

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)

TABLE OF CONTENTS

<u>Page</u>		<u>Exhibits</u>
1	Independent Auditor's Report	
	<u>REQUIRED SUPPLEMENTARY INFORMATION - PART I</u>	
5	Management's Discussion and Analysis	
	<u>FINANCIAL STATEMENTS</u>	
13	Comparative Statement of Net Position	A
16	Comparative Statement of Revenues, Expenses and Changes in Net Position	B
17	Comparative Statement of Cash Flows	C
19	Notes to Financial Statements	
	<u>REQUIRED SUPPLEMENTARY INFORMATION - PART II</u>	
50	Schedule of the Authority's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS)	RSI-1
51	Schedule of the Authority's Contributions Public Employees' Retirement System (PERS)	RSI-2
52	Schedule of Changes in the Authority's Proportionate Share of the State OPEB Liability	RSI-3
53	Schedule of Authority's Share of Net OPEB Liability	RSI-4
54	Schedule of Authority's OPEB Contributions	RSI-5
55	Notes to Required Supplementary Information	
	<u>SUPPLEMENTARY SCHEDULES</u>	
		<u>Schedules</u>
56	Schedule of Revenues, Expenses and Changes in Net Position	1
57	Schedule of Cash Receipts, Disbursements and Changes in Cash And Fund Investments	2
59	Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget	3
62	Schedule of Capital Budget Program Funded by Financing Sources	4
63	Schedule of Revenue and Revenue Refunding Bonds	5
67	Roster of Officials	6
68	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	
70	General Comments	

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Secaucus Municipal Utilities Authority
1100 Koelle Boulevard
Secaucus, New Jersey 07094

Report on the Financial Statements

We have audited the accompanying statements of net position of the Secaucus Municipal Utilities Authority (A Component Unit of the Town of Secaucus) as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Secaucus Municipal Utilities Authority as of December 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.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in Note 2 to the basic financial statements, during the year ended December 31, 2018, the Authority adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statement No. 75, the beginning net position on the statement of revenues, expenses and changes in net position has been restated for fiscal year December 31, 2017, as discussed in Note 14 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Secaucus Municipal Utilities Authority's financial statements. The schedule of revenues, expenses and changes in net position - restricted and unrestricted; schedule of cash receipts, cash disbursements and changes in cash and investments - unrestricted and restricted; schedule of operating revenue and costs funded by operating revenue compared to budget; schedule of capital budget program funded by financing services; schedule of revenue and revenue refunding bonds; and roster of officials (collectively referred to as the "Supplementary Schedules") are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Honorable Chairperson and Members of the
Secaucus Municipal Utilities Authority
Page 4.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019 on our consideration of the Secaucus Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Secaucus Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

June 13, 2019

Required Supplementary Information - Part I

Management Discussion and Analysis

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Secaucus Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2018 and 2017. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by \$(1,173,442) (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$(1,019,059), as restated.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$3,425,956 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt and unexpended funds related to the purchase or construction of capital assets.
 - (2) Restricted of \$95,060 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted of \$(4,694,458) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$1,622,456 to \$9,316,085 during the fiscal year.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets), the consumption of net assets that is applicable to a future period (deferred outflows of resources), the acquisition of net assets that is applicable to a future reporting period (deferred inflows of resources) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in the position. The reader can think of the Authority's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end are \$(1,173,442). This is a \$154,383 decrease under last year's net position of \$(1,019,059). A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position at December 31, 2018
With Comparative Prior Year Balances

	<u>FY 2018</u>	<u>Restated FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current Assets	5,718,904	5,610,789	108,115	1.93%
Capital Assets	<u>4,515,038</u>	<u>4,739,640</u>	<u>(224,602)</u>	<u>(4.74)%</u>
Total Assets	<u>10,233,942</u>	<u>10,350,429</u>	<u>(116,487)</u>	<u>(1.13)%</u>
Deferred Outflows of Resources	<u>1,328,090</u>	<u>1,358,199</u>	<u>(30,109)</u>	<u>(2.22)%</u>
Long-term Liabilities	8,423,330	10,106,585	(1,683,255)	(16.66)%
Other Liabilities	<u>892,755</u>	<u>831,956</u>	<u>60,799</u>	<u>7.31%</u>
Total Liabilities	<u>9,316,085</u>	<u>10,938,541</u>	<u>(1,622,456)</u>	<u>(14.83)%</u>
Deferred Inflows of Resources	<u>3,419,389</u>	<u>1,789,146</u>	<u>421,196</u>	<u>23.54%</u>
Net Investment in Capital Assets	3,425,956	3,567,217	(141,261)	(3.96)%
Restricted	95,060	88,523	6,537	7.38%
Unrestricted	<u>(4,694,458)</u>	<u>(4,674,799)</u>	<u>(19,659)</u>	<u>0.42%</u>
Total Net Position	<u>(1,173,442)</u>	<u>(1,019,059)</u>	<u>(154,383)</u>	<u>15.15%</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

The Authority's net position at the FY 2017 year end was \$4,660,644. This is a \$1,292,135 increase over FY 2016's net position of \$3,368,509. A summary of the Authority's statement of net position is presented in the following table. This comparison has not been restated to reflect the changes required by GASB No. 75.

Condensed Statement of Net Position at December 31, 2017
With Comparative Prior Year Balances

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current Assets	5,610,789	4,561,811	1,048,978	22.99%
Capital Assets	<u>4,739,640</u>	<u>4,891,814</u>	<u>(152,174)</u>	(3.11)%
Total Assets	<u>10,350,429</u>	<u>9,453,625</u>	<u>896,804</u>	9.49%
Deferred Outflows of Resources	<u>1,357,365</u>	<u>1,793,599</u>	<u>(436,234)</u>	(24.32)%
Long-term Liabilities	5,241,911	6,418,504	(1,176,593)	(18.33)%
Other Liabilities	<u>831,956</u>	<u>1,321,712</u>	<u>(489,756)</u>	(37.05)%
Total Liabilities	<u>6,073,867</u>	<u>7,740,216</u>	<u>(1,666,349)</u>	(21.53)%
Deferred Inflows of Resources	<u>973,283</u>	<u>138,499</u>	<u>834,784</u>	602.74%
Net Investment in Capital Assets	3,567,217	3,081,080	486,137	15.78%
Restricted	88,523	97,664	(9,141)	(9.36)%
Unrestricted	<u>1,004,904</u>	<u>189,765</u>	<u>815,139</u>	429.55%
Total Net Position	<u>4,660,644</u>	<u>3,368,509</u>	<u>1,292,135</u>	38.36%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2018 with Comparative Prior Year Balances**

