

**BRICK TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN, NEW JERSEY**

**ANNUAL FINANCIAL REPORT
YEARS ENDED MARCH 31, 2018 and 2017**

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Board of Commissioners and Management
March 31, 2018

Board of Commissioners

Gregory M. Flynn	Chairman
Thomas C. Curtis	Vice Chairman
William Neafsey	Secretary
Susan Lydecker	Treasurer
Maria E. Foster	Asst. Secretary/Treasurer
Sandra P. Hawthorne-Tormey	Alternate
Jason M. Kiernan	Alternate

Management

Chris A. Theodos, P.E., P.P., C.M.E., C.P.W.M., C.F.M.	Executive Director
Stephen T. Specht, P.E.	Deputy Executive Director Director of Engineering/Operations
Joseph Maggio, P.E.	Director of Water Quality
John Clifford	Chief Financial Officer

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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PART I
REPORT OF AUDIT OF FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

FALLON & COMPANY LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Brick Township Municipal Utilities Authority
Brick, New Jersey

We have audited the accompanying financial statements of the Brick Township Municipal Utilities Authority (the "Authority") as of and for the years ended March 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension liability and contribution information, and OPEB liability information on pages 5-10, 47-49 and 51-53, respectively, 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 supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other supplementary information, also listed as supplementary information in the table of contents is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Fallon & Company LLP
Hazlet, New Jersey
July 23, 2018

Fallon & Company LLP

FALLON & COMPANY LLP

Certified Public Accountants

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

The Board of Commissioners
Brick Township Municipal Utilities Authority
Brick, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Brick Township Municipal Utilities Authority (the "Authority"), as of and for the years ended March 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 23, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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*.

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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fallon & Company LLP
Hazlet, New Jersey
July 23, 2018

Fallon & Company LLP

MANAGEMENT DISCUSSION AND ANALYSIS

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

FISCAL YEAR APRIL 1, 2017 THROUGH MARCH 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's narrative discussion and analysis of the financial activities of the Authority for the audit year ending March 31, 2018.

The Authority continues the trend of overall positive performance relative to budget. The term "Budget" in this discussion refers to the 2017/2018 budget which was approved by the Division of Local Government Services in April of 2017.

The Cash Management Plan adopted annually by the Board of Commissioners, the preparation of a detailed annual budget, and the five-year analysis of operations, capital, and rate projections contribute to the financial strength and direction of the Authority.

Authority Overview

The Authority provides sewerage collection and water treatment and distribution services for Brick Township. Additionally, the Authority sells bulk water to Point Pleasant Beach, Point Pleasant Borough and Lakewood.

The Authority's water distribution system consists of over 403 miles of water mains as well as water storage tanks and booster pumping stations that are located throughout the distribution system. The Authority treats the water supply at the William Miller Treatment Plant. The total treatment capacity of the plant is 16 million gallons per day.

The Authority's sanitary sewer system consists of over 338 miles of sewer mains, approximately 7,832 manholes, and 26 sewerage pumping stations that service the mainland and barrier island sections of Brick Township. The Authority conveys all wastewater to the Ocean County Utilities Authority (OCUA), a regional sewerage authority that provides treatment and disposal. The BTMUA is a sewer collection system only.

The user fee charged to customers is the primary source of revenue for the Authority, in addition to connection fees and bulk sales. The customer base consists primarily of approximately 31,000 residential single family water customers.

Financial Review and Highlights

This section presents an overview of the Authority's financial position and activities for the fiscal year April 1, 2017 through March 31, 2018.

Post Employment Benefits Liability - Early Implementation of GASB 75:

The Authority is required to show as a liability an estimated accrual for Other Post Employment Benefits (OPEB). OPEB are non-pension benefits that a government has contractually or otherwise agreed to provide employees once they have retired. GASB 75 supersedes GASB 45 and is required for financial statements with a year end of June 30, 2018 or after. The Authority has chosen to implement the provisions of GASB 75 before it is required to. The new standard changes the actuarial method of calculating and presenting the OPEB liability to a similar method used for pension, the objective is of which is to recognize the costs being incurred today for payments that will be made in the future for today's employees eligible for the benefits.

Jefferson Solutions, Inc. prepared the analysis considering various factors including demographics, health cost, employee turnover, inflation and mortality. As can be seen below, the OPEB liability is \$25.6 million. The Authority is aware of the potential future impact of not funding this liability and has included it in its 2018/2019 adopted budget in the effort to reduce the future risk. The OPEB valuation was last revised on July 10, 2018.

Pension Plan

For the year ended March 31, 2018 the Authority's share of the state pension plan deficit was \$27,854,279. This is a \$7 million dollar decrease over the prior year. We do not expect this liability to continue to decrease at that rate, in fact, over time we expect it to increase and we consider it is a priority issue in our planning to reduce future risk. The current state pension report estimates that the pension will last through 2040.

Capital Project and Debt

The Authority has over \$48 million of bonded debt. Our five-year capital plan comprises of over \$66 million of needed infrastructure improvements in order to improve and maintain quality services to our service area. The Authority will be applying to the New Jersey Infrastructure Trust on a regular basis to fund improvements that are too large to fund internally. At the same time, we realize the importance of managing this debt in light of OPEB and pension debts mentioned above. The Authority has also committed to increased use of its available surplus to help fund capital projects as a way to reduce the use of debt, whenever possible.

Condensed Statements of Net Position – March 31st:

The Statements of Net Position presents the asset / liability financial position of an organization as of a particular date. The summary chart below contains the Authority’s Statements of Net Asset values as of March 31, 2018 and 2017. Net assets represent the difference between assets and liabilities.

	<u>2018</u>	<u>2017</u>
<u>Assets:</u>		
Unrestricted current assets	\$ 28,639,200	\$ 27,990,623
Restricted current assets	13,160,215	15,250,566
Restricted non-current assets	5,117,638	5,117,638
Property & equipment	91,003,837	93,754,179
Deferred outflows	10,949,013	13,112,144
Total assets	<u>\$ 148,869,903</u>	<u>\$ 155,225,150</u>
<u>Liabilities & Net Assets:</u>		
Unrestricted current liabilities	\$ 2,451,189	\$ 2,414,988
Restricted current liabilities	5,105,145	5,207,704
Net OPEB obligation	25,616,478	24,354,579
Net state pension obligation	27,854,279	34,790,454
Other long-term liabilities and inflows	56,264,504	55,131,149
Net position	31,578,308	33,326,276
Total liabilities & net position	<u>\$ 148,869,903</u>	<u>\$ 155,225,150</u>

The Authority’s Statements of Net Position has decreased between fiscal years by 1.75 million dollars. However, the Authority’s current asset ratio remains very strong at 11.7 as compared to 11.6 for the prior year. Property and equipment decreased during the year as capital expenditures were less than depreciation. This trend is expected to reverse for the next five years, as major construction projects are underway. The debt ratio for 2018 and 2017 remained constant at 79%. The higher the debt ratio, the higher the organization’s financial risk.

Net capital additions and net accumulated depreciation have resulted in a decrease in capital assets of \$2,750,342, as shown. The state pension obligation has decreased by 6.9 million. Principal retirements for all bond issues were 4.3 million for fiscal 2018.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position measure the financial performance of an organization for a period of time, and the impact upon net position. The chart below summarizes operational activity for the period April 1st to March 31st each fiscal year.

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 34,635,385	\$ 36,734,253
Operating expenses:		
Administrative expenses	9,615,914	8,445,534
Cost of providing services	16,595,523	17,315,676
Depreciation	<u>6,382,616</u>	<u>6,454,340</u>
Total operating expenses	<u>32,594,053</u>	<u>32,215,550</u>
Operating income over expenses	<u>2,041,332</u>	<u>4,518,703</u>
Total non-operating revenues/(expenses)	<u>(3,840,399)</u>	<u>(6,591,130)</u>
Net income/(loss)	(1,799,067)	(2,072,427)
Contributed capital	51,099	2,325,159
Net position, beginning of year	<u>33,326,276</u>	<u>33,073,544</u>
Net position, end of year	<u>\$ 31,578,308</u>	<u>\$ 33,326,276</u>

Selected Expenses as a Percent of Operating Revenues – March 31st:

	<u>2018</u>	<u>2017</u>
Administrative Expenses	47.9%	47.1%
Cost of Providing Services	27.8%	23.0%
Depreciation	<u>18.4%</u>	<u>17.6%</u>
Total Operating Expenses	<u>94.1%</u>	<u>87.7%</u>

Operating revenues for fiscal 2018 of \$34.6 million, decreased 5.7% as compared to \$36.7 million prior fiscal year, however, it was \$461,000 above the budgeted amount. Revenues for all classes were near prior year amounts except for Initial Service Charges, Bulk Water Sales, and Lawn Watering. Lawn Watering was \$381,466 or 18% under last year and Initial Service Charges were \$1,455,717 or 82% under last year. Bulk Water Sales were down 18.3%. The Initial Service Charges were uncharacteristically high in 2017 due to the addition of a major development in town. Generally, usage revenues remain stable as new customers offset the general decline in average household usage.

