thereto in “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Defined Terms” herein. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each document, statute, report or instrument.

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\* Preliminary, subject to change.

## **AUTHORIZATION FOR THE BONDS**

The Bonds are authorized, issued and sold pursuant to: (i) the Municipal and County Utilities Authorities Law, Chapter 183 of the Laws of the State of 1957, as amended and supplemented (“Act”); (ii) a bond resolution adopted by the Authority on July 25, 1990, as amended and supplemented (“Original Bond Resolution”); (iii) a supplemental resolution supplementing the Original Bond Resolution, duly adopted by the Authority on September 11, 2019 (the “Supplemental Resolution” and, together with the Original Bond Resolution, the “Resolution”) and (iv) an Award Certificate of an Authorized Authority Official dated the date hereof (the “Award Certificate”) exercising powers delegated by the Supplemental Resolution.

The financing plan of the Authority regarding the Bonds was reviewed by the State Local Finance Board at a meeting on August 22, 2019. On said date, the Local Finance Board passed a resolution which contained positive findings with regard to the issuance of the Bonds. For additional information concerning the Local Finance Board, see “LOCAL AUTHORITIES FISCAL CONTROL LAW” herein.

## **PLAN OF FINANCING**

The proceeds of the Bonds will be used to finance costs of the Projects consisting of: (a) the cost of certain water main replacements and a new well building; and (b) paying costs of issuing the Bonds (the “Projects”).

### **Application of Bond Proceeds**

Upon issuance of the Bonds, (i) \$\_\_\_\_\_ of the net proceeds of the Bonds will be deposited into the Project Construction Fund created pursuant to the Resolution and used to pay a portion of the costs of the Projects, and (ii) the remainder of the net proceeds of the Bonds will be used to pay certain costs and expenses incidental to the issuance and delivery of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. Moneys on deposit in the Project Construction Fund will be requisitioned by the Authority in accordance with the provisions of the Resolution and applied to the acquisition, construction, renovation and/or installation of the Projects. Pending application for such purposes, amounts on deposit in the Project Construction Fund are pledged for the security of the payment of the principal of and interest on the Bonds.

The Authority proposes to replace the water mains within the Heritage Village section of Marlton which includes the water main on Knox Boulevard. The existing water mains are asbestos cement pipe originally built in 1954-1955 and exist in the older sections of town. These water mains have experienced above average frequency of breaks requiring boil water advisories as the pipe tends to fail causing street level loss of pressure. The water main replacements include a portion of East Main Street. Woodlake Drive water mains are comprised of cast iron with spans of 3 inch copper and has also experienced above average frequency of breaks in recent years. The Authority proposes to replace the cast iron and asbestos cement pipe with PVC pipe. The total linear feet to be replaced is 15,700. The water main replacement project also includes the relocation of some water services on East Main Street from an older 6” asbestos cement water main to a newer 12” ductile iron water main.

The Well 7 building upgrade project will also be financed with proceeds of the Bonds. A new building will be constructed, which will house the well head, which is currently exposed, an emergency generator, upgraded chemical feed systems with improved safety/security features and telemetry equipment with connectivity to the Authority’s existing Supervisory Control and Data Acquisition (SCADA) system (“SCADA system”). This new building will replace the existing building, which will be demolished.



## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds are expected to be used as follows:

### SOURCES OF FUNDS

Principal Amount of Bonds.....	\$
[Net] Original Issue Premium .....	
 Total Sources of Funds .....	<u>\$</u>

### USES OF FUNDS

Deposit to Project Construction Account.....	\$
Cost of Issuance (1).....	
 Total Uses of Funds .....	<u>\$</u>

- (1) Estimated amount to provide for legal, consulting and printing fees, underwriting discount and associated bond issuance costs.

## DESCRIPTION OF THE BONDS

### General

The Bonds will be dated the date of delivery, will mature on the dates and in the amounts shown on the inside cover page hereof and will bear interest payable on July 1, 2020, and semiannually thereafter on each January 1 and July 1 at the rates per annum set forth on the inside cover page hereof. The principal of and redemption premium, if any, on the Bonds will be payable upon presentation and surrender when due at the principal corporate trust office of the trustee, TD Bank, National Association, Cherry Hill, New Jersey (the “Trustee”). Interest on the Bonds will be payable by check or draft mailed to the registered owners of record thereof as of the 15th day of the calendar month next preceding the applicable interest payment date.

So long as The Depository Trust Company, New York, New York (“DTC”) or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee for DTC. Disbursements of such payments to the participants of DTC (“DTC Participants”) are the responsibility of DTC and disbursements of such payments to the Beneficial Owners of the Bonds are the responsibility of the DTC Participants. For additional information, see “APPENDIX E – THE DTC BOOK ENTRY SYSTEM”.

The information in this Official Statement, including APPENDIX E, concerning DTC and DTC’s Book-Entry-Only System has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof. No representation is made by the Authority, the Trustee, or the Underwriter as to the absence of changes in such information subsequent to the date of this Official Statement.

Any references in this Official Statement to notices or other communications that are to be given to the owners of the Bonds by the Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices or other communications to the DTC Direct Participants which will convey such notices or other communication to DTC Indirect Participants and such DTC Participants will forward (or cause to be forwarded) the notices or other communications to the Beneficial Owners.

Neither the Authority nor the Trustee will have any responsibility or obligations to such DTC Participants or the persons for whom they act as nominees with respect to the payments to or providing of notice for the DTC Participants, or the Indirect Participants, or the Beneficial Owners.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Bondholders or registered owners of the Bonds (other than under the captions "TAX EXEMPTION" and "CONTINUING DISCLOSURE") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

### **Optional Redemption**

The Bonds maturing on or after July 1, 20\_\_ are subject to redemption prior to maturity at the option of the Authority on July 1, 20\_\_ and on any date thereafter, as a whole, or in part from such maturities as the Authority shall determine and by lot within a single maturity, at a Redemption Price equal to the principal amount to be redeemed (together with interest accrued thereon to the date fixed for such redemption).

### **Mandatory Redemption**

The Bonds maturing on July 1, 20\_\_ are subject to mandatory redemption by operation of the Sinking Fund provided for in the Resolution at a Redemption Price equal to the principal amount thereof in the following principal amounts on July 1 in each of the years set forth below:

<u>Year</u>	<u>Principal Amount</u>
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\*\* Final maturity

On or prior to April 1 of each Fiscal Year, the moneys held in the Sinking Fund for the payment of any particular Sinking Fund Installment may be applied for the purchase of the Bonds, as applicable, in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of the Bonds to be redeemed from such Sinking Fund Installment on the July 1<sup>st</sup> next ensuing. The Bonds so purchased will be canceled by the Trustee and the principal amount thereof will be credited against the unsatisfied balance of the applicable Sinking Fund Installment next due and payable. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bonds shall not exceed the Redemption Price of such Bonds applicable upon its redemption on the next date on which such Bonds could be redeemed in accordance with its terms by operation of the Sinking Fund. The Trustee shall purchase the Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as directed by the Authority or, in the absence of such direction, in such manner as the Trustee in its discretion may determine and as may be possible with the amount of moneys available therefor in the Sinking Fund. Accrued interest on the Bonds purchased pursuant to this paragraph shall be paid from the Bond Service Fund.

## **Notice of Redemption**

Notice of any such redemption shall state the redemption date, the redemption price and identify the Bonds by reference to their Series designation and numbers. Such notice shall further state that on such redemption date the redemption price, together with accrued interest, shall be payable at the principal corporate trust office of the Trustee, and that from and after such date interest thereon shall cease to accrue. Such notice shall be given by the Trustee by mailing to the registered owners of the Bonds to be redeemed at their last mailing addresses as shown on the registration books (being Cede & Co., as the nominee of DTC for as long as the Bonds are held under the DTC Book-Entry System) not less than 30 days or more than 60 days prior to the redemption date fixed on such notice.

If notice of redemption shall have been given as aforesaid, and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner, the Bonds specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein fixed. If, on the redemption date, moneys for payment of the redemption price of all the Bonds to be redeemed, together with accrued interest to the redemption date, shall be held by the Trustee so as to be available on said date, then from and after the redemption date the Bonds so specified shall cease to bear interest.

## **Registration**

The registered owner of a Bond will be deemed and regarded as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal of or interest thereon and for all other purposes whatsoever, and all such payments so made to such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor the Trustee will be affected by any notice to the contrary.

## **SECURITY FOR THE BONDS**

### **General**

The Bonds constitute direct and general obligations of the Authority, and the full faith and credit of the Authority are pledged to the payment of the principal of and interest on the Bonds. The Bonds do not constitute a debt of the Township of Evesham ("Township"), the County of Burlington ("County"), the State, or any political subdivision thereof, other than the Authority. The Authority has no taxing power.

### **Pledge of the State**

Pursuant to Section 64 of the Act, N.J.S.A. 40:14B-64, the State of New Jersey has pledged and agreed with the owners of the Bonds that it will not limit or alter the rights vested in the Authority by the Act to acquire, construct, maintain, reconstruct and operate the System, and to fix, establish, charge and collect its Service Charges and to fulfill the terms of any agreement (including the Resolution) made by the Authority with such owners, or in any way impair the rights or remedies of such owners, and will not modify in any way the exemption from State taxation provided for in the Act, until the Bonds including the interest on them with interest on unpaid installments on interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged.

### **Pledge of Revenues**

The pledge of Revenues of the Authority made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of the Outstanding Bonds (including the Bonds) and

any Additional Bonds issued under the Resolution on a parity with the Outstanding Bonds, all of which, regardless of time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of such bonds over any other thereof except as expressly provided in or pursuant to the Resolution.

Subject only to the right of the Authority to cause amounts to be withdrawn therefrom and paid on account of Operating Expenses of the System or for other purposes under the provisions of the Resolution, the Revenues and all moneys and securities paid or to be paid to or held or to be held by the Trustee under the Resolution, are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Outstanding Bonds (including the Bonds) and any Additional Bonds. The terms “Revenues” and “Operating Expenses” are defined in the Resolution and are described hereinafter under the major caption “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Defined Terms” herein.

### **Rate Covenant**

In the Resolution the Authority covenants to impose, charge and collect service charges so that Net Revenues of the System will provide in each Fiscal Year Net Revenues (available to pay Debt Service of Bonds) not less than 105% of Debt Service for such Fiscal Year. For further information with respect to said covenant, see “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” herein.

### **Bond Reserve Fund**

The Bond Reserve Fund in an amount equal to the Maximum Annual Debt Service on the Outstanding Bonds is required to be maintained under the Resolution. The Bond Reserve Fund will be held by the Trustee and will be applied solely for the purpose of paying the principal of and interest on the Outstanding Bonds, if amounts on deposit in the Bond Service Fund or the Sinking Fund are not sufficient for such purpose. The Bond Reserve Requirement may be satisfied by the deposit of cash and Qualified Investments, Reserve Fund Assets, or a combination of cash, Qualified Investments and Reserve Fund Assets. Currently, the Trustee holds Qualified Investments in the Bond Reserve Fund.

Reserve Fund Assets are: (a) any irrevocable and unconditional letter of credit issued by a bank for the account of the Authority and for the benefit of the Trustee on behalf of the Bondholders, provided that such bank maintains an office, agency, or branch in the United States of America and, provided further that, as of the date of issuance of such letter of credit, such bank is rated in one of the two highest rating categories by both Moody’s Investors Service and Standard & Poor’s Rating Services; or (b) any irrevocable and unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States of America or by a service corporation acting on behalf of one or more such insurance companies; provided that, as of the time of issuance of such insurance policy or surety bond, such insurance company or companies are rated in the highest rating category by Moody’s Investors Service or Standard & Poor’s Rating Services.

Moneys in the Bond Reserve Fund may, to the extent permitted by applicable law, be invested in investment agreements with a bank, investment bank, brokerage firm or insurance company that maintains an office in the United States of America with the consent of each Bond Insurer provided that: (a) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with interest payment dates; (b) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day’s notice (provided such notice may be amended or canceled at any time prior to the withdrawal date); (c) the agreement is not subordinated to any other obligations of the insurance company, brokerage firm, investment bank or bank providing the investment agreement; (d) the same guaranteed interest rate will be paid on any future deposits made to restore the Bond Reserve Fund to the Bond Reserve Requirement; and (e) the Trustee receives an opinion of counsel

that such agreement is an enforceable obligation of such insurance company, brokerage firm, investment bank or bank.

### **Service Charges**

For all direct or indirect connections with, and all use of services of the System, the Authority shall charge and collect Service Charges in accordance with the Act. For further information with respect to said covenant, see “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” herein.

### **No Competition**

With respect to the service area of the Authority, the Resolution contains a covenant whereby the Authority agrees that it shall not permit hereafter or, to the extent permitted by law, consent to the construction, acquisition or operation of any facilities that may compete with the System, except that the Authority may permit a person to construct, acquire or operate facilities: (a) for the collection, treatment or disposal of sewage which the Authority will determine as not economically feasible for it to construct or acquire at such time, provided that such facilities will become a part of the System upon notice to such person (1) without any cost to the Authority or (2) upon payment of an amount as the Authority shall determine to be proper; or (b) for the treatment and disposal of industrial wastes; or (c) as part of a regional sewerage or water supply system. For further information with respect to said covenant, see “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Competitive Facilities and Regional Systems” herein.

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## ANNUAL DEBT SERVICE REQUIREMENTS<sup>(1)</sup>

Fiscal Year Ending <u>July 1</u>	Debt Service on Outstanding <u>Bonds (1)</u>	Debt Service on NJEIT <u>Loans (2) (3)</u>	<u>Debt Service on Bonds</u>		Total <u>Annual Debt Service</u>
			<u>Principal</u>	<u>Interest</u>	
2020	\$ 640,000				
2021	920,000	\$ 996,681			
2022	945,000	1,015,473			
2023	100,000	1,036,695			
2024	100,000	1,056,975			
2025	100,000	1,075,786			
2026	145,000	1,107,377			
2027		1,087,973			
2028		357,912			
2029		367,912			
2030		253,220			
2031		233,834			
2032		233,834			
2033		233,834			
2034		184,223			
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
	<u>\$ 2,950,000</u>	<u>\$ 9,241,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Totals may not add due to rounding.

(2) Excludes debt service on Bonds.

(3) Excludes construction loan with zero percent interest

## THE AUTHORITY

### General

The Authority, a public body, corporate and politic organized and existing under the laws of the State, owns and operates certain water supply and distribution facilities and sanitary sewer collection, treatment and disposal facilities currently providing water supply and sanitary sewage service in the northern and central portions of the Township and limited water supply service in the southern portion of the Township. The Authority was first established as the Evesham Sewerage Authority on April 7, 1955 and reorganized on March 3, 1959 as The Evesham Municipal Utilities Authority, by ordinance of the governing body of the Township pursuant to the Act. The Authority has been in continuous existence since that date. Under the Act, the Authority has certain powers, including but not limited to the ability:

1. To sue and to be sued;
2. To acquire, hold, use and dispose of its service charges and other revenues and other moneys;
3. To acquire, rent, hold, use and dispose of personal property for the purpose of the Authority;
4. To acquire by purchase, gift, condemnation or otherwise, or lease as lessee, real property and easements therein, necessary or useful and convenient for the purposes of the Authority;
5. To produce, develop, purchase, accumulate, distribute and sell water and water services, facilities and products within or without the Authority service area, provided that no water shall be sold at retail in any municipality outside the service area unless the governing body of such municipality shall have adopted a resolution requesting the Authority to sell water at retail in such municipality, and the State Board of Public Utilities shall have approved such resolution as necessary and proper for the public convenience;
6. To provide for and secure the payment of any bonds and the rights of the holders thereof, and to purchase, hold and dispose of any bonds;
7. To make and enforce by-laws or rules and regulations for the management and regulation of its business and affairs;
8. To make inspections, undertake examinations and exercise enforcement powers relating to the use and operation of on-site wastewater systems; and
9. To do and perform any acts and things authorized by the Act under, through or by means of its own officers, agents and employees, or by contracts with any person.

The Authority Board consists of five members and two alternate members. The members are appointed by resolution of the governing body of the Township for five year terms, expiring on January 31, in the fifth year next ensuing after the date of appointment. The alternate members are also appointed to the Authority by resolution of the governing body of the Township and their current terms expire on the fourth or fifth January 31, next ensuing after the date of appointment. Each member and alternate member holds office for the term for which he or she was appointed and until his or her successor has been appointed and has qualified. The current members and alternate members of the Authority, their offices, their private occupations and expiration of term are shown below.

Name	Office	Private Occupation	Term Expires January 31,
Edward T. Waters	Chairman	Government Affairs Agent	2020
George Tencza	Vice Chairman	Retired	2023
Albert Lutner	Secretary	Insurance Sales	2022
Nancy Jamanow	Assistant Secretary	Engineer	2021
Michael Schmidt	Assistant Secretary	Risk Strategist	2024
Byron Druss	First Alternate Member	Sales	2023
Lewis Kipness	Second Alternate Member	Retired	2024

Jeffrey Rollins is Executive Director of the Authority. Mr. Rollins has been Executive Director of the Authority since 2013. Previously he served as Laboratory Manager from 2007 to 2013, as Operations Supervisor from 1994 to 2007, and as Assistant Laboratory Supervisor from 1991 to 1994.

## Operations

### *Employees of the System*

The Authority currently employs 53 full time employees. Of the full time employees, which includes the Executive Director, various supervisors, office workers and field employees, only the 30 field employees are unionized. They are represented by Teamsters Union No. 676, affiliated with the International Brotherhood of Teamsters.

The Authority's full time employees are enrolled in the New Jersey Public Employees Retirement System. The control and means of funding for this retirement system, and the manner of administration are determined by State law.

### *Mandatory Sewer Connection Ordinance*

The Township has adopted an ordinance which provides in substance that the owner of any property located along the line of any sanitary sewer in the Township on which a house or other building for use by people was then or shall thereafter be erected, shall install a toilet therein and connect such toilet and house or building with such sanitary sewer and that upon the failure of such owner to connect such toilet and house or building within sixty days after written notice, the Township may proceed to make such installation and connection to a sanitary sewer and assess the costs thereof as a lien against the property.

Approximately one hundred percent (100%) of the eligible customers have connected to the Authority's System, according to the Consulting Engineer.

### *Non-Payment of Service Charges*

The Act provides that in case of non-payment of Service Charges, an authority may cause the service connection to the delinquent user's property to be disconnected. In the case of water service discontinuance, under certain circumstances, such disconnection is subject to restoration of water service if a public health hazard is created by the discontinuance of water service to the delinquent user.



### *Interest On Unpaid Service Charge*

The Act provides that, in case a service charge of an authority with regard to any parcel of real property shall not be paid as and when due, interest shall accrue and be due to the Authority on the unpaid balance at the rate of 1-1/2% per month until such service charge and the interest thereon shall be fully paid to the Authority.

### *Lien*

The Act provides that an unpaid service charge and interest thereon shall be a lien on the real property with respect to which service was rendered and that the lien shall be on a parity with the lien of a municipality for taxes on real property for the same year.

### *Rate Fixing Methodology*

The Authority is authorized by statute to adopt revisions to its rate schedule after public advertisement and public hearing. It is not necessary to secure the approval of any other State or official agency or commission prior to the adoption of a revised rate schedule. The Authority has periodically adjusted its rate schedules after its review of the studies and the corresponding recommendations.

## **LOCAL AUTHORITIES FISCAL CONTROL LAW**

Since 1983, the Authority has been regulated by the Local Authorities Fiscal Control Law, N.J.S.A. 40A:5A-1 et. seq. ("Authorities Law"). The Authorities Law regulates the local financial operations and debt of independent local authorities. The purpose of the Authorities Law, according to the Senate, County and Municipal Government Committee Statement that accompanied the 1983 legislation, was to strengthen the credit standing of municipalities, counties and independent financing authorities, by extending a proven system of financial regulation to what was a largely unregulated area of local debt financing.

The Authorities Law assigns financial control responsibilities over local authorities to the Local Finance Board and the Director of Local Government Services in the State Department of Community Affairs. The Local Finance Board reviews, conducts hearings, and issues findings and recommendations on any proposed project financing of an authority and on any financing agreement between a local government unit and an authority. The Local Finance Board also prescribes minimum audit requirements to be followed by authorities in the conduct of their annual audits. The Director of Local Government Services also reviews and approves annual budgets of authorities.

The Authorities Law provides a mechanism for meeting unsound financial conditions of local authorities. If the Director of the Division of Local Government Services finds that a local authority is faced with financial difficulties, the Director is to convene a hearing before the Local Finance Board. If the Local Finance Board determines that a serious continuing financial difficulty exists, and that the authority or local government unit has not undertaken a remedial plan, the Local Finance Board may order implementation of a financial plan. The financial plan shall assure the payment of debt service or provide relief from undue financial burdens on residents of the affected local government unit or users of the authority's services and facilities.

Pursuant to the Authorities Law, the Authority submitted an application to the Local Finance Board in connection with the transactions described herein. On August 22, 2019, the Local Finance Board reviewed said application and passed a resolution which contained positive findings concerning the financing described herein.

## **THE SYSTEM (1)**

### **Service Area**

The Authority's existing water and sewer facilities currently serve the northern and central portions of the Township where a majority of the Township's population resides. The Authority also provides limited water service in the southern portion of the Township. There are approximately six hundred (600) homes throughout the Township not served by the Authority for either water or sewer. These homes are located primarily in the southern portion of the Township and have on-site wells and septic systems. The Authority services approximately 19,019 equivalent dwelling units ("EDU's") which represent ninety seven percent (97%) of the Township's estimated population of 45,351. Included among these customers are approximately 405 homes in the southern portion of the Township that receive water service only.

### **Existing Sewerage Facilities**

The existing sanitary sewerage facilities of the Authority consist of three (3) tertiary sewage treatment plants at three (3) separate locations, approximately five (5) miles of force main, one hundred seventy-four (174) miles of gravity main, and twenty-four (24) pumping stations. The Authority and the Consulting Engineer believe the sewage collection and treatment systems on the whole are in good condition.

The Woodstream Wastewater Treatment Plant is located in the northwestern portion of the Township, and has a design and permitted capacity of 1,500,000 gallons per day (gpd). The Elmwood Wastewater Treatment Plant is in the northeastern portion of the Township and has a design capacity of 3,000,000 gpd and a permitted capacity of 2,978,000 gpd. The Kings Grant Wastewater Treatment Plant serves customers within the Kings Grant development in the central portion of the Township and has a design and permitted capacity of 600,000 gpd. The total wastewater treatment plant capacity of the Authority is approximately 5,300,000 gpd. The Authority continues to make improvements to its sewer system. In 2009, the Authority completed its upgrade of the Kings Grant Wastewater Treatment Plant. In 2010, the Authority completed the Kings Grant Infiltration Basin and effluent force main project. The Kings Grant Infiltration Basins receive effluent discharge from the upgraded Kings Grant Wastewater Treatment Plant. In 2016, the Authority completed the upgrade of the Supervisory Control and Data Acquisition (SCADA) system at the Elmwood and Woodstream Wastewater Treatment Plants, which enables Authority personnel to monitor the system status and respond to emergencies from both centralized and remote locations. The Elmwood/Woodstream Treatment Plant Upgrades in respect to Energy Conservation were completed in 2017.

At present, the cumulative average daily flow through the Authority's three (3) treatment plants is approximately 3,417,200 gpd, based on flow data from 2014-2018 (5 years). An additional 56,000 gpd is expected from developments, which have received connection permits from the New Jersey Department Environmental Protection (the "DEP").

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(1) Source: The Authority

## **THE SYSTEM (CONT'D) (1)**

The Authority continues to make improvements to its sewerage system. There are currently two projects in the planning and design phase for the Elmwood Plant: The Elmwood WWTP Resiliency Improvements and the Elmwood Tertiary Filter Rehabilitation. The resiliency improvements at Elmwood are being designed to install protective measures to prevent flooding during 500 year storm events. Several buildings and treatment processes have been overcome by flood waters in the past. The Authority will be installing barriers to prevent such flooding, which will ensure that proper treatment of raw wastewater can still be achieved during flood events. The Elmwood tertiary filter rehabilitation project will convert the existing mixed media, traveling bridge tertiary filters to rotating disc filters. The existing tertiary filters were constructed in 1989 and are nearing the end of their useful life. It is expected that the disc filters will reduce energy and backwash water requirements while improving effluent quality. The Authority intends to pursue NJIB (New Jersey Infrastructure Bank) financing for both projects.

The Locust Avenue pumping station is nearly 50 years old and has reached the end of its useful life. The Authority has pursued NJIB financing for the rehabilitation of this pumping station and recently received authorization from the DEP to advertise for construction bids. The improvements will include a new wetwell, pumps, electrical systems, a Dri-Prime diesel backup pump, site improvements, landscaping and fencing. This project will prevent possible overflows due to aged equipment. The Authority expects to close on a short term loan through the NJIB in the near future.

The Route 70 Sewer Rehabilitation project is currently in the planning and design phase. This project includes installing Cured in Place Pipe (CIPP) lines with approximately 4,600 linear feet of 8" diameter Asbestos Cement pipe. The pipe is approximately 50 years old and video inspections have revealed significant deterioration of the internal pipe material. The CIPP liner will restore the structural integrity of the existing Asbestos Cement pipe. The Authority is currently pursuing financing through the NJIB for this project.

### **Existing Water Facilities**

The existing water facilities of the Authority presently service the northern and central portions of the Township and consist of eleven (11) wells, four (4) storage tanks, two (2) booster stations and approximately one hundred seventy-nine (179) miles of four inch (4") to sixteen inch (16") mains.

A 500,000 gallon elevated storage tank is located at the intersection of Route 70 and Plymouth Drive. A one million (1,000,000) gallon in-ground water storage tank and booster station is located adjacent to Well No. 4 and provides reserve capacity in times of heavy water consumption. A 2,000,000 gallon elevated storage tank on Lincoln Drive serves the northwestern portion of the Township. A 1,500,000 gallon elevated tank is located in Kings Grant to serve customers within that development. The Plymouth Drive, Lincoln Drive and Kings Grant elevated storage tanks are used to control the hydraulics of the entire water system in the Township.

Currently, the Authority's water service area covers mainly the northern and central portions of the Township, since that is where the majority of the Township population is concentrated. The existing water storage systems are in good condition and should not require any major repairs in the near future.

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(1) Source: The Authority

## **THE SYSTEM (CONT'D) (1)**

The Authority continues to make improvements to its water system. The Authority recently closed on interim financing through the NJIB for the ASR # 13/14 Well Treatment Upgrades, which includes installing iron precipitation and filtration equipment in an expanded well building and required ancillary equipment. This project is needed to maintain peak water supply capacity through the use of an existing aquifer storage and supply well pair. The construction contract was awarded in June 2019 and this project is currently in the pre-construction phase. It is anticipated that this project will be complete in the summer of 2020.

The Authority has identified several areas throughout the Township in need of water main replacements due to their age, type of material and size of the main. Water mains will be replaced on Knox Boulevard and within the entire Heritage Village Development. The existing water mains are approximately 50 years old and near the end of their useful life. They are mostly asbestos cement pipe and some are undersized (6") according to current standards. They will be replaced with 8" PVC to bring them up to current standards. The Authority will also be replacing the water mains on portions of Woodlake Drive within the Kings Grant Development. These mains were originally constructed in the early 1980's from a variety of materials, including copper and are failing prematurely. Many of the copper mains are undersized (3") according to current standards. The existing water mains will be replaced with 6" PVC to bring them up to current standards. This water main replacement project will improve system reliability and increase available flows. The Authority is currently pursuing financing for this project and has determined that issuing revenue bonds is the most prudent financial option. This project is expected to commence in 2020. The replacement of 3,100 LF of older cast iron water mains with 8" PVC, while relocating them out of the traffic lane on Route 70 is currently in the planning and design phase. The Authority anticipates financing this project through the NJIB.

In 2019, the Authority's water demand was 1,289 million gallons ("MG"). The Authority has a water diversionary permit from DEP to pump 959 million gallons per calendar year from the Potomac-Raritan-Magothy Aquifer (the "PRM Aquifer"). During 2019, the Authority pumped 704 MG from the PRM Aquifer. The Authority also purchased 107 MG from the Mount Laurel Municipal Utilities Authority pursuant to an agreement entered into in 1989 (the "Mount Laurel Agreement") with Mount Laurel and Willingboro Municipal Utilities Authorities. The term of the Mount Laurel Agreement was for an initial five (5) years with automatic five (5) year renewals. The Mount Laurel Agreement had an expiration date of April 30, 2019, which was extended until August 31, 2019. The contract continued under its original terms on a month to month basis while negotiations continued for a replacement agreement with Mount Laurel and Willingboro Municipal Utilities Authorities. The Authority's Board of Commissioners approved a new 30 year agreement at the October 2, 2019 board meeting. The Aquifer Recovery Storage project (the "ASR Project") provides the Authority with another 100 MG of capacity. The remaining water demand of 378 MG was met by the purchase of water from the New Jersey American Water Company pursuant to a "Commodity Demand Regional Water Sales Agreement" entered into as of June 1, 2000 and amended in 2010 under which the Authority is obligated to purchase 1.036 MG of water per day. The commodity Demand Regional Water Sales Agreement is for a term of ten years and automatically renews for two successive ten year terms. The Authority continues to explore alternate sources of water.