	<u>FY 2018</u>	<u>Restated FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	3,883,725	5,359,887	(1,476,162)	(27.54)%
Non-operating Revenues	<u>81,267</u>	<u>226,282</u>	<u>(145,015)</u>	(64.09)%
Total Revenues	<u>3,964,992</u>	<u>5,586,169</u>	<u>(1,621,177)</u>	(29.02)%
Depreciation	298,765	348,942	(50,177)	(14.38)%
Other Operating Expenses	3,801,977	3,914,326	(112,349)	(2.87)%
Other Non-operating Expense	<u>18,633</u>	<u>30,766</u>	<u>(12,133)</u>	(39.44)%
Total Expenses	<u>4,119,375</u>	<u>4,294,034</u>	<u>(174,659)</u>	(4.07)%
Change in Net Position	(154,383)	1,292,135	(1,446,518)	(111.95)%
Beginning Net Position	(1,019,059)	3,368,509	(4,387,568)	(130.25)%
Prior Period Adjustment	_____	<u>(5,679,703)</u>	<u>5,679,703</u>	(100.00)%
Ending Net Position	<u>(1,173,442)</u>	<u>(1,019,059)</u>	<u>(154,383)</u>	15.15%

The Authority's operating revenues decreased \$1,476,162 to \$3,883,725 in fiscal year 2018 from \$5,359,887 in 2017. This decrease is due to a reduction in connections in the 2018 fiscal year. The Authority's non-operating revenues decreased by \$145,015 in fiscal year 2018 primarily due to the collection of a \$150,000 grant in fiscal year 2017 that was not awarded in fiscal year 2018.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and changes in net position is presented with comparative fiscal year figures in the following table. This comparison has not been restated to reflect the changes required by GASB No. 75.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2017 with Comparative Prior Year Balances**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	5,359,887	6,050,570	(690,683)	(11.42)%
Non-operating Revenues	<u>226,282</u>	<u>99,211</u>	<u>127,071</u>	128.08%
Total Revenues	<u>5,586,169</u>	<u>6,149,781</u>	<u>(563,612)</u>	(9.16)%
Depreciation	348,942	341,737	7,205	2.11%
Other Operating Expenses	3,914,326	3,895,060	19,266	0.49%
Other Non-operating Expense	<u>30,766</u>	<u>61,961</u>	<u>(31,195)</u>	(50.35)%
Total Expenses	<u>4,294,034</u>	<u>4,298,758</u>	<u>(4,724)</u>	(0.11)%
Change in Net Position	1,292,135	1,851,023	(558,888)	(30.19)%
Beginning Net Position	<u>3,368,509</u>	<u>1,517,486</u>	<u>1,851,023</u>	121.98%
Ending Net Position	<u>4,660,644</u>	<u>3,368,509</u>	<u>1,292,135</u>	38.36%

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Budgetary Highlights (Continued)

The following table provides a 2018 budget comparison:

Budget vs. Actual FY 2018			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>4,563,332</u>	<u>4,462,488</u>	<u>(100,844)</u>
Expenses:			
Operating	4,445,751	3,696,249	749,502
Non-Operating	<u>117,581</u>	<u>115,220</u>	<u>2,361</u>
	<u>4,563,332</u>	<u>3,811,469</u>	<u>751,863</u>
Income before Depreciation	<u>0</u>	<u>651,019</u>	<u>651,019</u>

Budget vs. Actual FY 2017			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>5,182,061</u>	<u>6,983,665</u>	<u>1,801,604</u>
Expenses:			
Operating	4,238,500	3,733,510	504,990
Non-Operating	<u>943,561</u>	<u>932,323</u>	<u>11,238</u>
	<u>5,182,061</u>	<u>4,665,833</u>	<u>516,228</u>
Income before Depreciation	<u>0</u>	<u>2,317,832</u>	<u>2,317,832</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Administration

At December 31, 2018, the Authority had outstanding Revenue Refunding bonds and New Jersey Environmental Infrastructure Fund bonds of \$1,062,372 (gross). The debt service schedule has a final maturity in 2027. Full details of the specific bond issues outstanding are found in Note 5 to the financial statements and the supplementary schedules.

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Secaucus Municipal Utilities Authority, 1100 Koelle Boulevard, Secaucus, New Jersey 07094.

Financial Statements

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A

Page 1 of 3

	<u>2018</u>	<u>Restated 2017</u>
<u>ASSETS</u>		
Current Assets:		
<u>Unrestricted:</u>		
Cash and Cash equivalents	\$ 5,615,738	\$ 5,513,518
Total Unrestricted Assets	<u>5,615,738</u>	<u>5,513,518</u>
<u>Restricted:</u>		
Debt Service Account:		
Cash and Cash equivalents	27,625	27,226
Renewal and Replacement Account:		
Cash and Cash equivalents	55,925	50,660
Bond Redemption and Improvement Account:		
Cash and Cash equivalents	365	360
Rebate Account		
Cash and Cash equivalents	<u>19,251</u>	<u>19,025</u>
Total Restricted Assets	<u>103,166</u>	<u>97,271</u>
Non-Current Assets:		
<u>Capital Assets:</u>		
Land	659,377	659,377
Property, Plant and Equipment	57,768,385	57,710,184
Furniture, Fixtures and Equipment	741,928	725,966
Vehicles	345,753	345,753
Less: Accumulated Depreciation	<u>(55,000,405)</u>	<u>(54,701,640)</u>
Total Capital Assets	<u>4,515,038</u>	<u>4,739,640</u>
TOTAL ASSETS	\$ <u>10,233,942</u>	\$ <u>10,350,429</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows:		
Pension-Related Deferred Outflows	1,326,171	1,357,365
OPEB-Related Deferred Outflows	<u>1,919</u>	<u>834</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,328,090</u>	<u>1,358,199</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A
Page 2 of 3

	2018	Restated 2017
<u>LIABILITIES</u>		
Current Liabilities:		
<u>Payable from Unrestricted Assets:</u>		
Accounts Payable	\$ 441,996	\$ 427,385
Payroll Related Payables	52,446	55,838
Compensated Absences Payable	80,830	75,898
Accounts Payable - Pension	223,500	183,250
Total Payable from Unrestricted Assets	798,772	742,371
<u>Payable from Restricted Assets:</u>		
Accrued Interest Payable	8,106	8,748
Bonds Payable - Current Portion	85,877	80,837
Total Payable from Restricted Assets	93,983	89,585
Non-Current Liabilities:		
Net Pension Obligation	3,816,253	4,179,539
Bonds Payable - Long-Term Portion	976,495	1,062,372
Net OPEB Obligation	3,630,582	4,864,674
Total Non-Current Liabilities	8,423,330	10,106,585
TOTAL LIABILITIES	9,316,085	10,938,541
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows:		
Unamortized Bond Premium, Net of Amortization	26,710	29,214
Pension-Related Deferred Inflows	1,367,769	944,069
OPEB-Related Deferred Inflows	2,024,910	815,863
TOTAL DEFERRED INFLOWS OF RESOURCES	3,419,389	1,789,146

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A

Page 3 of 3

	<u>2018</u>	<u>Restated 2017</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	3,425,956	3,567,217
Restricted:		
Debt Service Reserve Fund	19,519	18,478
Renewal and Replacement Fund	55,925	50,660
Bond Redemption and Improvement Fund:	365	360
Rebate Fund	19,251	19,025
Unrestricted:		
Designated	1,000,000	1,000,000
Undesignated	<u>(5,694,458)</u>	<u>(5,674,799)</u>
TOTAL NET POSITION	\$ <u>(1,173,442)</u>	\$ <u>(1,019,059)</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
DECEMBER 31,**