Administrative expenses of \$9.6 million were 13.86% higher in 2018 than prior fiscal year. Actual administrative costs were \$436,000 below the budgeted amount of \$10.1 million. The majority of Administrative Costs were below budget except for Utilities (\$2,000 over budget) and Salaries (\$25,000 over budget).

Cost of providing services (COPS) decreased from \$17.3 million in 2017 to \$16.6 million in 2018. Actual expenses such for Sewerage treatment decreased by \$116,306 due to a decrease in treated volumes. The Authority also experienced a decrease in Chemicals expense of \$138,761 and in Operating Labor of \$577,273. Sewerage treatment costs are expected to increase as the Authority was notified of that rates will increase by 2% in 2019. Sewerage treatment costs are the largest single service expense of the Authority approximating \$7,000,000 per year.

Non-operating revenues and expenses for fiscal 2018 were comprised of \$1.5 million in interest expense, partially offset by \$493,000 in interest income. Net loss for fiscal 2018 was \$1.8 million. The Authority has consistently had net losses since the implementation of GASB 68 in 2016, requiring the Authority to recognize an increase in the Authority’s share of underfunded pension obligations. The Authority has recently raised rates to help offset future net losses as well as fund additional debt service anticipated. Revenues from interest income have grown substantially due to rate increases and as the Authority has employed more aggressive investment strategies with help from our banking partners, whereby every dollar of Authority funds earns interest, whether in liquid or fixed income investments.

Statements of Cash Flows

The Authority’s Statements of Cash Flows shows net cash provided by operating activities of \$5,243,285. Cash used by financing / investing activities was \$6,941,703 which includes \$3.4 million in bond principal retirements. Cash increased \$1,701,582 for the fiscal year however Investments decreased \$3,400,000.

Rate Determination and History

Rates are projected on a five-year outlook basis to balance the budget. Estimates of injection from the Rate Maintenance Fund are included as needed to streamline rate change and avoid any potential rate spikes. The Authority’s history of overall rate increases are as follows:

September 1, 1999:	(6.0%) *Decrease resulted from conversion to consumption based rates.
May 1, 2001:	3.5%
April 1, 2002:	8.7%
April 1, 2003:	8.8%
April 1, 2004:	8.0%
April 1, 2005:	8.5%
April 1, 2006:	5.5%
April 1, 2007:	0.0%
April 1, 2008:	5.5%
April 1, 2009:	2.8%
April 1, 2010:	4.3%
April 1, 2011:	3.9%
April 1, 2012:	3.9%
April 1, 2013:	0.0% - Amended Budget
April 1, 2014:	0.0%
April 1, 2015:	0.0%
April 1, 2016:	0.0%
May 1, 2018:	7.5%

Rate increases from 2002 through 2005 primarily resulted from increased debt service being built into base rates. This additional debt service was primarily associated with the construction of a one billion gallon reservoir, and the associated costs for the water treatment plant modifications and transmission main. The 2006 rate increase was attributed to NJEIT pump station and sewer rehabilitation debt service. For

the first time in seven years, the Authority had no rate increase in fiscal 2007/2008. Due to Hurricane Sandy and associated economic conditions within the service territory, the Board of Commissioners decided not to increase rates in fiscal 2013/2014 as well. The rate increase effective May of 2018 was done in anticipation of several large capital projects to be financed by NJ I-Bank (formerly NJEIT), and also considered the net losses incurred from OPEB and Pension liability increases.

Five-year operational and rate planning is included as an integral portion of the Authority's budget book each fiscal year.

Funding of Infrastructure and Debt Management

It has been the policy of the Brick Township Municipal Utilities Authority that funding for capital improvements, additions, or replacements be accomplished through one, or a combination, of the following methods:

- Borrowings from the New Jersey Environmental Infrastructure Trust
- Revenue bonds
- Internal Funding
- Other alternatives as needed to fund the Five Year Capital Plan

Refunding of existing debt has been periodically reviewed and completed when feasible, including both the Series 2016 and 2011 refunding issues. Anticipated future debt for projects being implemented include meters, man hole and sewer main replacement projects as well as a new water filter.

Capital – Five-Year Planning

The capital improvements program includes a five year projection that is revised each year. The capital projection process allows the Finance Division to appropriately analyze future impacts of capital expenditures on remaining bond funds, internal funding, potential borrowings, and rate adjustment.

The Authority reviews the five year capital plan on an ongoing basis. It is anticipated that there will be capital related borrowing during fiscal 2018/2019. The Authority is currently reviewing both capital needs and financing alternatives.

Auditors

The Authority auditor for the fiscal year ending March 31, 2018 was Fallon & Company, LLP. Prior audits can be obtained from the office of the Brick Township Municipal Utilities Authority.

Prepared by: Chris A. Theodos
Executive Director

FINANCIAL STATEMENTS

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position

March 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 15,446,718	\$ 13,038,447
Investments	8,000,000	10,000,000
Accounts receivable	3,059,672	3,091,563
Accrued service charges	1,143,323	953,004
Grants receivable	800	800
Inventory - supplies	572,668	591,835
Prepaid expenses	416,019	314,974
Total unrestricted current assets	<u>28,639,200</u>	<u>27,990,623</u>
Restricted current assets:		
Cash and cash equivalents	10,617,100	11,323,789
Investments	2,500,000	3,900,000
Accrued interest receivable	43,115	26,777
Total restricted current assets	<u>13,160,215</u>	<u>15,250,566</u>
Restricted non-current assets:		
Cash	60,138	60,138
Investments	5,057,500	5,057,500
Assets held in trust with NJ Environmental Infrastructure Trust	-	-
Total restricted non-current assets	<u>5,117,638</u>	<u>5,117,638</u>
Property and equipment, net	<u>91,003,837</u>	<u>93,754,179</u>
Total assets	<u>137,920,890</u>	<u>142,113,006</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension deferrals	7,842,563	10,469,605
OPEB deferrals	1,919,595	1,367,369
Unamortized bond defeasement and issue costs	1,186,855	1,275,170
Total deferred outflow of resources	<u>10,949,013</u>	<u>13,112,144</u>
Total assets and deferred outflow of resources	<u>\$ 148,869,903</u>	<u>\$ 155,225,150</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position

March 31,

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Unrestricted current liabilities:		
Accounts payable	\$ 253,322	\$ 474,412
Accrued expenses	624,899	239,459
Unearned income	1,572,968	1,701,117
Total unrestricted current liabilities	<u>2,451,189</u>	<u>2,414,988</u>
Restricted current liabilities:		
Accounts payable	361,080	512,886
Current portion of long-term debt	3,461,638	3,359,437
Accrued interest payable	702,602	729,313
Unearned income	121,270	120,416
Developer escrow	297,630	245,899
Retainage payable	160,925	239,753
Total restricted current liabilities	<u>5,105,145</u>	<u>5,207,704</u>
Long-term liabilities:		
Long-term debt (inclusive of premiums of \$4,474,137 and \$5,278,525 and discounts of \$92,224 and \$104,933 in 2018 and 2017 respectively)	49,107,160	53,360,477
Reserve for uncompensated absences	1,203,056	1,258,642
Net OPEB obligation	25,616,478	24,354,579
Net state pension obligation	27,854,279	34,790,454
Total long-term liabilities	<u>103,780,973</u>	<u>113,764,152</u>
Total Liabilities	111,337,307	121,386,844
DEFERRED INFLOW OF RESOURCES		
Pension deferrals	<u>5,954,288</u>	<u>512,030</u>
Total liabilities and deferred inflow of resources	<u>\$ 117,291,595</u>	<u>\$ 121,898,874</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position

March 31,

	<u>2018</u>	<u>2017</u>
NET POSITION		
Investments in capital assets, net of related debt	\$ 41,227,693	\$ 40,090,058
Restricted net position:		
Debt service	4,617,638	4,617,638
Unrestricted net position:		
Reserved for renewal and replacement	500,000	500,000
Reserved for future construction	5,756,915	7,989,496
Unreserved	(20,523,938)	(19,870,916)
Total restricted and unrestricted net position	<u>(9,649,385)</u>	<u>(6,763,782)</u>
 Total net position	 <u>\$ 31,578,308</u>	 <u>\$ 33,326,276</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
March 31,