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(1) Source: The Authority

## CERTAIN INFORMATION CONCERNING THE USERS OF THE SYSTEM (1)

### Ten Largest Customers

The ten largest users of the existing System and the revenues received from these users for the period from July 1, 2018 to June 30, 2019 are as follows:

<u>Name</u>	<u>Nature of Business</u>	<u>Revenue</u>
West Jersey Health Systems	Healthcare	\$195,479
Evesham Twp. Fire District	Hydrant Rental	177,276
Care One at Evesham	Healthcare	76,689
P.F. Chang's Bistro	Restaurant	63,210
Brightview at Evesham, LLC	Healthcare	54,578
Whole Foods Market	Grocery Store	53,399
Wiley Mission	Healthcare	50,826
Redstone American Grill	Restaurant	49,847
Newbridge, LLC	Grocery Store	49,747
West Jersey Health Systems	Healthcare	48,602

### Classification of Customers

As of July 1, 2019 the Authority had approximately 16,765 customers representing 19,019 equivalent dwelling units ("EDU'S") connected to its collection system in the following categories:

<u>Type</u>	<u>Number of Customers</u>	<u>Number of EDU's</u>
Apartments	957	3,371
Commercial	1,112	995
Residential	<u>14,696</u>	<u>14,653</u>
Total	<u>16,765</u>	<u>19,019</u>

### Growth in Customer Base

The table below shows the growth in the Authority's customer base over the last ten fiscal (10) years.

<u>Fiscal Year</u>	<u>Total EDU's</u>	<u>Annual Increase</u>
2019	19,019	142
2018	18,877	180
2017	18,697	112
2016	18,585	-22
2015	18,607	68
2014	18,539	72
2013	18,467	141
2012	18,326	36
2011	18,290	13
2010	18,277	403

(1) Source: The Authority

## CERTAIN INFORMATION CONCERNING THE USERS OF THE SYSTEM (1) (CONT'D)

### CERTAIN FINANCIAL INFORMATION OF THE AUTHORITY

For an overview of financial results of the Authority for the fiscal years 2017 and 2018, see “APPENDIX A – FINANCIAL STATEMENTS OF THE AUTHORITY.” Set forth below is the Debt Service Coverage for each of the fiscal years 2014 through and including 2018. “Debt Service Coverage” is computed by dividing Net Available for Debt Service by the annual expense for Debt Service. The required Debt Service Coverage per Section 612 of the Original Bond Resolution is 105%.

Year Ending June 30	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Service Coverage	<u>157%</u>	<u>150%</u>	<u>173%</u>	<u>152%</u>	<u>178%</u>

#### Rate Schedule

The current water, sewer and garbage disposal rates are as follows:

#### Connection Fee Rates

##### **Sewer Connection Fee**

Residential dwelling unit	\$ 6,815.00
Hotel or motel, per unit	\$ 3,407.50
Non residential user	\$ 36.25 per gallon per day
Residential dwelling unit Outside Evesham	\$ 10,223.00
Non residential user Outside Evesham	\$ 54.38 per gallon per day

##### **Water Connection Fee**

Residential dwelling unit	\$ 2,550.00
Hotel or motel, per unit	\$ 1,275.00
Non residential user	\$ 13.56 per gallon per day
Residential dwelling unit Outside Evesham	\$ 3,825.00
Non residential user Outside Evesham	\$ 20.35 per gallon per day

##### **Irrigation or Lawn Sprinkler Connection Fee**

1 inch or less	\$ 4,280.00
1-1/2 inch	\$ 7,405.00
2 inches	\$ 11,161.00
3 inches	\$ 22,314.00
4 inches	\$ 38,531.00

##### **Fire Service, Public and Private**

No connection fee. Annual service charges only.

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(1) Source: The Authority

**CERTAIN INFORMATION CONCERNING  
THE USERS OF THE SYSTEM (1) (CONT'D)**

**Rate Schedule (Cont'd)  
Service Charge Rates**

**Sanitary Sewer Service Charge**

Base charge	\$ 26.00 per month per unit
Usage charge, residential user	
1,000 to 36,000 gallons per quarter	\$ 3.00 per 1,000 gallons of water
37,000 to 40,000 gallons per quarter	\$ 3.10 per 1,000 gallons of water
Base Charge residential user outside Evesham	\$ 33.00 per month per unit
Usage charge, residential user outside Evesham	
1,000 to 36,000 gallons per quarter	\$ 3.75 per 1,000 gallons of water
37,000 to 40,000 gallons per quarter	\$ 3.88 per 1,000 gallons of water
Base charge nonresidential user, Evesham Twp.	\$ 31.00 per month per unit
Usage charge, residential user nonresidential user, Evesham Township	
1,000 to 36,000 gallons per quarter	\$ 4.50 per 1,000 gallons of water
37,000 to 40,000 gallons per quarter	\$ 8.00 per 1,000 gallons of water
Base charge nonresidential user, outside Evesham consumption	\$ 46.00 per month per unit
Usage charge, residential user nonresidential user, Outside Evesham consumption	
1,000 to 12,000 gallons per month	\$ 5.00 per 1,000 gallons of water
Over 12,000 gallons per month	\$ 8.75 per 1,000 gallons of water

**Garbage Disposal Units**

Residential dwelling unit	\$ 8.67 per month per unit
Residential dwelling unit Outside Evesham	\$ 11.00 per month per unit
Other than residential units	Minimum surcharge of \$2.00 per thousand gallons per quarter

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(1) Source: The Authority

**CERTAIN INFORMATION CONCERNING  
THE USERS OF THE SYSTEM (1) (CONT'D)**

**Rate Schedule (Cont'd)**

**Potable Water Service Charges**

Residential:

Base Charge \$ 4.00 per month per unit

Consumption Charge:

1,000 to 16,000 gallons per quarter \$ 1.85 per 1,000 gallons

17,000 to 22,000 gallons per quarter \$ 3.55 per 1,000 gallons

23,000 to 50,000 gallons per quarter \$ 5.45 per 1,000 gallons

Excess over 50,000 gallons per quarter \$ 6.75 per 1,000 gallons

Multiple unit buildings to be billed at base charge per unit plus excess water for building.

Residential Outside Evesham:

Base Charge \$ 5.00 per month per unit

Consumption Charge:

1,000 to 16,000 gallons per quarter \$ 2.31 per 1,000 gallons

17,000 to 22,000 gallons per quarter \$ 4.44 per 1,000 gallons

23,000 to 50,000 gallons per quarter \$ 6.81 per 1,000 gallons

Excess over 50,000 gallons per quarter \$ 8.44 per 1,000 gallons

Multiple unit buildings to be billed at base charge per unit plus excess water for building.

Non-Residential:

Base Charge \$ 6.33 per month per unit

Consumption Charge:

1,000 to 16,000 gallons per quarter \$ 2.85 per 1,000 gallons

17,000 to 22,000 gallons per month \$ 4.70 per 1,000 gallons

Excess over 23,000 gallons per month \$ 8.60 per 1,000 gallons

Non-Residential Outside Evesham:

Base Charge \$ 8.00 per month per unit

Consumption Charge:

1,000 to 16,000 gallons per quarter \$ 3.56 per 1,000 gallons

17,000 to 22,000 gallons per month \$ 5.88 per 1,000 gallons

Excess over 23,000 gallons per month \$ 10.75 per 1,000 gallons

Irrigation Service:

Base Charge \$ 6.33 per month per unit

Consumption Charge:

All usage \$ 8.60 per 1,000 gallons

Irrigation Service Outside Evesham:

Base Charge \$ 8.00 per month per unit

Consumption Charge:

All usage \$ 10.75 per 1,000 gallons

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(1) Source: The Authority



## **CERTAIN INFORMATION CONCERNING THE USERS OF THE SYSTEM (1) (CONT'D)**

### **Rate Schedule (Cont'd)**

#### **Fire Service Charges**

Fire hydrant (unmetered)	\$ 204.00 per annum
For two inch (2") fire service lines	\$ 248.00 per annum
For three inch (3") fire service lines	\$ 370.00 per annum
For four inch (4") fire service lines	\$ 545.00 per annum
For six inch (6") fire service lines	\$1,088.00 per annum
For eight inch (8") fire service lines	\$2,064.00 per annum
For ten inch (10") fire service lines	\$3,400.00 per annum
For twelve inch (12") fire service lines	\$4,745.00 per annum

#### **Fire Service Charges Outside Evesham**

Fire hydrant (unmetered)	\$ 306.00 per annum
For two inch (2") fire service lines	\$ 372.00 per annum
For three inch (3") fire service lines	\$ 555.00 per annum
For four inch (4") fire service lines	\$ 817.50 per annum
For six inch (6") fire service lines	\$1,632.00 per annum
For eight inch (8") fire service lines	\$3,096.00 per annum
For ten inch (10") fire service lines	\$5,100.00 per annum
For twelve inch (12") fire service lines	\$7,117.50 per annum

#### **Construction Water Service Charges**

\$95.00 base charge per quarter  
plus \$8.60 per 1,000 gallons usage

The estimated average annual service charge per equivalent dwelling unit ("EDU") under the current rates is \$48.00 for water, \$312.00 for sewer and \$104.00 for garbage disposal, or an average yearly total of \$464.00. The average annual rate calculation reflects historical data which shows that seventy-six percent (76%) of the Authority's customers have garbage disposal units.

## **SYSTEM RESERVE REQUIREMENT**

The Authority has on deposit sufficient funds into the Renewal and Replacement Fund to meet the System Reserve Requirement of \$1,500,000

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The following summary is a brief outline of certain provisions of the Resolution, is not considered a full statement thereof and is qualified by reference to the complete Resolution. Capitalized words or phrases that are not defined in this summary or conventionally capitalized have the meanings given such words or phrases in the Official Statement.

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(1) Source: The Authority

## Defined Terms

As used or referred to in the Resolution, unless a different meaning clearly appears from the context:

“Accountant” means a registered municipal accountant or an independent public accountant of the State of New Jersey;

“Additional Bonds” means any of the bonds of the Authority (other than the 1990 Bonds) authenticated and delivered under and pursuant to the Resolution;

“Additional Projects” means any part, improvement or replacement of the System other than the 1990 Project;

“Agency Obligation” means obligations issued or guaranteed by any of the following agencies, provided that such obligations are backed by the full faith and credit of the United States of America: Export-Import Bank of the United States direct obligations or fully guaranteed certificates of beneficial ownership; Federal Financing Bank; Farmers Home Administration certificates of beneficial ownership; Federal Housing Administration Debentures; Government National Mortgage Association; General Services Administration participation certificates; United States Maritime Administration obligations guaranteed under Title XI; New Communities Debentures; United States Public Housing Notes and Bonds; and United States Department of Housing and Urban Development Project Notes and Local Authority Bonds;

“Annual Budget” means the budget or amended budget for a Fiscal Year adopted by the Authority or in effect pursuant to Section 610 of the Resolution;

“Bond” means any of the bonds of the Authority authenticated and delivered under and pursuant to the Resolution; including the 1990 Bonds and the Additional Bonds;

“Bond Insurance Policy” means a municipal bond insurance policy issued by a Bond Insurer;

“Bond Insurer” means, with respect to any Series of Bonds, each insurance company that has insured the payment of the principal of and interest on all or any portion of such Series and any successor thereto;

“Bond Reserve Requirement” means, as of any particular date of computation and with respect to particular Bonds outstanding, an aggregate amount of money and Reserve Fund Assets equal to Maximum Annual Debt Service;

“Bond Year” means the annual period ending with the first day of July on any year;

“Consulting Engineer” means an independent engineer or engineering firm or corporation of reputation for skill and experience with respect to construction and operation of sewer and water systems or facilities as may from time to time be employed by the Authority;

“Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year, an amount of money equal to the aggregate of (a) all interest payable during such Bond Year on all Bonds outstanding on said date of computation, except interest payable from the proceeds of sale of Bonds deposited in the Bond Service Fund or in a Capitalized Interest Account, plus (b) the principal amount of all Bonds outstanding on said date of computation which mature during such Bond Year, plus (c) the amount of all Sinking Fund Installments payable during such Bond Year with respect to any Bonds outstanding on said date of computation, all calculated on the assumption that Bonds will after said date

of computation cease to be outstanding by reason, but only by reason, of the payment of Bonds when due and the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable at or after said date of calculation;

“Defeasance Obligation” means any Federal Obligation, any Agency Obligation and any pre-refunded tax-exempt obligation rated “Aaa” by Moody’s Investors Service;

“District” means the area within the territorial boundaries of the Township;

“Federal Obligation” means any direct obligation of, or any obligation the timely payment of principal of and interest on which is fully and unconditionally guaranteed by, the United States of America;

“Fiduciary” means the Trustee or a Paying Agent;

“Fiscal Year” means the period of twelve calendar months ending with the last day of June of any year;

“Fund Requirement” means, as of any particular date of computation, (a) with respect to the Bond Service Fund, the amount of money obtained by aggregating the several sums, computed with respect to the Bonds of each Series, of (i) any unpaid interest due at or before such date, (ii) the principal amount thereof matured and unpaid at or before said date, (iii) all interest accrued but not due at said date other than compound interest accreted to the principal of a Bond which shall be deemed to accrue in the 12 months immediately prior to the maturity of the Bond, and (iv) that portion of the principal thereof payable on the first day of July next ensuing after said date which would have accrued at said date if such principal were deemed to accrue daily in equal amounts from the later of the preceding July 1st or the date of original issuance of such Series, and (b) with respect to the Sinking Fund, the amount of money obtained by aggregating the several sums, computed with respect to the Bonds of each Series, of (i) the portion of any Sinking Fund Installments due and unpaid at or before said date, and (ii) that portion of the Sinking Fund Installments payable on the first day of July next ensuing after said date which would have accrued at said date if such Sinking Fund Installments were deemed to accrue daily in equal amounts from the later of the preceding July 1st or the date of original issuance of such Series;

“Government Grant” when used with respect to a Project, means any sum of money heretofore or hereafter received by the Authority from the United States of America or any agency thereof or from the State of New Jersey or any agency thereof as or on account of a grant or contribution, not repayable by the Authority, in aid of or for or with respect to (a) the construction, acquisition or other development of any part of such Project or any costs of any such construction, acquisition or development, or (b) the financing of any such construction, acquisition, development or costs;

“Insured Bond” means any Bond with respect to which the payment of principal and interest is guaranteed by a Bond Insurance Policy;

“Maximum Annual Debt Service” means, as of any date of computation, an amount of money equal to the greatest of the respective amounts of Debt Service for the then current or any future Bond Year;

“Net Revenues,” when used with respect to a period of time, means the excess (if any) of the Revenues for such period of time over the Operating Expenses for such period of time;

“Operating Expenses” means the Authority’s reasonable and necessary current expenses of maintaining, repairing and operating the System, including, without limiting the generality of the foregoing, all administrative, general and commercial expenses, insurance and surety bond premiums,

payments to others for collection or disposal of sewage and other wastes or for provision or supply of water, engineering expenses, legal expenses, auditing expenses, payments to pension, retirement, health and hospitalization funds, any taxes or rebates which may be lawfully imposed on the Authority or its income or operations or the property under its control, ordinary and current rentals of equipment or other property, other rentals, usual expenses of maintenance and repair and costs of service connections from mains to the curb or property lines, refunds of moneys lawfully due to others, and any other current expenses or payments required to be paid by the Authority under the provisions of the Resolution or by law, all to the extent properly and directly attributable to the System, expenses in connection with the issuance of Bonds, and the expenses, liabilities and compensation of the Trustee or any other Fiduciary required to be paid, but not including any reserves for operation, maintenance or repair or any allowance for depreciation, amortization, principal of or interest on Bonds, or similar charges;

“Operating Requirement” means, as of any particular date of computation, an amount of money equal to the amount required for payment of Operating Expenses for the period of three months next following said date as shown by the annual budget then in effect;

“Qualified Investments” means:

- (a) Federal Obligations;
- (b) Deposits in interest-bearing accounts or certificates of deposit or similar arrangements issued by any bank, trust company, national banking association, savings bank or savings and loan association, including a Fiduciary, which deposits are insured or secured as required by the Resolution;
- (c) Bonds or notes issued by any State of the United States of America or any municipality thereof, which are rated in either the two highest rating categories by Standard & Poor’s Corporation and Moody’s Investors Service, or their successors;
- (d) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System senior debt obligations; Federal Home Loan Mortgage Corporation Participation Certificates; Federal National Mortgage Association mortgage backed securities and senior debt obligations; and Student Loan Marketing Association senior debt obligations;
- (e) Agency Obligations;
- (f) Repurchase agreements, the maturity of which is not more than 30 days, entered into with financial institutions which are either (i) banks, trust companies or national banking associations that are rated “A” or higher by Moody’s Investors Service and Standard and Poor’s Corporation, or (ii) a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that each such repurchase agreement is valued and secured as provided in Section 1105 of the Resolution;
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and having a rating by Standard and Poor’s Corporation of “AAAm-G,” “AAAm” or “AAm”;
- (h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s Investors Service or “A-1” or better by Standard and Poor’s Corporation;
- (i) Federal funds or bankers’ acceptances, with a maximum term of one year, of any bank, which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or

“A-3” or better from Moody’s Investors Service and “A-1” or “A” or better by Standard and Poor’s Corporation; and

(j) Investment agreements with a bank, investment bank, brokerage firm or insurance company provided that such bank, investment bank, brokerage firm or insurance company maintains an office in the United States and provided further that the terms of such investment agreement are approved in writing by each Bond Insurer;

“Revenues” means all Service Charges, and all fees, including connection fees, rents and charges and other income derived or to be derived by the Authority from or for the ownership, operation, use or services of the System, including income earned from investment of moneys in any Fund other than the 1990 Construction Fund or any Project Construction Fund, but excluding any Government Grant;

“Service Charges” means rents, rates, fees or other charges for direct or indirect connection with, or the use or services of, the System which the Authority, under the Act, is or may be authorized to charge and collect with regard to persons or real property;

“Sewerage System” means the plants, structures and other real and personal property acquired, constructed or operated or to be acquired, constructed or operated by the Authority for the purposes of the Authority, including sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections, outfalls, compensating reservoirs, and other plants, structures, boats, conveyances, and other real and personal property, and rights therein, and appurtenances necessary or useful and convenient for the collection, treatment, purification or disposal in a sanitary manner of any sewage, liquid or solid wastes, night soil or industrial wastes;

“Sinking Fund Installment” means the amount of money required by the Resolution or by a supplemental resolution authorizing Additional Bonds to be paid by the Authority on the first day of July toward the retirement of any particular outstanding Bonds which mature on a single date after said first day of July but does not include any amount payable by reason only of the maturity of a Bond, and, for all purposes of the Resolution, said first day of July is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment, and said particular outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment and for which such Sinking Fund Installment is established and is or is to be paid;

“Subordinated Indebtedness” means any bonds or other obligations of the Authority secured by a subordinated or subsequent pledge of or other lien on Revenues or amounts withdrawn from the General Fund;

“System” means the Sewerage System and the Water System;

“System Reserve Requirement” means, as of any particular date of computation, \$100,000 or such greater amount (currently \$1,500,000) as may most recently have been established by a resolution of the Authority filed with the Trustee together with a certificate, signed by the Consulting Engineer, approving such amount as reasonably necessary as a reserve for expenses with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals; and

“Water System” means the plants, structures and other real and personal property acquired, constructed or operated or to be acquired, constructed or operated by the Authority for the purposes of the Authority, including reservoirs, basins, dams, canals, aqueducts, standpipes, conduits, pipelines, mains, pumping stations, water distribution systems, compensating reservoirs, waterworks or sources of water supply, wells, purification or filtration plants or other plants and works, connections, rights of flowage or diversion, and other plants, structures, boats, conveyances, and other real and personal property, and

rights therein, and appurtenances necessary or useful and convenient for the accumulation, supply or distribution of water.

### **Resolution to Constitute Contract**

The provisions of the Resolution constitute contracts between the Authority, the Trustee and the holders from time to time of the Bonds. The pledge made in the Resolution and the covenants and agreements set forth therein to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of the Bonds, all of which shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution.

### **Obligation of Bonds**

The Bonds shall be direct and general obligations of the Authority and the full faith and credit of the Authority are pledged to the payment of the principal or redemption price of and interest on the Bonds. All Bonds and Bondholders shall be entitled to the benefits of the continuing pledge and lien created by the Resolution to secure the full and final payment of the principal or redemption price of and interest on the Bonds.

### **Issuance of Additional Bonds**

Additional Bonds may be authorized to be issued pursuant to and in accordance with the Act on a parity with the then Outstanding Bonds, either (a) for the purpose of raising funds to pay the cost of acquisition or construction of any Additional Project, or (b) for the purpose of refunding any Bonds. A portion of the proceeds of sale of Additional Bonds may be applied to provide for an increase in the Bond Reserve Fund to the Bond Reserve Requirement, the Renewal and Replacement Fund to the System Reserve Requirement, or the Operating Fund to the Operating Requirement; to provide for the payment of interest on Bonds by a deposit to a Capitalized Interest Account and to fund or refund any indebtedness of the Authority issued to finance or refinance costs referred to in clause (a) above.

Additional Bonds must be authorized by a supplemental resolution of the Authority and may be issued upon satisfaction of certain conditions including, among others, the following:

1. The amount held in the Bond Reserve Fund after issuance of the Additional Bonds must equal or exceed the Bond Reserve Requirement.

2. If such Additional Bonds are authorized for the purpose of financing an Additional Project, (a) the Consulting Engineer must opine that (1) the Additional Project is a part of the System, (2) the amount of such proceeds to be deposited in the Additional Project Construction Fund established with respect to such Additional Project will be sufficient, together with investment earnings thereon and any other funds of the Authority then available or expected to be available therefor, to pay the cost of acquisition, construction or completion of such Additional Project, (3) one-third of the Net Revenues during the period of thirty-six consecutive months next following the date of delivery of such Additional Bonds will not be less than 105% of Maximum Annual Debt Service, computed as of the time immediately following such date of delivery of the Additional Bonds and (4) with respect to each Fiscal Year commencing within the thirty-six consecutive months next following the delivery of such Additional Bonds, Net Revenues during such Fiscal Year will be not less than one hundred five per centum (105%) of the Debt Service for the Bond Year commencing during such Fiscal Year; and (b) the Accountant must certify that the amount of Net Revenues during any consecutive twelve months of the fifteen month period next preceding the date of delivery of such Additional Bonds (calculated on the

assumption that the schedule of Service Charges in effect at the time of such delivery had been in effect during the whole of such period) is not less than 105% of Maximum Annual Debt Service as of the time immediately preceding the delivery of such Additional Bonds;

3. If such Additional Bonds are authorized for the purpose of refunding Bonds, the Accountant must opine either (1) that Debt Service in each Bond Year computed as of the time immediately following the delivery of such Additional Bonds will not be greater than Debt Service in each Bond Year, computed as of the time immediately preceding such delivery, or (2) that the amount of the Net Revenues during any consecutive twelve months of the fifteen-month period next preceding the date of delivery of such Additional Bonds (calculated on the assumption that the schedule of Service Charges in effect at the time of such delivery had been in effect during the whole of such period) is not less than 105% of Maximum Annual Debt Service, computed as of the time immediately following such delivery.

### **Project Construction Fund**

Pursuant to the Resolution, and at the time of issuance of Additional Bonds to finance Additional Projects, the Authority will establish an Project Construction Fund (the "Project Construction Fund") which shall be held by the Trustee in trust and applied to pay the cost of such Additional Projects and will be pledged, pending application to such payment of such cost, for the security of the payment of the principal of and interest on such Additional Bonds and shall at all times be subject to the lien of such pledge.

### **Revolving Fund for Certain Costs**

The Trustee shall, during construction of Additional Projects, pay from the Project Construction Fund to the Authority, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than \$100,000, exclusive of and in addition to reimbursements such sums and such reimbursements to be used by the Authority as a revolving fund for the payment of administrative expenses which cannot conveniently be paid from the Project Construction Fund.

### **Payments from Project Construction Fund**

The Trustee shall, during and upon completion of construction of the Additional Projects, make payments from the Project Construction Fund in addition to those made for administrative expenses, only upon receipt of requisitions and certifications of the Authority stating (1) that obligations in the stated amounts have been incurred by the Authority in or about the construction of the Additional Projects, and that each item thereof is a proper charge against the Project Construction Fund and is a proper cost of the Additional Projects and has not been paid, (2) that there has not been filed with or served upon the Authority notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Authority, that such lien, attachment or claim has been released or discharged, and (3) that such requisition contains no item representing payment on account of any retained percentages which the Authority is at the date of such certificate entitled to retain.

### **Disposition of Balance of an Project Construction Fund**

The Trustee shall withdraw from the Project Construction Fund the balance of any moneys remaining in such Project Construction Fund upon completion of the Additional Projects and, after providing for the payment of all costs in connection therewith, pay, first, into the Bond Reserve Fund, such amount as does not make the total sum then in the Bond Reserve Fund exceed the Bond Reserve Requirement, second, into the Renewal and Replacement Fund such amount as does not make the total

sum then in the Renewal and Replacement Fund exceed the System Reserve Requirement, and, third, into any Fund or Account the amounts specified by the Authority.

### **Establishment of Funds**

Pursuant to the Resolution, the Authority establishes and creates the following special funds, each of which (except the Operating Fund, to be held by the Authority) shall be held by the Trustee:

Revenue Fund

Operating Fund

Bond Service Fund

Sinking Fund

Bond Reserve Fund

Renewal and Replacement Fund

General Fund

Rebate Fund

### **Pledge Securing Bonds**

Subject only to the right of the Authority to cause amounts to be withdrawn and paid on account of Operating Expenses of the System or withdrawn from the General Fund or the Rebate Fund, the Revenues and all moneys and securities paid or to be paid to or held or to be held by the Trustee under the Resolution are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds.

### **Deposit of Service Charges and Government Grants**

All Service Charges shall be collected by the Authority and deposited daily, as far as practicable, in the name of the Trustee with a depository or depositories, designated by the Authority and approved by the Trustee. All Service Charges shall be paid by the Trustee into the Revenue Fund. Any moneys received by the Authority from any other source for operating, maintaining or repairing the System may also be deposited in the Revenue Fund.

All Government Grants, received by the Authority and not otherwise pledged as security for the payment of obligations of the Authority issued in anticipation of the receipt thereof, shall be deposited promptly with the Trustee.

### **Periodic Withdrawals from Revenue Fund**

As of the first day of each month, the Trustee shall make payments from the Revenue Fund into the following several Funds, but as to each such Fund only within the limitation hereinbelow indicated with respect thereto and only after maximum payment within such limitation into every such Fund previously mentioned in the following tabulation:

First: Into the Operating Fund to the extent, if any, needed to increase the amount in the Operating Fund so that it equals the Operating Requirement.



Second: Into the Bond Service Fund, to the extent, if any, needed to increase the amount in the Bond Service Fund so that it equals any unpaid interest then due on outstanding Bonds, plus an amount which, together with any amounts deposited in a Capitalized Interest Account and applicable thereto, will equal the interest, if any, to become due on outstanding Bonds at or before the first day of July next ensuing, plus the principal amount of any outstanding Bonds then matured, plus the principal amount of outstanding Bonds, if any, maturing at or before the first day of July next ensuing.

Third: Into the Sinking Fund, to the extent, if any, needed to increase the amount in the Sinking Fund so that it equals the amount of any past due Sinking Fund Installments, plus the aggregate amount of all Sinking Fund Installments payable at or before the first day of July, next ensuing.

Fourth: Into the Bond Reserve Fund, to the extent, if any, needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve Requirement.

Fifth: Into the Renewal and Replacement Fund, to the extent, if any, needed to increase the amount in the Renewal and Replacement Fund so that it equals the System Reserve Requirement.

Sixth: Into the General Fund, to any extent.

## **Operating Fund**

The Authority shall make payment from time to time out of the Operating Fund of all amounts required for the operation, maintenance or repair of the System and for reasonable and necessary Operating Expenses.

## **Bond Service Fund**

The Trustee shall withdraw from the Bond Service Fund, prior to each interest payment date of the Bonds, an amount equal to the interest due on the Bonds on such interest payment date, and apply the same to the payment of said interest when due. If such withdrawals shall have been made, the Trustee shall withdraw from the Bond Service Fund, prior to each first day of July an amount equal to the principal amount of Bonds, if any, maturing on said day, and apply the same to the payment of the principal of said Bonds when due.

If at any time there shall not be a sufficient amount in the Bond Service Fund to provide for any such withdrawal therefrom the Trustee shall withdraw from the Bond Reserve Fund and pay into the Bond Service Fund the amount sufficient to make up such deficiency therein.

## **Sinking Fund**

The Trustee shall establish and maintain in the Sinking Fund a separate account for each particular group of Bonds which mature on a single date and for which Sinking Fund Installments are established. Moneys paid into the Sinking Fund in any Fiscal Year shall upon receipt be segregated and set aside in said accounts in proportion to the respective amounts of the Sinking Fund Installments payable on the next ensuing July 1 with respect to the particular Bonds for which each such account is maintained.

If on any July 1 the full amount of any Sinking Fund Installment payable on said date shall not have been paid into the Sinking Fund the Trustee shall withdraw from the Bond Reserve Fund and pay

into the Sinking Fund, on account of such Sinking Fund Installment, the amount thereof not previously so paid.

On or prior to April 1 of each Fiscal Year, the moneys held in the Sinking Fund for the payment of any particular Sinking Fund Installment may be applied for the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of Bonds to be redeemed from such Sinking Fund Installment on the July 1st next ensuing. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond shall not exceed the redemption price of such Bond applicable upon its redemption on the next date on which such Bond could be redeemed in accordance with its terms by operation of the Sinking Fund. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as directed by the Authority or, in the absence of such direction, in such manner as the Trustee in its discretion may determine and as may be possible with the amount of moneys available therefor in the Sinking Fund.