EXHIBIT B

	<u>2018</u>	<u>Restated 2017</u>
Operating Revenue:		
Town of Secaucus	\$ 3,209,832	\$ 3,470,305
Sewer Connection / User Fees	<u>673,893</u>	<u>1,889,582</u>
Total Operating Revenue	<u>3,883,725</u>	<u>5,359,887</u>
Operating Expenses:		
Administrative and General	576,863	554,369
Cost of Providing Services	3,225,114	3,359,957
Depreciation Expense	<u>298,765</u>	<u>348,942</u>
Total Operating Expenses	<u>4,100,742</u>	<u>4,263,268</u>
Operating Income	<u>(217,017)</u>	<u>1,096,619</u>
Non-Operating Revenue (Expenses):		
Interest and Miscellaneous Income	78,763	73,778
Grant Income	-	150,000
Interest Expense	(18,633)	(30,766)
Amortization	<u>2,504</u>	<u>2,504</u>
Non-Operating Income (Loss)	<u>62,634</u>	<u>195,516</u>
Change In Net Position	(154,383)	1,292,135
Net Position - January 1	<u>(1,019,059)</u>	<u>3,368,509</u>
Prior-Period Adjustment:		
Cumulative Effect of Change in Accounting Principle (Implementation of GASB No. 75)	<u>-</u>	<u>(5,679,703)</u>
Net Position - December 31	<u><u>\$ (1,173,442)</u></u>	<u><u>\$ (1,019,059)</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 3,883,725	\$ 5,359,887
Cash Paid to Vendors	(2,151,432)	(2,170,112)
Cash Paid to Employees	(1,528,666)	(1,498,987)
Net Cash Provided by Operating Activities	<u>203,627</u>	<u>1,690,788</u>
Cash Flow from Investing Activities:		
Interest Received	46,351	16,989
Interest Paid on Bonds	(19,275)	(33,013)
Net Cash Provided by (used in) Investing Activities	<u>27,076</u>	<u>(16,024)</u>
Cash Flow from Financing Activities:		
Proceeds from NJET		
Other Non-Operating Income	32,412	206,789
Capital Purchases and Construction	(74,163)	(196,768)
Principal Payment on Bonds and Loans	(80,837)	(635,807)
Net Cash Used in Financing Activities	<u>(122,588)</u>	<u>(625,786)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	108,115	1,048,978
Cash and Cash Equivalents at Beginning of Year	<u>5,610,789</u>	<u>4,561,811</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,718,904</u>	<u>\$ 5,610,789</u>
Analysis of Balance:		
Unrestricted	\$ 5,615,738	\$ 5,513,518
Restricted	<u>103,166</u>	<u>97,271</u>
	<u>\$ 5,718,904</u>	<u>\$ 5,610,789</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
OPERATING INCOME (LOSS)	\$ <u>(217,017)</u>	\$ <u>1,096,619</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	298,765	348,942
Decrease (Increase) in Accounts Receivable		
Increase (Decrease) in Accounts Payable	14,611	51,876
Increase (Decrease) in Payroll Payable	(3,392)	7,819
Increase (Decrease) in Compensated Absences	4,932	4,716
Increase (Decrease) in OPEB-Related Obligations/Deferrals	(26,130)	
Increase (Decrease) in Pension-Related Obligations/Deferrals	<u>131,858</u>	<u>180,816</u>
Total Adjustments	<u>420,644</u>	<u>594,169</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>203,627</u></u>	\$ <u><u>1,690,788</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

Notes to Financial Statements

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. GENERAL

The Secaucus Municipal Utilities Authority ("the Authority") was created by an ordinance of the Council of the Town of Secaucus on March 14, 1978. The Authority was created as a Municipal Utilities Authority under Chapter 183 of the laws of 1957. Under the bond indenture of the Sewer Revenue Bonds, Series of 1979, certain funds and distribution of revenue were established funds were modified by the Sewer Revenue Refunding Bonds of 1984, the Series A and B Bonds of 1987, the Series C Bonds of 1988, the Series D Bonds of 1991, the Series A and B Bonds of 1994, the Series A and B Bonds of 2003 and the Series 2010 Bonds. The Authority services the Town of Secaucus. The Board of Commissioners is comprised of five members chosen by the Mayor and Council of the Town of Secaucus.

The Authority is a component unit of the Town of Secaucus under Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 39.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The financial statements of the Secaucus Municipal Utilities Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described below.

On January 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation, (continued)

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "net investments in capital assets."

B. Basis of Accounting

The Secaucus Municipal Utilities Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

C. Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The primary criterion for including activities within the Authority's reporting entity, is set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Based on this criteria, the Authority is a legally separate organization and has no component units.

D. Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Grants

Contributions, if any, received from the U.S. Department of Homeland Security, U.S. Environmental Protection Agency and N.J. Department of Environmental Protection are recorded in the period in which they are awarded.

Grants receivable, if any, represent the total grant awards less amounts collected to date. Grants, if any, not internally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

F. Inventories of Materials and Supplies

The cost of inventories, primarily chemicals for the treatment of sewerage and sludge, are recorded as expenditures at the time individual items are purchased, since they are not material to the results of operations and financial position.

G. Unearned Revenue

Unearned revenue arise when assets are recognized before revenue recognition criteria has been satisfied.

H. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost which includes direct construction costs and other expenditures related to construction. Land is stated at approximate fair market value as of the date it was donated to the Authority or at the purchase price if purchased by the Authority.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed into operation.

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

Building and Improvements	20-50 Years
Sewer Mains and Interceptors	50 Years
Machinery and Equipment	10-20 Years
Furniture and Fixtures	5 Years
Vehicles	3-10 Years

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

II. Property, Plant and Equipment, (continued)

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

A summary of the changes in property, plant and equipment at December 31, 2018 is as follows:

	<u>Balance FY 2017</u>	<u>Net Additions</u>	<u>Disposals</u>	<u>Balance FY 2018</u>
Land	\$659,377	\$	\$	\$659,377
Property, Plant and Equipment	57,710,184	58,201		57,768,385
Furniture, Fixtures and Equipment	725,966	15,962		741,928
Vehicles	<u>345,753</u>			<u>345,753</u>
	59,441,280	74,163		59,515,443
Accumulated Depreciation	<u>(54,701,640)</u>	<u>(298,765)</u>		<u>(55,000,405)</u>
Property, Plant and Equipment, Net	<u>\$4,739,640</u>	<u>(\$224,602)</u>	<u>\$</u>	<u>\$4,515,038</u>

A summary of the changes in property, plant and equipment at December 31, 2017 is as follows:

	<u>Balance FY 2016</u>	<u>Net Additions</u>	<u>Disposals</u>	<u>Balance FY 2017</u>
Land	\$659,377	\$	\$	\$659,377
Property, Plant and Equipment	57,546,061	164,123		57,710,184
Furniture, Fixtures and Equipment	725,966			725,966
Vehicles	<u>313,771</u>	<u>32,645</u>	<u>663</u>	<u>345,753</u>
	59,245,175	196,768	663	59,441,280
Accumulated Depreciation	<u>(54,353,361)</u>	<u>(348,942)</u>	<u>(663)</u>	<u>(54,701,640)</u>
Property, Plant and Equipment, Net	<u>\$4,891,814</u>	<u>(\$152,174)</u>	<u>\$</u>	<u>\$4,739,640</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts

Construction Fund

The Trustee shall establish a Construction Fund for the payment of the costs of each Project involving construction or acquisition. Grants-in-aid of construction are required to be deposited in the Construction Fund, unless the terms of such grants-in-aid provide otherwise. Upon completion of any Project and delivery of the Authority's certificate approved by the Consulting Engineer, showing the date of such completion and certifying that all required insurance has been obtained and that all costs of such Project have been paid or stating the amounts to be reserved for the payment of unpaid costs, the Trustee is required to transfer the balance in the Construction Account and amounts not reserved for the payment of unpaid costs to the Bond Redemption and Improvement Fund.