	2018	2017
Operating revenues:		
Annual service charges	\$ 33,117,441	\$ 33,463,795
Initial service charges	326,022	1,781,739
Tap-ins, permits, and other fees	412,712	605,634
Review and inspection fees	28,764	226,667
Interest on delinquent payments	141,811	155,754
Shared service income	67,888	54,182
Miscellaneous income	540,747	446,482
Total operating revenues	34,635,385	36,734,253
Operating expenses:		
Cost of providing services	16,595,523	17,315,676
Administrative expenses	9,615,914	8,445,534
Depreciation	6,382,616	6,454,340
Total operating expenses	32,594,053	32,215,550
Operating income over expenses	2,041,332	4,518,703
Non-operating revenue (expenses):		
Interest on investments	492,682	250,031
Interest expense	(1,462,994)	(1,629,874)
Contribution to Township of Brick	(1,000,000)	(1,000,000)
Grant revenue	45,165	15,537
Change in net OPEB obligation	(709,673)	(1,170,141)
Change in state pension obligation	(1,133,125)	(2,324,695)
Loss on disposal of assets	(1,091)	(72,324)
Reservoir sponsorship and scrap fund deposits	16,952	3,280
Loss on bond defeasement	-	(225,626)
Amortization of debt issue costs	(48,591)	(314,510)
Amortization of loss on defeasement	(39,724)	(122,808)
Total non-operating revenue (expenses)	(3,840,399)	(6,591,130)
Net income (loss)	(1,799,067)	(2,072,427)
Restricted and unrestricted net position, April 1	(6,763,782)	(5,844,159)
Contributed capital and capital grants	51,099	2,325,159
Net change in investments in capital asset, net of related debt and other	(1,137,635)	(1,172,355)
Restricted and unrestricted net position, March 31	(9,649,385)	(6,763,782)
Investments in capital assets, net of related debt, April 1	40,090,058	38,917,703
Net increase (decrease) in capital assets	(2,750,342)	2,502,760
Decrease (increase) in related debt and other	3,887,977	(1,330,405)
Investments in capital assets, net of related debt, March 31	41,227,693	40,090,058
Total net position, March 31	\$ 31,578,308	\$ 33,326,276

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Cash Flows

March 31,

	2018	2017
Cash flows from operating activities		
Cash received from service users	\$ 34,539,074	\$ 36,882,198
Cash paid to suppliers	(17,884,403)	(17,328,890)
Cash paid to employees	(9,606,347)	(9,416,195)
Interest received	476,344	241,738
Interest paid	(2,281,383)	(1,598,236)
Net cash flow from operating activities	5,243,285	8,780,615
Cash flows from financing activities:		
Payments for capital acquisitions	(3,587,110)	(8,867,341)
Proceeds from sale of assets	4,844	5,222
Proceeds from capital grants	-	2,156,854
Proceeds from sale of bonds	-	38,524,215
Bond principal retirements	(3,359,437)	(36,701,751)
Proceeds from assets released from trust	-	76,736
Net cash flow from financing activities	(6,941,703)	(4,806,065)
Cash flows from investing activities:		
Maturities/(purchases) of investments	3,400,000	(9,337,500)
Net cash flow from investing activities	3,400,000	(9,337,500)
Net change in cash and cash equivalents	1,701,582	(5,362,950)
Cash and cash equivalents, April 1	24,422,374	29,785,324
Cash and cash equivalents, March 31	\$ 26,123,956	\$ 24,422,374
Schedule of non-cash investing and financing activities:		
Capital contributions capitalized	\$ 51,099	\$ 168,305
Reconciliation to the Statements of Net Position:		
Unrestricted cash and cash equivalents	\$ 15,446,718	\$ 13,038,447
Restricted current cash and cash equivalents	10,617,100	11,323,789
Restricted noncurrent cash and cash equivalents	60,138	60,138
Cash and cash equivalents, March 31	\$ 26,123,956	\$ 24,422,374

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Cash Flows

March 31,

	<u>2018</u>	<u>2017</u>
Reconciliation of net loss to net cash flow from		
Operating activities:		
Net income (loss)	\$ (1,799,067)	\$ (2,072,427)
Items which did not use (provide) cash:		
Depreciation	6,382,616	6,454,340
Change in net OPEB obligation and deferrals	709,673	1,170,141
Change in net state pension obligation and deferrals	1,133,125	2,324,695
Loss on disposal of assets	1,091	72,324
Amortization on bond premium/discount	(791,679)	(394,430)
Amortization of debt issue costs	48,591	107,397
Amortization of loss on defeasement	39,724	122,808
Loss on defeasement	-	538,088
Working capital changes which provided (used) cash:		
Accounts receivable	(158,428)	147,945
Accrued interest receivable	(16,338)	(8,293)
Inventory	19,167	(50,662)
Prepaid expenses	(101,045)	(74,570)
Accounts payable	(372,896)	118,128
Accrued expenses	385,440	103,680
Unearned income	(127,295)	(141,457)
Accrued interest payable	(26,711)	231,929
Developer escrow	51,731	90,410
Retainage payable	(78,828)	50,938
Reserve for compensated absences	(55,586)	(10,369)
Net cash flow from operating activities	<u>\$ 5,243,285</u>	<u>\$ 8,780,615</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended March 31, 2018 and 2017

NOTE 1 ORGANIZATION

The Brick Township Municipal Utilities Authority (“Authority”), a public politic and corporate body, was created by virtue of an ordinance of the Township of Brick, adopted April 3, 1969, pursuant to Chapter 183 of the Municipal Utilities Authorities Laws of the State of New Jersey of 1957 (Chapter 14B of Title 40 of the Revised Statutes of New Jersey).

The purposes for which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities incident to the disposition and treatment of sewerage for the relief of waters from pollution.

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

The Authority is a component unit of the Township of Brick. The Authority issues separate financial statements from the Township. However, if the Township presented its financial statements in accordance with GAAP, these financial statements would be included in the Township’s financial statements on a blended basis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

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

Revenues are recognized when earned and measurable and expenses are recognized when incurred. Interest on delinquent accounts is realized when earned. Costumers are billed on a quarterly basis for both water and sewer.

B. Budgetary Accounting

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine that the Authority has sufficient cash to operate and pay debt service. As such, certain items such as the principal payments on debt are included in the budgetary expenses while depreciation is not included. A reconciliation from the budgetary basis to the statement of revenues, expenses and changes in net position is included in the Supplementary Information.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Grants

Contributions from various sources of grants are recorded in the period received. Developer financed construction is recorded in the period the projects are completed and conveyed to the Authority. The valuations of these projects are based on estimates of the entire cost of construction, including rights-of way, inspection and as-built plans as calculated by developers' engineers. Donated assets are recorded at fair market value at the date of the gift. Grants that are not externally restricted and utilized to finance operations are identified as non-operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital.

D. Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Inventory

Inventory consists principally of pipes, appurtenances, meters and chemicals for water and sewer systems and various materials and supplies for the daily operation of the Authority and is stated at the average cost determined by the first-in, first-out method (FIFO).

F. Property Plant and Equipment

Property, plant and equipment are stated at cost. The cost of property, plant and equipment is depreciated over its estimated useful life, by the straight-line method. Major improvements to existing plant and equipment are capitalized. Repairs and maintenance that do not extend the economic life of plant and equipment are charged to expense as incurred. Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed in operation. The assets are then transferred to the appropriate property and plant account and depreciated on a straight-line basis over the asset's estimated useful life. The Authority capitalizes all long-lived assets acquired for \$2,000 or more.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, Plant and Equipment (continued)

The estimated useful lives of the assets are:

Water production and distribution system	40 years
Sewer collection system	40 years
Administration complex	40 years
Equipment	5-10 years
Vehicles	5 years

Depreciation expense for the years ended March 31, 2018 and 2017 was \$6,382,616 and \$6,454,340 respectively.

G. Cash and Investment Accounts

In accordance with the 1996 bond resolution, as amended and/or supplemented, the Authority has established the following cash and investment accounts for the deposit and/or transfer, in the priority of the order listed, of all monies received by the Authority.