### **Bond Reserve Fund**

If on any date (a) the amount in the Bond Service Fund equals or exceeds the Fund Requirement thereof as of such date, (b) the amount in the Sinking Fund equals or exceeds the Fund Requirement thereof as of such date, and (c) all withdrawals or payments from the Bond Reserve Fund required by any other provision of the Resolution shall have been made, the Trustee shall withdraw from the Bond Reserve Fund the amount of any excess therein over the Bond Reserve Requirement as of such date and shall pay the moneys so withdrawn into the Revenue Fund.

At the direction of the Authority moneys in the Bond Reserve Fund may be withdrawn from the Bond Reserve Fund and deposited with the Trustee for the payment of the principal or redemption price of and interest on Bonds provided that immediately after such withdrawal the amount held in the Bond Reserve Fund equals or exceeds the Bond Reserve Requirement.

The Authority shall maintain in the Bond Reserve Fund an amount equal to the Bond Reserve Requirement. In lieu of the deposit of money in the Bond Reserve Fund in satisfaction of the Bond Reserve Requirement, the Authority may provide the Trustee with Reserve Fund Assets. The Trustee shall not accept any letter of credit, insurance policy or surety bond as a Reserve Fund Asset until it shall have been provided with an opinion of counsel of the issuer of such Reserve Fund Asset that such Reserve Fund Asset is a valid and binding obligation of such issuer enforceable in accordance with its terms and is exempt from the registration requirements of applicable Federal securities laws. Each such letter of credit shall not be terminable by the bank issuing such letter of credit on less than five years' written notice to the Trustee and the Authority. Each such insurance policy or surety bond shall not permit the cancellation thereof by the issuer.

No moneys held in the Bond Reserve Fund shall be invested under an investment agreement described in clause (j) of the definition of Qualified Investments unless the following requirements are satisfied (a) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with interest payment dates, (b) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), (c) the agreement is not subordinated to any other obligations of the insurance company, brokerage firm, investment bank or bank providing the investment agreement, (d) the same guaranteed interest rate will be paid on any future deposits made to restore the Bond Reserve Fund to the Bond Reserve Requirement, and (e) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company, brokerage firm, investment bank or bank.

In computing the value of Reserve Fund Assets, each insurance policy or surety bond shall be valued at the amount of the coverage under such insurance policy or surety bond which may be drawn upon by the Trustee and each letter of credit shall be valued at the undrawn stated amount thereof which may be drawn upon by the Trustee.

### **Renewal and Replacement Fund**

If on any date the amount in the Bond Reserve Fund shall be less than the Bond Reserve Requirement and sufficient funds are not available in the General Fund to cure such deficiency, the Trustee shall withdraw from the Renewal and Replacement Fund and pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve Requirement.

The Trustee shall withdraw from the Renewal and Replacement Fund amounts requisitioned by the Authority and apply the same to the reasonable and necessary expenses with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

If on any date all withdrawals or payments from the Renewal and Replacement Fund required by the Resolution shall have been made and the amount in the Renewal and Replacement Fund exceeds the System Reserve Requirement, the Trustee, at the request of the Authority, shall withdraw from the Renewal and Replacement Fund the amount of such excess and pay the moneys so withdrawn into the Revenue Fund.

### **General Fund**

If on any date the amount in the Bond Reserve Fund shall be less than the Bond Reserve Requirement, the Trustee shall withdraw from the General Fund and pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals such Bond Reserve Requirement.

Whenever the amount in the Bond Reserve Fund equals or exceeds the Bond Reserve Requirement, the amount in the Bond Service Fund equals or exceeds the Fund Requirement thereof, the amount in the Sinking Fund equals or exceeds the Fund Requirement thereof and the Authority is not in default in the payment of the principal or Redemption Price of or interest on any Bonds, then the Trustee, at the direction of the Authority shall withdraw from and pay out of the General Fund such amounts as shall be necessary for the payment of Subordinated Indebtedness payable within 180 days of the date of such withdrawal or for the restoration of funds or accounts of the Authority used to pay Subordinated Indebtedness.

Subject to the provisions of any resolution, indenture or instrument securing the payment of Subordinated Indebtedness, whenever (a) the amount in the Bond Service Fund equals or exceeds the greater of (i) the Fund Requirement of the Bond Service Fund or (ii) the interest, if any, to become due on Outstanding Bonds at or before the first day of July next ensuing, plus the principal amount of Outstanding Bonds, if any, maturing at or before the first day of July next ensuing, (b) the amount in the Sinking Fund equals or exceeds the aggregate amount of all Sinking Fund Installments payable at or before the next ensuing July 1, (c) the amount in the Bond Reserve Fund equals or exceeds the Bond Reserve Requirement, (d) the amount in the Renewal and Replacement Fund equals or exceeds the System Reserve Requirement, and (e) the Authority is not in default in the payment of the principal of or interest on or redemption price of any of the Bonds, the Trustee, at the direction of the Authority shall withdraw from and pay out of the General Fund any amount in the General Fund which is in excess of the amounts then reasonably required in the opinion of the Authority to be reserved for payment or security

of the Bonds, payment of any rebate due the United States under the Internal Revenue Code and for any current or anticipated necessary reconstruction of the System.

### **Rebate Fund**

The Authority covenants that it will include in its annual budget such amount as necessary to fund any deposits to be made in the applicable Fiscal Year to maintain in the Rebate Fund, any amount required to be paid to the United States pursuant to Section 148(f) of the Internal Revenue Code of 1986.

### **Operation and Maintenance of System**

The Authority shall at all times operate the System properly and in a sound and economical manner, and shall maintain, preserve and keep the same properly or cause the same to be so maintained, preserved and kept, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly conducted.

### **Payment of Lawful Charges**

The Authority shall pay all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon it or in respect of the System, or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the System, and shall not create or suffer to be created any lien or charge upon the System or any part thereof or upon the revenues therefrom, except as provided by the Resolution. The Authority shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge within sixty days after the same shall accrue, all lawful claims and demands which, if unpaid, might by law become a lien upon the System or the revenues therefrom; provided, however, that nothing in the Resolution shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

### **Consulting Engineer**

The Authority shall continue to employ a Consulting Engineer, whose duty it shall be to inspect the construction and operation of the System, to make an inspection of the System at least once a year, and, annually, to submit to the Authority advice and recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year, and an estimate of the amount of money necessary for such purposes. Copies of the reports of the Consulting Engineer and of recommendations and estimates made in accordance with the Resolution shall be mailed by the Authority to the Trustee for inspection by Bondholders.

### **Annual Budget of Operating Expenses**

The Authority shall not less than forty-five days before the beginning of any Fiscal Year prepare and file with the Trustee and with the Consulting Engineer a preliminary budget of Operating Expenses for the ensuing Fiscal Year. The Authority shall prepare such preliminary budget and every Annual Budget on the basis of monthly requirements so that it will be possible to determine from such budget the Operating Expenses for each month of the Fiscal Year, and shall comply with any reasonable request of the Trustee or of the Consulting Engineer as to the preparation of such budget, particularly with respect to the categories into which such budget shall be divided. Such preliminary budget and any Annual Budget may set forth such additional material as the Authority may determine.

On or before the first day of each Fiscal Year, the Authority shall finally adopt the Annual Budget for such Fiscal Year, and the total expenditures stated in any division thereof shall not substantially exceed the total expenditures in the corresponding division of the preliminary budget. Copies of the Annual Budget shall be promptly filed with the Trustee and the Consulting Engineer, and such Annual Budget shall not be effective until it is so filed.

If for any reason the Authority shall not have adopted the Annual Budget before the first day of any Fiscal Year, the preliminary budget for such year, if it shall have been filed with the Trustee, or otherwise the budget for the preceding Fiscal Year, shall be deemed to have been adopted for such Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted and a copy thereof filed with the Trustee.

The Authority may at any time adopt an amended Annual Budget for the then current Fiscal Year, but no such amended Annual Budget under which the total amount of expenditures exceeds such total amount in any prior budget for such Fiscal Year shall supersede such prior budget until a copy thereof has been filed with the Trustee.

### **Limitations on Operating Expenses**

The Authority shall not incur Operating Expenses in any year in excess of the reasonable and necessary amount thereof, and shall not expend any amount or incur any indebtedness for maintenance, repair and operation in excess of the amounts provided for Operating Expenses in the Annual Budget then in effect.

### **Service Charges**

For all direct or indirect connection with, and all use and services of, the System, the Authority shall charge and collect Service Charges in accordance with the Act. The Authority shall prescribe a schedule of Service Charges, as recommended by the Consulting Engineer, and shall thereafter charge and collect Service Charges and shall, whenever and as often as it shall appear necessary, make such revisions in any such schedule and prescribe, charge and collect such Service Charges, as may be necessary or proper in order that the Revenues collected (including any proceeds to the Authority of use and occupancy insurance and other moneys available to and deposited by the Authority in the Revenue Fund) and paid to the Trustee will be at least sufficient:

- (a) at all times to pay all Operating Expenses and maintain, preserve and keep the System in good repair, working order and condition, and
- (b) to provide in each Fiscal Year a sum equal to 105% of the Debt Service for the Bond Year commencing during such Fiscal Year, and
- (c) by the deposit and application in accordance with the Resolution of Revenues paid to the Trustee, to maintain in the Bond Reserve Fund an amount equal to the Bond Reserve Requirement, and
- (d) by the deposit and application in accordance with the Resolution of Revenues paid to the Trustee, to maintain in the Renewal and Replacement Fund an amount equal to the System Reserve Requirement, and
- (e) at all times to provide for any deficits of the Authority resulting from failure to receive any Service Charges or from any other cause and comply in all respects with the terms and provisions of the Resolution and of the Act and pay and discharge all charges or liens payable out of the Revenues when due and enforceable.

## **Enforcement of Service Charges**

The Authority shall so plan, schedule and prosecute all construction on or about the System, and shall so operate and maintain the System, as to entitle it at all times to charge and collect Service Charges in accordance with the Act and to collect Revenues with respect to the System, and shall take all reasonable measures permitted by the Act or otherwise by law to enforce prompt payment to it of all Service Charges and Revenues.

## **Insurance and Reconstruction**

The Authority shall at all times maintain with responsible insurers all such insurance as is customarily maintained with respect to utility systems of like character against loss of or damage to the System and against loss of Revenues and against public and other liability to the extent reasonably necessary to protect the interest of the Authority and the Bondholders. If any useful part of the System shall be damaged or destroyed, the Authority shall, as expeditiously as may be possible, commence and diligently prosecute the repair or replacement of the damaged property so as to restore the same to use. The proceeds of any such insurance shall be payable to the Authority and (except for proceeds of use and occupancy insurance) shall be applied to the necessary costs involved in such repair and replacement and, to the extent not so applied, shall (together with proceeds of any such use and occupancy insurance) be deposited by the Authority as Revenues.

## **Sale or Encumbrance**

No part of the System shall be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of; provided, however, that the Authority may sell, exchange or lease at any time and from time to time any property or facilities constituting part of the System and not useful or necessary in the construction, reconstruction or operation thereof, but any proceeds of any such sale, exchange or lease, if payable in installments, shall be deposited with the Authority as Revenues; and any such proceeds not so payable shall be deposited with the Trustee and applied to the payment, purchase or redemption of Bonds.

## **Creation of Liens**

The Authority shall not issue any bonds, notes, or other evidences of indebtedness, other than the Bonds, secured by a pledge of or other lien or charge on the Revenues (including amounts which the Authority may thereafter be entitled to expend for Operating Expenses) and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by the Authority or any Fiduciary under the Resolution; provided, however, that the Authority may issue bonds or notes or other obligations for the purposes of the Authority payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied or amounts which may be withdrawn from the General Fund and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of the Resolution and the lien and pledge created by the Resolution.

## **Accounts and Audit**

The Authority shall keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the System or any part thereof. The Authority shall cause its books and accounts to be audited annually by an Accountant selected by the Authority and annually within four months after the close of each Fiscal Year copies of the reports of such audits shall be furnished to the Authority, the Consulting Engineer and the Trustee.

## **Competitive Facilities and Regional Systems**

Except as hereafter described, the Authority shall not construct, acquire, or operate, or permit or consent to the construction, acquisition or operation of facilities which may compete or tend to compete with the System; provided, however, that the Authority may consent to the construction, acquisition or operation by a person (a) of facilities for the collection, treatment or disposal of sewage which the Authority shall determine are not economically feasible for it to construct or acquire at such time, if, pursuant to the terms of such consent, such facilities will become a part of the System either (i) without any cost to or payment by the Authority or (ii) upon payment of such amount or cost as the Authority shall determine to be proper in the circumstances, or (b) of facilities for the treatment and sanitary disposal of industrial wastes resulting from any process of industry, manufacture, trade or business carried on by such person or from the development by such person of any natural resources.

The Authority may (a) permit operation of facilities which are part of any regional sewerage system or water supply system operated for the purpose of providing services for the transmission, treatment and disposal of sewage collected by the Authority or for the supply and distribution of water to the Authority, (b) provide for the use of any such services of such regional system, and enter into and perform contracts providing for or relating to such services and the cost and expense thereof, (c) make payments pursuant to said contracts for such services as Operating Expenses, (d) modify the System in any manner needed in order to obtain the benefits of said contracts, and (e) sell, lease or otherwise dispose of any of its property which by reason of the existence of said contracts, is no longer needed in connection with the maintenance and operation of the System.

## **Tax Covenants**

The Authority shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof.

The Authority shall not permit any of the proceeds of the Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond to constitute a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986.

The Authority shall not permit any of the proceeds of the Bonds, or other moneys to be invested in any manner that would cause any Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986 or a "hedge bond" within the meaning of Section 149(g) of the Internal Revenue Code of 1986.

The Authority shall comply with the provisions of Section 148(f) of the Internal Revenue Code of 1986 relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

## **Deposit and Security of Funds**

All moneys held by any Fiduciary may be deposited by it, on demand or time deposit, in its banking department or with such banks, national banking associations, trust companies, savings banks or savings and loan associations which are members of the Federal Deposit Insurance Corporation as may be designated by the Authority and approved by the Trustee. No such moneys shall be deposited or remain on deposit with any such financial institution in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless (a) such financial institution shall have lodged with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of

the Trustee and Authority, pledged to some other financial institution for the benefit of the Authority and the holders of Bonds, as collateral security for the moneys deposited, Federal Obligations or Agency Obligations having a market value (exclusive of accrued interest) at least equal to the amount of such moneys, and (b) the Trustee shall have a perfected first lien in the Federal Obligations or Agency Obligations serving as collateral, and such Federal Obligations or Agency Obligations shall be free from all third party liens.

Each repurchase agreement shall be secured by Federal Obligations or Agency Obligations having a market value, marked to market weekly, at least equal to 103% of the amount invested in the repurchase agreement plus accrued interest. The Trustee shall at all times have a perfected first lien in such Federal Obligations or Agency Obligations.

## **Investment Regulations**

Moneys in each of the Funds or Accounts, on instructions of the Authority shall be invested in Qualified Investments in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable. Qualified Investments so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be a part of said Fund or Account and, except as may be otherwise expressly provided in the Resolution, the interest thereon and any profit arising on the sale thereof shall be credited to said Fund or Account, and any loss resulting on the sale thereof shall be charged to said Fund or Account. Qualified Investments so purchased as an investment of moneys in any such Fund or Account shall be sold at the best price obtainable whenever it shall be necessary so to do in order to provide moneys to make any transfer, withdrawal, payment or disbursement from said Fund or Account, or, in the case of any required transfer of moneys to another such Fund or Account, may be transferred to that Fund or Account in lieu of the required moneys.

In computing the amount in any Fund or Account, Qualified Investments shall be valued at market value. Valuation shall be made as of each January 15 and July 15, and on any other date required under the Resolution, and shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

## **Defeasance**

If the Authority shall pay or cause to be paid to the holders of the Bonds the principal and interest or redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of the Revenues and other moneys and securities hereby pledged and all other rights granted by the Resolution shall be discharged and satisfied.

Bonds shall be deemed to have been paid (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to redeem such Bonds, and (b) there shall have been deposited with the Trustee either moneys or Defeasance Obligations maturing and bearing interest at times and in amounts sufficient together with the moneys on deposit with the Trustee to pay when due the principal and interest or redemption price, if any, to become due on said Bonds.

## **Powers of Amendment**

Any modification or amendment of the provisions of the Resolution or of any resolution amendatory or supplemental thereto and of the rights and obligations of the Authority and of the holders of the Bonds thereunder, may be made by resolution of the Authority with the written consent of the holders of at least a majority in aggregate principal amount of the Bonds outstanding at the time such consent is given, but no such modification or amendment shall permit a change in the maturity or terms of



redemption of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the amount of principal amount or redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto, or shall reduce the percentages or otherwise affect the description of Bonds without the consent of the holders of which is required to effect any such modification or amendment.

Supplemental resolutions may be adopted from time to time by the Authority without consent of the Bondholders or the Trustee to limit the issuance of Bonds or other indebtedness; to add additional limitations and restrictions to be observed by the Authority; to authorize Additional Bonds; to confirm, as further assurance, any pledge under the Resolution; to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or to insert such clarifying provisions as are not contrary to or inconsistent with the Resolution; and to modify the Resolution, but only if such modification shall be effective only after all Bonds outstanding at the date of adoption of such supplemental resolution shall cease to be outstanding.

## **Remedies**

The Bondholders and the Trustee acting for the Bondholders, shall be entitled to all of the rights and remedies provided in the Act or otherwise provided or permitted at law or in equity or by statute. See "REMEDIES UNDER THE ACT."

### **REMEDIES UNDER THE ACT**

In the event that there shall be a default in the payment of principal of or interest on any Bonds of the Authority after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of 30 days, or in the event the Authority shall fail or refuse to comply with the provisions of the Act or shall fail or refuse to carry out and perform the terms of any contract with the owners of any Bonds, and such failure or refusal shall continue for a period of 30 days after written notice to the Authority of its existence and nature, the owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding by instrument or instruments filed in the office of the Secretary of State of the State of New Jersey and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the owners of the Bonds. Pursuant to the Act and the Resolution, the right of the Bondholders to appoint a trustee has been abrogated and the Trustee appointed pursuant to the Resolution has been empowered to exercise all remedies under the Act on behalf of the Bondholders.

Such Trustee may and upon written consent of the owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding shall, in his or its own name:

- (1) By any action, writ, action in lieu of prerogative writs, or other proceedings, enforce all rights of the owners of such series, including the right to require the Authority to charge and collect service charges adequate to carry out any contract as to, or pledge of, system revenues, and to require the Authority to carry out and perform the terms of any contract with the owners of such series or its duties under the Act;
- (2) Bring an action upon all or any part of such series or claims appurtenant thereto;
- (3) By action, require the Authority to account as if it were the trustee of an express trust for the owners of such series;

(4) By action, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of such series; or

(5) Declare all such series due and payable, whether or not in advance of maturity, upon thirty (30) days prior notice in writing to the Authority and, if all defaults shall be made good, then with the consent of the owners of twenty-five percent (25%) of the principal amount of such series then outstanding, annul such declaration and its consequences.

Such Trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of the functions specifically set forth or incident to the general representation of the owners of series in the enforcement and protection of their rights.

In any action or proceeding by such Trustee, the fees, counsel fees and expenses of the Trustee and of the receiver, if any, appointed pursuant to the Act, shall constitute taxable costs and disbursements, and all costs and disbursements allowed by the court, shall be a first charge upon any Service Charges and System Revenues of the Authority pledged for the payment of the Series of Bonds.

Such Trustee, whether or not all of the Bonds of a series shall have been declared due and payable, shall be entitled as of right to the appointment of a receiver of the System, and such receiver may enter upon and take possession of the System and, subject to any pledge or contract with the owners of such series, shall take possession of all moneys and other property derived from or applicable to the acquisition, construction, operation, maintenance or reconstruction of the System and proceed with such acquisition, construction, operation, maintenance or reconstruction which the Authority is under any obligation to do, and operate, maintain and reconstruct the System and fix, charge, collect, enforce and receive the Service Charges and all System Revenues thereafter arising subject to any pledge thereof or contract with the owners of such series relating thereto and perform the public duties and carry out the contract and obligations of the Authority in the same manner as the Authority itself might do and under the direction of the court.

## **LITIGATION**

It is the opinion of the Authority's counsel that, except as noted herein, there is no litigation pending or, to their knowledge, threatened in any Court (either State or Federal) restraining or enjoining the issuance or delivery of the Bonds or, in any way, questioning the creation, organization or existence of the Authority, the title to office of the members or officers of the Authority, the validity of the Resolution, the power of the Authority to construct, own and operate the System, fix and collect rates, rentals and other charges sufficient to pay the principal of and interest on the Bonds and to carry out all provisions of the Resolution, or the proceedings for the authorization, execution and delivery of the Bonds or the validity of the Bonds.

## **TAX MATTERS**

In the opinion of Malamut & Associates, LLC, Bond Counsel to the Authority, assuming continuing compliance by the Authority and the County with their respective covenants pertaining to provisions of the Internal Revenue Code of 1986, as amended (the "Code"), pertaining to the issuance of the Bonds, and subject to certain provisions of the Code that are described below, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, and will not be treated as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel to the Authority, interest on the Bonds and any gain from the sale thereof are excludable from gross income of the owners thereof under the New Jersey Gross Income Tax Act.

The Code contains a number of provisions that apply to the Bonds, including restrictions relating to the use or investment of the proceeds of the Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Bonds being includable in gross income for federal income tax purposes retroactive on the date of issuance of the Bonds. The Authority and the County have covenanted in the Leases to comply with these requirements. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to the changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest thereon.

The Code imposes an alternative minimum tax on individuals and corporations. Interest received with respect to certain types of private activity bonds issued after August 7, 1986 is considered a tax preference subject to the alternative minimum tax. As the Bonds are not private activity bonds, interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Section 265(b) of the Code generally denies to banks, thrift institutions and other financial institutions any deduction for that portion of interest expense incurred or continued to purchase or carry tax-exempt obligations.

The Bonds will not be designated as qualified under Section 265 of the Code by the Authority for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the County or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium

Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR

DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

### **MUNICIPAL ADVISOR**

Acacia Financial Group, Inc. is serving as the municipal advisor to the Authority in connection with the issuance and sale of the Bonds. The municipal advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Acacia Financial Group, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **CONTINUING DISCLOSURE**

Upon the issuance of the Bonds, the Authority will enter into an agreement (the “Continuing Disclosure Agreement”) with TD Bank, National Association, as dissemination agent (the “Dissemination Agent”), for the benefit of the holders of the Bonds, to comply with the secondary market disclosure requirements of the United States Securities and Exchange Commission’s Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended. Pursuant to the Continuing Disclosure Agreement, the Authority will covenant to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) through the internet facilities of the Electronic Municipal Market Access System, or its successor. Further, the Authority will covenant to provide notices of the occurrence of certain enumerated events. The Dissemination Agent shall file such information and such notices on behalf of the Authority with the MSRB through the internet facilities of the Electronic Municipal Market Access System, or its successor. The specific nature of the information to be contained in the Annual Report (as such term is defined in the Continuing Disclosure Agreement) or the notices of enumerated events is described in the form of the Continuing Disclosure Agreement set forth in Appendix D hereto.

The Authority notes the following: there have been no instances in the previous five years in which the Authority failed to comply, in all material respects, with any previous undertakings entered into in connection with Rule 15c2-12.

### **LEGALITY FOR INVESTMENT**

Section 62 of the Act, N.J.S.A. 40:14B-62, provides that the State and all public officers, municipalities, counties, political subdivisions and public bodies and agencies thereof, all banks, bankers, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the Authority, including the Bonds, and such bonds are authorized for security for any and all public deposits.

## **UNDERWRITING**

The Bonds are being purchased by Raymond James & Associates, Inc. (the “Underwriter”) at a price of \$ \_\_\_\_\_. The purchase price of the Bonds reflects an Underwriter’s discount of \$ \_\_\_\_\_ and an original issue premium of \$ \_\_\_\_\_. The Underwriter is obligated to purchase all of the Bonds if any Bonds are purchased.

The Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such Bonds into investment trusts) at prices lower than the initial public offering price set forth on the inside cover page, and such public offering price may be changed, from time to time, by the Underwriter.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Authority for the fiscal years ending June 30, 2018 and 2017, included as “APPENDIX A” to this Official Statement, have been prepared by Bowman & Company LLP, Independent Certified Public Accountants, Voorhees, New Jersey.

## **MUNICIPAL BANKRUPTCY**

The rights and remedies of owners of the Bonds are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code. In general, that Chapter permits, under prescribed circumstances (but only after an authorization by the applicable state legislature or by a governmental officer or organization empowered by state law to give such authorization), a political subdivision of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature and desire to effect a plan to adjust its debt. Such plan may, on being approved by a certain proportion of creditors and the court, include provisions modifying or altering the rights of creditors.

Under New Jersey law, a county, municipality, or other political subdivision may file a petition under Chapter 9 for the purpose of effecting a plan of readjustment of its debts, but only after first obtaining the approval of the Municipal Finance Commission of the State of New Jersey.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Malamut and Associates, LLC, Cherry Hill, New Jersey, Bond Counsel to the Authority, whose approving legal opinion will be delivered with the Bonds, substantially in the form annexed hereto as “APPENDIX C.” Copies of such opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Parker McCay P.A., Mount Laurel, New Jersey and for the Underwriter by its counsel, Chiesa Shahinian & Giantomasi PC, New York, New York.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **RATING**

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "Aa3" to the Bonds.

An explanation of the significance of such credit rating may be obtained from Moody's. There is no assurance that such credit rating will continue for a given period of time or that a credit rating will not be reviewed or withdrawn entirely by Moody's if in its judgment circumstances warrant. The Underwriter has not undertaken to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of any credit rating. Neither the Authority nor the Underwriter is obligated to oppose any such proposed revision. Any such downward change in or withdrawal of a credit rating may have an adverse effect on the Bonds.

## **MISCELLANEOUS**

All quotations from and summaries and explanations of the Act, and the Resolution contained herein do not purport to be complete and reference is made to the Act and the Resolution for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances, create an implication that there has been no change in the affairs of the Authority since the date thereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter.

The execution by its Chairman and the delivery of this Official Statement is duly authorized by the Authority.

## **THE EVESHAM MUNICIPAL UTILITIES AUTHORITY**

By:

\_\_\_\_\_  
Edward Waters, Chairman

Dated: October \_\_, 2019

## **APPENDIX A**

### **Financial Statements of the Authority**



**EVESHAM MUNICIPAL  
UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2018 & 2017**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY****TABLE OF CONTENTS**

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## EVESHAM MUNICIPAL UTILITIES AUTHORITY

Roster of Officials

June 30, 2018

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<u>Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Edward Waters	Chairperson	
Daniel E. Morton	Vice Chairperson	
Albert Lutner	Secretary	
George Tencza	Assistant Secretary	
Nancy Jamanow	Commissioner	
Byron Druss	Alternate Board Member	
<u>Other Officials</u>		
Jeffrey Rollins	Executive Director	\$1,000,000.00 (A)
Robert Lender	Deputy Executive Director of Operations	\$1,000,000.00 (A)
Laura Puszczyk	Deputy Executive Director of Finance	\$1,000,000.00 (A)
Frank Locantore	Assistant Executive Director of Personnel, Safety and Security	\$1,000,000.00 (A)
Anthony T. Drollas	General Counsel	
Florio, Perrucci, Steinhardt & Fader, LLC	Labor & Special Counsel	
Richard Alaimo	Consulting Engineer	
Buchart Horn	Environmental Consultant	
TD Bank, N.A.	Trustee	

(A) Public Employees' Faithful Performance/Dishonesty Crime Coverage of \$1,000,000.00 per employee provided by the New Jersey Utility Authorities Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund.

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2018 & 2017**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
Evesham Municipal Utilities Authority  
Evesham Township, New Jersey 08053

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

We have audited the accompanying financial statements of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham (Authority), as of and for the fiscal years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2018, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. Our opinion is not modified with respect to this matter.

### *Prior Period Restatement*

Because of the implementation of GASB Statement No. 75, net position as of June 30, 2016 on the statements of revenues, expenses and changes in net position has been restated, as discussed in note 14 to the financial statements. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
November 28, 2018



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

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
Evesham Municipal Utilities Authority  
Evesham Township, New Jersey 08053

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham, (Authority), as of and for the fiscal year ended June 30, 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 November 28, 2018. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
November 28, 2018

**Evesham Municipal Utilities Authority**  
**Management's Discussion and Analysis**  
**(Unaudited)**

The Evesham Municipal Utilities Authority (the Authority) is a public agency providing potable water and wastewater services to Evesham Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the fiscal year ending June 30, 2018. The financial section of the annual report consists of four parts: Independent Auditor's Report, the management's discussion and analysis, the financial statements and supplemental information.

**FINANCIAL**

- **Connection Fees:** Connection Fee Revenues for FY 18 totaled \$2,449,237.40. This was a \$1,694,604.80 increase from FY 17. Developers pay connection fees upon submittal of plans for new construction to connect into the Authority's water and/or sewer system. These deposits are set up as a liability until the connection is completed. Once the water meter is installed and a new billing account is established, the liability is removed and the revenue is realized. The connection fees offset the capital expense of capacity in the water and/or sewer system. Future projections indicate that connection fees will decline as Evesham Township approaches build-out. The Authority has had a rate profile in place for many years which is reviewed annually. The Authority has continued to monitor the rate structure and make adjustments to reduce its dependency on connection fee revenues, which are too volatile to depend on as a revenue source.
- **Total Net Position:** Total assets at June 30, 2018 were \$78,963,664.72. After adding deferred outflows of resources and deducting liabilities and deferred inflows of resources, net position at June 30, 2018 was \$46,655,905.35.
- **Total Operating Revenue:** FY 18 operating revenue compared to FY 17 increased by \$1,256,985.56 to \$20,146,591.98. This increase in operating revenue can be attributed to an increase in connection fee revenue. In FY 18, the Authority only utilized 82% of its allocated Potomac-Raritan-Magothy aquifer allocation of 958.732 Million Gallons.
- **Total Operating Expenses:** FY 18 Operating expenses of \$15,045,512.39 increased by \$869,777.79 from last year's restated amount of \$14,175,734.60.