Other Funds and Accounts

In addition to the Construction Account, the following funds and accounts will be established under the Trust Agreement:

- (1) Revenue Fund
- (2) Operating Fund
- (3) Debt Service Fund
- (4) Sinking Fund
- (5) Debt Service Reserve Fund
- (6) Renewal and Replacement Fund
- (7) Bond Redemption and Improvement Fund
- (8) Rebate Fund

The Authority will hold the Operating Fund and all other funds will be held by the Trustee.

Flow of funds

All Pledged Revenues with the exception of funding for ordinary operating expenses are required to be paid over to the Trustee forthwith upon receipt for deposit into:

- (1) Revenue Fund - Transfers from the Revenue Fund shall be made to all other required funds.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts, (continued)

- (2) Operating Fund – monthly, the amount necessary to equal the Authority's operating expenses plus a reasonable reserve (if required) therefore until the date of the next Town Payment.
- (3) Debt Service Fund – semi-annually, an amount sufficient to make the amount therein equal to interest on the next interest payment date, plus (ii) the greater of 100% of the principal amount of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the principal or face amount of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (4) Sinking Fund – semi-annually, an amount sufficient to make the amount therein equal to the greater of 100% of the redemption price of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the redemption price of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (5) Debt Service Reserve Fund – semi-annually, such amount as may be required with respect to additional issues of parity Bonds (there is no Debt Service Reserve Fund for the 2010 Bonds).
- (6) Renewal and Replacement Fund – semi-annually, up to \$15,750 per year until the amount therein equals \$200,000.
- (7) Bond Redemption and Improvement Fund – semi-annually, the balance remaining after the foregoing transfers.
- (8) Rebate Fund – at the direction of the Authority, from the Revenue Fund or the Bond Redemption and Improvement Fund, amounts subject to rebate to the United States under the Code.

Operating Fund

Monies from the Operating Fund will be applied by the Authority to pay all costs of operating, maintaining and repairing the Sewer System.

Debt Service Fund

The monies in the Debt Service Fund will be used to pay principal and interest on the Bonds. When Bonds are purchased or redeemed, the amount, if any, in the Debt Service Fund representing interest thereon will be applied to the payment of accrued interest in connection with any such redemption or purchase, and any excess, together with any amount representing principal, shall be transferred to the Bond Redemption and Improvement Fund.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts, (continued)

Sinking Fund

Amounts in the Sinking Fund shall be used for the purchase or redemption of the Bonds for which the Sinking Fund was established. The Trustee, at the request of the Authority, may use monies in the Bond Sinking Fund (but not within the period from October 15 through the following December 2, in any year) to purchase additional Bonds at the lowest prices reasonably obtainable; provided that the purchase price, exclusive of accrued interest, does not exceed the mandatory redemption price of such Bonds.

Debt Service Reserve Fund

If required in connection with an issue of additional parity Bonds, the Trustee shall establish a Debt Service Reserve Fund for such issue of Bonds, to make up deficiencies in the Debt Service Fund or Sinking Fund for such Bonds. No Debt Service Reserve Fund has been established for the 2010 Bonds.

Any excess in any Debt Service Reserve Fund may, at the option of the Authority, be transferred to the Revenue Fund or the Bond Redemption and Improvement Fund.

Renewal and Replacement Fund

The Renewal and Replacement Fund will be used to pay costs of extraordinary repairs, renewals and replacements to the Sewer System to the extent that, in the opinion of the Consulting Engineer, such costs cannot be paid out of the budget provision made for such costs. The amount currently required to be deposited annually is \$15,750. The Consulting Engineer may specify an increase in the amount of the Renewal and Replacement Fund for extraordinary repairs to the Sewer System.

Bond Redemption and Improvement Fund

The Trustee shall use the Bond Redemption and Improvement Fund at any time to make up deficiencies in the Debt Service Fund and the Sinking Fund and to restore any withdrawals from the Debt Service Reserve Fund or the Renewal and Replacement Fund. If there is no deficiency in any of the aforesaid Funds and no Event of Default has occurred and is continuing, the Trustee, at the request of the Authority, may apply amounts in the Bond Redemption and Improvement Fund to any lawful corporate purpose of the Authority.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts, (continued)

Rebate Fund

The Trustee shall establish a Rebate Fund into which it shall, upon the direction of the Authority, from time to time deposit from the Revenue Fund or the Bond Redemption and Improvement Fund such amounts as may be subject to rebate to the United States pursuant to the Code and shall use the monies therein to make such rebates when and as required.

J. Deferred Outflows and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Loss on Refunding of Bonds - Deferred loss on refunding arising from the issuance of revenue refunding bonds, is recorded as a deferred outflow of resources. The deferred loss is amortized in a systematic and rational method as a component of interest expense.

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

L. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of 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. The Authority estimates the useful life of assets in determining depreciation figures. Actual results could differ from those estimates.

M. Sick and Vacation Leave

Authority employees are granted varying amounts of sick leave in accordance with the Authority's personnel policy and union agreements. Compensated absences payable was \$80,830 and \$75,898 at December 31, 2018 and 2017, respectively.

N. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

O. Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

O. Recent Accounting Pronouncements, (continued)

provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effect for fiscal years beginning after December 15, 2019, though earlier application is encouraged. The Authority believes this Statement may impact the reporting of certain interest payments previously recorded as capital expenditures.

In August 2018, the Government Accounting Standards Board issued GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority does not believe this Statement will have any effect on future financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

P. Recent Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Authority adopted Government Accounting Standards Board GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. As a result of adopting this Statement, the Authority was required to calculate their Other Post-retirement Benefit Obligation using a methodology similar to the calculation used for pension obligations under GASB Statement No. 68. The cumulative effect of adopting GASB Statement No. 75 totaled \$(5,679,703), and was recognized as a restatement of the Authority's December 31, 2017 position on the statements of net position (see Note 14).