<u>Account</u>	<u>Amount</u>	<u>Purpose</u>
<u>Unrestricted:</u>		
Revenue Fund	All revenues received by the Authority.	Authorized operating expenses and, at least once a month, transfers to the various accounts described below.
General Fund	Any excess over expenditures in the revenue fund or accounts shall be transferred to the general fund each month if all required deposits and trustee expenses have been duly executed.	Amounts on deposit in the general fund shall be applied by the Authority to any lawful purpose of the Authority related to the sewer or water systems.
<u>Restricted:</u>		
Bond Service Fund (Current debt service)	Amount needed to pay matured principal and interest due on or before the following December 1 st .	Principal and interest on bonds.
Bond Reserve Fund (Future debt service)	Amount equal to the Bond Reserve requirement.	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Investment Accounts (continued)

<u>Account</u>	<u>Amount</u>	<u>Purpose</u>
Restricted: Renewal and Replacement Fund (Maintenance reserve)	An amount equal to the System Reserve requirement.	Transfers to meet the minimum levels required in the bond reserve account for major repairs, renewals and extensions of the system.
Construction Fund	Amount needed to fund construction projects.	Transfers to meet costs of construction projects.

Investments are shown on the balance sheet at fair value.

H. Capitalized Interest

The Authority capitalizes interest on self-constructed assets during the period of construction. The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted to finance acquisition of specified assets is all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with such unexpended proceeds from the date of the borrowings until the assets are substantially complete and are ready for their intended use. Interest cost of tax-exempt borrowings is eligible for capitalization on other qualifying assets of the Authority when the specified qualifying assets are no longer eligible for interest capitalization. The Authority did not capitalize interest costs during the periods ended March 31, 2018 and 2017. The Authority expensed \$1,462,994 and \$1,629,874 of interest during 2018 and 2017, respectively.

NOTE 3 EARLY IMPLEMENTATION OF GASB 75

The Authority has elected to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This Statement changes the actuarial method of calculating the Authority's OPEB liability to a method similar to the calculation of the pension liability. The Authority has restated its prior year financial statements for comparative purposes. The following summarizes the prior period adjustments:

- The March 31, 2016 Net OPEB obligation was increased and Unreserved, Unrestricted Net Position was decreased by \$352,101.
- For the fiscal year ended March 31, 2017, the Deferred Outflow, OBEP deferrals was increased \$1,367,369, the increase in the Change in Net OPEB Obligation was \$1,501 and increase in Net OPEB Obligation was \$1,368,870.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 4 CORRECTION OF AN ERROR

During the fiscal year ended March 31, 2018 it was discovered that the Authority was not accruing unbilled water usage as accounts receivable as required by generally accepted accounting principles. The Authority has restated its prior year financial statements for comparative purposes. The following summarizes the prior period adjustments:

- The March 31, 2016, Accrued Service Charges was increased and Unreserved, Unrestricted net position was increased by \$1,220,981, the estimated amount of unbilled water and sewer usage at that date.
- For the fiscal year ended March 31, 2017, Accrued Service Charges and Annual Service Charges were reduced \$267,998, the difference between the beginning and ending unbilled water and sewer usage fees.

NOTE 3 CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Deposits:		
Demand deposits	\$ 26,123,956	\$ 24,422,374
Certificates of deposit	-	-
Total deposits	\$ 26,123,956	\$ 24,422,374
Reconciliation to Statement of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 15,446,718	\$ 13,038,447
Current restricted assets:		
Cash and cash equivalents	10,617,100	11,323,789
Restricted non-current assets:		
Cash and cash equivalents	60,138	60,138
Total cash and cash equivalents	\$ 26,123,956	\$ 24,422,374

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of March 31, 2018, and 2017, the Authority's bank balance of \$42,684,256 and \$43,379,875, respectively, was insured or collateralized as follows:

	<u>2018</u>	<u>2017</u>
Insured	\$ 1,004,038	\$ 1,000,000
Collateralized in the Authority's name		
Under GUDPA	41,680,218	42,379,875
Total	\$ 42,684,256	\$ 43,379,875

For the Statements of Cash Flows, the Authority combines the unrestricted cash with the restricted cash and cash equivalents. The Authority considers investments with maturities of three months or less at the time of purchase to be cash equivalents.

The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 4 INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a 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 the collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments are held in the name of the Authority and are collateralized by GUDPA (Governmental Unit Deposit Protection Act).

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 4 INVESTMENTS (continued)

C. Investment Credit Risk

The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- 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 federal instrumentality has issued in accordance with an act of Congress, which security has maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section I of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

As of March 31, 2018, and 2017, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2018</u> <u>Fair Value</u>	<u>2017</u> <u>Fair Value</u>
Certificates of deposit	Various	N/A	\$15,557,500	\$18,957,500

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 4 INVESTMENTS (continued)

D. Fair Value of Investments

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments are summarized as follows at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ <u>15,557,500</u>	\$ <u>18,957,500</u>
Total fair value of investments	\$ <u>15,557,500</u>	\$ <u>18,957,500</u>

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment as of March 31, 2018 and 2017 are as follows:

	<u>March 31,</u> <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31,</u> <u>2018</u>
Land and easements	\$ 5,108,940	\$ 310,225		\$ 5,419,165
Administration building and warehouse	7,754,554	2,523,835		10,278,389
Water production and distribution system	84,731,696	532,497		85,264,193
Sewer collection system	101,980,878	2,576,634		104,557,512
Meters	3,117,473	386,469	\$ 265,785	3,238,157
Reservoir	37,432,401			37,432,401
Construction in progress - other	14,604,135	3,211,247	10,574,030	7,241,352
Equipment	20,095,886	4,384,972	164,960	24,315,898
Vehicles	2,921,066	286,360	98,541	3,108,885
Subtotal	<u>277,747,029</u>	<u>14,212,239</u>	<u>11,103,316</u>	<u>280,855,952</u>
Less: accumulated depreciation	<u>183,992,850</u>	<u>6,382,616</u>	<u>523,351</u>	<u>189,852,115</u>
Property, plant, and equipment, net	<u>\$ 93,754,179</u>	<u>\$ 7,829,623</u>	<u>\$ 10,579,965</u>	<u>\$ 91,003,837</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 6 LONG-TERM DEBT

Bonds payable at March 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
New Jersey Environmental Infrastructure Trust 2001 (W 1506001-001), interest rate 4.00% to 5.50%, maturity dates serially beginning August 1, 2004 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	\$ 767,352	\$ 922,651
New Jersey Environmental Infrastructure Trust 2001 (S340-488-04), interest rate 4.00% to 5.50%, maturity dates serially beginning August 1, 2003 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	294,278	357,666
New Jersey Environmental Infrastructure Fund 2001 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2003 and ending August 1, 2021.	173,723	242,326
New Jersey Environmental Infrastructure Trust 2002 (S340-488-04), interest rate 4.00% to 5.25%, maturity dates serially beginning August 1, 2006 and ending August 1, 2022. Interest payment dates are February 1 and August 1.	1,478,980	1,729,909
New Jersey Environmental Infrastructure Fund 2002 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2006 and ending August 1, 2021.	956,775	1,212,999
New Jersey Environmental Infrastructure Trust 2010 (S340-448-07/08), interest rate of 3.00% to 5.00%, maturity dates serially beginning August 1, 2011 and ending August 1, 2029. Interest payment dates are February 1 and August 1.	340,000	365,000
New Jersey Environmental Infrastructure Trust 2010 (S340-488-07/08), interest rate of 0%, semi-annual maturity dates beginning August 1, 2010 and ending February 1, 2025. Interest payment dates are February 1 and August 1.	550,777	630,771

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 6 LONG-TERM DEBT (continued)

	<u>2018</u>	<u>2017</u>
Series 2011 refunding bonds, interest rate of 2.00% to 4.50%, maturity dates serially beginning December 1, 2012 and ending December 1, 2032. Interest payment dates are June 1 and December 1. Bonds dated on or before December 1, 2022 are not callable; others are at any time after December 1, 2022 and prior to maturity.	\$ 12,640,000	\$ 12,685,000
Series 2016A revenue bonds, interest rate of 3.00% to 5.00%, maturity dates serially beginning December 1, 2017 and ending December 1, 2028. Interest payment dates are June 1 and December 1.	21,405,000	23,020,000
Series 2016B refunding bonds, interest rates of 3.00% to 5.00%, maturity dates December 1, 2017, December 1, 2018 and then serially December 1, 2020 through December 1, 2027. Interest payment dates are June 1 and December 1.	<u>9,580,000</u>	<u>10,380,000</u>
Total long-term debt	48,186,885	51,546,322
Unamortized bond premium	4,474,137	5,278,525
Unamortized bond discount	(92,224)	(104,933)
Less: current portion	<u>(3,461,638)</u>	<u>(3,359,437)</u>
Bonds payable, excluding current portion	<u>\$ 49,107,160</u>	<u>\$ 53,360,477</u>

2001 Series Bonds – New Jersey Environmental Infrastructure Trust

2001 (W15606001-001)

On November 8, 2001, the Authority issued \$18,006,813 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$8,946,813, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 2020 at maturities ranging from \$3,148 to \$66,102. The “Loan” (State Funds) portion of the Bond Issue, \$9,060,000, the remaining bonds mature annually from August 1, 2017 through 2021 at annual maturities ranging from \$63,388 to \$80,030 and bear interest at rates ranging from 4.75% to 5.00%.