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

- **Interest Income:** In FY18, the Authority generated \$270,806.93 in interest income from investments. Interest income is adjusted by the recording of investments at “fair value”, the Authority’s interest income on investments was \$194,132.63 lower than FY 17. All of the Authority’s investments are in secure investment vehicles which include treasury obligations, money market funds, GNMA’s, FNMA’s or direct Treasury Securities. The Authority continuously monitors all potential investment opportunities to maximize its rate of return. The interest income generated from these secure investments is an important component of the rate profile and is used in consideration of the service charge rate structure to help minimize any necessary rate increase.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position includes all of the Authority’s assets, deferred outflows and inflows of resources and liabilities. The Authority follows an accrual method of accounting, the current year’s revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid. Net position – the difference between the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Authority’s financial health or position.

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

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

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

The Authority's total assets were \$78,963,664.72 on June 30, 2018. Total assets, total deferred outflow of resources, total liabilities, total inflow of resources and total net position are detailed below:

Evesham Municipal Utilities Authority Net Position As of June 30,			
	Restated <u>2016 *</u>	Restated <u>2017</u>	<u>2018</u>
Current & Non-Current Assets	\$27,679,632.71	\$30,179,827.02	\$29,115,419.92
Capital Assets	<u>49,388,734.99</u>	<u>48,652,120.99</u>	<u>49,848,244.80</u>
<b>Total Assets</b>	<u>77,068,367.60</u>	<u>78,831,948.01</u>	<u>78,963,664.72</u>
Deferred Outflows of Resources	<u>1,588,302.87</u>	<u>4,861,952.51</u>	<u>4,376,541.31</u>
Current Liabilities	5,839,479.79	6,247,029.57	6,467,493.82
Long-Term Liabilities	<u>34,110,488.85</u>	<u>33,453,472.94</u>	<u>26,645,545.61</u>
<b>Total Liabilities</b>	<u>39,949,968.64</u>	<u>39,700,502.51</u>	<u>33,113,039.43</u>
Deferred Inflows of Resources	<u>713,807.50</u>	<u>2,438,683.69</u>	<u>3,571,261.25</u>
Net Position			
Net Investment in Capital Assets	20,987,197.33	24,720,693.73	30,731,047.95
Restricted	9,014,376.63	9,072,417.88	9,424,557.88
Unrestricted	<u>7,991,320.37</u>	<u>7,761,602.71</u>	<u>6,500,299.52</u>
<b>Total Net Position</b>	<u>\$37,992,894.33</u>	<u>\$41,554,714.32</u>	<u>\$46,655,905.35</u>

The Authority had operating income of \$5,101,079.59 for the current fiscal year.

\* The Authority implemented GASB 75

## **FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)**

### Evesham Municipal Utilities Authority Revenues, Expenses and Changes in Net Position For the Fiscal Years Ended June 30,

	<u>Restated 2016 *</u>	<u>Restated 2017</u>	<u>2018</u>
Operating Revenues			
Service Charges	\$16,988,691.58	\$17,092,648.21	\$16,717,626.93
Connection Fees	776,308.40	754,632.60	2,449,237.40
Other Operating Revenues	<u>1,286,400.79</u>	<u>1,042,325.61</u>	<u>979,727.65</u>
Total Operating Revenue	<u>19,051,400.77</u>	<u>18,889,606.42</u>	<u>20,146,591.98</u>
Operating Expenses	10,165,187.09	10,864,915.17	11,043,125.23
Major Repairs and Other Expenses	2,005,307.60	657,179.12	788,841.77
Depreciation Expense	<u>2,873,538.19</u>	<u>2,653,640.31</u>	<u>3,213,545.39</u>
Total Operating Expenses	<u>15,044,032.88</u>	<u>14,175,734.60</u>	<u>15,045,512.39</u>
Operating Income	4,007,367.89	4,713,871.82	5,101,079.59
Non-Operating Revenues (Expenses)			
Investment Income	288,342.06	242,901.53	379,763.71
Change in Fair Value of Investments	124,665.30	(166,227.23)	(108,956.78)
Bond Interest	(721,349.07)	(547,917.25)	(368,633.09)
Municipal Appropriation	(779,235.00)	(830,136.00)	(823,393.00)
Loss on Disposal of Fixed Assets	-	(413,383.48)	-
Contributions	<u>321,581.80</u>	<u>562,710.60</u>	<u>921,330.60</u>
Change in Net Position	<u>\$3,241,372.98</u>	<u>\$3,561,819.99</u>	<u>\$5,101,191.03</u>
<hr/>			
Net Position – July 1	\$35,856,768.56	\$37,992,894.33	\$41,554,714.32
Restatement	<u>(1,105,247.21)</u>	<u>-</u>	<u>-</u>
Net Position – Beginning, as restated	34,751,521.35	37,992,894.33	41,554,714.32
Change in Net Position	<u>3,241,372.98</u>	<u>3,561,819.99</u>	<u>5,101,191.03</u>
Net Position – June 30	<u>\$37,992,894.33</u>	<u>\$41,554,714.32</u>	<u>\$46,655,905.35</u>

\* The Authority implemented GASB 75

## **OVERALL ANALYSIS**

Overall, the Authority is in a sound financial position due, in part, to the long term goal to eliminate its reliance on connection fees to meet its annual operating expenses. The connection fees realized in FY 18 were \$2,449,237.40, which was not consistent with our FY 2017 amount and was not consistent with our expectations that connection fee revenue is declining. The realized connection fees were used to partially offset the capital budget. The rates also support a contribution of 5% of the Authority's annual operating budget to the Township pursuant P.L. 2004, Chapter 87. The Township has continued to request this annual contribution since 2010. The Authority also monitors its service charge rate structure on an annual basis, making adjustments to the rate structure as necessary. This results in gradual, predictable rate increases, which support the Authority's operations, allows for routine maintenance, capital expense repairs and capital improvement projects. The Authority implemented a Financial Model during FY 2018 for use in rate projection modeling, cash flow and future debt management. The information collected through the financial model will assist the Authority to set practices and policies regarding available and planned cash reserves for emergent projects as well as long-term planned capital improvement projects.

## **BUDGET VARIANCES**

The Authority expended 87.04% of its \$11,976,550.00 operating budget with no major variances except the revenue lines for water and sewer service charges, water and sewer connection fees, miscellaneous revenue and expense lines for water and sewer salaries & wages, sewer fringe benefits, and sewer electric and other utilities. The percentage of the amount expended to the amount budgeted compares favorably to past years.

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

During the current fiscal year, the Authority expended \$4,277,180.37 from its General and Renewal and Replacement accounts for capital activities. \$788,841.77 was classified as repairs and charged as operating expenses. The remaining \$3,488,338.60 was capitalized as either construction in progress or capital assets for the following projects:

Defense Drive Utility Replacement	\$ 57,873.42
Locust Avenue Pump Station Upgrade	15,629.43
Route 70 Water/Sewer Project	22,752.50
Woodstream UV Disinfection	344,339.43
Knox Boulevard Water/Sewer Project	54,618.05

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

Elmwood Sludge Dewatering Centrifuge	\$1,301,004.65
Energy Reduction Plan	36,928.08
Buildings, Equipment and Vehicles	154,543.78
Heritage Village Water/Sewer Project	581,388.73
ASR Wells/Well 14 Screen Replacement	\$ 68,386.61
Woodlake Drive Water Main Replacement	11,955.65
Well 4 Generator	308,247.78
South Maple Water Main Replacement	35,388.90
Other Miscellaneous Projects	80,080.50

As part of the Authority's continued capital improvement program, the Authority is currently pursuing NJIB (New Jersey Infrastructure Bank) financing for several projects: Wells 13 and 14 Treatment Improvements; Water Main Replacements on Knox Boulevard, Rt. 70, Woodlake Drive and several streets within the Heritage Village development; construction of a storage building at Elmwood Plant and the Locust Avenue Pump Station Upgrade.

**Wells 13 and 14 Treatment Improvements:** This project was on hold pending a decision from the NJDEP regarding continued withdrawals of recharged water. The NJDEP recently issued a permit, which will allow for the withdrawals of recharged water from several wells. The Authority's consulting engineer is currently coordinating the rebid process for this project with the NJIB. The Well 13 and 14 Treatment Improvements are necessary to maintain peak water supply capacity through the use of an existing aquifer storage and supply well pair. The Authority is currently not using these facilities due to the loss of production from Well 14, which is related to iron present in the recharged water from Well 13. This project will install iron precipitation and filtration equipment in an expanded well building and required ancillary equipment. The Well 14 Screen Replacement is an addition to this project, which will be included in the NJIB financing. The anticipated cost of this entire project is \$2.175 million.

**Water Main Replacements:** The Authority has identified several areas throughout the Township in need of water main replacements due to their age, type of material and size of the main. Water mains will be replaced on Knox Boulevard, Route 70 and within the Heritage Village Development (Blanchard Road, Abington Avenue, Marlborough Avenue, Azalea Terrace and Briarcliff Road). The existing water mains are approximately 50 years and near the end of their useful life. They are mostly asbestos cement pipe and some are undersized (6") according to current standards. They will be replaced with 8" PVC to bring them up to current standards. The Authority will also be



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

replacing the water mains on Woodlake Drive within the Kings Grant Development. These mains were originally constructed in the early 1980's from a variety of materials, including copper and are failing prematurely. Many of the copper mains are undersized (3") according to current standards. The existing water mains will be replaced with 6" PVC to bring them up to current standards. This water main replacement project will improve system reliability and increase available flows. The anticipated cost of this entire project is \$6.137 million.

**Elmwood Storage Building:** The Authority proposes to construct a storage building at Elmwood Wastewater Treatment Plant. The storage building will provide space for the storage of vehicles, equipment and spare parts. The proposed building will be a 4,000 square foot pre-engineered building with a metal panel roof and a brick façade. This structure will include solar panels on the roof surface. Piles will be required to support the foundation and floor slab due to the nature of the soils at Elmwood Plant. The anticipated cost for this project is \$2.110 million.

**Locust Avenue Pump Station Upgrade:** The proposed improvements at the existing pump station will include new wet well mounted submersible pumps, abandonment of the existing dry well, installation of SCADA (Supervisory Control and Data Acquisition) based telemetry and construction of a small building for the electrical controls. The anticipated cost for this project is \$1.160 million.

The proposed FY 19 Capital Budget and five-year Capital Program are \$20,252,000.00 and \$36,912,000.00 respectively. The following major line items making up the FY 19 Capital Budget are:

• Lift Station Rehabilitation	\$ 1,160,000.00
• Storage Building at Elmwood Plant	2,110,000.00
• Treatment Plant Improvements	2,418,000.00
• Wells, Tanks and Towers	6,100,000.00
• Water/Sewer Main Replacement	6,837,000.00
• Equipment	112,000.00
• Drinking Water Quality Study	100,000.00

These projects are currently underway at different stages in the process. The timing and amounts spent on these projects are contingent on the progress of the work and State approvals.

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

Looking at the five-year Capital Program, the following projects should be mentioned:

• Lift Station Rehabilitation	FY 20-21	\$ 4,950,000.00
• Treatment Plant Improvements	FY 21	195,000.00
• Water/Sewer Main Replacement	FY 20-21	6,600,000.00
• Wells & Building	FY 21	50,000.00
• Water Towers	FY 20	600,000.00

The Authority continues to assess underground infrastructure through the use of television cameras in the pipes to gather data on their condition. Type and age of the pipe and the soil conditions are used to determine an ongoing schedule of assessment and capital improvement planning for the next 5-20 years.

The Authority continues to assess a suitable location to construct a water storage tank to serve the south side water system as directed by the NJDEP. NJDEP regulations require that sufficient water for firefighting purposes be stored in an elevated tank to provide adequate volume and pressure by gravity in case of power failure. The projected costs to construct the tank and acquire suitable land for construction is projected to be \$3.5 million. The timing of this project is contingent on State and Pinelands approvals.

The Authority strives towards the development of a comprehensive asset management plan. Inventory of all assets are registered to GIS followed by condition assessment. Condition assessment can be obtained through direct and/or indirect methods. Probability of failure is determined from the condition found or estimated and the consequence of failure is evaluated which assigns criticality for repair, rehabilitation or replacement considering economic, environmental and social costs/benefits.

These are essential projects that will have an effect on the operation of our water and sewer facilities and must be included as part of the capital budget.

Although the Authority does not operate under any debt limitations, it is required to receive approval from the Local Finance Board prior to issuing any debt.

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

This financial report is designed to provide New Jersey, and Evesham Township residents in particular, and our customers, clients, investors and creditors, with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority at 100 Sharp Road, P.O. Box 467, Marlton, New Jersey 08053 or by telephone at (856) 983-1878.

## EVESHAM MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position

As of June 30, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
<b>ASSETS</b>		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 2,451,294.27	\$ 2,034,862.59
Investments	2,925,104.45	1,870,460.87
Accrued Interest Receivable	7,947.79	5,119.64
General Account:		
Cash and Cash Equivalents	8,630,919.70	9,998,282.74
Investments	79,368.35	158,587.87
Accrued Interest Receivable	172.57	347.54
Due from New Jersey Environmental Infrastructure Trust		6,981.00
Consumer Accounts Receivable	1,087,220.15	1,274,949.37
Other Accounts Receivable	29,120.04	10,671.08
Prepaid Expenses	958,304.33	936,370.46
	<hr/>	<hr/>
Total Unrestricted Assets	16,169,451.65	16,296,633.16
	<hr/>	<hr/>
Current Restricted Assets:		
Bond Service Account:		
Cash and Cash Equivalents	5,096,356.86	4,994,285.01
Accrued Interest Receivable	29,080.09	29,214.79
Bond Service Reserve Account:		
Cash and Cash Equivalents	107,664.96	249,529.79
Investments	4,403,337.11	4,339,229.19
Accrued Interest Receivable	12,026.64	12,120.99
Renewal and Replacement Account:		
Cash and Cash Equivalents	1,000,000.00	1,000,000.00
Investments	546,225.45	544,123.00
Accrued Interest Receivable	2,083.33	2,083.33
Other Accounts:		
Cash and Cash Equivalents	1,749,193.83	2,712,607.76
	<hr/>	<hr/>
Total Restricted Assets	12,945,968.27	13,883,193.86
	<hr/>	<hr/>
Non-Current Assets:		
Capital Assets:		
Construction in Progress	1,198,561.45	3,151,768.93
Completed (Net of Accumulated Depreciation)	48,649,683.35	45,500,352.06
	<hr/>	<hr/>
Total Capital Assets	49,848,244.80	48,652,120.99
	<hr/>	<hr/>
Total Assets	78,963,664.72	78,831,948.01
	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pension	3,997,713.00	4,825,933.00
Related to Other Post Employment Benefits	367,498.00	
Deferred Loss on Refunding of Bonds	11,330.31	36,019.51
	<hr/>	<hr/>
Total Deferred Outflows of Resources	4,376,541.31	4,861,952.51
	<hr/>	<hr/>

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Net Position

As of June 30, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 603,904.87	\$ 493,036.38
Accounts Payable--Related to Pensions	441,712.00	418,588.00
Overpayments	3,397.44	19,360.62
Prepaid Rental Charges	71,452.08	58,241.25
Prepaid Antennae Rental Charges	26,487.72	22,226.40
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	1,146,954.11	1,011,452.65
	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	12,510.00	66,802.02
Revenue Bonds Payable--Current Portion	3,845,000.00	3,695,000.00
New Jersey Environmental Infrastructure Loan Payable - Current Portion	963,077.04	940,025.24
Other Post Employment Benefits Obligation	148,022.20	95,412.90
Compensated Absences	52,735.63	50,907.03
Accrued Bond Interest Payable	253,928.13	335,655.63
Escrow Deposits	45,266.71	51,774.10
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	5,320,539.71	5,235,576.92
	<hr/>	<hr/>
Long-term Liabilities:		
Revenue Bonds Payable	4,101,347.85	8,110,260.22
New Jersey Environmental Infrastructure Loan Payable	10,219,102.27	11,182,179.31
Related to Pensions	10,518,275.00	12,844,154.00
Other Post Employment Benefits Obligation	1,332,199.80	858,716.10
Compensated Absences	474,620.69	458,163.31
	<hr/>	<hr/>
Total Long-term Liabilities	26,645,545.61	33,453,472.94
	<hr/>	<hr/>
Total Liabilities	33,113,039.43	39,700,502.51
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	2,160,791.00	67,684.00
Deferred Revenue	1,410,470.25	2,370,999.69
	<hr/>	<hr/>
Total Deferred Inflows of Resources	3,571,261.25	2,438,683.69
	<hr/>	<hr/>
<b>NET POSITION</b>		
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	4,578,280.38	4,578,280.38
System Reserve Requirement	1,500,000.00	1,500,000.00
Operating Requirement	3,346,277.50	2,994,137.50
Net Investment in Capital Assets	30,731,047.95	24,720,693.73
Unrestricted	6,500,299.52	7,761,602.71
	<hr/>	<hr/>
Total Net Position	\$ 46,655,905.35	\$ 41,554,714.32
	<hr/>	<hr/>

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

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Comparative Statements of Revenues, Expenses and Changes in Net Position  
For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>	Restated <u>2017</u>
Operating Revenues:		
Service Charges	\$ 16,717,626.93	\$ 17,092,648.21
Connection Fees	2,449,237.40	754,632.60
Miscellaneous Charges	979,727.65	1,042,325.61
	<hr/>	<hr/>
Total Operating Revenues	20,146,591.98	18,889,606.42
	<hr/>	<hr/>
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	489,283.89	482,030.54
Fringe Benefits	222,437.52	130,712.71
Other	555,425.71	553,372.08
	<hr/>	<hr/>
	1,267,147.12	1,166,115.33
	<hr/>	<hr/>
Cost of Service:		
Salaries and Wages	3,300,805.25	3,100,274.16
Fringe Benefits	2,191,269.17	2,271,509.51
Other	4,283,903.69	4,327,016.17
	<hr/>	<hr/>
	9,775,978.11	9,698,799.84
	<hr/>	<hr/>
Major Repairs and Other Expenses	788,841.77	657,179.12
Depreciation	3,213,545.39	2,653,640.31
	<hr/>	<hr/>
Total Operating Expenses	15,045,512.39	14,175,734.60
	<hr/>	<hr/>
Operating Income	5,101,079.59	4,713,871.82
	<hr/>	<hr/>
Non-operating Revenue (Expenses):		
Investment Income:		
Interest Revenue	379,763.71	242,901.53
Change in Fair Value of Investments	(108,956.78)	(166,227.23)
	<hr/>	<hr/>
	270,806.93	76,674.30
	<hr/>	<hr/>
Bond Interest	(368,633.09)	(547,917.25)
Municipal Appropriation	(823,393.00)	(830,136.00)
Loss on Disposal of Capital Assets		(413,383.48)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(921,219.15)	(1,714,762.43)
	<hr/>	<hr/>
Income Before Contributions (Carried Forward)	4,179,860.43	2,999,109.39

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>	Restated <u>2017</u>
Income Before Contributions (Brought Forward)	\$ 4,179,860.43	\$ 2,999,109.39
Contributions:		
Developers	921,330.60	562,710.60
Change in Net Position	5,101,191.03	3,561,819.99
Net Position - Beginning, As Originally Stated	41,554,714.32	39,098,141.54
Restatement (Note ??)	-	(1,105,247.21)
	41,554,714.32	37,992,894.33
Net Position - End of Year:		
Restricted	\$ 9,424,557.88	\$ 9,072,417.88
Unrestricted	\$ 6,500,299.52	\$ 7,761,602.71
Net Investment in Capital Assets	\$ 30,731,047.95	\$ 24,720,693.73

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

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Comparative Statements of Cash Flows  
For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>	Restated <u>2017</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 20,989,683.23	\$ 20,307,762.93
Payments to Suppliers	(9,857,093.99)	(7,867,295.38)
Payments to Employees	(3,790,089.14)	(3,582,304.70)
Other Operating Receipts	1,005,972.86	1,045,879.50
Net Cash Provided by Operating Activities	<u>8,348,472.96</u>	<u>9,904,042.35</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(3,488,338.60)	(1,720,736.29)
N.J. Environmental Infrastructure Loan Proceeds	6,981.00	90,171.00
Municipal Appropriation	(823,393.00)	(830,136.00)
Debt Service:		
Principal	(4,635,025.24)	(4,483,850.29)
Interest	(589,583.76)	(750,793.76)
Net Cash Used in Capital and Related Financing Activities	<u>(9,529,359.60)</u>	<u>(7,695,345.34)</u>
Cash Flows from Investing Activities:		
Interest on Investments	268,382.80	76,281.90
Change in Investments:		
Purchases/Unrealized Gains and Losses	(4,532,541.09)	(3,992,324.59)
Sales/Maturities	3,490,906.66	3,229,772.88
Net Cash Flows Used in Investing Activities	<u>(773,251.63)</u>	<u>(686,269.81)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,954,138.27)	1,522,427.20
Cash and Cash Equivalents--July 1	20,989,567.89	19,467,140.69
Cash and Cash Equivalents--June 30	<u>\$ 19,035,429.62</u>	<u>\$ 20,989,567.89</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 5,101,079.59	\$ 4,713,871.82
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,213,545.39	2,653,640.31
Pension Liability Expense - GASB 68	618,572.00	1,047,200.00
Other Post Employment Benefits Liability Expense - GASB 75	(367,498.00)	
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	187,729.22	(293,812.33)
(Increase) Decrease in Other Accounts Receivable	(18,448.96)	(999.22)
(Increase) Decrease in Prepaid Expenses	(21,933.87)	(10,182.45)
Increase (Decrease) in Accounts Payable	56,576.47	124,940.20
Increase (Decrease) in Overpayments	(15,963.18)	15,655.73
Increase (Decrease) in OPEB Obligation	526,093.00	(252,507.00)
Increase (Decrease) in Prepaid Rents	13,210.83	9,042.29
Increase (Decrease) in Prepaid Antenna Rents	4,261.32	1,058.40
Increase (Decrease) in Escrow Deposits	(6,507.39)	8,451.30
Increase (Decrease) in Compensated Absences Payable	18,285.98	10,145.11
Increase (Decrease) in Connection Fee Deposits	(960,529.44)	1,877,538.19
Net Cash Provided by Operating Activities	<u>\$ 8,348,472.96</u>	<u>\$ 9,904,042.35</u>

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



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Notes to Financial Statements  
For the Fiscal Years Ended June 30, 2018 and 2017

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

The financial statements of the Evesham Municipal Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Reporting Entity**

The Authority is a public body corporate and politic of the State of New Jersey. The Authority was granted its franchise area consisting entirely of the Township of Evesham when it was first established as the Evesham Sewerage Authority on April 7, 1955. The Authority was reorganized on March 3, 1959 as the Evesham Municipal Utilities Authority, by ordinance of the Township Committee.

The Authority was created for the purpose of constructing, maintaining and operating water supply and distribution and sewerage collection and treatment facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the Township from pollution or threatened pollution and for the improvement of conditions affecting the public health.

The Authority provides water supply and sewerage collection and treatment service to all residences and businesses within the Township of Evesham. The Authority also collects a connection fee for new hook-ups.

The Authority Board consists of five members and two alternates, who are appointed by Township resolution for staggered, five year terms. The daily operations of the Authority are managed by the Executive Director.

**Component Unit**

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

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Presentation**

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

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

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues -- Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution and sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond discounts, deferred loss on defeasance and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority did not adopt an amending budget resolution during the fiscal year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Cash, Cash Equivalents and Investments**

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

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of a school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash, Cash Equivalents and Investments (Cont'd)**

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

**Inventories**

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

**Prepaid Expenses**

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to June 30, 1993 are stated at estimated cost. Assets purchased since are stated at actual cost. Capital assets contributed by developers are valued at estimated fair market value as of the date of contribution.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Depreciation**

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

	<u>Years</u>
Buildings	40
Fixed & Major Moveable Equipment	5-15
Vehicles	7
Infrastructure	40

Depreciation is taken starting the month after the asset is placed in service.

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

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

**Deferred Outflows of Resources**

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its comparative statements of net position. The only deferred outflows of resources reported in this fiscal year's financial statements are a deferred amount arising from a loss on refunding of revenue bonds and a deferred outflow of resources for contributions made to the Authority's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Authority's fiscal year. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

**Deferred Inflows of Resources**

The Authority's comparative statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. Deferred inflows of resources are reported in the Authority's comparative statements of net position for connection fee funds received prior to providing water and sewer services and for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) fiscal years, including the current fiscal year.

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

**Pensions**

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

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

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

**Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Income Taxes**

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from water distribution and sewer collection facilities (i.e., water and sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the water distribution and sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, contribution to Township and major non-recurring repairs.

**Accounting Estimates**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Policies****Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of adopting this statement totaled (\$1,105,247.21) and was recognized as a restatement of the June 30, 2016 net position on the comparative statement of revenues, expenses and changes in net position (See Note 14)

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

Additionally, the Authority adopted GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The adoption of this Statement had no impact on the financial statements.

Next, the Authority adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption this Statement had no impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the Authority in the fiscal year ending June 30, 2021. Management has not yet determined the impact of this Statement on the financial statements.

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

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The Statement will become effective for the Authority in the fiscal year ending June 30, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Majority Equity Interest, an Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement will become effective for the Authority in the fiscal year ending June 30, 2020. Management does not expect this Statement will have an impact on the financial statements.

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

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

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted July 25, 1990 (Amended August 1, 1990). On August 2, 1995, July 10, 1996, November 10, 1999, October 16, 2002, February 4, 2004, August 3, 2011 and March 7, 2012, the Authority adopted Supplemental Bond Resolutions, which amended the 1990 Bond Resolution. A summary of the activities of each account created by the 1990 Bond Resolution is covered below.

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



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

**Operating Account** - The balance on deposit must be equal to at least 25% of the subsequent annual appropriation for operating expenses. At June 30, 2018, the balance in the operating account meets the requirements of the Bond Resolution.

**Bond Service Account** - This account is maintained to pay maturing interest and principal on the 2004 Series A Revenue Bonds, the 2011 Series A Revenue Bonds, the 2012 Series A Revenue Bonds and the Authority's New Jersey Environmental Infrastructure Trust Fund Loans. The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amount maturing on bonds and sinking fund installments when such payments are required. At June 30, 2018, the balance in the account meets the requirements of the bond resolution.

**Bond Reserve Account** - The amount of funds on deposit must be maintained at a level equal to the Maximum Debt Service to insure funds are available for payment of debt service. The balance on June 30, 2018 of \$4,511,002.07 does not meet the requirements of the Bond Resolution. However, effective July 1, 2018, the required amount of funds on deposit that must be maintained decreases to \$1,463,028.76.

**Renewal and Replacement Account** - This account is maintained to pay for the reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. Funds on deposit must be equal to the System Reserve Requirement, currently established by the Bond Resolution at \$1,500,000.00. At June 30, 2018, the balance in the account meets the requirements of the bond resolution.

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

**Debt Service Coverage**

The net revenues for the current year were 1.84 times the annual debt service for the current bond year ending June 30, 2018. The Authority's Bond Resolution requires that net revenues equal at least 1.05% of debt service. Net revenues and debt service coverage is calculated as follows:

	<u>2018</u>	<u>Restated 2017</u>
Net Revenue:		
Operating Income (Exhibit B)	\$5,101,079.59	\$4,505,367.82
Add: Depreciation Expense	3,213,545.39	2,653,640.31
Major Repairs & Other Expenses	788,841.77	657,179.12
Interest Revenue	<u>379,763.71</u>	<u>242,901.53</u>
Net Revenues	<u>\$9,483,230.46</u>	<u>\$8,059,088.78</u>
Debt Service:		
Bond Principal	\$4,808,077.04	\$4,435,025.24
Interest Expense:		
Interest Accrued	368,633.09	547,917.25
Less - Amortization	<u>(139,223.17)</u>	<u>(123,394.01)</u>
Debt Service	<u>\$5,315,933.30</u>	<u>\$5,306,336.50</u>
Net Revenues	9,483,230.46	8,059,088.78
Debt Service	<u>5,315,933.30</u>	<u>5,306,336.50</u>
	=1.78%	=1.52%

**Note 3: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of June 30, 2018 and 2017, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	<u>2018</u>	<u>2017</u>
Insured by F.D.I.C.	\$ 252,608.85	\$ 500,000.00
Insured by GUDPA	3,698,985.46	14,765,287.68
Uninsured and Uncollateralized	15,256,355.59	6,308,313.61
	<u>\$ 19,207,949.90</u>	<u>\$ 21,573,601.29</u>

**Investments**

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

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty to the transactions fails. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's \$7,754,035.36 as of June 30, 2018 and \$6,912,400.93 as of June 30, 2017 investments in treasury obligations are held in the name of the Authority.

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Investments (Cont'd)**

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. For the fiscal year ended June 30, 2018, more than 5.0% of the Authority's investments were held with Federal National Mortgage Association (61.15%), Government National Mortgage Association (23.11%) and Federal Home Loan Mortgage Corporation (14.56%). For the fiscal year ended June 30, 2017, more than 5.0% of the Authority's investments were held with Federal National Mortgage Association (45.42%), Government National Mortgage Association (28.41%) and Federal Home Loan Mortgage Corporation (26.17%).