In May 2019, the Government Accounting Standards Board issued GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

Q. Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3. CASH AND CASH EQUIVALENTS

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

As of December 31, 2018, the Authority's cash and cash equivalents are summarized as follows:

	Money Market/ Checking <u>Accounts</u>	<u>Total</u>
Unrestricted	\$5,615,738	\$5,615,738
Restricted	<u>103,166</u>	<u>103,166</u>
	<u>\$5,718,904</u>	<u>\$5,718,904</u>

The carrying amount of the Authority's cash and cash equivalents at December 31, 2018 was \$5,718,904 and the bank balance was \$5,730,334. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2018, \$-0- of the Authority's bank balance of \$5,730,334 was exposed to custodial risk.

NOTE 4. INVESTMENTS

Investments are stated at fair value, which is determined using selected bases. The Authority classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

The Authority had no investments at December 31, 2018.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5. LONG-TERM DEBT

The Authority has issued and has outstanding the following bonds as of December 31, 2018 and 2017.

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Redeemed</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Series 2010 NJ Environmental Infrastructure Trust and Fund Bonds	\$898,906	\$64,909	\$833,997
Series 2013 NJ Environmental Infrastructure Trust and Fund Bonds	<u>244,303</u>	<u>15,928</u>	<u>228,375</u>
Net Carrying Amount of Debt	<u>\$1,143,209</u>	<u>\$80,837</u>	<u>\$1,062,372</u>
Current Portion	80,837		85,877
Long-Term Portion	<u>1,062,372</u>		<u>976,495</u>
	<u>\$1,143,209</u>		<u>\$1,062,372</u>

Presented below is a summary of debt service requirements to maturity.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$85,877	\$19,453	\$105,330
2020	85,931	18,000	103,931
2021	85,996	16,184	102,180
2022	91,072	15,058	106,130
2023	91,159	13,371	104,530
2024	91,256	11,675	102,931
2025	91,360	9,970	101,330
2026-2030	408,838	22,605	431,443
2031-2032	<u>30,883</u>	<u>529</u>	<u>31,412</u>
	<u>\$1,062,372</u>	<u>\$126,845</u>	<u>\$1,189,217</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5. LONG-TERM DEBT, (continued)

Series 2010 NJ Environmental Infrastructure Trust Bonds

On March 10, 2010, the Authority issued \$1,356,541 Series 2010 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used for improvements to the treatment facilities.

Principal and interest due on outstanding 2010 bonds to maturity is as follows:

<u>Year</u>	<u>NJEIT SERIES 2010</u>			
	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Debt Service</u>
2019	\$35,000	\$17,775	\$34,909	\$87,684
2020	35,000	16,375	34,909	86,284
2021	35,000	14,625	34,909	84,534
2022	40,000	13,576	34,908	88,484
2023	40,000	11,975	34,909	86,884
2024	40,000	10,375	34,909	85,284
2025	40,000	8,775	34,909	83,684
2026	45,000	7,176	34,908	87,084
2027	45,000	5,600	34,909	85,509
2028	45,000	3,800	34,909	83,709
2029	<u>50,000</u>	<u>2,000</u>	<u>34,909</u>	<u>86,909</u>
	<u>\$450,000</u>	<u>\$112,052</u>	<u>\$383,997</u>	<u>\$946,049</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5. LONG-TERM DEBT, (continued)

Series 2013 NJ Environmental Infrastructure Trust Bonds

On May 30, 2013, the Authority issued \$318,752 Series 2013 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program.

Principal and interest due on outstanding 2013 bonds to maturity is as follows:

Year	NJHIT SERIES 2013			
	Trust Portion		Fund Portion	Total
	Principal	Interest	Principal	Debt Service
2019	\$3,896	\$1,678	\$12,072	\$17,646
2020	3,950	1,625	12,072	17,647
2021	4,015	1,559	12,072	17,646
2022	4,092	1,483	12,072	17,647
2023	4,178	1,396	12,072	17,646
2024	4,275	1,300	12,072	17,647
2025	4,379	1,195	12,072	17,646
2026	4,490	1,084	12,072	17,646
2027	4,622	953	12,072	17,647
2028	4,761	814	12,072	17,647
2029	4,907	667	12,072	17,646
2030	5,062	512	12,072	17,646
2031	5,224	350	12,072	17,646
2032	4,425	178	9,163	13,766
	<u>\$62,276</u>	<u>\$14,794</u>	<u>\$166,099</u>	<u>\$243,169</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLANS

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS), (continued)

Benefits Provided, (continued)

credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

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

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

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

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 of the employee's annual compensation, as defined by law. Employers are

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS), (continued)

Contribution Requirements, (continued)

required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Three Year Trend Information for PERS</u>		
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>
	<u>Cost (APC)</u>	<u>Contributed</u>
12/31/18	\$174,810	100%
12/31/17	164,946	100%
12/31/16	150,970	100%

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Authority reported a liability of \$3,816,253 and \$4,179,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority has not updated the net pension obligation, pension-related deferred outflow, accounts payable – pension or pension-related deferred inflow accounts to a measurement date acceptable under current accounting standards for the year ended December 31, 2018. Government Accounting Standards Board Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources and net position has not been determined. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2018, the Authority's proportion was 0.0193821700 percent, which was an increase of 0.0014275909 percent from its proportion measured as of June 30, 2017.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2018, the Authority recognized pension expense of \$306,668. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$628,855	\$1,220,235
Net difference between projected and actual earnings on pension plan investments	72,777	55,475
Changes in proportion and differences between Authority contributions and proportionate share of contributions	401,039	44,696
Other deferred pension adjustments		47,363
Authority contributions subsequent to the measurement date	<u>223,500</u>	<u> </u>
Total	<u>\$1,326,171</u>	<u>\$1,367,769</u>

The \$223,500 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2018, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$26,487
2020	(36,671)
2021	(262,963)
2022	(227,940)
2023	(72,990)

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at December 31, 2018 and 2017 are as follows:

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Authority's Proportion	0.0193821700%	0.0179545791%

Actuarial Assumptions

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

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement 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 Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2018</u>		
	1% Decrease <u>4.66%</u>	At Current Discount Rate <u>5.66%</u>	1% Increase <u>6.66%</u>
Authority's proportionate share of the pension liability	\$4,798,498	\$3,816,253	\$2,992,212

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

NOTE 7. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Authority provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost. On May 13, 2010, the Authority adopted the provisions of N.J.S.A. 52:14-17.38 and adhered to the rules and regulations promulgated by the State Health Benefits Commission to implement the provisions of that law. This resolution affects employees as shown in Chapter 48, P.L. 1999. It is effective on the 1st day of July, 2010.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

Chapter 48, P.L. 1999, provides eligible participating local employers considerable flexibility in managing their postretirement medical costs. It also brings State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) eligibility standards for employer-paid coverage into alignment with local government laws.

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provides they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Total OPEB Liability

At December 31, 2018 and 2017, the Authority had a liability of \$3,630,582 and \$4,864,674 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers in the plan. At June 30, 2018 the Authority's proportion was 0.023174 percent.