During the year ended March 31, 2008, the project was closed out and there was a reduction of the amounts due from New Jersey Environmental Infrastructure Trust and the repayment of the bonds of \$5,483,911 due to the building cost bids received and awarded by the Authority coming in well below the estimated amount bonded. During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in principal savings credit of \$611,799.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 6 LONG-TERM DEBT (continued)

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust refunded outstanding bonds, resulting in a principal savings credit of \$40,238.

2001 (S340448-04)

On November 8, 2001, the Authority also issued a \$2,646,019 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$1,336,019, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 1, 2021 at maturities ranging from \$62,249 to \$425,701. The “Loan” (State Funds) portion of the Bond issue, \$1,310,000, has remaining maturities annually from August 1, 2017 through 2021 at annual maturities ranging from \$155,299 to \$222,413 and bear interest rates ranging from 4.75% to 5.00%.

During the year ended March 31, 2008, the project was closed out and there was a reduction of the amounts due from New Jersey Environmental Infrastructure Trust and the repayment of the bonds of \$103,443 due to the building cost bids received and awarded by the Authority coming in well below the estimated amount bonded. During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in a principal savings credit of \$53,943.

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust refunded outstanding bonds, resulting in a principal savings credit of \$5,694.

2002 Series Bonds – New Jersey Environmental Infrastructure Trust

On November 7, 2002, the Authority also issued \$9,066,398 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$4,085,366, was issued with no interest rate. The remaining Bonds mature semi-annually beginning February 1, 2006 through August 1, 2022 at maturities ranging from \$5,917 to \$248,338. The “Loan” (State Funds) portion of the Bond Issue, \$4,465,000, mature annually beginning on August 1, 2006 through 2022 at annual maturities ranging from \$80,195 to \$327,781 and bear interest at rates ranging from 4.75% to 5.25%.

During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded outstanding bonds, resulting in a principal savings credit of \$451,780.

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust unobligated \$463,590 of outstanding bonds but not yet funded to the Authority, resulting in an additional principal savings credit of \$54,666.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 6 LONG-TERM DEBT (continued)

2010 Series Bonds – New Jersey Environmental Infrastructure Trust

2010 (S340-448-07/08)

On March 4, 2010, the Authority issued \$2,088,200 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$1,573,200, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 1, 2029 at maturities ranging from \$26,664 to \$53,329. The “Loan” (State Funds) portion of the Bond Issue, \$515,000, the remaining bonds mature annually from August 1, 2017 through 2029 at annual maturities ranging from \$25,000 to \$37,000 and bear interest at rates ranging from 4.00% to 5.00%.

2011 Bonds

The Authority issued Revenue Refunding Bonds, Series 2011, dated November 12, 2011 in the amount of \$15,990,000. The proceeds of this bond issue were used to (1) currently refund and/or defease the 1998 Refunded/Defeased Bonds and (2) to advance refund the 2002 Refunded Bonds. The Series 1998 and 2002 Bonds were redeemed on November 12, 2011 at a redemption price of 100% of the principal amount thereof. The Authority realized an economic gain of \$742,000 for these refunding bonds.

The Bonds have remaining annual maturities ranging from \$40,000 to \$2,270,000 with principal payments due December 1, 2017 through December 1, 2032 and bear interest rates ranging from 2.00% to 4.50%.

2016A Bonds

The Authority issued Revenue Refunding Bonds, Series 2016A dated December 1, 2016 in the amount of \$23,020,000. The bonds were issued to provide funds to: (1) (a) finance the planning, design, construction, acquisition and installation of various capital improvements to the Authority’s Water System and Sewerage System, and to the related buildings, structures and administrative systems, and (b) pay the principal on the Authority’s \$14,500,000 Project Bonds, Series 2015A, dated March 30, 2016, and maturing on December 1, 2016, (2) fund the Bond Reserve Fund for the Series 2016A Bonds, as necessary, to equal the Bond Reserve Requirement, and (3) pay certain costs and expenses incidental to the issuance and delivery of the Series 2016A Bonds.

The Bonds have remaining annual maturities ranging from \$760,000 to \$2,600,000 with principle payments due December 1, 2017 through December 1, 2028 and bear interest rates ranging from 3.00% to 4.00%

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 6 LONG-TERM DEBT (continued)

2016B Bonds

The Authority issued Revenue Refunding Bonds, Series 2016B dated December 1, 2016 in the amount of \$10,380,000. The Series Bonds were issued to provide funds to: (1) currently refund all of the Authority's outstanding Revenue Refunding Bonds (Series 2006) maturing on December 1 in each of the years 2017 through 2024 and on December 1, 2027 in the aggregate principal amount of \$15,520,000 (the "Prior Bonds"); (2) fund the Bond Reserve Fund for the Series 2016B Bonds, as necessary, to equal the Bond Reserve Requirement, and (3) pay certain costs and expenses incidental to the issuance and delivery of the Series 2016B Bonds.

The Bonds have remaining annual maturities ranging from \$800,000 to \$1,290,000 with principle payments due December 1, 2018 through December 1, 2033 and bear interest rates ranging from 3.00% to 5.00%.

Schedule of Aggregate Annual Debt Service for the Next Five Years and Thereafter

Fiscal Year(s) Ending March 31,	Bond Principal	Interest	Total Debt Service
2019	\$ 3,461,638	\$ 2,184,376	\$ 5,646,014
2020	3,614,805	2,049,076	5,663,881
2021	3,756,776	1,903,034	5,659,810
2022	3,858,081	1,717,678	5,575,759
2023	3,520,774	1,538,374	5,059,148
2024-2028	18,220,811	5,165,587	23,386,398
2029-2033	11,754,000	1,400,098	13,154,098
Total	<u>\$ 48,186,885</u>	<u>\$ 15,958,223</u>	<u>\$ 64,145,108</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 6 LONG-TERM DEBT (continued)

Changes in the outstanding debt for 2018 are as follows:

Issue	Balance Mar. 31, 2017	Issued (Refunded)	Paid	Balance Mar. 31, 2018
2001 NJEIT	\$ 599,993	\$ -	\$ 131,992	\$ 468,001
2001 NJEIT	922,651	-	155,299	767,352
2002 NJEIT	2,942,907	-	507,152	2,435,755
2010 NJEIT	995,771	-	104,994	890,777
Series 2011	12,685,000	-	45,000	12,640,000
Series 2016A	23,020,000	-	1,615,000	21,405,000
Series 2016B	10,380,000	-	800,000	9,580,000
	<u>\$ 51,546,322</u>	<u>\$ -</u>	<u>\$ 3,359,437</u>	<u>\$ 48,186,885</u>

NOTE 7 COMPENSATED ABSENCES PAYABLE

The Authority has a policy and express provisions in its employment contracts that allow employees to accrue unused sick and vacation days. The Authority pays all vacation time accrued upon retirement, but employees can only carry over one year of vacation into the following year, at which time the unused balance is cancelled. The Authority pays a maximum of \$15,000 of sick time accrued at retirement. Annually the Authority buys back unused sick days in excess of the allowed carryover to limit the liability they may incur upon retirement of an employee. At March 31, 2018 and 2017, an amount of \$1,203,056 and \$1,258,642, respectively, has been provided to fully fund this potential liability.

NOTE 8 PENSIONS

A. Description of the System

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

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

A. Description of the System (continued)

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

Service retirement benefits of 1/5th 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.

B. Membership

Membership in the PERS is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Since PERS covers public employees throughout the State separate records are not maintained for each reporting unit; accordingly, the actuarial data for the employees of the Authority who are members of PERS are not available.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Authority contributions to PERS amounted to \$1,108,496 and \$1,043,563 and for 2018 and 2017, respectively. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits.