As of June 30, 2018, the Authority had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value Hierarchy Level *</u>	<u>Fair Value</u>
F.N.M.A. Pool 16-94	AAA	12/25/2046	Level 1	\$ 232,426.06
F.N.M.A. Pool 17-11	AAA	2/25/2047	Level 1	754,385.97
F.N.M.A. Pool 17-31	AAA	5/25/2047	Level 1	886,395.99
F.N.M.A. Pool 18-6	AAA	1/25/2048	Level 1	410,691.81
F.N.M.A. Pool 18-11	AAA	2/25/2048	Level 1	475,170.43
F.N.M.A. Pool #4716	AAA	10/15/2047	Level 1	94,732.85
F.N.M.A. Pool #4745	AAA	12/15/2047	Level 1	511,911.75
F.N.M.A. Pool #4766	AAA	3/15/2048	Level 1	593,931.95
F.N.M.A. 12-99	AAA	6/25/2042	Level 1	199,149.18
F.N.M.A. 12-130	AAA	12/25/2042	Level 1	34,518.70
F.N.M.A. 14-37	AAA	7/25/2044	Level 1	320,059.91
F.N.M.A. 17-57	AAA	8/25/2047	Level 1	350,267.29
G.N.M.A. 17-87	AAA	6/30/2047	Level 1	180,861.87
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	Level 1	954,694.10
G.N.M.A. GTD Remic 04-34	AAA	5/20/2034	Level 1	132,111.03
G.N.M.A. GTD Remic 09-34	AAA	4/20/2039	Level 1	67,047.45
G.N.M.A. Pool 15-65	AAA	5/20/2045	Level 1	147,541.16
G.N.M.A. Pool 18-77	AAA	6/20/2048	Level 1	355,709.38
Freddie Mac #4150	AAA	1/15/2043	Level 1	94,053.19
F.H.L.M.C. Pool #4402	AAA	4/15/2043	Level 1	314,710.45
F.H.L.M.C. Pool #4479	AAA	8/15/2042	Level 1	46,545.02
F.H.L.M.C. Pool #4643	AAA	1/15/2047	Level 1	437,308.22
F.H.L.M.C. Pool #4185	AAA	3/15/2043	Level 1	359,811.60
				<u>\$ 7,954,035.36</u>

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Investments (Cont'd)**

**Concentration of Credit Risk (Cont'd)** – As of June 30, 2017, the Authority had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value Hierarchy Level *</u>	<u>Fair Value</u>
F.N.M.A. Pool 16-94	AAA	12/25/2046	Level 1	\$ 302,949.89
F.N.M.A. Pool 17-11	AAA	2/25/2047	Level 1	814,584.63
F.N.M.A. Pool 17-20	AAA	4/25/2047	Level 1	226,529.92
F.N.M.A. Pool 17-31	AAA	5/25/2047	Level 1	882,210.04
F.N.M.A. 12-99	AAA	6/25/2042	Level 1	265,035.65
F.N.M.A. 12-130	AAA	12/25/2042	Level 1	87,085.44
F.N.M.A. 14-37	AAA	7/25/2044	Level 1	561,240.33
G.N.M.A. Pool 15-65	N/A	5/20/2045	Level 1	268,307.63
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	Level 1	965,783.16
G.N.M.A. GTD Remic 04-34	AAA	5/20/2034	Level 1	34,057.47
G.N.M.A. GTD Remic 09-34	AAA	4/20/2039	Level 1	695,872.90
Freddie Mac #4150	AAA	1/15/2043	Level 1	182,154.76
F.N.R. 13-105	AAA	3/25/2043	Level 1	15,134.34
F.H.L.M.C. Pool #4402	AAA	4/15/2043	Level 1	454,508.70
F.H.L.M.C. Pool #4479	AAA	8/15/2042	Level 1	186,676.35
F.H.L.M.C. Pool #4643	AAA	1/15/2047	Level 1	583,669.24
F.H.L.M.C. Pool #4185	AAA	3/15/2043	Level 1	386,600.48
				<u>\$ 6,912,400.93</u>

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 1,274,949.37	\$ 16,717,626.93	\$ 16,905,356.15	93.96%
2017	981,137.04	17,092,648.21	16,798,835.88	92.95%
2016	1,208,903.81	16,988,691.58	17,216,458.35	94.61%

**Capital Assets**

During the fiscal year ended June 30, 2018, the following changes in capital assets occurred:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated:				
Land	\$ 5,332,318.00	\$ -	\$ -	\$ 5,332,318.00
Capital Assets Being Depreciated:				
Buildings	55,127,947.27			55,127,947.27
Infrastructure	102,152,000.94	1,624,766.10		102,152,000.94
Fixed Equipment	11,098,138.09	4,650,511.48	8,081.55	11,098,138.09
Equipment	2,049,447.71	87,599.10	11,606.96	2,049,447.71
Vehicles	2,518,855.32			2,518,855.32
	<u>172,946,389.33</u>	<u>6,362,876.68</u>	<u>19,688.51</u>	<u>172,946,389.33</u>
Total Capital Assets Being Depreciated	178,278,707.33	6,362,876.68	19,688.51	178,278,707.33
Less accumulated depreciation	<u>132,778,355.27</u>	<u>3,213,545.39</u>	<u>19,688.51</u>	<u>132,778,355.27</u>
	<u>\$ 45,500,352.06</u>	<u>\$ 3,149,331.29</u>	<u>\$ -</u>	<u>\$ 48,649,683.35</u>

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

During the fiscal year ended June 30, 2017, the following changes in capital assets occurred:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital Assets Not Being Depreciated:				
Land	\$ 5,332,318.00	\$ -	\$ -	\$ 5,332,318.00
Capital Assets Being Depreciated:				
Buildings	55,333,764.70		205,817.43	55,127,947.27
Infrastructure	101,589,290.34	562,710.60		102,152,000.94
Fixed Equipment	5,706,730.68	5,609,539.52	218,132.11	11,098,138.09
Equipment	1,980,413.07	91,224.16	22,189.52	2,049,447.71
Vehicles	2,275,001.46	243,853.86		2,518,855.32
	<u>166,885,200.25</u>	<u>6,507,328.14</u>	<u>446,139.06</u>	<u>172,946,389.33</u>
Total Capital Assets Being Depreciated	172,217,518.25	6,507,328.14	446,139.06	178,278,707.33
Less accumulated depreciation	<u>130,157,470.54</u>	<u>2,653,640.31</u>	<u>32,755.58</u>	<u>132,778,355.27</u>
	<u>\$ 42,060,047.71</u>	<u>\$ 3,853,687.83</u>	<u>\$ 413,383.48</u>	<u>\$ 45,500,352.06</u>

Depreciation expense by major class of capital assets is:

	<u>2018</u>	<u>Fiscal Year 2017</u>
Buildings and Improvements	\$ 981,765.99	\$ 981,986.47
Infrastructure	1,194,251.44	1,311,095.43
Fixed Equipment	892,364.79	251,724.73
Equipment	55,486.77	41,333.57
Vehicles	<u>89,676.40</u>	<u>67,500.11</u>
	<u>\$ 3,213,545.39</u>	<u>\$ 2,653,640.31</u>

**Note 4: DETAIL NOTES – LIABILITIES****Long-term Liabilities**

During the fiscal year ended June 30, 2018, the following changes occurred in long-term obligations:

	<b>Restated Balance <u>July 1, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Balance <u>June 30, 2018</u></b>	<b>Due Within <u>One Year</u></b>
Bonds and Loans Payable:					
Bonds Payable	\$ 11,115,000.00		\$ (3,695,000.00)	\$ 7,420,000.00	\$ 3,845,000.00
NJEIT Loans	12,122,204.55		(940,025.24)	11,182,179.31	963,077.04
Issuance Premiums/Discounts	690,260.22		(163,912.37)	526,347.85	
Total Bonds and Loans Payable	23,927,464.77	\$ -	(4,798,937.61)	19,128,527.16	4,808,077.04
Other Liabilities:					
Net Pension Liability	12,844,154.00	4,660,845.00	(6,986,724.00)	10,518,275.00	
Net OPEB Obligation	954,129.00	618,350.00	(92,257.00)	1,480,222.00	148,022.20
Compensated Absences	509,070.34	69,193.28	(50,907.30)	527,356.32	52,735.63
Total Other Liabilities	14,307,353.34	5,348,388.28	(7,129,888.30)	12,525,853.32	200,757.83
Total Long Term Liabilities	\$ 38,234,818.11	\$ 5,348,388.28	\$ (11,928,825.91)	\$ 31,654,380.48	\$ 5,008,834.87

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Long-term Liabilities (Cont'd)**

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

	<u>Restated Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Restated Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bonds and Loans Payable:					
Bonds Payable	\$ 14,670,000.00		\$ (3,555,000.00)	\$ 11,115,000.00	\$ 3,695,000.00
NJEIT Loans	13,051,054.84		(928,850.29)	12,122,204.55	940,025.24
Issuance Premiums/Discounts	854,172.59		(163,912.37)	690,260.22	
Total Bonds and Loans Payable	28,575,227.43	\$ -	(4,647,762.66)	23,927,464.77	4,635,025.24
Other Liabilities:					
Net Pension Liability	8,363,443.00	6,060,160.00	(1,579,449.00)	12,844,154.00	
Net OPEB Obligation	1,206,636.00	57,787.00	(310,294.00)	954,129.00	95,412.90
Compensated Absences	498,925.23	10,145.11		509,070.34	50,907.03
Total Other Liabilities	10,069,004.23	6,128,092.11	(1,889,743.00)	14,307,353.34	146,319.93
Total Long Term Liabilities	\$ 38,644,231.66	\$ 6,128,092.11	\$ (6,537,505.66)	\$ 38,234,818.11	\$ 4,781,345.17

**Revenue Bonds Payable****2004 Series A**

The 2004 Series A Revenue Bonds in the original amount of \$4,435,000.00 were issued by the Authority on March 1, 2004 pursuant to the 2004 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.10% to 4.15%.

Proceeds from the 2004 Bonds were used to refund \$715,000.00 outstanding 1995 Series A bonds and \$3,310,000.00 Series 1996 Series A bonds and to pay certain costs of the issuance of the 2004 Bonds, including the premium for a municipal bond insurance policy.

**2011 Series A**

The 2011 Series A Revenue Bonds in the original amount of \$3,655,000.00 were issued by the Authority on November 16, 2011 pursuant to the 2011 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.75% to 5.00%.

Proceeds from the 2011 Bonds were used to finance the acquisition, construction, renovation, and/or installation of an infrastructure project consisting of the rehabilitation of a sewerage pump station and the replacement and reconstruction of sewer mains and related improvements, make a deposit to the Bond Reserve Fund and to pay costs of issuing the 2011 Bonds.



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Bonds Payable (Cont'd)****2012 Series A**

The 2012 Series A Revenue Bonds in the original amount of \$18,865,000.00 were issued by the Authority on April 4, 2012 pursuant to the 2012 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 2.00% to 4.00%.

Proceeds from the 2012 Bonds were used to refund \$13,065,000.00 outstanding 2002 Series A bonds and \$7,335,000.00 Series 2003 Series A bonds and to pay costs of issuing the 2012 Bonds.

A summary of maturities on the 2004, 2011 and 2012 Revenue Bonds Payable at June 30, 2017 is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,845,000.00	\$ 202,826.25	\$ 4,047,826.25
2020	625,000.00	117,433.75	742,433.75
2021	640,000.00	98,276.25	738,276.25
2022	920,000.00	75,812.50	995,812.50
2023	945,000.00	39,537.50	984,537.50
2024	100,000.00	14,225.00	114,225.00
2025	100,000.00	10,787.50	110,787.50
2026	100,000.00	7,237.50	107,237.50
2027	145,000.00	2,718.75	147,718.75
	7,420,000.00	<u>\$ 568,855.00</u>	<u>\$ 7,988,855.00</u>
Less: Current Maturities	3,845,000.00		
Premium/ Discount on Bonds	<u>(526,347.85)</u>		
Long-term Portion	<u>\$ 4,101,347.85</u>		

**New Jersey Environmental Infrastructure Trust**

In November 2006, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$5,695,000.00 from the Trust and a \$5,699,574.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2007. The Trust Loan carries rates from 4.00% to 5.00%. Both loans have a final maturity of July 1, 2026.

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,325,000.00 from the Trust and a \$1,307,340.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2009. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of July 1, 2028.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Environmental Infrastructure Trust (Cont'd)**

In November 2009, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$830,588.00 from the Fund and a \$270,000.00 from the Trust. A portion of the Fund loan principal totaling \$553,725.00 was funded by American Recovery Reinvestment Act proceeds and subsequently forgiven. As a result, the Authority is only liable for \$276,863.00 of the Fund loan. The loan proceeds are being used to fund the Kings Grant Infiltration Basin project. As of June 30, 2018, the Authority has drawn all of these funds.

In May 2014, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,050,000.00 from the Trust and a \$3,222,073.00 from the Fund. The loan proceeds are being used to fund the Elmwood / Woodstream SCADA project and the Elmwood / Woodstream Treatment Plant Upgrades for Energy Conservation. As of June 30, 2018, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment due July 1, 2014. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of July 1, 2033.

The following schedule reflects the Debt Service Requirements for the Authority's N.J.E.I.T. Loans until 2034.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 963,077.04	\$ 219,781.26	\$ 1,182,858.30
2020	977,372.70	201,050.01	1,178,422.71
2021	996,681.34	181,393.76	1,178,075.10
2022	1,015,472.69	160,615.63	1,176,088.32
2023	1,036,695.42	138,787.50	1,175,482.92
2024	1,056,975.26	115,768.75	1,172,744.01
2025	1,075,785.99	90,375.00	1,166,160.99
2026	1,107,376.88	64,662.50	1,172,039.38
2027	1,087,972.81	39,737.50	1,127,710.31
2028	357,911.98	23,175.00	381,086.98
2029	367,911.98	15,375.00	383,286.98
2030	253,219.58	10,100.00	263,319.58
2031	233,834.21	7,775.00	241,609.21
2032	233,834.21	5,675.00	239,509.21
2033	233,834.21	3,531.25	237,365.46
2034	184,223.01	1,218.75	185,441.76
	11,182,179.31	<u>\$ 1,279,021.91</u>	<u>\$ 12,461,201.22</u>
Current Portion	<u>963,077.04</u>		
Long Term	<u>\$ 10,219,102.27</u>		

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

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at one-half of their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at June 30, 2018 and 2017 is estimated at \$527,356.32 and \$509,070.34, respectively.

**Lease Obligations**

At June 30, 2018, the Authority had operating lease agreements in effect for a copier and GPS Tracking Systems.

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

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 14,675.28
2020	14,459.36
2021	1,291.68

Current fiscal year payments under operating leases totaled \$15,825.08.

The Authority's administration office was located in the Evesham Township Municipal Complex. During the fiscal year 2017, the Authority's administration office was relocated to another Township owned facility. The Authority previously paid the Township \$300,000.00 for office space for twenty years. In March 2004, in accordance with amendments to the rental agreement, the Authority paid the Township an additional \$150,847.89 for office space extending the lease to thirty years. In August 2004, the Authority paid the Township \$247,824.00 extending the lease for an additional ten years to June 30, 2038. The Authority has recorded a prepaid expense on its balance sheet and will apply the prepayment to subsequent year's budgets over a period of forty years. The Authority's total rental expense for fiscal years 2018 and 2017 was \$74,972.00 and \$40,565.10, respectively, including \$20,000.00 for 2018 and \$22,536.66 for 2017 of the prepaid amount that was applied.

**Net Pension Liability**

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

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

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

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

**Plan Descriptions**

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

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

**Vesting and Benefit Provisions**

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

The following represents the membership tiers for PERS:

**Tier      Definition**

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

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

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

**Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017 and 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the fiscal years ended June 30, 2018 and 2017 was 13.78% and 13.41% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$418,588.00 and was paid on April 1, 2018. Based on the PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$385,269, which was paid on April 1, 2017. Employee contributions to the Plan during the fiscal years ended June 30, 2018 and 2017 were \$237,413.60 and \$228,777.30, respectively.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Contributions (Cont'd)**

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. For the fiscal years ended June 30, 2018 and 2017, there were no employees participating in DCRP.

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

At June 30, 2018, the Authority reported a liability of \$10,518,275.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was .0451847012%, which was an increase of .0018173898% from its proportion measured as of June 30, 2016.

At June 30, 2017, the Authority reported a liability of \$12,844,154.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Authority's proportion was .0433673114%, which was an increase of .0061103438% from its proportion measured as of June 30, 2015.

For the fiscal years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$1,041,283.00 and \$1,432,448.00, respectively. These amounts were based on the plan's June 30, 2017 and 2016 measurement dates, respectively.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Measurement Date</u> <u>June 30, 2017</u>		<u>Measurement Date</u> <u>June 30, 2016</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Differences between Expected and Actual Experience	\$ 247,669.00	\$ -	\$ 238,862.00	\$ -
Changes of Assumptions	2,119,070.00	2,111,301.00	2,660,623.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	71,622.00	-	489,759.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	1,117,640.00	49,490.00	1,018,101.00	67,684.00
Authority Contributions Subsequent to the Measurement Date	441,712.00	-	418,588.00	-
	<u>\$ 3,997,713.00</u>	<u>\$ 2,160,791.00</u>	<u>\$ 4,825,933.00</u>	<u>\$ 67,684.00</u>

The deferred outflows of resources related to pensions totaling \$441,712.00 and \$418,588.00 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2019 and 2018, respectively. This amount is based on the April 1, 2019 and April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2017 and June 30, 2016 to the Authority's fiscal year end of June 30, 2018 and 2017.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
ifferences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
anges of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
et Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
anges in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

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

<b>Fiscal Year Ending <u>June 30,</u></b>	
2019	\$ 526,103.00
2020	652,143.00
2021	506,365.00
2022	(104,624.00)
2023	(184,777.00)
	<u>\$ 1,395,210.00</u>

**Actuarial Assumptions**

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

	<b>Measurement Date <u>June 30, 2017</u></b>	<b>Measurement Date <u>June 30, 2016</u></b>
Inflation	2.25%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)**

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

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

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2017</u>		<u>Measurement Date</u> <u>June 30, 2016</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Public High Yield	2.50%	6.82%	2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
Global Diversified Credit	5.00%	7.10%	5.00%	-0.25%
Credit Oriented Hedge Funds	1.00%	6.60%	12.50%	4.68%
Debt Related Private Equity	2.00%	10.63%	9.00%	12.40%
Debt Related Real Estate	1.00%	6.61%	2.00%	1.67%
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%	2.00%	6.91%
U.S. Equity	30.00%	8.19%	26.00%	8.53%
Non-U.S. Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Commodities			0.50%	5.45%
REIT			5.25%	5.63%
Buyouts/Venture Capital	8.25%	13.08%		
	<u>100.00%</u>		<u>100.00%</u>	

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

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

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

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

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 13,048,635.00</u>	<u>\$ 10,518,276.00</u>	<u>\$ 8,410,173.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 15,739,011.00</u>	<u>\$ 12,844,154.00</u>	<u>\$ 10,454,198.00</u>

**Pension Plan Fiduciary Net Position**

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB)**

**Plan Description** - The Authority provides postemployment medical and prescription benefits through a health plan for retirees. The Authority's plan is provided through an agreement with the Township of Evesham (see Note 8) which is a self-insured plan. The Authority's plan was approved by the Board on October 9, 2013 and revised effective July 1, 2017. The plan covers all employees and eligible dependents in which said employee is fifty-five (55) years or older and has at least twenty-five (25) years of service to the Authority provided they are eligible for pension under PERS. Employees hired before July 1, 2017 are eligible at age sixty-two (62) if they have completed twenty (20) years of service with the Authority provided they are eligible for pension under PERS. Benefits to the employee and their dependents will cease when the retired employee or spouse reaches Medicare age. The benefits are determined by negotiated contract of the collective bargaining unit. A memorandum of understanding limits the authorization of postemployment benefits up to and including June 30, 2018. Retirees must continue to make contributions per Chapter 78 while they receive these benefits.

**Employees Covered by Benefit Terms** - At June 30, 2018 and 2017, the following employees were covered by the benefit terms:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	3	3
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	<u>56</u>	<u>56</u>
	<u>59</u>	<u>59</u>

**Total OPEB Liability**

The Authority's total OPEB liability of \$1,480,222.00 as of June 30, 2018 and \$954,129.00 as of June 30, 2017 was measured as of June 30, 2017. The liabilities were determined by an actuarial valuation as of July 1, 2017 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018.

**Actuarial Assumptions and Other Inputs** - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	N/A
Salary Increases	Final Average Salary for Retirees Age 55 and Over is \$79,806.00
Discount Rate	3.57%
Healthcare Cost Trend Rates	7.00% Pre-Medicare 5.00% Post- Medicare
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index. Eligible bonds are rated at least AA by Standards and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there were multiple ratings, the lowest rating was used.

Mortality rates were based on RP-2000 Combined Mortality Table for Males and Females as appropriate.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)****Actuarial Assumptions and Other Inputs (Cont'd)**

Termination rates, other than for death or retirement, were determined in accordance with the U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Employee Retirement System. Some excerpts are:

<u>Age</u>	<u>% Terminating</u>
20	70.4%
40	15.9%
50	0.0%

No termination of employment related to disability. Retirements resulting from a disability were factored into age determination at retirement.

Future retirees (current active participants) age at retirement was determined, on average, at no earlier than fifty-five (55) and eligibility criteria is met, active participants who are not eligible at age sixty-five (65) will not accrued enough future service to become eligible for benefits and actual age was used for existing retirees.

All spouses will remain together and receive coverage.

Average salary utilized for retirees age fifty-five (55) and over is \$79,806.00.

An experience study was not performed on the actuarial assumptions used in the June 30, 2017 and 2018 valuations since the plan had insufficient data to produce a study with credible results. Mortality rates, termination rates and retirement rates were based on standard tables issued by SOA. The actuary has used their professional judgment in applying these assumptions to this plan.

**Changes in the Total OPEB Liability** – The following table shows the changes in the total OPEB liability for the years ended June 30, 2018 and 2017, respectively:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Balance at Beginning of Year	\$ 954,129.00	\$ 1,206,636.00
Changes for the Year:		
Service Cost	218,436.00	(208,504.00)
Interest Cost	32,416.00	57,787.00
Benefit Payments	(92,257.00)	(101,790.00)
Actuarial Assumption Changes	<u>367,498.00</u>	<u>-</u>
Net Changes	<u>526,093.00</u>	<u>(252,507.00)</u>
Balance at End of Year	<u>\$ 1,480,222.00</u>	<u>\$ 954,129.00</u>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)****Changes in the Total OPEB Liability (Cont'd)**

Changes in Assumptions include the following:

**Mortality** – The June 30, 2018 rates were based on the RP-2000 Combined Mortality Table for Males or Females. The June 30, 2017 rates were based on the 1994 Sex Distinct Group Annuity Mortality Table.

**Discount Rate** – The rate changed from 5.00% at June 30, 2017 to 3.57% at June 30, 2018.

**Turnover Rate** – For June 30, 2018, terminations of employment, other than for death or retirement, will occur in accordance with the U.S. Office of Personnel Management regarding the experience of employee groups covered by the Federal Employees Retirement System. For June 30, 2017, no terminations or retirement were assumed other than for death.

**Actuarial Funding Method** – For June 30, 2018, the “entry age normal” level cost method was utilized. For June 30, 2017, the “unit credit” cost method was utilized.

**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 for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

<b>June 30, 2018</b>			
	<b>1.00% Decrease (2.57%)</b>	<b>Current Discount Rate (3.57%)</b>	<b>1.00% Increase (4.57%)</b>
Total OPEB Liability	<u>\$1,659,758.00</u>	<u>\$1,480,222.00</u>	<u>\$1,315,843.00</u>
<b>June 30, 2017</b>			
	<b>1.00% Decrease (2.57%)</b>	<b>Current Discount Rate (3.57%)</b>	<b>1.00% Increase (4.57%)</b>
Total OPEB Liability	<u>\$1,069,855.00</u>	<u>\$ 954,129.00</u>	<u>\$ 848,173.00</u>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)**

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<b>June 30, 2018</b>			
	<b>1.00% Decrease (6.00% / 4.00%)</b>	<b>Healthcare Cost Trend Rate (7.00% / 5.00%)</b>	<b>1.00% Increase (8.00% / 6.00%)</b>
Total OPEB Liability	<u>\$ 1,342,115.00</u>	<u>\$ 1,480,222.00</u>	<u>\$ 1,797,581.00</u>
<b>June 30, 2017</b>			
	<b>1.00% Decrease (6.00% / 4.00%)</b>	<b>Healthcare Cost Trend Rate (7.00% / 5.00%)</b>	<b>1.00% Increase (8.00% / 6.00%)</b>
Total OPEB Liability	<u>\$ 827,029.00</u>	<u>\$ 954,129.00</u>	<u>\$ 1,107,687.00</u>

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

For the years ended June 30, 2018 and 2017, the Authority recognized OPEB expense of \$59,841.00 and \$33,963.00. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ 367,498.00	\$ -	\$ -	\$ -
Changes of Method	-	-	-	-
	\$ 367,498.00	\$ -	\$ -	\$ -



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)**

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

<b>Fiscal Year Ending June 30,</b>	
2019	\$ 29,494.00
2020	29,494.00
2021	29,494.00
2022	29,494.00
2023	29,494.00
Thereafter	324,434.00
	<u>\$ 471,904.00</u>

**Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES****Connection Fees**

The Authority receives payments for connection fees when new users connect to the water and/or sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

**Note 6: DETAIL NOTES – NET POSITION****Net Position Appropriated**

As of June 30, 2018, the Authority had a balance an unrestricted net position balance of \$6,500,299.52. Of that amount, \$455,346.00 has been appropriated and included as support in the sewer operating budget, \$2,313,000.00 in the sewer capital budget, \$294,028.00 in the water operating budget and \$1,089,000.00 in the water capital budget for the fiscal year ending June 30, 2019.

**Note 7: DEVELOPERS' PERFORMANCE DEPOSITS**

The Authority has accepted cash deposits for several construction projects in lieu of performance bonds. Performance bonds and deposits are required by the Authority to insure the proper completion of a project. If a project is not completed to the satisfaction of the Authority, this money or bond will be used to pay for the corrections needed to meet the Authority's requirements. The Authority has established individual bank accounts for each developer's deposit. The accounts are in the name of the developer and the Authority. The Authority has no right to the deposits or interest earned until the time of developer default. Therefore, the Authority does not record the deposits in its financial statements. The total amount of performance deposits at June 30, 2018 and 2017 were \$253,019.58 and \$223,298.37, respectively.

**Note 8: INTERGOVERNMENTAL AGREEMENTS****Major Customer**

In April 1989, the Authority entered into a five year renewable agreement with the Municipal Utilities Authorities of Willingboro and Mount Laurel. The agreement was renewed in April 1994 for an additional period of five years and has been extended by mutual agreement. The agreement details the purchase of water by the Mount Laurel Township M.U.A. from the Willingboro M.U.A. and the subsequent resale of water by Mount Laurel to the Evesham M.U.A. Evesham M.U.A. is required to purchase a minimum of 50% of the quarterly gallons purchased by the Mount Laurel Township M.U.A., subject to certain daily requirements, if such water is available. Pursuant to the agreement, the Mount Laurel Township M.U.A. has title to all interconnection assets and is responsible for their maintenance, except for any extraordinary repair costs for certain defined areas of the interconnection system which would be shared equally with Evesham M.U.A. The payments for water purchases are deemed to be an operating expense to the Evesham M.U.A. and are appropriately charged to the Authority's budget. The amount paid to Mount Laurel Township M.U.A. for fiscal year 2018 was \$289,435.25 and for fiscal year 2017 was \$260,637.02. An accounts payable has been recorded totaling \$24,965.00 for payment of prior year's usage.

On November 12, 2013, the Authority entered into an agreement with the Township of Evesham to provide health and prescription benefits to the Authority employees and dependents through the Township's self-insured benefits plan. The plan is administered by Insurance Administrator of America, Inc (I.A.A.). The agreement calls for the Authority to be billed for 100% of claims associated with their employees and dependents. The Authority will also pay a percentage of the fixed costs associated with the administration of the plan. The agreement provides a maximum claim amount per employee or dependent (individually) of \$75,000.00. A stop loss policy for claims exceeding \$75,000.00 is provided by an insurance policy acquired through a commercial insurance company. The effective date of the agreement was December 1, 2013 and expired November 30, 2015. The Authority and Township continue to honor the agreement.

**Other Service Agreement**

In June 2000, the Authority entered into a ten year renewable agreement with New Jersey American Water Company, Inc. (NJAWC) for the supply, delivery and purchase of water. The agreement stipulates that for the initial term ending December 31, 2010, the Authority must purchase 850,000 gallons per day. The purchase requirement remained unchanged until February 1, 2002, when the minimum amount was increased to 1,000,000 gallons per day. The agreement automatically renews for two successive ten year terms unless the Authority has received final approval from the NJ Department of Environmental Protection for a new source of supply plan naming an alternative supply source other than NJAWC and the Authority provides NJAWC with written notice of termination not later than one year prior to the end of the current term. If the notice of termination is delivered, the Authority's minimum purchase amount would be decreased 20% in each year of the next successive five years. The Authority paid the NJAWC \$1,246,808.75 during the fiscal year 2018 and \$1,160,087.21 during the fiscal year 2017.