For the years ended December 31, 2018 and 2017, the Authority recognized medical expense of \$83,886 and \$293,369, respectively. At December 31, 2018 and 2017, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2018</u>	<u>2017</u>
Deferred Outflows of Resources:		
Net difference between projected and actual earnings on pension plan investments	<u>\$1,919</u>	<u>\$834</u>
Total	<u>\$1,919</u>	<u>\$834</u>
Deferred Inflows of Resources:		
Changes of assumptions	\$920,945	\$539,937
Net difference between projected and actual earnings on pension plan investments	737,138	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>366,827</u>	<u>275,926</u>
Total	<u>\$2,024,910</u>	<u>\$815,863</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OBE expense as follows:

	<u>2018</u>	<u>2017</u>
Year ended June 30:		
2018	\$(243,186)	\$(76,487)
2019	(243,186)	(76,487)
2020	(243,186)	(76,487)
2021	(243,388)	(76,487)
2022	(243,716)	(76,487)
Thereafter	(439,503)	(156,459)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 8.14 and 8.04 years for 2018 and 2017 amounts, respectively.

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation rate	2.50%
Salary increases*:	
Through 2026	1.65 - 8.98%
Thereafter	2.65 - 9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 8.0% and decreases to a 5.0% long-term trend rate after seven years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

	June 30, 2018		
	1% Decrease <u>2.87%</u>	At Current Discount Rate <u>3.87%</u>	1% Increase <u>4.87%</u>
Authority's proportionate share of Net OPEB liability	\$4,259,633	\$3,630,582	\$3,128,113

	June 30, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Authority's proportionate share of Net OPEB liability	\$5,738,028	\$4,864,674	\$4,171,682

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates:

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2018		
	1% Decrease <u> </u>	Healthcare Cost Trend Rate <u> </u>	1% Increase <u> </u>
Authority's proportionate share of Net OPEB liability	\$3,028,488	\$3,630,582	\$4,409,782

	June 30, 2017		
	1% Decrease <u> </u>	Healthcare Cost Trend Rate <u> </u>	1% Increase <u> </u>
Authority's proportionate share of Net OPEB liability	\$4,042,686	\$4,864,674	\$5,934,998

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES

The Authority's attorneys have informed management of no commitments or contingent liabilities.

NOTE 9. RISK MANAGEMENT

The Secaucus Municipal Utilities 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.

Property and Liability Insurance

The Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund, a public entity risk pool currently composed of 46 member authorities. The Fund provides members with Property, Liability and Worker's Compensation Insurance. The Authority continues to carry Public Officials Liability and Public Employee Dishonesty insurance through outside policies.

NOTE 10. DEFERRED COMPENSATION PLAN

Employees of the Secaucus Municipal Utilities Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

NOTE 11. JOINT SERVICE AGREEMENT

The Authority entered into an Inter-local Agreement with the Town of Secaucus. The shared services included plumbing, carpentry and painting. In 2018, the shared services also included purchasing.

NOTE 12. SUBSEQUENT EVENTS

The Secaucus Municipal Utilities Authority has evaluated subsequent events through June 13, 2019, the date which the financial statements were available to be issued. No additional items were noted for disclosure or adjustment.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13. DESIGNATION OF UNRESTRICTED NET POSITION

The Authority maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

	<u>2018</u>	<u>2017</u>
Capital Improvements	<u>\$1,000,000</u>	<u>\$1,000,000</u>

At December 31, 2018 and 2017, the Authority reported a total amount of \$1,000,000 of Unrestricted Net Position - Designated for the purposes described above.

The remaining, undesignated portion of the Authority's net position was comprised of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
OPEB Related	\$(5,653,573)	\$(5,679,703)
Pension Related	(4,081,351)	(3,949,493)
Available for Use in Future Budgets	<u>4,040,466</u>	<u>3,954,397</u>
	<u>(\$5,694,458)</u>	<u>(\$5,674,799)</u>

NOTE 14. PRIOR PERIOD ADJUSTMENTS

On January 1, 2018, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires, among other things, the recognition of unfunded net OPEB obligations and related deferred outflows and inflows in the financial statements of an entity. As a result, the following prior period adjustments have been made on the 2017 financial statements:

	Balance 12/31/2017 as Previously Reported	Retroactive Adjustments	Balance 12/31/2017 as Restated
Deferred Outflows of Resources:			
Deferred OPEB-Related Costs	\$	\$834	\$834
Liabilities:			
Net OPEB Liability	-	4,864,674	4,864,674
Deferred Inflows of Resources:			
Deferred OPEB-Related Inflows	-	815,863	815,863
Net Position:			
Unrestricted: Undesignated	4,904	(5,679,703)	(5,674,799)

Required Supplementary Information - Part II

SCHEDULE RSI-1

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

	<u>Measurement Date Ending June 30,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0193821700%	0.0179545791%	0.0178116326%	0.0175601274%	0.0159464216%
Authority's Proportionate Share of the Net Pension Liability	\$3,816,253	\$4,179,539	\$5,275,295	\$3,941,897	\$2,985,606
Authority's Covered-Employee Payroll	\$1,404,365	\$1,362,338	\$1,234,514	\$1,227,489	\$1,193,374
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	271.74%	306.79%	427.32%	321.14%	250.18%

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

SCHEDULE RSI-2

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

	<u>Fiscal Year Ended December 31,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$174,810	\$164,946	\$150,970	\$131,460	\$128,034
Contributions in Relation to the Contractually Required Contribution	<u>(174,810)</u>	<u>(164,946)</u>	<u>(150,970)</u>	<u>(131,460)</u>	<u>(128,034)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$1,404,365	\$1,362,338	\$1,234,514	\$1,227,489	\$1,193,374
Contributions as a Percentage of Authority's Covered-Employee Payroll	12.45%	12.11%	12.23%	10.71%	10.73%

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

SCHEDULE RSI-3

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of Changes in the Authority's Proportionate
Share of the State OPEB Liability
Last Two Fiscal Years*

	<u>2018</u>	<u>2017</u>
Total OPEB Liability:		
Service Cost	\$207,694	\$253,655
Interest	177,068	154,506
Difference between Expected and Actual Experience	(840,378)	
Changes of Assumptions	(536,302)	(616,633)
Benefit Payments	(97,707)	(99,479)
Contributions - Members	12,511	12,768
Change in Allocation	<u>(134,913)</u>	<u>(317,303)</u>
Net Change in Total OPEB Liability	(1,212,027)	(612,486)
 Total OPEB Liability - Beginning	 <u>4,915,488</u>	 <u>5,527,974</u>
 Total OPEB Liability - Ending	 <u>\$3,703,461</u>	 <u>\$4,915,488</u>
 Plan Fiduciary Net Position:		
Contributions - Employer	97,608	90,978
Contributions - Non-Employer Contribution Entities	12,409	12,644
Contributions - Members	12,511	12,768
Net Investment Income	538	188
Benefit Payments	(97,707)	(99,479)
Administrative Expense	(1,900)	(2,119)
Change in Allocation	<u>(1,394)</u>	<u>(2,182)</u>
Net Change in Plan Fiduciary Net Position	22,065	12,798
 Plan Fiduciary Net Position - Beginning	 <u>50,814</u>	 <u>38,016</u>
	72,879	
 Plan Fiduciary Net Position - Ending	 <u>50,814</u>	 <u>50,814</u>
 Authority's Net OPEB Liability	 <u>\$3,630,582</u>	 <u>\$4,864,674</u>

*GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation, ten years is not presented. Each year thereafter, or additional year will be included until ten years of date is presented.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's Share of Net OPEB Liability
*Last Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Authority's proportion of the net OPEB liability (asset)	0.0231740000%	0.0238280000%
Authority's proportionate share of the net OPEB liability (asset)	\$ 3,630,582	\$ 4,864,674
Authority's covered payroll	\$ 1,404,365	\$ 1,362,338
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	258.52%	357.08%

* GASB requires that ten years of information be presented. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's OPEB Contributions
*Last Two Fiscal Years**

	<u>2018</u>	<u>2017</u>
Contractually required contribution	N/A	N/A
Contributions in relation to the contractually required contribution	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,404,365	\$ 1,362,338
Contributions as a percentage of covered payroll	N/A	N/A

* GASB requires that ten years of information be presented. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Year ended December 31, 2018

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Post-employment Benefits (OPEB)

Changes in Benefit Terms - None

Changes in Assumptions - Assumptions used in calculating the OPEB liability are presented in Note 7.