The employee contribution rate was 7.35% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. The Authority contribution to the plan for the past three years are as follows:

Year Ending	Employees	Authority Required Amount	Contribution Percentage
3/31/2018	\$ 618,604	\$ 1,108,496	100%
3/31/2017	597,212	1,043,563	100%
3/31/2016	571,734	984,660	100%

All contributions were equal to the required contributions for each of the three years, respectively.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

D. Net Pension Liability and Pension Expense

At March 31, 2018 and 2017, the Authority's proportionate share of the PERS net pension liability is valued to be \$27,854,279 and \$34,790,454, respectively. The net pension liabilities were measured as of June 30, 2017 and 2016, respectively. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Authority's proportion measured as of June 30, 2017, was 0.1196571822%, which was an increase of 0.0021898502% from its proportion measured as of June 30, 2016 of 0.117467320%.

Collective Balances at March 31,

	<u>2018</u>	<u>2017</u>	Increase/ <u>(Decrease)</u>
Actuarial Valuation Date	July 1, 2017	July 1, 2016	
Net Pension Liability	\$ 27,854,279	\$ 34,790,454	\$ (6,936,175)
Authority's Proportion of the Plan's Total Net Pension Liability	0.1196571822%	0.1174673320%	0.0021898502%

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

D. Net Pension Liability and Pension Expense (continued)

For the year ended March 31, 2018 and 2017 the Authority recognized pension expense of \$3,466,926 and \$2,2471,610, respectively. The Authority reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

Year ended March 31, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 646,997	\$ -
Changes of assumptions	7,206,723	-
Changes in proportion	1,289,292	512,030
Net difference between projected and actual investment earning on pension plan investments	1,326,592	-
	<u>\$ 10,469,604</u>	<u>\$ 512,030</u>

Year ended March 31, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 655,872	\$ -
Changes of assumptions	5,611,677	5,591,104
Changes in proportion	1,385,345	363,184
Net difference between projected and actual investment earning on pension plan investments	189,669	-
	<u>\$ 7,842,563</u>	<u>\$ 5,954,288</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

D. Net Pension Liability and Pension Expense (continued)

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

Year ended March 31,

	2019	\$	880,879
	2020		1,185,222
	2021		893,138
	2022		(542,647)
	2023		(528,317)
			(528,317)
Total		\$	1,888,275

March 31,
2018

	\$	7,842,563
Deferred Outflows		7,842,563
Deferred Inflows		5,954,288
Net Outflows (Inflows)	\$	1,888,275

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

E. Actuarial Assumptions

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

	<u>PERS</u>
Measurement date	6/30/2017
Actuarial valuation date	7/1/2016
Investment rate of return	7.00%
Salary increases	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Inflation Rate	2.25%

Pre-retirement 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).

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

E. Actuarial Assumptions (continued)

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

F. Long-Term Expected Rate of Return

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

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 8 PENSIONS (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The local employees 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 liability.

H. Sensitivity to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
	<u>(4.00%)</u>	<u>(5.00%)</u>	<u>(6.00%)</u>
Authority's proportionate share of the net pension liability	\$ 34,555,124	\$ 27,854,279	\$ 22,271,645

I. Pension Plan Fiduciary Net Position

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description. The Authority’s defined benefit OPEB plan, the Brick Township Municipal Utilities Retiree Health Benefit Program (“the Plan”), provides OPEB for all permanent full-time employees of the Authority. The Plan is a single employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided. The Plan provides healthcare benefits for retirees and their spouses. The benefit terms provide for payment of health insurance premiums for employees based on the criteria prescribed in Chapter 78 of the New Jersey State retirement regulations. Using a determination date of June 28, 2011, all employees that met the age of 55 and 25 years of service before the determination date do not contribute towards the cost of coverage at retirement. For other employees the contribution is based on the expected retirement benefit which is derived from the employee’s final average salary performed by the State of New Jersey upon reaching retirement eligibility.

Employees covered by benefit terms. At April 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	31
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	130
	161

Total OPEB Liability

The Authority’s total OPEB liabilities of \$25,616,478 and \$24,354,578 as of March 31, 2018 and March 31, 2017, respectively, were measured on April 1, 2017 and were determined by actuarial valuation at that date.

Actuarial assumptions and other inputs. The total OPEB liabilities of the actuarial valuation at that date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	9% for April 1, 2018 and 10% for April 1, 2017
Salary increases	3%, average, including inflation
Discount rate	3.86%
Healthcare cost trend rates	10% for 2018, decreasing 1% per year to an ultimate rate of 5% for 2023 and later years

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

As prescribed by GASB no. 75, the discount rate is based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. To comply with this provision, the *Bond Buyer 20-Bond General Obligation Index* is used. The discount rate of 3.86% is the April 1, 2017 value of this index.

Changes in the Total OPEB Liability

	Fiscal Years Ending	
	March 31, 2017	March 31, 2018
OPEB liability, beginning of year	\$ 21,817,069	\$ 24,354,579
Changes for the year		
Service cost	633,450	465,162
Interest	1,037,325	924,478
Changes of benefit terms	-	-
Differences between expected and actual experience	1,367,369	681,025
Benefit payments	(500,634)	(808,766)
Net changes	2,537,510	1,261,899
OPEB liability, end of year	\$ 24,354,579	\$ 25,616,478

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority at March 31, 2018 and March 31, 2017, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current discount rate:

Total OPEB Liability	Discount Rate		
	1% Decrease (2.86%)	Baseline (3.86%)	1% Increase (4.86%)
March 31, 2017	\$ 26,676,783	\$ 24,354,579	\$ 22,499,860
March 31, 2018	28,173,696	25,616,478	23,570,136

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The March 31, 2018 valuation was prepared using an initial trend rate of 10.00%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$30,185,831. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$21,996,536:

Total OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease	Baseline	1% Increase
March 31, 2017	\$ 20,899,103	\$ 24,354,579	\$ 28,719,518
March 31, 2018	21,996,536	25,616,478	30,185,831

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

For the year ended March 31, 2018, the Authority recognized an OPEB expense of \$709,673 in addition to its normal health benefit costs. At March 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Increase in March 31, 2018 OPEB liability due to actuarial experience different from expected and actuarial assumption changes	\$ 1,919,595	\$ -
Total	\$ 1,919,595	\$ -

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

Year Ended March 31:	
2018	\$ 192,948
2019	192,948
2020	192,948
2021	192,948
2022	192,948
Thereafter	954,855
	\$ 1,919,595

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2018 and 2017

NOTE 10 DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all eligible employees and administered by Hartford Life Insurance Company, permits them to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until terminations, retirement, death or unforeseeable emergency.

NOTE 11 COMMITMENTS

On February 27, 1973, the Authority entered into a contract with the Ocean County Utilities Authority providing for the treatment and disposal of sewerage and charges for such services. This agreement may be terminated only after the County Authority has been paid in full for all of its obligations and, subsequent thereto, has been given two years notice.

On June 23, 2014, the Authority passed a resolution to enter into a shared services agreement with the Township of Brick for a thirty-six percent beneficial ownership in a solar generated electrical system. The agreement calls for the Authority to pay the Township for fifteen years based upon a Purchased Power Agreement with the supplier. After fifteen years the Authority will have a thirty-six percent beneficial ownership in the revenues and operating costs of the system. Total expected payments under the shared services agreement approximate \$2,500,000 for the first fifteen years. The Authority is unable to quantify the value of the future expected benefits under this agreement and has elected to expense costs under this agreement as incurred, net of any revenues received, from the sale of generated electricity. Costs began incurring in October of 2014 and totaled \$163,051 and \$176,909 for the years ended March 31, 2018 and March 31, 2017, respectively, net of revenue.

As of date of these financial statements, the Authority has committed to borrow from the NJ Environmental Infrastructure Trust ("NJEIT") via short term note financing up to \$5,420,000 for Meter Replacement, \$1,160,000 for Hydrant Replacement in Baywood Section and \$5,928,760 for Breton Woods Water Main Replacement-Phase I. Furthermore, the Authority has sent a letter of intent to finance an additional \$38,980,716 of capital projects through NJEIT. It may take up to three years before the notes are permanently financed through the NJEIT.

NOTE 12 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority maintains insurance coverage for property, liability, and surety bonds. A partial schedule of insurance coverage can be found in the Schedule of Insurance Coverage.