**Note 9: COMMITMENTS**

The Authority had several outstanding or planned construction projects as of June 30, 2018. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Remaining</u>
Sludge Transportation Services	\$ 259,698.40	\$ 204,434.62
Kings Grant WWTP Effluent Pump Replacement	103,900.00	29,414.87
Heritage Village Sewer Main Lining	717,800.00	125,652.11
Elmwood Sludge Dewatering Centrifuge	1,357,514.00	44,762.71
Maple Avenue Water Main Replacement	407,154.00	407,154.00
Cold Water Meter with Integrated Meter Interface Unit	391,050.00	334,920.25
Repair of Water Main – 220 North Maple Avenue	110,000.00	110,000.00
Elmwood WWTP Floor Replacement	114,309.39	114,309.39
Video Management Solutions at Various Sites	<u>126,984.75</u>	<u>126,984.75</u>
	<u>\$ 3,588,410.54</u>	<u>\$ 1,497,632.70</u>

**Note 10: DEFERRED COMPENSATION**

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

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

**Note 11: ARBITRAGE REBATE LIABILITY**

The Tax Reform Act of 1986 placed restriction on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of bond settlement.

As a result of potential arbitrage rebate, the Authority established a trustee bank account reserved to pay any future rebate requirement. Regarding the Authority's 2012 Revenue Bonds, Series A, a calculation for the fifth bond year was prepared as of July 17, 2017 and resulted in a rebate liability totaling \$318,329.56. Subsequent to June 30, 2017, the Authority remitted ninety percent of the liability, \$286,496.61, as required by the Internal Revenue Service. The amount on deposit in the trustee rebate account as of June 30, 2018 is \$32,269.63. This amount is available to pay the remaining 10% rebate liability, if necessary.

**Note 12: RISK MANAGEMENT**

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

Workers' Compensation and Employer's Liability  
 Liability other than Motor Vehicles  
 Property Damage other than Motor Vehicles  
 Motor Vehicles  
 Crime, which includes Employee Dishonesty  
 Environmental Legal Liability

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

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

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

**Note 13: CONTINGENCIES**

**Litigation** - The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**Note 14: RESTATEMENT**

As indicated in Note 1 to the financial statements, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Authority's net other post-employment benefits liability. The cumulative effect on the financial statements as reported for June 30, 2017 is as follows:

	<b><u>As Previously Reported June 30, 2016</u></b>	<b><u>Net OPEB Liability (1)</u></b>	<b><u>As Restated June 30, 2016</u></b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 20,987,197.33		\$ 20,987,197.33
Restricted	9,014,376.63		9,014,376.63
Unrestricted	9,096,567.58	\$ (1,105,247.21)	7,991,320.37
Total Net Position	<u>\$ 39,098,141.54</u>	<u>\$ (1,105,247.21)</u>	<u>\$ 37,992,894.33</u>

(1) Represents the change in the Authority's Net OPEB Liability as of June 30, 2016.

**Note 14: RESTATEMENT (CONT'D)**

The effect on the financial statements as reported for June 30, 2017 is as follows:

**Comparative Statements of Net Position**

	<b><u>Previously Reported</u></b>	<b><u>Cumulative Effect - Increase / (Decrease)</u></b>	<b><u>Restated Balance</u></b>
<b>LIABILITIES</b>			
Long-term Liabilities:			
Net OPEB Liability	\$ 135,352.00	\$ 818,777.00	\$ 954,129.00
Total Long-term Liabilities	32,730,108.84	818,777.00	33,548,885.84
Total Liabilities	38,881,725.51	818,777.00	39,700,502.51
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to OPEB	2,438,683.69	-	2,438,683.69
Total Deferred Inflows of Resources	2,438,683.69	-	2,438,683.69
<b>NET POSITION</b>			
Unrestricted	8,580,379.71	(818,777.00)	7,761,602.71
Total Net Position	\$ 42,373,491.32	\$ (818,777.00)	\$ 41,554,714.32

**Comparative Statements of Revenues, Expenses and Changes in Net Position**

	<b><u>Previously Reported</u></b>	<b><u>Effect - Increase / (Decrease)</u></b>	<b><u>Restated Balance</u></b>
Operating Expenses			
Cost of Services:			
Fringe Benefits	\$ 2,557,979.72	\$ (286,470.21)	\$ 2,271,509.51
	9,985,270.05	(286,470.21)	9,698,799.84
Total Operating Expenses	14,462,204.81	(286,470.21)	14,175,734.60
Operating Income	4,427,401.61	286,470.21	4,713,871.82
Income before Contributions	2,712,639.18	286,470.21	2,999,109.39
Change in Net Position	3,275,349.78	286,470.21	3,561,819.99
Net Position, Beginning	39,098,141.54	(1,105,247.21)	37,992,894.33
Net Position - End of Year:			
Unrestricted	\$ 8,580,379.71	\$ (818,777.00)	\$ 7,761,602.71

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
Schedule of Changes in the Authority's  
Total OPEB Liability and Related Ratios  
Fiscal Year Ended June 30, 2018

<b>Total OPEB Liability</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Service Cost	\$ 218,436	\$ (208,504)
Interest Cost	32,416	57,787
Benefit Payments	(92,257)	(101,790)
Actuarial Assumption Changes	367,498	
Actuarial Demographic Gains	-	-
Net Change in Total OPEB Liability	526,093	(252,507)
Total OPEB Liability - Beginning of Fiscal Year	954,129	1,206,636
Total OPEB Liability - End of Fiscal Year	<u>\$ 1,480,222</u>	<u>\$ 954,129</u>
Covered-Employee Payroll	\$ 3,582,186	\$ 3,408,478
Total OPEB Liability as a Percentage of Covered-Employee Payroll	41.32%	27.99%

Changes of Benefit Terms:  
None

Changes of Assumptions:  
Mortality Rate, Discount Rate, Retirement Age and Actuarial Funding Method -  
See Notes to Required Supplementary Information

This schedule is presented to illustrate the requirement to show information for 10 years.  
However, until a full 10-year trend is compiled, this presentation will only include information for those  
years for which information is available.

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Five Plan Years

	Measurement Date Ending June 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0451847012%	0.0433673114%	0.0372569676%	0.0377976045%	0.0375789881%
Authority's Proportionate Share of the Net Pension Liability	\$ 10,518,275.00	\$ 12,844,154.00	\$ 8,363,443.00	\$ 7,076,745.00	\$ 7,182,091.00
Authority's Covered Payroll	\$ 3,191,048.00	\$ 2,942,220.00	\$ 2,613,944.00	\$ 2,417,848.00	\$ 2,483,760.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	329.62%	436.55%	319.95%	292.69%	289.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.  
 However, until a full 10-year trend is compiled, this presentation will only include information  
 for those years for which information is available.



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
 Schedule of the Authority's Contributions  
 Public Employees' Retirement System (PERS)  
 Last Five Fiscal Years

	<b>Fiscal Year Ended June 30,</b>				
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually Required Contribution	\$ 441,712.00	\$ 418,588.00	\$ 385,269.00	\$ 320,310.00	\$ 311,598.00
Contributions in Relation to the Contractually Required Contribution	<u>(441,712.00)</u>	<u>(418,588.00)</u>	<u>(385,269.00)</u>	<u>(320,310.00)</u>	<u>(311,598.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 3,206,614.00	\$ 2,942,220.00	\$ 2,613,944.00	\$ 2,417,848.00	\$ 2,483,760.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	13.78%	14.23%	14.74%	13.25%	12.55%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.  
 However, until a full 10-year trend is compiled, this presentation will only include information  
 for those years for which information is available.

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

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**Other Postemployment Benefits**

Changes in Benefit Terms – None

Changes in Assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent actuarial valuation for the fiscal year ended June 30, 2018:

Mortality Rates – Updated to mortality table – RP -2000 Combined Mortality Table for Males and Females.

Discount Rate – Updated discount rates based upon S&P Municipal Bond 20 Year High Grade Rate Index.

Retirement Age – Future retirees, on average, will receive benefits when eligible but no earlier than age 60. Furthermore, active participants who are not eligible at age 65 will not accrue enough future service to become eligible for benefits.

Actuarial Funding Method – Changed actuarial funding method to “entry age normal” level cost method.

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

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

## **SUPPLEMENTAL SCHEDULES**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Net Position by Department  
As of June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current Unrestricted Assets:			
Revenue/Operating Account:			
Cash and Cash Equivalents		\$ 2,451,294.27	\$ 2,451,294.27
Investments		2,925,104.45	2,925,104.45
Accrued Interest Receivable	\$ 2,781.73	5,166.06	7,947.79
General Account:			
Cash and Cash Equivalents	2,568,743.33	6,062,176.37	8,630,919.70
Investments		79,368.35	79,368.35
Accrued Interest Receivable	60.40	112.17	172.57
Consumer Accounts Receivable	397,236.76	689,983.39	1,087,220.15
Other Accounts Receivable	9,329.31	19,790.73	29,120.04
Prepaid Expenses	325,631.87	632,672.46	958,304.33
Total Unrestricted Assets	3,303,783.38	12,865,668.27	16,169,451.65
Non- Current Assets:			
Bond Service Account:			
Cash and Cash Equivalents	764,453.53	4,331,903.33	5,096,356.86
Accrued Interest Receivable	10,178.03	18,902.06	29,080.09
Bond Service Reserve Account:			
Cash and Cash Equivalents	37,682.74	69,982.22	107,664.96
Investments	910,777.80	3,492,559.31	4,403,337.11
Accrued Interest Receivable	4,209.32	7,817.32	12,026.64
Renewal and Replacement Account:			
Cash and Cash Equivalents	350,000.00	650,000.00	1,000,000.00
Investments	191,178.91	355,046.54	546,225.45
Accrued Interest Receivable	729.17	1,354.16	2,083.33
Other Accounts:			
Cash and Cash Equivalents	495,290.66	1,253,903.17	1,749,193.83
Interfund Loan	1,700,000.00		1,700,000.00
Total Restricted Assets	4,464,500.16	10,181,468.11	14,645,968.27
Capital Assets:			
Construction in Progress	936,715.28	261,846.17	1,198,561.45
Completed (Net of Accumulated Depreciation)	9,837,666.70	38,812,016.65	48,649,683.35
Total Capital Assets	10,774,381.98	39,073,862.82	49,848,244.80
Total Assets	18,542,665.53	62,120,999.19	80,663,664.72
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	1,399,199.55	2,598,513.45	3,997,713.00
Related to Other Post Employment Benefits	128,625.00	238,873.00	367,498.00
Deferred Loss on Refunding of Bonds	2,059.00	9,271.31	11,330.31
	1,529,883.55	2,846,657.76	4,376,541.31

(Continued)

## EVESHAM MUNICIPAL UTILITIES AUTHORITY

## Schedule of Net Position by Department

As of June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 239,168.37	\$ 364,736.50	\$ 603,904.87
Accounts Payable--Related to Pensions	154,599.20	287,112.80	441,712.00
Overpayments	2,262.46	1,134.98	3,397.44
Prepaid Rental Charges	25,008.23	46,443.85	71,452.08
Prepaid Antenna Rental Charges	26,487.72		26,487.72
Total Current Liabilities Payable from Unrestricted Assets	447,525.98	699,428.13	1,146,954.11
Current Liabilities Payable from Restricted Assets:			
Accounts Payable		12,510.00	12,510.00
Revenue Bonds Payable--Current Portion	1,014,938.00	2,830,062.00	3,845,000.00
New Jersey Environmental Infrastructure Loan Payable--Current Portion		963,077.04	963,077.04
Other Post Employment Benefits Obligation	51,808.00	96,214.20	148,022.20
Compensated Absences	19,407.94	33,327.69	52,735.63
Accrued Bond Interest Payable	21,958.45	231,969.68	253,928.13
Escrow Deposits		45,266.71	45,266.71
Total Current Liabilities Payable from Restricted Assets	1,108,112.39	4,212,427.32	5,320,539.71
Long-term Liabilities:			
Revenue Bonds Payable	254,573.02	3,846,774.83	4,101,347.85
New Jersey Environmental Infrastructure Loan Payable		10,219,102.27	10,219,102.27
Interfund Loan		1,700,000.00	1,700,000.00
Net Pension Liability	3,681,396.25	6,836,878.75	10,518,275.00
Other Post Employment Benefits Obligation	466,272.00	865,927.80	1,332,199.80
Compensated Absences	174,671.44	299,949.25	474,620.69
Total Long-term Liabilities	4,576,912.71	23,768,632.90	28,345,545.61
Total Liabilities	6,132,551.08	28,680,488.35	34,813,039.43
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	756,276.85	1,404,514.15	2,160,791.00
Deferred Revenue	392,582.13	1,017,888.12	1,410,470.25
	1,148,858.98	2,422,402.27	3,571,261.25
<b>NET POSITION</b>			
Restricted for:			
Bond Covenants:			
Debt Service Reserve Requirement	972,007.94	3,606,272.44	4,578,280.38
System Reserve Requirement	525,000.00	975,000.00	1,500,000.00
Operating Requirement	1,456,482.50	1,889,795.00	3,346,277.50
Net Investment in Capital Assets	9,506,929.96	21,224,117.99	30,731,047.95
Unrestricted	330,718.62	6,169,580.90	6,500,299.52
Total Net Position	\$ 12,791,139.02	\$ 33,864,766.33	\$ 46,655,905.35

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenues, Expenses and Changes in Net Position by Department  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 5,497,482.04	\$ 11,220,144.89	\$ 16,717,626.93
Connection Fees	632,830.25	1,816,407.15	2,449,237.40
Miscellaneous Charges	870,590.49	109,137.16	979,727.65
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	7,000,902.78	13,145,689.20	20,146,591.98
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	244,642.17	244,641.72	489,283.89
Fringe Benefits	117,376.05	105,061.47	222,437.52
Other	234,261.22	321,164.49	555,425.71
	<hr/>	<hr/>	<hr/>
	596,279.44	670,867.68	1,267,147.12
Cost of Service:			
Salaries and Wages	1,070,874.22	2,229,931.03	3,300,805.25
Fringe Benefits	787,610.48	1,403,658.69	2,191,269.17
Other	2,227,011.10	2,056,892.59	4,283,903.69
	<hr/>	<hr/>	<hr/>
	4,085,495.80	5,690,482.31	9,775,978.11
Major Repairs and Other Expenses	276,094.62	512,747.15	788,841.77
Depreciation	669,677.62	2,543,867.77	3,213,545.39
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	5,627,547.48	9,417,964.91	15,045,512.39
	<hr/>	<hr/>	<hr/>
Operating Income	1,373,355.30	3,727,724.29	5,101,079.59
Non-operating Revenue (Expenses):			
Investment Income:			
Interest Revenue	132,917.30	246,846.41	379,763.71
Change in Fair Value of Investments	(38,134.87)	(70,821.91)	(108,956.78)
	<hr/>	<hr/>	<hr/>
	94,782.43	176,024.50	270,806.93
Municipal Appropriation	(303,727.00)	(519,666.00)	(823,393.00)
Bond and Loan Interest	(1,430.26)	(367,202.83)	(368,633.09)
Interfund Loan	(100,000.00)	100,000.00	
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(310,374.83)	(610,844.33)	(921,219.16)
	<hr/>	<hr/>	<hr/>
Income Before Contributions (Carried Forward)	1,062,980.47	3,116,879.96	4,179,860.43

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenues, Expenses and Changes in Net Position by Department  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Income Before Contributions (Brought Forward)	\$ 1,062,980.47	\$ 3,116,879.96	\$ 4,179,860.43
Contributions:			
Developers	616,245.60	305,085.00	921,330.60
Change in Net Position	1,679,226.07	3,421,964.96	5,101,191.03
Net Position - Beginning	11,111,912.95	30,442,801.37	41,554,714.32
Net Position, End of Year:			
Restricted	\$ 2,953,490.44	\$ 6,471,067.44	\$ 9,424,557.88
Unrestricted	\$ 330,718.62	\$ 6,169,580.90	\$ 6,500,299.52
Net Investment in Capital Assets	\$ 9,506,929.96	\$ 21,224,117.99	\$ 30,731,047.95

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
For the Fiscal Year Ended June 30, 2018

	Revenue/Operating <u>Accounts</u>	<u>General</u>	Bond <u>Reserve</u>	Bond <u>Service</u>	Restricted <u>Renewal and Replacement</u>	<u>Planning Escrow</u>	<u>Connection Fee</u>	<u>Total</u>
Cash, Cash Equivalents and Investments July 1, 2017	\$ 3,905,323.46	\$ 10,156,870.61	\$ 4,588,758.98	\$ 4,994,285.01	\$ 1,544,123.00	\$ 51,777.87	\$ 2,660,829.89	\$ 27,901,968.82
Receipts:								
User Charges and Fees:								
Water	5,471,424.30							5,471,424.30
Sewer	11,356,329.98							11,356,329.98
Connection Fee Deposits:								
Water	632,830.25						356,075.92	988,906.17
Sewer	1,816,407.15						1,132,632.04	2,949,039.19
Miscellaneous Revenue Receivable:								
Water	850,456.80							850,456.80
Sewer	113,023.63							113,023.63
Prepaid Rents:								
Water	25,008.23							25,008.23
Sewer	46,443.85							46,443.85
Other Accounts Receivable	3,494.71							3,494.71
Overpayments	39,511.33							39,511.33
Prepaid Antennae Rents	26,487.72							26,487.72
N.J.Environmental Infrastructure								
Loans Receivable		6,981.00						6,981.00
Accounts Payable				12,510.00				12,510.00
Payroll Deductions Payable	3,865,948.48							3,865,948.48
Planning Escrow Deposits						149,134.07		149,134.07
Investment Income	18,307.20	74,668.04	67,967.50	73,546.17	33,893.89			268,382.80
Transfers In	4,511,016.22	2,939,948.77		5,258,504.81	979,697.85	0.58	6,008.44	13,695,176.67
Total Cash and Investments Available	32,682,013.31	13,178,468.42	4,656,726.48	10,338,845.99	2,557,714.74	200,912.52	4,155,546.29	67,770,227.75
Disbursements:								
Budgetary Expenses:								
Water	3,992,882.43							3,992,882.43
Sewer	5,117,509.34							5,117,509.34
Payroll Deductions Payable	3,864,528.20							3,864,528.20
Prepaid Expenses	553,368.80							553,368.80
Other Accounts Receivable	27,922.85							27,922.85
Accounts Payable	545,319.23			17,880.13				563,199.36
Municipal Appropriation	823,393.00							823,393.00
Bond Principal				3,695,000.00				3,695,000.00
Loan Principal				940,025.24				940,025.24
Bond and Loan Interest				589,583.76				589,583.76
Transfers Out	12,344,576.85	191,000.00	145,724.41		1,011,489.29	0.42	2,385.70	13,695,176.67
Capital Outlays:								
Expensed		788,841.77						788,841.77
Construction in Progress		3,029,929.82						3,029,929.82
Fixed Assets		458,408.78						458,408.78

(Continued)



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
For the Fiscal Year Ended June 30, 2018

	Revenue/Operating <u>Accounts</u>	<u>General</u>	<u>Bond Reserve</u>	<u>Bond Service</u>	<u>Restricted Renewal and Replacement</u>	<u>Planning Escrow</u>	<u>Connection Fee</u>	<u>Total</u>
Disbursements (Cont'd):								
Expenditures for Planning Escrow						\$ 155,641.46		\$ 155,641.46
Overpayments	\$ 36,113.89							36,113.89
Due to Unrestricted Funds							\$ 2,449,237.40	2,449,237.40
Total Disbursements	27,305,614.59	\$ 4,468,180.37	\$ 145,724.41	\$ 5,242,489.13	\$ 1,011,489.29	155,641.88	2,451,623.10	40,780,762.77
Cash, Cash Equivalents and Investments June 30, 2018	\$ 5,376,398.72	\$ 8,710,288.05	\$ 4,511,002.07	\$ 5,096,356.86	\$ 1,546,225.45	\$ 45,270.64	\$ 1,703,923.19	\$ 26,989,464.98
<u>Analysis of Balance June 30, 2018</u>								
Cash and Cash Equivalents	\$ 2,451,294.27	\$ 8,630,919.70	\$ 107,664.96	\$ 5,096,356.86	\$ 1,000,000.00	\$ 45,270.64	\$ 1,703,923.19	\$ 19,035,429.62
Investments:								
F.N.M.A. Notes	470,594.83		433,400.25					903,995.08
F.N.M.A. Pool	1,906,612.26		2,053,034.55					3,959,646.81
F.H.L.M.C.			1,158,375.29					1,158,375.29
Freddie Mac		77,455.56	16,597.63					94,053.19
GNMA Remic	67,047.45	1,912.79	538,666.89					607,627.13
GNMA Pool	480,849.91		203,262.50					684,112.41
GNMA Bonds					546,225.45			546,225.45
	\$ 5,376,398.72	\$ 8,710,288.05	\$ 4,511,002.07	\$ 5,096,356.86	\$ 1,546,225.45	\$ 45,270.64	\$ 1,703,923.19	\$ 26,989,464.98

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Water Anticipated Revenues, Operating Appropriations  
Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>2017-18 Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 5,365,170.00	\$ 5,497,482.04	\$ 132,312.04
Connection Fees	60,000.00	632,830.25	572,830.25
Miscellaneous	700,000.00	870,590.49	170,590.49
Total Operating Revenues	6,125,170.00	7,000,902.78	875,732.78
Other Budget Revenues:			
Investment Income	150,000.00	132,917.30	(17,082.70)
Change in Fair Value of Investments		(38,134.87)	(38,134.87)
	150,000.00	94,782.43	(55,217.57)
Total Anticipated Revenues	6,275,170.00	7,095,685.20	820,515.20
Operating Appropriations:			
Administrative:			
Salaries and Wages	249,500.00	244,642.17	4,857.83
Fringe Benefits	150,350.00	117,376.05	32,973.95
Trustee Fees	3,500.00	556.20	2,943.80
Audit Fees	34,750.00	24,112.50	10,637.50
Legal Fees	81,300.00	35,186.09	46,113.91
Engineer Fees	28,500.00	11,895.26	16,604.74
Office Expenses	185,000.00	132,049.12	52,950.88
Cellular Lease/Insurance Consultant	36,300.00	17,495.68	18,804.32
Dues and Meetings	8,000.00	4,092.91	3,907.09
Education and Training	39,000.00	8,873.46	30,126.54
Total Administrative Expenses	816,200.00	596,279.44	219,920.56
Cost of Service			
Salaries and Wages	1,181,050.00	1,070,874.22	110,175.78
Fringe Benefits	587,050.00	515,600.28	71,449.72
Electric and Utilities	400,000.00	311,945.21	88,054.79
Insurance	139,000.00	135,148.67	3,851.33
Vehicle Expense	35,000.00	15,013.99	19,986.01
Vehicle Repairs	35,000.00	25,915.84	9,084.16
Parts and Supplies	81,000.00	69,311.08	11,688.92
Chemicals	63,500.00	42,022.57	21,477.43
Repairs and Maintenance	84,000.00	59,670.67	24,329.33
Telephone and Communications	42,000.00	37,388.44	4,611.56
Well Testing	32,000.00	9,587.70	22,412.30
Bulk Water Purchases	1,514,850.00	1,440,206.52	74,643.48
Uniforms and Safety Equipment	24,300.00	15,836.96	8,463.04
Dues and Meetings	4,500.00	2,664.95	1,835.05

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Water Anticipated Revenues, Operating Appropriations  
Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	2017-18 <u>Actual</u>	Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd)			
Education and Training	\$ 11,250.00	\$ 7,179.95	\$ 4,070.05
State Fees	51,500.00	39,037.19	12,462.81
Public Information	12,300.00	9,802.26	2,497.74
One Call/Public Relations	8,350.00	6,279.10	2,070.90
OPEB Obligation		55,510.00	(55,510.00)
Total Cost of Service	4,306,650.00	3,868,995.60	437,654.40
Principal Payments on Debt Service in Lieu of Depreciation	1,108,400.00	981,686.00	126,714.00
	6,231,250.00	5,446,961.04	784,288.96
Non-Operating Appropriations:			
Interest on Bonds	43,920.00	43,916.90	3.10
Municipal Appropriation	303,727.00	303,727.00	
Total Operating, Principal Payments and Non-Operating Appropriations	6,578,897.00	5,794,604.94	784,292.06
Unrestricted Net Position to Balance Budget	(303,727.00)	-	(303,727.00)
Total Appropriations and Unrestricted Net Position	6,275,170.00	5,794,604.94	480,565.06
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ -	\$ 1,301,080.26	\$ 1,301,080.26
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 1,301,080.26
Add:			
Bond Principal		\$ 981,686.00	
Bond Interest		43,916.90	
Municipal Appropriation		303,727.00	
			1,329,329.90
			2,630,410.16
Less:			
Investment Income		94,782.43	
Depreciation		669,677.62	
Related to Pensions		216,500.20	
Major Repairs and Replacements		276,094.62	
			1,257,054.87
Operating Income (Schedule 2)			\$ 1,373,355.30

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Sewer Anticipated Revenues, Operating Appropriations  
Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>2017-18 Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 10,822,792.00	\$ 11,220,144.89	\$ 397,352.89
Connection Fees	100,000.00	1,816,407.15	1,716,407.15
Miscellaneous	38,000.00	109,137.16	71,137.16
Total Operating Revenues	10,960,792.00	13,145,689.20	2,184,897.20
Other Budget Revenues:			
Investment Income	150,000.00	246,846.41	96,846.41
Change in Fair Value of Investments		(70,821.91)	(70,821.91)
	150,000.00	176,024.50	26,024.50
Total Anticipated Revenues	11,110,792.00	13,321,713.71	2,210,921.71
Operating Appropriations:			
Administrative:			
Salaries and Wages	249,500.00	244,641.72	4,858.28
Fringe Benefits	136,350.00	105,061.47	31,288.53
Trustee Fees	55,000.00	48,099.69	6,900.31
Audit Fees	34,750.00	39,562.50	(4,812.50)
Legal Fees	81,300.00	35,203.00	46,097.00
Engineer Fees	66,500.00	26,718.00	39,782.00
Office Expenses	185,000.00	140,542.46	44,457.54
Cellular Lease/Insurance Consultant	21,300.00	12,495.66	8,804.34
Dues and Meetings	8,000.00	4,468.17	3,531.83
Education and Training	34,000.00	14,075.01	19,924.99
Total Administrative Expenses	871,700.00	670,867.68	200,832.32
Cost of Service:			
Salaries and Wages	2,251,550.00	2,229,931.03	21,618.97
Fringe Benefits	1,215,250.00	898,501.89	316,748.11
Electric and Utilities	850,000.00	676,669.76	173,330.24
Insurance	139,000.00	135,148.68	3,851.32
Vehicle Expense	83,000.00	35,092.30	47,907.70
Vehicle Repairs	72,000.00	70,740.69	1,259.31
Parts and Supplies	117,000.00	91,176.51	25,823.49
Chemicals	260,000.00	188,538.22	71,461.78
Repairs and Maintenance	157,500.00	134,009.52	23,490.48
Telephone and Communications	98,000.00	87,238.43	10,761.57
Wastewater Testing	16,000.00	16,015.80	(15.80)
Sludge Removal	530,000.00	479,692.05	50,307.95
Uniforms and Safety Equipment	54,200.00	39,848.06	14,351.94
Dues and Meetings	8,000.00	5,728.81	2,271.19

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Sewer Anticipated Revenues, Operating Appropriations  
Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>2017-18 Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Education and Training	\$ 22,500.00	\$ 10,831.02	\$ 11,668.98
State Fees	71,000.00	58,087.34	12,912.66
Public Information	31,500.00	22,298.69	9,201.31
One Call/Public Relations	5,500.00	5,776.71	(276.71)
OPEB Obligation		103,085.00	(103,085.00)
Total Cost of Service	5,982,000.00	5,288,410.51	693,589.49
Principal Payments on Debt Service in Lieu of Depreciation	3,793,146.00	3,653,339.24	139,806.76
	10,646,846.00	9,612,617.43	1,034,228.57
Non-Operating Appropriations:			
Interest on Bonds	463,946.00	463,939.36	6.64
Municipal Appropriation	519,666.00	519,666.00	
Total Operating, Principal Payments and Non-Operating Appropriations	11,630,458.00	10,596,222.79	1,034,235.21
Unrestricted Net Position to Balance Budget	(519,666.00)	-	(519,666.00)
Total Appropriations and Unrestricted Net Position	11,110,792.00	10,596,222.79	514,569.21
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ -	\$ 2,725,490.92	\$ 2,725,490.92
<u>Reconciliation to Operating Income</u>			
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 2,725,490.92
Add:			
Bond Principal		\$ 3,653,339.24	
Bond Interest		463,939.36	
Municipal Appropriation		519,666.00	
			4,636,944.60
			7,362,435.52
Less:			
Investment Income		176,024.50	
Depreciation		2,543,867.77	
Related to Pensions		402,071.80	
Major Repairs and Replacements		512,747.15	
			3,634,711.23
Operating Income (Schedule 2)			\$ 3,727,724.29

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Consumer Accounts Receivable

For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>
Balance July 1, 2017	\$ 409,109.27	\$ 865,840.10
Rental Charges	<u>5,497,482.04</u>	<u>11,220,144.89</u>
	5,906,591.31	12,085,984.99
Less:		
Collections	\$ 5,471,424.30	\$ 11,356,329.98
Overpayments Applied	17,545.81	1,814.81
Prepaid Applied	<u>20,384.44</u>	<u>37,856.81</u>
	<u>5,509,354.55</u>	<u>11,396,001.60</u>
Balance June 30, 2018	<u><u>\$ 397,236.76</u></u>	<u><u>\$ 689,983.39</u></u>