Supplementary Schedules

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

	Net Investment in Capital Assets	Restricted				Unrestricted	
		Debt Service Reserve Fund	Renewal and Replacement Fund	Bond Redemption and Improvement Fund	Rebate Fund	Designated: Capital Improvements	Undesignated
							Total
Operating Revenue:							
Town of Secaucus						3,209,832	3,209,832
Sewer Connection / User Fees						673,893	673,893
Total Operating Revenue		-	-	-	-	-	3,883,725
Operating Expense:							
Administrative and General						576,863	576,863
Cost of Providing Services						3,225,114	3,225,114
Depreciation	298,765						298,765
Total Operating Expense	298,765	-	-	-	-	-	4,100,742
Operating Income	(298,765)	-	-	-	-	-	81,748
Non-Operating Revenue (Expense):							
Interest and Miscellaneous Income			1,540	5	226	76,992	78,763
Interest Expense		(18,633)					(18,633)
Amortization	2,504						2,504
	2,504	(18,633)	1,540	5	226	-	62,634
Net Income (Loss) Before Transfers	(296,261)	(18,633)	1,540	5	226	-	(154,383)
Transfers:							
Budget Appropriation			15,750			(15,750)	-
Debt Service Payments	80,837					(80,837)	-
Capital Expenditures	74,163					(74,163)	-
Transfers		19,674	(12,025)			(7,649)	-
Increase/(Decrease) in Net Position	(141,261)	1,041	5,265	5	226	-	(154,383)
Net Position - Jan. 1, 2018, Restated	3,567,217	18,478	50,660	360	19,025	1,000,000	(1,019,059)
Net Position - December 31, 2018	3,425,956	19,519	55,925	365	19,251	1,000,000	(1,173,442)

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Accounts	Debt Service Accounts	Renewal and Replacement Accounts	Bond Redemption and Improvement Account
Cash, Cash Equivalents and Investments - January 1, 2018	5,513,518	27,226	50,660	360
Cash Receipts:				
Town of Secaucus	3,209,832			
Sewer Connection / User Fees	672,393		1,500	
Interest and Miscellaneous Income	74,368	399	3,765	5
Transfers			265,750	
Total Cash Receipts	<u>3,956,593</u>	<u>399</u>	<u>271,015</u>	<u>5</u>
Cash and Investments Available	<u>9,470,111</u>	<u>27,625</u>	<u>321,675</u>	<u>365</u>
Cash Disbursements:				
Bond Principal Payments	80,837			
Interest Payments	19,275			
Operations	3,680,098			
Capital and Other Expenses	74,163			
Transfers	265,750			
Total Cash Disbursements	<u>4,120,123</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, Cash Equivalents and Investments - December 31, 2018	<u>5,349,988</u>	<u>27,625</u>	<u>321,675</u>	<u>365</u>
Analysis of Balance:				
Cash and Cash Equivalents	5,349,988	27,625	321,675	365
Investments	-	-	-	-
	<u>5,349,988</u>	<u>27,625</u>	<u>321,675</u>	<u>365</u>
Unrestricted	5,349,988	-	265,750	-
Restricted	-	27,625	55,925	365
	<u>5,349,988</u>	<u>27,625</u>	<u>321,675</u>	<u>365</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
 (A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN CASH AND INVESTMENTS
 UNRESTRICTED AND RESTRICTED ACCOUNTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Rebate Account	Total
Cash, Cash Equivalents and Investments - January 1, 2018	19,025	5,610,789
Cash Receipts:		
Town of Secaucus		3,209,832
Sewer Connection / User Fees		673,893
Interest and Miscellaneous Income	226	78,763
Transfers		265,750
Total Cash Receipts	226	4,228,238
Cash and Investments Available	19,251	9,839,027
Cash Disbursements:		
Bond Principal Payments		80,837
Interest Payments		19,275
Operations		3,680,098
Capital and Other Expenses		74,163
Transfers		265,750
Total Cash Disbursements	-	4,120,123
Cash, Cash Equivalents and Investments - December 31, 2018	19,251	5,718,904
Analysis of Balance:		
Cash and Cash Equivalents	19,251	5,718,904
Investments	-	-
	19,251	5,718,904
Unrestricted	-	5,615,738
Restricted	19,251	103,166
	19,251	5,718,904

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018**

	FY 2018 Adopted Budget	FY 2018 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
Revenues:					
Town of Secaucus	3,209,832	3,209,832	3,209,832	-	3,470,305
Connection and User Fees	836,000	836,000	673,893	(162,107)	1,889,582
Interest Income	2,500	2,500	46,351	43,851	16,989
Other Income	15,000	15,000	32,412	17,412	56,789
Grant Income	-	-	-	-	150,000
Net Position Appropriated	500,000	500,000	500,000	-	1,400,000
Total Operating Revenues	4,563,332	4,563,332	4,462,488	(100,844)	6,983,665
Expenses:					
Operating Appropriations:					
Administration:					
Salaries and Wages	251,945	251,945	257,856	(5,911)	250,371
Fringe Benefits	130,000	130,000	112,882	17,118	108,616
Telephone	11,000	11,000	6,265	4,735	6,295
Trustee Fees	12,000	12,000	4,020	7,980	4,511
NJEIT Fees	6,000	6,000	-	6,000	-
Legal Fees	100,000	100,000	86,555	13,445	59,301
Accounting and Auditing	43,000	43,000	36,250	6,750	36,250
Office, Stationary, Postage and Miscellaneous	48,000	48,000	44,783	3,217	49,216
Seminars, Conventions and Travel	20,000	20,000	11,178	8,822	14,201
Sub-total Administrative	621,945	621,945	559,789	62,156	528,761