NOTE 13 SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after March 31, 2018 through the date of July 23, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2018

Schedule I

For the 12 Months Ended March 31,	NJEIT 2001	NJEIT 2001	NJEIT 2002	NJEIT 2010	Series 2011	Series 2016A	Series 2016B	Total
2019	\$ 136,261	\$ 167,034	\$ 523,350	\$ 104,993	\$ 45,000	\$ 1,665,000	\$ 820,000	\$ 3,461,638
2020	140,722	181,235	534,854	102,993	1,315,000	1,340,000		3,614,804
2021	110,989	196,670	546,125	102,993	40,000	1,845,000	915,000	3,756,777
2022	80,029	222,413	503,645	106,993	40,000	1,940,000	965,000	3,858,080
2023			327,781	107,993	40,000	2,040,000	1,005,000	3,520,774
2024				106,993	45,000	2,135,000	1,060,000	3,346,993
2025				97,819	45,000	2,245,000	1,120,000	3,507,819
2026				27,000	45,000	2,360,000	1,170,000	3,602,000
2027				32,000	50,000	2,475,000	1,235,000	3,792,000
2028				32,000	50,000	2,600,000	1,290,000	3,972,000
2029				32,000	2,020,000	760,000		2,812,000
2030				37,000	2,100,000			2,137,000
2031					2,180,000			2,180,000
2032					2,270,000			2,270,000
2033					2,355,000			2,355,000
Total	\$ 468,001	\$ 767,352	\$ 2,435,755	\$ 890,777	\$ 12,640,000	\$ 21,405,000	\$ 9,580,000	\$ 48,186,885

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues
For the years ended March 31, 2018 and 2017

	Total Amount	Water		Sewer	
		Number of Customers	Amount	Number of Customers	Amount
For the year ended March 31, 2017:					
Annual service charges:					
Residential:					
Single-family	\$23,340,858	31,342	\$ 9,456,023	30,723	\$13,884,835
Multi-family	1,600,038	2,642	580,443	2,660	1,019,595
Commercial and industrial	3,363,939	1,734	1,383,467	1,687	1,980,472
Schools	250,914	23	110,128	20	140,786
Municipal	64,121	42	29,191	32	34,930
Lawn watering	2,072,882	4,478	2,072,882	-	-
Bulk – Point Pleasant Beach	1,187,358	-	1,187,358	-	-
Bulk – Other	506,158	-	454,902	15	51,256
Fire protection					
Public fire districts	667,759	4	667,759	-	-
Private	409,768	204	409,768	-	-
Total annual service charges	<u>33,463,795</u>	<u>40,469</u>	<u>16,351,921</u>	<u>35,137</u>	<u>17,111,874</u>
Initial service charges	1,781,739	-	957,716	-	824,023
Tap-ins, permits and other fees	605,634	-	457,736	-	147,898
Review and inspection fees	226,667	-	113,386	-	113,281
Interest on delinquent payments	155,754	-	77,877	-	77,877
Shared services income	54,182	-	54,182	-	-
Miscellaneous income	446,482	-	446,482	-	-
Total operating revenues	<u>\$36,734,253</u>	<u>40,469</u>	<u>\$18,459,300</u>	<u>35,137</u>	<u>\$18,274,953</u>
For the year ended March 31, 2018:					
Annual service charges:					
Residential:					
Single-family	\$23,294,600	31,367	\$ 9,348,665	30,782	\$13,945,935
Multi-family	1,665,205	2,641	605,041	2,659	1,060,164
Commercial and industrial	3,496,749	1,743	1,452,666	1,694	2,044,083
Schools	236,470	23	105,093	20	131,377
Municipal	59,757	43	29,750	33	30,007
Lawn watering	1,691,416	4,556	1,691,416	-	-
Bulk – Point Pleasant Beach	969,880	-	969,880	-	-
Bulk – Other	601,889	-	528,207	15	73,682
Fire protection					
Public fire districts	667,592	4	667,592	-	-
Private	433,883	205	433,883	-	-
Total annual service charges	<u>33,117,441</u>	<u>40,582</u>	<u>15,832,193</u>	<u>35,203</u>	<u>17,285,248</u>
Initial service charges	326,022	-	198,002	-	128,020
Tap-ins, permits and other fees	412,712	-	261,558	-	151,154
Review and inspection fees	28,764	-	14,382	-	14,382
Interest on delinquent payments	141,811	-	70,905	-	70,906
Shared services income	67,888	-	67,888	-	-
Miscellaneous income	540,747	-	540,747	-	-
Total operating revenues	<u>\$34,635,385</u>	<u>40,582</u>	<u>\$16,985,675</u>	<u>35,203</u>	<u>\$17,649,710</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Cost of Providing Services
For the years ended March 31, 2018 and 2017

	2018			2017		
	Total	Water	Sewer	Total	Water	Sewer
Treatment of sewerage	\$ 6,970,681		\$ 6,970,681	\$ 7,065,809		\$ 7,086,987
Operating labor	4,505,812	3,557,439	948,374	5,083,085	3,919,718	1,163,367
Employee benefits	2,558,746	1,950,862	607,884	2,492,084	1,901,389	590,695
Repairs and maintenance	480,191	322,874	157,317	432,366	302,005	130,361
Vehicle expenses	138,050	44,697	93,353	96,237	37,558	58,679
Utilities	992,906	855,171	137,735	975,396	820,013	155,383
Other expenses:						
Supplies	153,201	143,872	9,329	230,230	206,646	23,584
Water quality testing	71,337	71,337		72,038	72,038	
Chemicals	482,349	482,349		621,110	616,221	4,889
Information systems	45,338	45,338		46,675	46,675	
Usage, fees, and permits	58,790	58,790		71,407	70,750	657
Education, travel, exams and dues	12,894	11,755	1,139	29,359	21,365	7,994
Professional services	89,497	89,497		54,769	40,307	14,462
Other expenses	35,731	25,811	9,920	23,933	18,298	5,635
Total cost of providing services	\$ 16,595,523	\$ 7,659,792	\$ 8,935,732	\$ 17,315,676	\$ 8,072,983	\$ 9,242,693

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Administrative Expenses
For the years ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Salaries	\$ 5,100,535	\$ 4,333,110
Employee benefits	2,545,412	2,416,037
Repairs and maintenance	91,266	80,480
Vehicles	15,668	15,557
Utilities	235,138	220,249
Supplies	177,576	99,356
Insurance	336,394	319,353
Information systems	184,872	218,420
Professional services	497,185	378,451
Postage	75,856	86,963
Education, travel, dues and fees	62,928	54,486
Other expenses	67,145	46,163
Shared services – solar	<u>225,939</u>	<u>176,909</u>
Total administrative expenses	<u>\$ 9,615,914</u>	<u>\$ 8,445,534</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2018 and 2017

Schedule V

	2018				2017			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Revenues								
Unrestricted net position utilized	\$ 1,456,425	\$ 1,456,425	\$ -	\$ (1,456,425)	\$ -	\$ -	\$ -	\$ -
Operating revenues:								
Annual service charges	32,765,848	32,765,848	33,117,441	351,593	33,215,874	33,215,874	33,463,795	247,921
Initial service charges	282,205	282,205	326,022	43,817	594,665	594,665	1,781,739	1,187,074
Tap-ins, permits and other fees	459,500	459,500	412,712	(46,788)	437,000	437,000	605,634	168,634
Review and inspection fees	30,000	30,000	28,764	(1,236)	40,000	40,000	226,667	186,667
Interest on delinquent accounts	160,000	160,000	141,811	(18,189)	167,000	167,000	155,754	(11,246)
Interest on Investments	161,000	161,000	492,682	331,682	161,000	161,000	250,031	89,031
Shared service income	70,000	70,000	67,888	(2,112)	70,000	70,000	54,182	(15,818)
Miscellaneous income	406,449	406,449	540,747	134,298	434,542	434,542	446,482	11,940
Total operating revenues	<u>34,335,002</u>	<u>34,335,002</u>	<u>35,128,067</u>	<u>793,065</u>	<u>35,120,081</u>	<u>35,120,081</u>	<u>36,984,284</u>	<u>1,864,203</u>
Total Revenues	<u>35,791,427</u>	<u>35,791,427</u>	<u>35,128,067</u>	<u>(663,360)</u>	<u>35,120,081</u>	<u>35,120,081</u>	<u>36,984,284</u>	<u>1,864,203</u>
Expenses:								
Cost of providing services								
Payment to other authorities :								
Treatment of Sewerage	7,542,000	7,542,000	6,970,681	571,319	7,542,000	7,542,000	7,086,987	455,013
Operating labor	4,911,822	4,911,822	4,505,812	406,010	5,012,875	5,012,875	5,083,085	(70,210)
Employee benefits	2,845,114	2,845,114	2,558,746	286,368	2,642,689	2,642,689	2,492,084	150,605
Repairs and maintenance	443,400	443,400	480,191	(36,791)	465,900	465,900	432,366	33,534
Vehicle expense	114,550	114,550	138,050	(23,500)	133,250	133,250	96,237	37,013
Utilities	1,069,909	1,069,909	992,906	77,003	1,229,140	1,229,140	975,396	253,744
Supplies	148,250	148,250	153,201	(4,951)	225,300	225,300	230,230	(4,930)
Water quality testing	65,000	65,000	71,337	(6,337)	47,000	47,000	72,038	(25,038)
Chemicals	857,000	857,000	482,349	374,651	857,500	857,500	621,110	236,390
Information systems	56,500	56,500	45,338	11,162	75,000	75,000	46,675	28,325
Usage fees and permits	74,700	74,700	58,790	15,910	75,550	75,550	71,407	4,143
Education, travel, exams, and dues	32,200	32,200	12,894	19,306	44,100	44,100	29,359	14,741
Professional services	100,000	100,000	89,497	10,503	15,500	15,500	54,769	(39,269)
Other	29,550	29,550	35,731	(6,181)	31,500	31,500	23,933	7,567
Total cost of providing services	<u>\$ 18,289,995</u>	<u>\$ 18,289,995</u>	<u>\$ 16,595,523</u>	<u>\$ 1,694,472</u>	<u>\$ 18,397,304</u>	<u>\$ 18,397,304</u>	<u>\$ 17,315,676</u>	<u>\$ 1,081,628</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2018 and 2017

Schedule V(Continued)

	2018				2017			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Expenses (continued)								
Administrative expenses:								
Salaries	\$ 5,076,009	\$ 5,076,009	\$ 5,100,535	\$ (24,526)	\$ 4,488,233	\$ 4,488,233	\$ 4,333,110	\$ 155,123
Employee benefits	2,722,205	2,722,205	2,545,412	176,793	2,563,019	2,563,019	2,416,037	146,982
Repairs and maintenance	132,050	132,050	91,266	40,784	77,250	77,250	80,480	(3,230)
Vehicle expenses	24,000	24,000	15,668	8,332	26,000	26,000	15,557	10,443
Utilities	233,187	233,187	235,138	(1,951)	252,895	252,895	220,249	32,646
Supplies	190,575	190,575	177,576	12,999	109,800	109,800	99,356	10,444
Insurance	350,150	350,150	336,394	13,756	336,705	336,705	319,353	17,352
Information systems	279,825	279,825	184,872	94,953	301,200	301,200	218,420	82,780
Professional services	542,500	542,500	497,185	45,315	449,305	449,305	378,451	70,854
Postage	100,300	100,300	75,856	24,444	100,000	100,000	86,963	13,037
Education,travel, dues and fees	80,500	80,500	62,928	17,572	66,190	66,190	54,486	11,704
Other expenses	85,325	85,325	67,145	18,180	59,200	59,200	46,163	13,037
Shared services - solar	235,000	235,000	225,939	9,061	210,000	210,000	176,909	33,091
Total administrative expense	<u>10,051,626</u>	<u>10,051,626</u>	<u>9,615,914</u>	<u>435,712</u>	<u>9,039,797</u>	<u>9,039,797</u>	<u>8,445,534</u>	<u>594,263</u>
Total operating expenses	<u>28,341,621</u>	<u>28,341,621</u>	<u>26,211,437</u>	<u>2,130,184</u>	<u>27,437,101</u>	<u>27,437,101</u>	<u>25,761,210</u>	<u>1,675,891</u>
Township contribution	1,000,000	1,000,000	1,000,000	-	-	-	1,000,000	(1,000,000)
Principal maturity	3,988,993	3,988,993	3,359,437	629,556	5,752,634	5,752,634	5,752,634	-
Interest expense	2,460,813	2,460,813	1,462,994	997,819	1,848,236	1,848,236	1,629,874	218,362
Total debt service & other	<u>7,449,806</u>	<u>7,449,806</u>	<u>5,822,431</u>	<u>1,627,375</u>	<u>7,600,870</u>	<u>7,600,870</u>	<u>8,382,508</u>	<u>(781,638)</u>
Total costs funded by operating activities	<u>35,791,427</u>	<u>35,791,427</u>	<u>32,033,868</u>	<u>3,757,559</u>	<u>35,037,971</u>	<u>35,037,971</u>	<u>34,143,718</u>	<u>894,253</u>
Excess/(deficit) of revenues over/(under) expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,094,199</u>	<u>\$ 3,094,199</u>	<u>\$ 82,110</u>	<u>\$ 82,110</u>	<u>\$ 2,840,566</u>	<u>\$ 2,758,456</u>

Schedule V(Continued)

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2018 and 2017

Reconciliation of budget results to net income:	<u>2018</u>	<u>2017</u>
Budget results	\$ 3,094,199	\$ 2,840,566
Principal maturity	3,359,437	5,752,634
Grant revenue	45,165	15,537
Reservoir sponsorship and scrap fund	16,952	3,280
Depreciation expense	(6,382,616)	(6,454,340)
Change in OPEB obligation	(709,673)	(1,170,141)
Change in state pension obligation	(1,133,125)	(2,324,695)
Loss on disposal of assets	(1,091)	(72,324)
Loss on Bond Defeasance	0	(225,626)
Amortization of debt issue costs	(48,591)	(314,510)
Amortization of loss on defeasance	<u>(39,724)</u>	<u>(122,808)</u>
Net income (loss)	<u>\$ (1,799,067)</u>	<u>\$ (2,072,427)</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Insurance Coverage
March 31, 2018**

Package Policy:	
Blanket Building and Property.....	\$150,000,000
Boiler and Machinery/Equipment.....	150,000,000
Auto Fleet:	
Liability.....	10,000,000
Physical Damage.....	67,045,110
General Liability.....	10,000,000
Workers' Compensation.....	1,700,000

The above schedule is presented as a memorandum only and we do not express an opinion as to the adequacy of coverage.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

**SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY
Years Ended March 31, 2018 through 2016
(Last 10 Years)***

	2018	2017	2016
Proportion of the net pension liability	0.1196571822%	0.1174673320%	0.1110450952%
Proportionate share of the net pension liability	\$ 27,854,279	\$ 34,790,454	\$ 24,927,399
Covered - employee payroll	\$ 8,468,070	\$ 8,300,450	\$ 7,828,252
Proportionate Share of the net pension liability as percentage of employee payroll	328.93%	419.14%	318.43%
Proportionate share of plan's fiduciary net position	\$ 25,814,799	\$ 23,326,153	\$ 22,943,676
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%

Notes to Schedule:

* - 2016 was the first year of implementation, therefore only three years are shown.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

**SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended March 31, 2018 and 2016
(Last 10 Years)***

	2018	2017	2016
Contractually required contribution (actuarially determined)	\$ 1,108,496	\$ 1,043,563	\$ 954,690
Contributions in relation to the actuarially determined contributions	1,108,496	1,043,563	954,690
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered - employee payroll	 \$ 8,468,070	 \$ 8,300,450	 \$ 7,828,252
 Contributions as a percentage of covered-employee payroll	 13.09%	 12.57%	 12.20%
Notes to Schedule:			
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015
Inflation rate	2.25%	3.08%	3.04%
Salary Increases	1.65 - 4.15% based on age	1.65 - 4.15% based on age	2.15 - 4.40% based on age
Thereafter	2.65 - 5.15% based on age	2.65 - 5.15% based on age	3.15 - 5.40% based on age
Investment rate of return	7.00%	7.65%	7.90%

* - 2016 was the first year of implementation, therefore only three years are shown.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

**SCHEDULE OF CHANGES IN THE AUTHORITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
Years Ended March 31, 2018 and 2017
(Last 2 Years)**

Total OPEB liability

	2018	2017
Service cost	\$ 465,162	\$ 633,450
Interest	924,478	1,037,325
Changes of benefit terms	-	-
Differences between expected and actual experience	681,025	1,367,369
Benefit payments	(808,766)	(500,634)
Net change in total OPEB liability	1,261,899	2,537,510
Total OPEB liability - beginning	24,354,579	21,817,069
Total OPEB liability - ending	\$ 25,616,478	\$ 24,354,579
 Covered-employee payroll	 \$ 9,698,680	 \$ 9,416,195
 Total OPEB liability as a percentage of covered-employee payroll	 264.12%	 258.65%

PART II
COMMENTS AND RECOMMENDATIONS

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended March 31, 2018**

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.

None.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT
Year Ended March 31, 2018**

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*.

None.