**Schedule 6****EVESHAM MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Connection Fees Receivable

For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2017-18 Charges	\$ 632,830.25	\$ 1,816,407.15	\$ 2,449,237.40
Less:			
Cash Receipts	<u><u>\$ 632,830.25</u></u>	<u><u>\$ 1,816,407.15</u></u>	<u><u>\$ 2,449,237.40</u></u>

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Miscellaneous Charges Receivable  
For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>2017-2018 Charges</u>	<u>Cash Receipts</u>	<u>Prepayments Applied</u>	<u>Balance June 30, 2018</u>
Water Meter Charges		\$ 65,503.89	\$ 65,503.89		
Filing, Review and Application Fees		1,140.00	1,140.00		
Cingular/AT&T Rental Agreement		152,256.20	130,029.80	\$ 22,226.40	
Sprint Rental Agreement		145,415.30	145,415.30		
Verizon Rental Agreement		104,631.48	104,631.48		
T-Mobile Rental Agreement		215,315.03	215,315.03		
Clearwire Rental Agreement		165,532.22	165,532.22		
Shared Services - Revenue		13,424.84	13,424.84		
Prior Year Refund of Expenses	\$ 7,176.37	1,542.86	7,522.04		\$ 1,197.19
Bid Package Fees		25.00	25.00		
Repair Reimbursements		2,840.31	2,840.31		
Clean Energy Rebates		10,000.00	10,000.00		
Sale of Scrap Metal		340.38	340.38		
Insurance Claim		34,277.27	34,277.27		
Lead Testing - Evesham School District		14,064.00	14,064.00		
Sale of Obsolete Equipment/Vehicles		405.00	405.00		
FEMA Reimbursement of Prior Year Expenses		11,663.78	11,663.78		
Flexible Spending Account Forfeitures		287.19	287.19		
Excess N.J.E.I.T. Funds		24,587.22	24,587.22		
Insurance Dividends		875.68	875.68		
Returned Check Fees		1,325.00	1,325.00		
Water Turn-On/Off Charges		14,275.00	14,275.00		
	<u>\$ 7,176.37</u>	<u>\$ 979,727.65</u>	<u>\$ 963,480.43</u>	<u>\$ 22,226.40</u>	<u>\$ 1,197.19</u>
Recap:					
Water	\$ 2,511.73	\$ 870,590.49	\$ 850,456.80	\$ 22,226.40	\$ 419.02
Sewer	4,664.64	109,137.16	113,023.63		778.17
	<u>\$ 7,176.37</u>	<u>\$ 979,727.65</u>	<u>\$ 963,480.43</u>	<u>\$ 22,226.40</u>	<u>\$ 1,197.19</u>

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Accrued Interest Receivable  
For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Investment Income</u>	<u>Received</u>	<u>Balance June 30, 2018</u>
Unrestricted:				
Revenue/Operating Accounts	\$ 5,119.64	\$ 21,135.35	\$ 18,307.20	\$ 7,947.79
General Account	347.54	74,493.07	74,668.04	172.57
	<u>5,467.18</u>	<u>95,628.42</u>	<u>92,975.24</u>	<u>8,120.36</u>
Restricted:				
Bond Reserve Account	12,120.99	67,873.15	67,967.50	12,026.64
Bond Service Account	29,214.79	73,411.47	73,546.17	29,080.09
Renewal and Replacement Account	2,083.33	33,893.89	33,893.89	2,083.33
	<u>43,419.11</u>	<u>175,178.51</u>	<u>175,407.56</u>	<u>43,190.06</u>
	<u>\$ 48,886.29</u>	<u>\$ 270,806.93</u>	<u>\$ 268,382.80</u>	<u>\$ 51,310.42</u>
Recap:				
Water	\$ 17,110.21	\$ 94,782.43	\$ 93,933.98	\$ 17,958.66
Sewer	31,776.08	176,024.50	174,448.82	33,351.76
	<u>\$ 48,886.29</u>	<u>\$ 270,806.93</u>	<u>\$ 268,382.80</u>	<u>\$ 51,310.42</u>

**Schedule 9****EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Prepaid Expenses  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2017	\$ 296,730.83	\$ 639,639.63	\$ 936,370.46
Add:			
Disbursements Fiscal Year 2018	<u>204,151.21</u>	<u>349,217.59</u>	<u>553,368.80</u>
	500,882.04	988,857.22	1,489,739.26
Less:			
Charged to Operations Fiscal Year 2018	<u>175,250.17</u>	<u>356,184.76</u>	<u>531,434.93</u>
Balance June 30, 2018	<u>\$ 325,631.87</u>	<u>\$ 632,672.46</u>	<u>\$ 958,304.33</u>



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Capital Assets -- Completed  
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018	Useful Life
<b>Water:</b>					
Land and Improvements	\$ 187,079.00			\$ 187,079.00	
Buildings and Improvements	10,481,120.83			10,481,120.83	40 Yrs.
Infrastructure	46,406,378.97	\$ 740,678.10		47,147,057.07	40 Yrs.
Fixed Equipment	1,893,232.25	356,660.38	\$ 6,652.15	2,243,240.48	15 Yrs.
Equipment	545,026.57	43,446.64	194.10	588,279.11	5 to 15 Yrs.
Vehicles	1,020,296.06			1,020,296.06	7 Yrs.
	60,533,133.68	1,140,785.12	6,846.25	61,667,072.55	
Less: Accumulated Depreciation	51,166,574.48	669,677.62	6,846.25	51,829,405.85	
	<u>\$ 9,366,559.20</u>	<u>\$ 471,107.50</u>	<u>\$ -</u>	<u>\$ 9,837,666.70</u>	
<b>Sewer:</b>					
Land and Improvements	\$ 5,145,239.00			\$ 5,145,239.00	
Buildings and Improvements	44,646,826.44			44,646,826.44	40 Yrs.
Infrastructure	55,745,621.97	\$ 884,088.00		56,629,709.97	40 Yrs.
Fixed Equipment	9,204,905.84	4,293,851.10	\$ 1,429.40	13,497,327.54	15 Yrs.
Equipment	1,504,421.14	44,152.46	11,412.86	1,537,160.74	5 to 15 Yrs.
Vehicles	1,498,559.26			1,498,559.26	7 Yrs.
	117,745,573.65	5,222,091.56	12,842.26	122,954,822.95	
Less: Accumulated Depreciation	81,611,780.79	2,543,867.77	12,842.26	84,142,806.30	
	<u>\$ 36,133,792.86</u>	<u>\$ 2,678,223.79</u>	<u>\$ -</u>	<u>\$ 38,812,016.65</u>	
<b>Recap:</b>					
Total Capital Assets	\$ 178,278,707.33	\$ 6,362,876.68	\$ 19,688.51	\$ 184,621,895.50	
Less:					
Accumulated Depreciation	132,778,355.27	3,213,545.39	19,688.51	135,972,212.15	
	<u>\$ 45,500,352.06</u>	<u>\$ 3,149,331.29</u>	<u>\$ -</u>	<u>\$ 48,649,683.35</u>	
Contributions		\$ 921,330.60			
Cash Disbursed		458,408.78			
Transferred from Construction in Progress		<u>4,983,137.30</u>			
		<u>\$ 6,362,876.68</u>			

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Capital Assets -- Construction in Progress  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2017	\$ 582,699.29	\$ 2,569,069.64	\$ 3,151,768.93
Increased by:			
Cash Disbursements - General Fund	478,448.49	2,551,481.33	3,029,929.82
	1,061,147.78	5,120,550.97	6,181,698.75
Decreased by:			
Transferred to Capital Assets	124,432.50	4,858,704.80	4,983,137.30
Balance June 30, 2018	\$ 936,715.28	\$ 261,846.17	\$ 1,198,561.45

Analysis of Balance June 30, 2018

Hydrogeologic Evaluation of Well 13 & 14 ASR	\$ 98,818.93		\$ 98,818.93
South Side Elevated Tank Design	13,091.00		13,091.00
Woodlake Drive Water Main Replacement	293,155.90		293,155.90
Locust Ave. Pump Station Upgrade		\$ 134,316.09	134,316.09
Rt. 70 Water Main Replacement	71,491.85		71,491.85
Rt. 70 Sewer Rehabilitation		25,161.40	25,161.40
Kings Grant Effluent Pump Replacement		74,485.13	74,485.13
S. Maple Water Main Replacement	87,914.65		87,914.65
Knox Blvd. Water Main Replacement	133,393.34		133,393.34
Knox Blvd. Sewer Rehabilitation		17,881.05	17,881.05
Elmwood Plant Storage Building		10,002.50	10,002.50
Heritage Village Water Main Replacement	220,569.38		220,569.38
Well 14 Screen Replacement	18,280.23		18,280.23
	\$ 936,715.28	\$ 261,846.17	\$ 1,198,561.45

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Accrued Interest on Revenue Bonds and Loans Payable  
For the Fiscal Year Ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2017	\$ 41,437.61	\$ 294,218.02	\$ 335,655.63
Increased by:			
Interest Charges Fiscal Year 2018 Budget	43,916.90	463,939.36	507,856.26
Amortization of Deferred Amount of Refunding	5,489.05	19,200.15	24,689.20
Amortization of Premium on Bonds	(47,975.69)	(115,936.68)	(163,912.37)
	<u>1,430.26</u>	<u>367,202.83</u>	<u>368,633.09</u>
Total Interest Expense	42,867.87	661,420.85	704,288.72
Decreased by:			
Interest Paid	63,396.06	526,187.70	589,583.76
Amortization of Deferred Amount of Refunding	5,489.05	19,200.15	24,689.20
Amortization of Premium on Bonds	(47,975.69)	(115,936.68)	(163,912.37)
	<u>20,909.42</u>	<u>429,451.17</u>	<u>450,360.59</u>
Balance June 30, 2018	<u>\$ 21,958.45</u>	<u>\$ 231,969.68</u>	<u>\$ 253,928.13</u>

## Schedule 13

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Payroll Deductions Payable  
For the Fiscal Year Ended June 30, 2018

Balance July 1, 2017	\$ (3,360.96)
Receipts:	
Payroll Deductions Payable	<u>3,865,948.48</u>
	3,862,587.52
Disbursements:	
Checks Drawn to Payroll Agencies	<u>3,864,528.20</u>
Balance June 30, 2018	<u>\$ (1,940.68)</u>
<u>Analysis of Balance June 30, 2018</u>	
State Unemployment Insurance	\$ (57.42)
N.J. Family Leave	11.83
Public Employees Retirement System	226.31
Cafeteria - 125 Plan	(2,191.45)
Life Insurance	<u>70.05</u>
	<u>\$ (1,940.68)</u>

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds  
For the Fiscal Year Ended June 30, 2018

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance		Paid	Balance
			Outstanding June 30, 2018			July 1, 2017			
			Date	Amount					
2004 Revenue Bonds (Series A)	3-1-04	\$ 4,435,000.00	7-1-2018	\$ 15,000.00	4.150%				
			7-1-2019	125,000.00	4.150%				
			7-1-2020	135,000.00	4.150%	\$ 295,000.00	\$ 20,000.00	\$ 275,000.00	
2011 Revenue Bonds (Series A)	11-16-11	3,655,000.00	7-1-2018	115,000.00	2.500%				
			7-1-2019	300,000.00	2.500%				
			7-1-2020	300,000.00	2.625%				
			7-1-2021	920,000.00	2.750%				
			7-1-2022	945,000.00	5.000%				
			7-1-2023	100,000.00	3.375%				
			7-1-2024	100,000.00	3.500%				
			7-1-2025	100,000.00	3.600%				
			7-1-2026	145,000.00	3.750%	3,135,000.00	110,000.00	3,025,000.00	
2012 Revenue Bonds (Series A)	4-4-12	18,865,000.00	7-1-2018	3,715,000.00	4.00%				
			7-1-2019	200,000.00	3.00%				
			7-1-2020	205,000.00	3.00%	7,685,000.00	3,565,000.00	4,120,000.00	
						\$ 11,115,000.00	\$ 3,695,000.00	7,420,000.00	
Add: Premium on Bonds								526,347.85	
								\$ 7,946,347.85	
Sewer						\$ 9,007,730.00	\$ 2,713,314.00	\$ 6,294,416.00	
Water						2,107,270.00	981,686.00	1,125,584.00	
						11,115,000.00	3,695,000.00	7,420,000.00	
Premium on Bonds									
Sewer						498,357.51	115,936.68	382,420.83	
Water						191,902.71	47,975.69	143,927.02	
						690,260.22	163,912.37	526,347.85	
						\$ 11,805,260.22	\$ 3,858,912.37	\$ 7,946,347.85	

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2018</u>
			<u>Outstanding June 30, 2018</u>	<u>Date</u>					
2006A Fund Loan Agreement	11-7-06	\$ 5,699,574.00	7-1-2018	\$ 289,914.16	N/A				
			7-1-2019	288,211.16	N/A				
			7-1-2020	289,455.66	N/A				
			7-1-2021	286,956.43	N/A				
			7-1-2022	287,257.32	N/A				
			7-1-2023	286,999.42	N/A				
			7-1-2024	285,218.64	N/A				
			7-1-2025	286,225.69	N/A				
			7-1-2026	287,634.14	N/A	\$ 2,875,887.28		\$ 288,014.66	\$ 2,587,872.62
2006A Trust Loan Agreement	11-7-06	5,695,000.00	7-1-2018	310,000.00	4.000%				
			7-1-2019	320,000.00	4.000%				
			7-1-2020	335,000.00	4.000%				
			7-1-2021	345,000.00	4.125%				
			7-1-2022	360,000.00	4.125%				
			7-1-2023	375,000.00	4.250%				
			7-1-2024	390,000.00	5.000%				
			7-1-2025	410,000.00	4.250%				
			7-1-2026	430,000.00	4.250%	3,570,000.00		295,000.00	3,275,000.00
2008A Fund Loan Agreement	11-6-08	1,307,340.00	7-1-2018	65,250.90	N/A				
			7-1-2019	66,249.56	N/A				
			7-1-2020	64,313.70	N/A				
			7-1-2021	65,604.28	N/A				
			7-1-2022	66,526.12	N/A				
			7-1-2023	67,063.86	N/A				
			7-1-2024	67,655.37	N/A				
			7-1-2025	68,239.21	N/A				
			7-1-2026	17,426.69	N/A	612,428.29		64,098.60	548,329.69

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

<u>Purpose</u>	<u>Issue</u>	<u>Issue</u>	Maturities of Bonds		<u>Interest</u>	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
			<u>Outstanding June 30, 2018</u>	<u>Amount</u>					
			<u>Date</u>		<u>Rate</u>	<u>July 1, 2017</u>			<u>June 30, 2018</u>
2008A Trust Loan Agreement	11-6-08	\$ 1,325,000.00	7-1-2018	\$ 65,000.00	5.000%				
			7-1-2019	65,000.00	5.250%				
			7-1-2020	70,000.00	5.500%				
			7-1-2021	75,000.00	5.500%				
			7-1-2022	80,000.00	5.500%				
			7-1-2023	80,000.00	5.500%				
			7-1-2024	85,000.00	5.000%				
			7-1-2025	90,000.00	5.000%				
			7-1-2026	95,000.00	5.000%				
			7-1-2027	100,000.00	5.000%				
			7-1-2028	105,000.00	5.000%	\$ 970,000.00		\$ 60,000.00	\$ 910,000.00
2010A Fund Loan Agreement	11-5-09	276,863.00	7-1-2018	14,077.77	N/A				
			7-1-2019	14,077.77	N/A				
			7-1-2020	14,077.77	N/A				
			7-1-2021	14,077.77	N/A				
			7-1-2022	14,077.77	N/A				
			7-1-2023	14,077.77	N/A				
			7-1-2024	14,077.77	N/A				
			7-1-2025	14,077.77	N/A				
			7-1-2026	14,077.77	N/A				
			7-1-2027	14,077.77	N/A				
			7-1-2028	14,077.77	N/A				
			7-1-2029	9,385.37	N/A	178,318.61		14,077.77	164,240.84

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
2010A Trust Loan Agreement	11-5-09	\$ 270,000.00	7-1-2018	\$ 15,000.00	5.000%				
			7-1-2019	15,000.00	4.000%				
			7-1-2020	15,000.00	5.000%				
			7-1-2021	15,000.00	3.000%				
			7-1-2022	15,000.00	4.000%				
			7-1-2023	15,000.00	4.000%				
			7-1-2024	15,000.00	4.000%				
			7-1-2025	15,000.00	4.000%				
			7-1-2026	20,000.00	3.500%				
			7-1-2027	20,000.00	4.000%				
			7-1-2028	20,000.00	4.000%				
			7-1-2029	15,000.00	4.000%	\$ 210,000.00		\$ 15,000.00	\$ 195,000.00
2014A&B Fund Loan Agreement	5/21/14	3,222,073.00	7-1-2018	163,834.21	N/A				
			7-1-2019	163,834.21	N/A				
			7-1-2020	163,834.21	N/A				
			7-1-2021	163,834.21	N/A				
			7-1-2022	163,834.21	N/A				
			7-1-2023	163,834.21	N/A				
			7-1-2024	163,834.21	N/A				
			7-1-2025	163,834.21	N/A				
			7-1-2026	163,834.21	N/A				
			7-1-2027	163,834.21	N/A				
			7-1-2028	163,834.21	N/A				
			7-1-2029	163,834.21	N/A				
			7-1-2030	163,834.21	N/A				
			7-1-2031	163,834.21	N/A				
			7-1-2032	163,834.21	N/A				
			7-1-2033	109,223.01	N/A	2,730,570.37		163,834.21	2,566,736.16

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2018

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding June 30, 2018</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>July 1, 2017</u>			<u>June 30, 2018</u>
2014A&B Trust Loan Agreement	5/21/14	\$ 1,050,000.00	7-1-2018	\$ 40,000.00	5.000%				
			7-1-2019	45,000.00	5.000%				
			7-1-2020	45,000.00	5.000%				
			7-1-2021	50,000.00	5.000%				
			7-1-2022	50,000.00	5.000%				
			7-1-2023	55,000.00	5.000%				
			7-1-2024	55,000.00	5.000%				
			7-1-2025	60,000.00	3.000%				
			7-1-2026	60,000.00	3.000%				
			7-1-2027	60,000.00	3.000%				
			7-1-2028	65,000.00	3.000%				
			7-1-2029	65,000.00	3.000%				
			7-1-2030	70,000.00	3.000%				
			7-1-2031	70,000.00	3.000%				
			7-1-2032	70,000.00	3.125%				
			7-1-2033	75,000.00	3.250%				
						\$ 975,000.00		\$ 40,000.00	\$ 935,000.00
						\$ 12,122,204.55	\$ -	\$ 940,025.24	\$ 11,182,179.31



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**SCHEDULE OF FINDINGS & RECOMMENDATIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended June 30, 2018

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***Schedule of Financial Statement Findings***

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

N/A - None

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

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

N/A - None

32500

**APPRECIATION**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



## **APPENDIX B**

### **Certain Information Relating to the Township of Evesham**

## **GENERAL INFORMATION REGARDING THE TOWNSHIP OF EVESHAM**

### **General Information**

The Township of Evesham, New Jersey ("Township"), was incorporated in 1692 as one of the 13 original municipalities in Burlington County. The community had a gristmill, glass factory, a blacksmith and three saw mills. Residents used Burlington or Moorestown post offices until 1845 when the largest town of the Township, Marlton, opened its own post office. In the next 30 years the modern-day Township was established after Medford, Shamong, Lumberton, Mount Laurel and Hainesport were carved from parts of Evesham.

The Township is located in the extreme western section of Burlington County, bordering Camden County. The surrounding Townships are Mount Laurel, Medford, Cherry Hill, Voorhees and Berlin. The overall area of the Township is 29.65 square miles located approximately fifteen (15) miles east of Philadelphia, Pennsylvania and forty (40) miles south of Trenton, New Jersey.

Residents of the Township are within ten (10) miles from the PATCO Hi-Speed Line, which runs from Lindenwold to Philadelphia, Pennsylvania stopping at major shopping centers and business areas along the way. This is one of the area's most popular means of transportation for residents working in Philadelphia. Also available to residents is the New Jersey Transit Bus Route stopping at major business areas and linking at some points with the Hi-Speed Line.

Two major State Highways, Route 73 and Route 70, link in the Township. Route 73 runs north to the Tacony-Palmyra Bridge leading into Pennsylvania and south to Winslow Township, New Jersey, where it connects with the Atlantic City Expressway leading to the southern shoreline of the State. Route 70 runs west to Camden County, leading into Pennsylvania and east to the central shoreline of Seaside Heights and Long Beach Island.

### **Form of Government**

The Township's form of government is a Council-Manager form of government known as the Council-Manager Plan B under the Faulkner Act. Five members, elected at large on a partisan basis for four-year overlapping terms, make up the Township Council. Of these five members, the Mayor is elected at large for a four-year term. The Mayor and Council appoint the Township Manager to administer their directives and conduct municipal affairs. This form of government provides a stable government with professional administration for all municipal services.

### **Library**

The Friends of the Evesham Township Public Library ("Library") moved into the Marlton School on August 24, 1863 and the Library was incorporated on January 30, 1963. The Library grew out of the Marlton School into the new Municipal Building on May 17, 1967 and later relocated to the newly built Municipal Complex in 1998. The present facility is approximately 24,000 square feet and contains 13,000 linear feet of shelving for over 85,000 books and periodicals. The Library is staffed by four full-time librarians, one part-time librarian and fifteen other staff members. The Library became one of five branches of the Burlington County Library system in April 1975. Today, it maintains its position and makes programs such as mail service, summer reading programs and adult book discussion groups available to residents. Other programs include story-time for kids, arts and crafts and special group programs. The Library offers a meeting room for outside groups, videos, CD's, films, art prints and magazines for its residents' pleasure. Fifteen computers with Internet access are available for public use.

## **Police and Fire Protection**

The Township has a full-time Police Department ("Department") consisting of a Chief, Captains, Lieutenants, a Corporal, Sergeants, Detectives, Patrolmen and K-9 dogs. The Department is linked to the Burlington County Central Communications System on a 24-hour basis. Both fire protection and first aid services are provided by one fire district consisting of paid and full-time personnel and volunteers located at three fire stations logistically located throughout the Township. The fire district has its own budget, taxing power and owns and maintains its own building and equipment. The administrative offices of the district are located in the Municipal Complex.

## **Public Works**

The Department of Public Works ("Works Department") is headed by a superintendent and is responsible for weekly trash collection, leaf collection, snow removal, storm-water drainage maintenance and maintenance of street signs. The Township participates in a county-wide recycling program and provides its residents with containers for recyclables. The Township implemented an Automated Trash Collection program in 1998. The Works Department is also responsible for approximately 175 miles of street and road maintenance including street sweeping. Independent contractors are also used for major projects under the Township's Capital Improvement Program.

## **Parks and Recreation**

The Township offers a variety of recreational programs and facilities to its residents. The programs are offered each season of the year and are organized by the Recreation Department located in the Gibson house. Programs for the 17-month-old to the senior citizen range from arts and crafts, dance, creative movement, aerobics, painting and drawing, tennis and over 35 other programs. The Township offers full-day and half-day summer camps to children 4 years old and up. Over 500 children participate in our summer camps every year. The Township maintains 2,478 acres of open space, ball fields, parks and picnic areas.

The Township provides a major recreation and sports complex known as "Memorial Field" encompassing 118 acres of land and consists of various multi-purpose fields and a playground area. The complex also includes an indoor sports facility, the Blue Barn, consisting of basketball and volleyball courts, as well as aerobic and exercise rooms. For outdoor baseball/softball activity, there's the Diamonds at Evesham. The Diamonds are a four-field complex with a concession area to serve many different organizations during the spring, summer and fall months.

The Township organizes activities such as Evesham Day, Summer Evening Concerts, Fourth of July Fireworks, a Fall Festival and a Winter-fest. The Township also owns and maintains an 18-hole golf course known as the Indian Spring Golf Club, which is open to the public and also has a separate driving range facility.

## **Evesham Township Municipal Utilities Authority**

The Evesham Township Municipal Utilities Authority ("Authority") has been in continuous existence since it was established on March 3, 1959 by ordinances of the Township Council pursuant to the Municipal Utilities Authorities Law, P.L. 1957, c.183. The Authority, consisting of five members appointed by resolution of the Township Council for five year terms, owns and operates certain water supply distribution facilities and sanitary sewerage collection, treatment and disposal facilities currently providing water supply and sanitary sewerage service in all except the extreme southern part of the Township.



The following is a summary of the financial operations of the Authority for the last four years:

	<b>Fiscal Year</b>			
	<b><u>2018</u></b>	<b><u>Restated 2017</u></b>	<b><u>Restated 2016</u></b>	<b><u>2015(1)</u></b>
Operating Revenues	\$20,146,592	\$18,889,606	\$19,051,401	\$17,131,400
Operating Expenses	<u>15,045,512</u>	<u>14,175,735</u>	<u>15,044,033</u>	<u>13,600,389</u>
Operating Income	5,101,080	4,713,872	4,007,368	3,531,011
Net Non-Operating Revenue (Expenses)	<u>111</u>	<u>(1,152,052)</u>	<u>( 765,995)</u>	<u>(1,238,190)</u>
Change in Net Position	5,101,191	3,561,820	3,241,373	2,292,821
Fiscal Year Beginning Net Position	<u>41,554,714</u>	<u>37,992,894</u>	<u>35,856,769</u>	<u>33,563,948</u>
<b>Fiscal Year End Net Position</b>	<b><u>\$46,655,905</u></b>	<b><u>\$41,554,714</u></b>	<b><u>\$37,992,894</u></b>	<b><u>\$35,856,769</u></b>

### **Township Population(2)**

<b><u>Year</u></b>	<b><u>Township Population</u></b>	<b><u>County Population</u></b>	<b><u>State Population</u></b>
2010 Federal Census	45,538	448,734	8,791,894
2000 Federal Census	42,275	423,394	8,414,350
1990 Federal Census	35,309	395,066	7,730,188
1980 Federal Census	21,659	362,542	7,365,011
1970 Federal Census	13,477	323,132	7,171,112

### **Selected Census 2017 Data for the Township (2)**

Median household income	\$94,395
Median family income	\$113,778
Per capita income	\$45,247

### **Labor Force(3)**

The following table discloses current labor force data for the Township, County and State.

	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Township</b>					
Labor Force	25,468	25,757	25,740	26,067	25,800
Employment	24,703	24,916	24,800	24,925	24,600
Unemployment	765	841	940	1,133	1,300
Unemployment Rate	3.0%	3.3%	3.7%	4.4%	4.9%
<b>County</b>					
Labor Force	227,445	230,174	230,271	233,167	232,000
Employment	218,877	220,764	219,995	220,458	217,400
Unemployment	8,568	9,410	10,276	12,717	14,700
Unemployment Rate	3.8%	4.1%	4.5%	5.5%	6.3%
<b>State</b>					
Labor Force	4,422,900	4,453,500	4,474,700	4,543,817	4,518,700
Employment	4,239,600	4,247,500	4,252,100	4,277,317	4,218,400
Unemployment	183,400	206,000	222,600	266,525	300,300
Unemployment Rate	4.1%	4.6%	5.0%	5.9%	6.6%

(1) The Authority Implemented GASB 68

(2) Source: U.S. Department of Commerce, Bureau of Census.

(3) Source: New Jersey Department of Labor.

## Building, Zoning and Development Codes

The Township has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building. The Township building codes conform to standards of the Uniform Construction Code of New Jersey. These codes and other municipal codes are codified as a basis for improved administration and regulation.

The Township adopted the Municipal Land Use Law in 1975. The Municipal Land Use Law gave the Township Planning Board and the Township Zoning Board of Adjustment authority to regulate most land use other than single-family residential use. Accordingly, the Township is able to guide the approximate use or development of land to promote the public health, safety and general welfare.

## Business and Industry

In 2018 and 2019, the Township Planning Board and Zoning Board of Adjustment has approved many projects including a Royal Farms gas station and convenience store on Route 73 North and an independent congregate living facility with 177 beds on Lippincott Drive.

For affordable housing requirements, Evesham currently has two projects underway. Evesham Family Apartments for affordable housing units that are not age-restricted to be located on Executive Drive, the plans are under review. Evesham Senior Apartments for affordable housing units that are age-restricted to be located on Stow Road is under construction.

Redevelopment in Evesham Township is still moving along. The Shoppes at Renaissance Square and Residences at Renaissance Square will consist of 338 apartments in five buildings, demolishing approximately 94,000 square feet of existing retail area and constructing two new 5,500 square foot restaurants, 12,000 square foot retail building. Barclay Chase Apartments with commercial use space is currently under construction along Route 70 and Evesboro Medford Road. Harvest House apartment building plans are under review to be located on Main Street.

## Building Permits (1)

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Value of Construction</u>
2019 (2)	1,680	\$1,306,107
2018	2,329	1,294,246
2017	2,802	1,570,774
2016	2,700	64,725,738
2015	2,525	52,086,787
2014	2,516	48,949,161

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(1) Source: Building Department

(2) As of September 15, 2019

## TEN LARGEST EMPLOYERS (1)

The following table outlines the ten (10) largest employers in the Township.

Virtua	Whole Foods
Shop Rite	Burns Car Dealerships
Geico	Freedom Mortgage
Walmart	Bnai Brith
Care One	Brightview

## GENERAL INFORMATION ON THE SCHOOL DISTRICT (2)

### General

The Board of Education of the Township of Evesham, in the County of Burlington, New Jersey ("School District"), is a Type II school district whose boundaries are coterminous with the Township of Evesham, New Jersey ("Township"). The School District functions independently through the school board ("Board"), which consists of nine members elected by the voters for alternate three year terms. The School District operates a K-8 district with students housed in six elementary schools, one combined elementary/middle school and one middle school. Most students in grades 9-12 attend Cherokee High School. Cherokee High School is part of the Lenape Regional High School District which also includes students from the Townships of Mount Laurel, Medford Lakes, Medford, Shamong, Southampton, Tabernacle and Woodland. Special education students are mainstreamed into the public school system.

The Board is organized annually in January following the annual school election. Each member of the Board is a resident of the School District.

### School District Enrollments (2)

<u>Grade</u>	<u>2018</u>	<u>2017</u>	<u>October 15,</u> <u>2016</u>	<u>2015</u>	<u>2014</u>
PK	---	---	36	26	37
K	364	319	311	338	349
1	369	389	402	388	452
2	395	391	371	430	407
3	402	376	424	404	421
4	380	424	419	410	423
5	411	431	406	430	426
6	409	394	408	406	425
7	422	425	406	407	448
8	442	409	410	422	429
Sp. Education	756	810	736	691	645
Preschool Handicapped	<u>59</u>	<u>58</u>	<u>76</u>	<u>88</u>	<u>89</u>
In District Total	4,409	4,426	4,405	4,440	4,551
Net Send/Received	<u>(1)</u>	<u>(7)</u>	<u>(2)</u>	<u>12</u>	<u>13</u>
Total (3)	<u>4,408</u>	<u>4,419</u>	<u>4,403</u>	<u>4,452</u>	<u>4,564</u>

(1) Source: Township officials

(2) School District officials

(3) Includes out of district students

## Present School Facilities, Enrollment and Capacity (1)

<u>Facilities</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Grades</u>	<u>Enrollment 10/15/18</u>	<u>Functional Capacity</u>
H.L. Beeler School	1962	1989/2001	K-5	591	649
R.B. Jaggard School	1972	2001	K-5	441	667
J.H. Van Zant School	1968	1989/2001	K-5	513	613
Marlton Middle	1976	1996	6-8	825	1,014
Richard L. Rice	1990	2001	K-5	554	632
Frances DeMasi	1993	---	K-8	1,047	1,097
Marlton Elementary	2000	---	K-5	<u>438</u>	<u>577</u>
				<u>4,409</u>	<u>5,249</u>

## Local School District Employees

	<u>2018</u>	<u>2017</u>	<u>June 30, 2016</u>	<u>2015</u>	<u>2014</u>
Totals	<u>919</u>	<u>939</u>	<u>896</u>	<u>903</u>	<u>885</u>

## Employee Collective Bargaining Units

The following is a schedule of employee collective bargaining units, number of employees represented and dates of expiration of current contracts:

<u>Collective Bargaining Unit</u>	<u>Employees Represented</u>	<u>Contract Expiration Date</u>
Evesham Education Association	671	June 30, 2019
Evesham Administrator's Association	17	June 30, 2020

## Budget History

<u>Budget Year</u>	<u>Outcome of Election</u>	<u>Amount as Originally Proposed</u>
2019-2020	(2)	\$60,196,576
2018-2019	(2)	59,358,120
2017-2018	(2)	57,515,145
2016-2017	(2)	56,588,242
2015-2016	(2)	54,750,302

## Lenape Regional High School District (3)(4)

	<u>2018</u>	<u>2017</u>	<u>October 15, 2016</u>	<u>2015</u>	<u>2014</u>
Totals	<u>2,179</u>	<u>2,189</u>	<u>2,246</u>	<u>2,192</u>	<u>2,223</u>

(1) School District officials

(2) Current Expense Levy was within the 2.0% State CAP, therefore an election was not required.

(3) Township students only

(4) Source: Regional District officials

## **HIGHER EDUCATION FACILITIES**

### **Rowan College at Burlington County (Formerly Burlington County College)**

Rowan College at Burlington County (formerly Burlington County College) ("RCBC" or the "County College") is a comprehensive, publicly supported, coeducational, two-year institution developed by the County and the State and accredited by the Middle States Association of Colleges and Schools. The County College was founded in October 1965 and opened in September 1969. The 225-acre main campus is located on Pemberton-Browns Mills Road in Pemberton Township, while the Mount Laurel campus opened in July 1995. The Freeholder Board sponsors the College, appointing nine of the twelve Trustees.

In June 2015, the Rowan University Board of Trustees approved a resolution to partner with the County College thereby allowing students to obtain a bachelor's degree from Rowan University on the County College's Mount Laurel Campus. The unique partnership provides students the opportunity to seamlessly transition from the community college to the university. RCBC is the first community college in the region to offer junior-level courses as part of the "3+1" program in which students complete 75 percent of a Rowan University degree with the community college before completing their senior year at the university.

In July 2015, RCBC announced a transition from its original Pemberton Campus to the more accessible and modern Mount Laurel Campus. All of the academic programs have been moved to Mount Laurel, leaving only athletics and aquatic classes in Pemberton. An athletic facility is in the plans for Mount Laurel. Located at the intersection of Route 38 and I-295, the 100-acre Mount Laurel campus is already home to the Technology and Engineering Center. Joining it as part of the transformed Mount Laurel campus is a new Health Sciences Center as well as a new Student Success Center - a 78,000 square foot, \$25.4 million state-of-the-art building that will feature a one-stop shop for student services from enrollment to academic planning, knowledge commons library, bookstore, dining area and state-of-the-art technology. This building will serve as the gateway to the newly transformed Mount Laurel campus with a total investment of \$55 million and renovation of 240,000 square feet.

RCBC's enrollment as of Spring 2019 consisted of 7,626 students. In addition, the County College serves thousands of other County residents each semester through youth programs, Learning is for Everyone, workforce development, theatrical productions, guest speakers, and art exhibitions.

The Board of Trustees governs the County College and certain fiscal matters are subject to review by the Board of School Estimate. The County College is not permitted to borrow for capital expenditures. Instead, the Board of Trustees and the Board of School Estimate certify the need for funding to the Board, which either currently appropriates the amount certified or authorizes the issuance of County debt, generally in accordance with the provisions of the Local Bond Law.

### **Burlington County Institute of Technology**

The Burlington County Board of Vocational Education was created by the Board in 1962 after a favorable referendum. The enrollment for the two campuses, Westampton and Medford, is 1,972 students as of June 30, 2018.

The Burlington County Institute of Technology ("BCIT") is governed by a consolidated Board of Education of the Special Services School District and the Vocational School District of the County of Burlington and certain fiscal matters are subject to the review of the Board of School Estimate. BCIT is not permitted to borrow for capital expenditures. Instead, the Board of Education and the Board of School Estimate certify the need for funding to the Board which either currently appropriates the amount certified or authorizes the issuance of County debt, generally in accordance with the provisions of the Local Bond Law except that no down payment is required.

BCIT contributes to the County workforce each year an average of 462 high school seniors certified in one of thirty-three career and technical programs and, through its Adult School Division, approximately 760 adults who have completed either a certification or licensing program in one of the thirty-five career programs offered. The Superintendent of BCIT is the liaison between the education community of the County and business and industry.

### **Burlington County Special Services School District**

The Burlington County Special Services School District ("Special Services School District") was created by the Board in June 1972. The Special Services School District is comprised of state-of-the-art facilities located in the Townships of Westampton, Lumberton, Medford, and Mount Laurel and programs are provided for: (1) the orthopedically handicapped, the multiple handicapped, autistic and deaf and hard of hearing; (2) elementary school students with severe emotional and social problems; (3) students ages fourteen (14) through twenty-one (21) with educational needs which are beyond the capabilities of existing local school boards and regions; and (4) trainable mentally retarded young people from ages fourteen (14) to twenty-one (21). The enrollment for the Special Services School District for the 2017-18 academic year is 607 students.

### **TEN LARGEST REAL PROPERTY TAXPAYERS(1)**

<b><u>Name of Taxpayer</u></b>	<b><u>Nature of Business</u></b>	<b><u>2019 Assessed Valuation</u></b>
Davis & Associates	Apartment and Commercial	\$119,545,300
Marlton Plaza Associates	Shopping Center	39,183,100
Davis Enterprises	Apartment and Commercial	36,240,000
Hunters Chase Assoc LLC	Apartment Property	33,000,000
East Coast Woodview at Marlton, LLC	Apartment Property	32,000,000
Marlton VF LLC	Shopping Center	23,121,900
WRV Apartments Association LLC	Apartment	20,500,000
TRPF Marlton Square LLC	Shopping Center	19,000,000
Greentree Square Affiliates	Shopping Center	17,952,800
Greentree V, LLC	Office and Restaurant	17,240,000

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(1) Source: Township Tax Assessor

### CURRENT TAX COLLECTIONS (1)

<u>Year</u>	<u>Total Levy</u>	<u>Outstanding Dec. 31</u>		<u>Collected in Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2018	\$ 152,545,230	\$ 1,134,155	0.74%	\$ 151,184,727	99.11%
2017	149,969,044	975,534	0.65%	148,731,999	99.18%
2016	146,237,088	977,613	0.67%	145,009,373	99.16%
2015	143,511,093	1,347,119	0.94%	141,773,844	98.79%
2014	138,961,196	1,372,703	0.99%	137,362,862	98.85%

### DELINQUENT TAXES (1)

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
	<u>Jan. 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>			
2018	\$ 1,022,075	\$ 16,131	\$ 993,954	95.74%	\$ 3,367	\$ 22,718	\$ 18,167
2017	1,028,121	8,115	975,264	94.12%	4,521	9,910	46,541
2016	1,362,347	19,481	1,297,537	93.90%	33,325	459	50,508
2015	1,392,249	76,676	1,268,835	86.38%	2,917	181,945	15,228
2014	1,487,755	305,146	1,387,305	77.38%	1,301	384,749	19,546

### TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance</u>		<u>Added by</u>		<u>Cancellations/ Foreclosures</u>	<u>Balance Dec. 31</u>
	<u>Jan. 1</u>		<u>Sales and Transfers</u>	<u>Collected</u>		
2018	\$ 350,479	\$	38,253	\$ 12,199	\$ 18,242	\$ 358,291
2017	490,524		49,853	125,068	64,830	350,479
2016	428,656		93,700	31,745	87	490,524
2015	336,478		92,564	302	83	428,656
2014	307,418		29,426	-	366	336,478

(1) Source: Annual Report of Audit

# **FORECLOSED PROPERTY (1) (2)**

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Added By</u> <u>Transfer</u>	<u>Adjustment</u> <u>to Assessed</u> <u>Valuation</u>	<u>Adjustments</u>	<u>Balance</u> <u>Dec. 31</u>
2018	\$ 788,207	\$ 28,418		\$ -	\$ 816,625
2017	690,707	61,164	\$ 36,336	-	788,207
2016	690,707	-	-	-	690,707
2015	690,707	-	-	-	690,707
2014	690,707	-	-	-	690,707

## **NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (3)**

<u>Year</u>	<u>Net</u> <u>Valuation</u> <u>Taxable</u>	<u>Tax Rate (4)</u>						
		<u>Total</u> <u>Rate</u>	<u>County</u>	<u>Local</u> <u>School</u>	<u>Regional</u> <u>High</u> <u>School</u>	<u>Municipal</u>	<u>Municipal</u> <u>Open</u> <u>Space</u>	<u>Fire</u> <u>District</u>
2019	\$5,266,523,659	\$2.934	\$0.425	\$1.179	\$0.724	\$0.423	\$0.030	\$0.153
2018	5,246,691,953	2.893	0.416	1.178	0.705	0.427	0.030	0.137
2017	5,213,149,378	2.859	0.408	1.159	0.695	0.430	0.030	0.137
2016	5,217,827,831	2.789	0.407	1.133	0.665	0.415	0.030	0.139
2015	5,221,728,920	2.740	0.408	1.101	0.648	0.415	0.030	0.138

(1) Source: Annual Report of Audit

(2) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

(3) Source: Township Tax Collector

(4) Per \$100 of assessed valuation



**RATIO OF ASSESSED VALUATION TO TRUE VALUE  
AND TRUE VALUE PER CAPITA (1)**

<u>Year</u>		<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>		<u>True Value</u>		<u>True Value per Capita</u>
2019	\$	5,249,913,122	93.97%	\$	5,586,796,980	\$	122,684 (2)
2018		5,230,375,843	96.19%		5,437,546,359		119,407 (2)
2017		5,196,629,131	99.50%		5,222,742,845		114,690 (2)
2016		5,201,485,531	100.07%		5,197,847,038		114,143 (2)
2015		5,205,466,175	101.72%		5,117,446,102		112,377 (2)

**REAL PROPERTY CLASSIFICATION (3)**

<u>Assessed Value of Land and</u>							
<u>Year</u>	<u>Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Farmland</u>
2019	\$ 5,249,913,122	\$ 34,671,800	\$ 4,214,260,702	\$ 726,767,575	\$ 28,834,700	\$ 234,843,000	\$ 10,535,345
2018	5,230,375,843	41,631,900	4,167,027,350	746,522,775	28,834,700	235,443,000	10,916,118
2017	5,205,470,175	35,357,100	4,140,704,350	744,570,575	29,084,700	235,443,000	11,469,406
2016	5,180,329,975	35,815,100	4,126,549,850	761,795,375	29,484,700	236,295,500	11,545,006
2015	5,204,485,075	40,471,100	4,121,069,700	766,594,175	29,484,700	236,295,500	11,555,000

(1) Source: State of New Jersey, Department of Treasury, Division of Taxation

(2) Based on 2010 Census of 45,538

(3) Source: Township Tax Assessor

**TOWNSHIP OF EVESHAM  
STATEMENT OF INDEBTEDNESS (1)**

The following table summarizes the direct debt of the Township as of December 31, 2018, in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Golf Course Utility and Debt of the Local and Regional School Districts. Deductions from gross debt to arrive at net debt include local and regional school district debt, and debt considered to be self-liquidating. The resulting net debt of \$58,255,452 represents 1.079% of the average of equalized valuations for the Township for the last three years, of \$5,398,697,541, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued		Debt Auth. But Not Issued	Gross Debt	Deductions		Net Debt
	Bonds/Loans	Notes			School District	Self Liquidating	
General	\$ 39,931,486	\$ 11,141,500	\$ 168,880	\$ 51,241,866			\$ 51,241,866
Local School District	6,320,000			6,320,000	\$ 6,320,000		
Regional School District	15,053,143			15,053,143	15,053,143		
Golf Course Utility	4,010,000	2,110,352	997,056	7,117,408		\$ 103,822	7,013,586
	<u>\$ 65,314,629</u>	<u>\$ 13,251,852</u>	<u>\$ 1,165,936</u>	<u>\$ 79,732,417</u>	<u>\$ 21,373,143</u>	<u>\$ 103,822</u>	<u>\$ 58,255,452</u>

(1) As of December 31, 2018  
Source: Township Auditor

## DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	\$ 5,398,697,541
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	1.08%
2019 Net Valuation Taxable	\$ 5,266,523,659
2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$ 5,603,407,517
Gross Debt (2)	
As a Percentage of 2019 Net Valuation Taxable	1.51%
As a Percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.42%
Net Debt (2)	
As a Percentage of 2019 Net Valuation Taxable	1.11%
As a Percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.04%
Gross Debt per Capita(3)	\$ 1,751
Net Debt per Capita(3)	\$ 1,279

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(1) As of December 31, 2018

(2) Excluding overlapping debt

(3) Based on Census 2010 of 45,538

### **TOWNSHIP BORROWING CAPACITY(1)**

3.5% of Average (2016-18) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$5,398,697,541)	\$	188,954,414
Net Debt		<u>(58,255,452)</u>
Remaining Borrowing Capacity	\$	<u>130,698,962</u>

### **LOCAL SCHOOL BORROWING CAPACITY(1)**

3% of Average (2016-18) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$5,398,697,541)	\$	161,960,926
Local School Debt		<u>(6,320,000)</u>
Remaining Borrowing Capacity	\$	<u>155,640,926</u>

### **REGIONAL HIGH SCHOOL DISTRICT(1)**

3% of Averaged (2016-18) Equalized Valuation of Real Property Including Improvements (\$18,197,522,569)	\$	539,943,124
Regional High School Debt(2)		<u>(55,675,000)</u>
Remaining Borrowing Capacity	\$	<u>484,268,124</u>

(1) As of December 31, 2018

(2) Debt portion allocated to the Township is \$15,053,143

**TOWNSHIP OF EVESHAM  
OVERLAPPING DEBT  
AS OF DECEMBER 31, 2018**

	<b>DEBT ISSUED</b>				<b>Debt Auth. but not Issued</b>
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	
County of Burlington:					
General					
Bonds	\$ 184,476,000	\$ 22,040,827 (1)	\$ 162,435,173	\$ 18,712,532 (2)	
Notes	63,165,000		63,165,000	7,276,608 (2)	\$ 23,625,813
Loans	4,232,328		4,232,328	487,564 (2)	
Bonds Issued by Other Public Bodies					
Guaranteed by the County	353,917,000	353,917,000 (3)			
Solid Waste Utility	49,810,000	49,810,000			3,209,310
Evesham Township MUA	13,794,102		13,794,102	13,794,102	
Evesham Township Fire District	2,103,573		2,103,573	2,103,573	
	<u>\$ 671,498,003</u>	<u>\$ 425,767,827</u>	<u>\$ 245,730,176</u>	<u>\$ 42,374,379</u>	<u>\$ 26,835,123</u>

(1) Includes cash on hand, accounts receivable and County College Bonds paid with State Aid.

(2) Such debt is allocated as a proportion of the Issuer's share of the total 2018 Net Valuations on which County taxes are apportioned, which is 11.52% .

(3) Deductible in accordance with N.J.S. 40:37A-80.

## **APPENDIX C**

### **Form of Bond Counsel's Legal Opinion**

October \_\_, 2019

The Evesham Municipal Utilities Authority  
100 Sharpe Road  
Evesham, New Jersey 08503

Re: \$\_\_\_\_\_ The Evesham Municipal Utilities Authority,  
Revenue Bonds, Series 2019

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by The Evesham Municipal Utilities Authority (the “Authority”) of its Revenue Bonds, Series 2019 in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Bonds are issued pursuant to the provisions of the Municipal and County Utilities Authorities Law, Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, effective August 22, 1957, and the acts amendatory thereof and supplemental thereto (the “Act”) and a resolution of the Authority adopted on July 25, 1990, entitled “Resolution Authorizing the Issuance of Revenue Bonds of The Evesham Municipal Utilities Authority”, as amended and supplemented (the “Original Bond Resolution”), and as amended and supplemented, in particular, by a supplemental resolution of the Authority adopted on September 11, 2019 authorizing the issuance and sale of the Bonds (the “Supplemental Resolution”). In accordance with the terms of the Supplemental Resolution, the Bonds have been awarded and sold to the purchaser thereof and certain determinations with respect to the Bonds have been made pursuant to a certificate duly executed by an Authorized Authority Official on \_\_\_\_\_, 2019 (the “Award Certificate” and together with the Supplemental Resolution and the Original Bond Resolution, the “Bond Resolution”), the execution of which was authorized pursuant to the Supplemental Resolution. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Bond Resolution.

The Bonds are dated the date of delivery, and mature on the dates and in the amounts set forth therein and in the Award Certificate. Interest on the Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2020 (each an “Interest Payment Date”) until final maturity thereof or earlier redemption, at the interest rates set forth in the Award Certificate. The Bonds are subject to redemption prior to maturity as stated therein. Principal and redemption premium, if any, of the Bonds are payable by presentation and surrender thereof at the principal corporate trust office of TD Bank, National Association, Cherry Hill, New Jersey (the “Trustee” and “Paying Agent”). Except as set forth below regarding payments made to Cede & Co., interest on the Bonds is payable by check or draft of the Paying Agent mailed to each registered owner of the Bonds at the address of such registered owner shown on the registration

books maintained by the Trustee, in its capacity as registrar, as of the fifteenth day of the month next preceding the Interest Payment Date.

The Bonds are issued in fully registered form without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payment of the principal and redemption premium, if any, of and interest on the Bonds will be made by the Trustee or the Paying Agent, as the case may be, directly to Cede & Co., as nominee for DTC, in immediately available funds when due. Disbursal of such payments to the DTC participants is the responsibility of DTC, and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants and not the responsibility of the Authority, the Trustee or the Paying Agent.

The Authority owns and operates a water system and a sanitary sewerage system within the Township of Evesham, in the County of Burlington, New Jersey (collectively the “System”). The Bonds are being issued for the purpose set forth in an Official Statement dated October \_\_, 2019 (the “Project”). Under the terms of the Bond Resolution, the Authority has heretofore issued bonds that are currently outstanding (herein referred to as “Outstanding Bonds”) and may by supplemental resolution authorize and issue Additional Bonds for the purposes and upon the terms and conditions set forth in the Bond Resolution.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including among other things: (a) evidence of the formation and organization of the Authority; (b) certified copies of the Bond Resolution; (c) the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the “Code”); (d) a certified copy of the results and findings of the New Jersey Local Finance Board; and (e) certificates of Authority officials and the Trustee as to material factual matters, including a certificate of the Authority pursuant to the federal income tax laws and regulations applicable to the Bonds. We have also examined an authenticated Bond, and we have assumed that all other Bonds have been similarly executed by the Authority and authenticated by the Trustee. In such examination, we have assumed and relied upon the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

Based upon the foregoing, we are of the opinion that:



1. The Authority has been duly created and is validly existing as a public body corporate and politic under the provisions of the Constitution and statutes of the State of New Jersey, including the Act, with power to adopt the Bond Resolution and to issue the Bonds.

2. The Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable in accordance with its terms, and no other authorization for the Bond Resolution is required.

3. The Bonds have been duly authorized and issued by the Authority in accordance with the Act and the provisions of the Bond Resolution, are valid and binding obligations of the Authority enforceable in accordance with their terms and the terms of the Bond Resolution, and are entitled to the benefits of the Bond Resolution and the Act.

4. The Bond Resolution creates a valid pledge of the Revenues and other moneys and securities held thereunder to secure the Bonds and the Outstanding Bonds, subject to the application thereof by the Authority in the manner provided in the Board Resolution, including the payment of Operating Expenses.

5. The Authority has the power and is obligated, in the matter and to the extent set forth in the Act and in the Bond Resolution, to charge and collect Service Charges for services of the System sufficient to comply with the rate covenant of the Authority contained in the Bond Resolution.

6. On the date hereof, the Authority has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Authority continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Authority in its Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally.

Other than as set forth in Paragraph 6 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds. This opinion is given as of the date hereof and we assume no obligation to update or supplement the opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

## **APPENDIX D**

### **Form of Continuing Disclosure Agreement**

## CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT**, dated October \_\_, 2019 (the "*Disclosure Agreement*"), is executed by and among the Evesham Municipal Utilities Authority (the "*Authority*"), and TD Bank, National Association, as Dissemination Agent (the "*Dissemination Agent*"), in connection with the issuance by the Authority of its \$ \_\_\_\_\_ Revenue Bonds, Series 2019 (the "*Bonds*").

**SECTION 1. Purpose of Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the Beneficial Owners (as defined herein) of the Bonds to assist the Underwriter (as defined herein) in complying with the Rule (as defined herein). The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Beneficial Owner of the Bonds, with respect to any such reports, notices or disclosures or with respect to the Rule.

**SECTION 2. Definitions.** Capitalized terms used but not otherwise defined herein shall, for purposes of this Disclosure Agreement, have the following meanings:

"*Authorized Authority Representative*" shall mean the Chairman of the Authority or his designee, or such other person as the Authority shall designate in writing to the Dissemination Agent from time to time for the purposes of this Disclosure Agreement.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean TD Bank, National Association, Cherry Hill, New Jersey, or any successor Dissemination Agent designated in writing by the Authority and that has filed with the Authority a written acceptance of such designation.

"*EMMA*" shall mean the Electronic Municipal Market Access System, an internet-based filing system created and maintained by the MSRB, pursuant to which issuers of tax-exempt obligations, including the Bonds, and other filers on behalf of such issuers shall upload continuing disclosure information to assist underwriters in complying with the Rule and to provide the general public with access to such continuing disclosure information.

"*Listed Events*" shall mean any of the events listed in Section 3(a) of this Disclosure Agreement.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"*Rule*" shall mean Rule 15c(2)-12 promulgated and adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

"Trustee" shall mean U.S. Bank National Association, or such successor Trustee duly named by the Authority.

"Underwriter" shall mean Raymond James and Associates, the underwriter of the Bonds (pursuant to a Bond Purchase Contract, dated \_\_\_\_\_, 2019) required to comply with the Rule in connection with the offering of the Bonds.

**SECTION 3. Annual Reports** (a) The Authority shall not later than two hundred seventy (270) days after the end of its fiscal year (currently June 30) for each fiscal year until termination of the Authority's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent, the Annual Report prepared for the preceding fiscal year of the Authority (commencing for the fiscal year ending June 30, 2019). Each Annual Report provided to the Dissemination Agent by the Authority shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the Securities and Exchange Commission.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the Authority, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement to the National Repository and stating the date it was provided to the National Repository.

(c) If the Authority fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Authority advising of such failure. Whether or not such notice is given or received, if the Authority thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with copies of said notice to the Authority) to the National Repository in substantially the form attached as EXHIBIT "A" hereto.

As used in this Section 3, the term "Annual Report" shall mean: annual financial information with respect to the Authority consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Authority and certain financial information and operating data consisting of (i) the Authority's Annual Debt Service Requirements (as set forth on page 8 of the Official Statement) and financial and statistical information about the Authority's operations (as set forth on pages 15 to 19 of the Official Statement) and (ii) the Authority's most current adopted budget. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB.

#### **SECTION 4. Reporting of Significant Events.**

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events (the "*Listed Events*") with respect to the Bonds, as applicable:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Authority, as obligated parties under the Rule;
- (13) The consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and

- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Authority, if any such event reflects financial difficulties.

For purposes of the events identified in subparagraphs (15) and (16) above, “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) (i) Whenever the Authority has knowledge of the occurrence of Listed Events, notice shall be given to the Dissemination Agent in a timely manner not in excess of eight days of the knowledge of the occurrence of the Listed Event;

(c) (i) The Dissemination Agent shall, within two business days after receipt of such instructions pursuant to Section 3(b)(i), file a notice of such occurrence with EMMA, with a copy to the Authority.

(d) (i) The Authority shall provide the Dissemination Agent with written notice of the failure of the Authority to comply with any provision of this Disclosure Agreement.

**SECTION 5. Termination of Reporting Obligation.** The Authority's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

**SECTION 6. Dissemination Agent; Compensation.** The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent. The Authority agrees that any corporation or association into which the Dissemination Agent may be merged or to which it may sell or transfer its corporate trust business and assets shall be and become the successor Dissemination Agent hereunder without any further act, deed or conveyance. The Authority shall compensate the Dissemination Agent for the performance of its obligations hereunder in accordance with an agreed upon fee structure. The Dissemination Agent may resign its position hereunder upon 60 days prior written notice to the Authority, which notice shall be provided in accordance with Section 11 hereof.

**SECTION 7. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Dissemination Agent and the Authority, may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an opinion of counsel expert in federal securities laws acceptable to the Authority to the effect that such amendment or waiver would not, in and of itself, cause the undertakings set forth herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person or type of business conducted; (b) would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or

interpretations of the Rule, as well as any change in circumstances; and (c) does not materially impair the interests of holders of the Bonds (such determination being supported by an opinion of counsel expert in federal securities laws). The Authority shall give notice of such amendment or waiver to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 3 hereof.

**SECTION 8. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Authority, from disseminating any other information using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

**SECTION 9. Default.** In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, the Dissemination Agent may, upon notification of the same by the Authority, (and, at the request of the holders of at least a majority of aggregate principal amount of outstanding Bonds, shall), or any Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel specific performance.

**SECTION 10. Duties, Immunities and Liabilities of Authority and Dissemination Agent.** The Authority and the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by law, the Authority agree to indemnify and hold the Dissemination Agent and its members, officers, directors, employees and agents harmless against any loss, expense and liabilities that they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Authority further release the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Agreement. The obligations of the Authority under this Section 10 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the holders of the Bonds or any other party.

**SECTION 10. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Authority and the Dissemination Agent, the Underwriter and the Beneficial Owners of the Bonds, including holders of the Bonds, and shall create no rights in any other person or entity.

**SECTION 11. Notices.** All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt),



followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

- (a) Copies of all notices to the Authority:
- (b) Copies of all notices to the Dissemination Agent:

Each party shall give notice from time to time to the other party, in the manner specified herein, of any change of the identity or address of anyone listed herein.

**SECTION 12. Counterparts.** This Disclosure Agreement may be executed in any number of counterparts, each of which shall be executed by an Authorized Authority Representative and by an authorized signatory of the Dissemination Agent, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

**SECTION 13. Severability.** If any one or more of the covenants or agreements in this Disclosure Agreement to be performed on the part of the Authority or the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Agreement.

**SECTION 14. Governing Law.** This Disclosure Agreement shall be construed in accordance with and governed by the laws of the United States of America and the State of New Jersey.

**[SIGNATURE PAGE TO FOLLOW]**

## **APPENDIX E**

### **The DTC Book Entry System**

The information in this Appendix E concerning The Depository Trust Company (“DTC”) and DTC’s book-entry only system has been provided by DTC. Accordingly, the Authority takes no responsibility for the accuracy or completeness of such information and neither the DTC Participants nor the Beneficial Owners should rely on such information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity and, if applicable, interest rate within a maturity of the Bonds in the aggregate principal amount of each such maturity and, if applicable, interest rate within the Bonds, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated AA+ by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial

Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE BONDS UNDER THE RESOLUTION; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY

AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE BONDS; (IV) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT/INTEREST OF A PARTIAL REDEMPTION OF THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE BONDS, REFERENCES IN THIS APPENDIX E TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.