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018**

	FY 2018 Adopted Budget	FY 2018 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
Expenses (continued):					
Operating Appropriations (continued):					
Cost of Providing Services:					
Salaries and Wages	1,343,306	1,343,306	1,270,810	72,496	1,248,616
Fringe Benefits	675,000	675,000	591,449	83,551	569,147
Electricity and Gas	300,000	300,000	226,357	73,643	228,221
Water	20,000	20,000	19,426	574	25,563
Treatment Chemicals	85,000	85,000	75,814	9,186	63,035
Supplies and Equipment	85,000	85,000	71,670	13,330	86,864
Engineering	150,000	150,000	162,370	(12,370)	161,858
Repairs and Maintenance	180,000	180,000	183,114	(3,114)	129,490
Sludge Disposal	300,000	300,000	219,298	80,702	287,705
Testing Fees	40,000	40,000	12,854	27,146	51,719
Insurance	128,000	128,000	116,316	11,684	116,139
Laboratory Expenses	25,000	25,000	22,911	2,089	20,828
Permits	50,000	50,000	42,169	7,831	39,554
Garbage Disposal	45,000	45,000	46,801	(1,801)	51,419
Uniforms	27,500	27,500	24,481	3,019	22,725
Sanitary Sewer Repairs	370,000	370,000	50,620	319,380	101,866
Sub-total Cost of Providing Services	3,823,806	3,823,806	3,136,460	687,346	3,204,749
Sub-total Operating	4,445,751	4,445,751	3,696,249	749,502	3,733,510

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018**

	FY 2018 Adopted Budget	FY 2018 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Bond Principal	80,837	80,837	80,837	-	635,807
Interest Expense	20,994	20,994	18,633	2,361	30,766
Reserves:					
Renewal and Replacement	15,750	15,750	15,750	-	265,750
Sub-total Other Costs	117,581	117,581	115,220	2,361	932,323
Total Costs Funded by Operating Revenues	4,563,332	4,563,332	3,811,469	751,863	4,665,833
Add: Excess / (Deficit)	-	-	651,019	651,019	2,317,832
	4,563,332	4,563,332	4,462,488	100,844	6,983,665
Excess of Revenues Over Expenses:			651,019		2,317,832
Reconciliation of Budgetary Basis to GAAP:					
Net Position Appropriated			(500,000)		(1,400,000)
Depreciation Expense			(298,765)		(348,942)
Amortization			2,504		2,504
Net Pension Adjustment			(131,858)		(180,816)
Net OPEB Adjustment			26,130		
Reserves			15,750		265,750
Bond Principal			80,837		635,807
Total Adjustments			(805,402)		(1,025,697)
Change in Net Position			(154,383)		1,292,135

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF CAPITAL BUDGET PROGRAM
FUNDED BY FINANCING SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	FY 2018 Adopted Budget	FY 2018 Budget as Amended	Paid or Charged	Excess / (Deficit)
Financing Sources:				
Unrestricted Net Position	500,000	500,000	74,163	425,837
	500,000	500,000	74,163	425,837
Capital Outlays:				
Misc. Improvements/Upgrades	500,000	500,000	74,163	425,837
Total Capital Outlays	500,000	500,000	74,163	425,837
Total Costs Funded by Capital Revenue	500,000	500,000	74,163	425,837
Add: Excess	-	-	-	-
	500,000	500,000	74,163	425,837

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2018		Balance Jan. 1, 2018	Issued	2018 Redeemed	Balance Dec. 31, 2018
			Date	Amount				
NJUT Bonds (Series 2010A) Trust Portion	3/10/2010	4.00%	2019	35,000.00				
		5.00%	2020	35,000.00				
		3.00%	2021	35,000.00				
		4.00%	2022	40,000.00				
		4.00%	2023	40,000.00				
		4.00%	2024	40,000.00				
		4.00%	2025	40,000.00				
		3.50%	2026	45,000.00				
		4.00%	2027	45,000.00				
		4.00%	2028	45,000.00				
		4.00%	2029	50,000.00				
					480,000		30,000	450,000

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2018	Issued	2018 Redeemed	Balance Dec. 31, 2018
			Date	Amount				
NJET Bonds (Series 2010A) Fund Portion	3/10/2010							
		n/a	2019	34,908.85				
		n/a	2020	34,908.85				
		n/a	2021	34,908.85				
		n/a	2022	34,908.85				
		n/a	2023	34,908.85				
		n/a	2024	34,908.85				
		n/a	2025	34,908.85				
		n/a	2026	34,908.85				
		n/a	2027	34,908.85				
		n/a	2028	34,908.85				
		n/a	2029	34,909.13				
					418,906		34,909	383,997

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2018	Issued	2018 Redeemed	Balance Dec. 31, 2018
			Date	Amount				
NJFIT Bonds (Series 2013) Trust Portion	5/30/2013	1.38%	2019	3,896.00				
		1.66%	2020	3,950.00				
		1.90%	2021	4,015.00				
		2.12%	2022	4,092.00				
		2.31%	2023	4,178.00				
		2.44%	2024	4,275.00				
		2.54%	2025	4,379.00				
		2.92%	2026	4,490.00				
		3.01%	2027	4,622.00				
		3.08%	2028	4,761.00				
		3.15%	2029	4,907.00				
		3.21%	2030	5,062.00				
		3.27%	2031	5,224.00				
		3.32%	2032	4,425.00				
					66,132		3,856	62,276

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2018	Issued	2018 Redeemed	Balance Dec. 31, 2018
			Date	Amount				
NJET Bonds (Series 2013) Fund Portion	5/30/2013	n/a	2019	12,072.04				
		n/a	2020	12,072.04				
		n/a	2021	12,072.04				
		n/a	2022	12,072.04				
		n/a	2023	12,072.04				
		n/a	2024	12,072.04				
		n/a	2025	12,072.04				
		n/a	2026	12,072.04				
		n/a	2027	12,072.04				
		n/a	2028	12,072.04				
		n/a	2029	12,072.04				
		n/a	2030	12,072.04				
		n/a	2031	12,072.04				
		n/a	2032	9,162.25				
					178,171		12,072	166,099
					1,143,209		80,837	1,062,372
Current Portion					80,837			80,837
Noncurrent Portion					1,062,372			976,495
					1,143,209			1,062,372

SCHEDULE 6

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at December 31, 2018:

<u>Name</u>	<u>Office</u>
Fred Vogel	President
Jorge Cardenas	Vice President
George Schoenrock	Secretary
Mark Moloughney	Treasurer
Raymond Spellmeyer	Commissioner
Amanda Neshciwat	1st Alternate
Jennifer Modi	2nd Alternate
Brian Bigler	Executive Director
Beckmeyer Engineering	Consulting Engineers
Cleary, Jacobbe, Alfieri, Jacobs, LLC	General Counsel

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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

Honorable Chairman and Members of the
Secaucus Municipal Utilities Authority
1100 Koelle Boulevard
Secaucus, New Jersey 07094

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Secaucus Municipal Utilities Authority, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Secaucus Municipal Utilities 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 Secaucus Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Secaucus Municipal Utilities Authority's internal control.

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

Honorable Chairman and Members of the
Secaucus Municipal Utilities Authority
Page 2.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

June 13, 2019

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$40,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

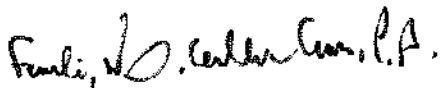
SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank Secaucus Municipal Utilities Authority for their cooperation during the performance of our audit.

Respectfully submitted,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey