

MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2018 AND 2017

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Members of the
Manchester Utilities Authority
Haledon, NJ 07508

Report on the Financial Statements

We have audited the accompanying statements of net position of the Manchester Utilities Authority (a Component Unit of the Borough of Haledon) 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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2019 on our consideration of the Manchester 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 Manchester Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

Ferraioli, Wielkatz, Cerullo & Cova, P.A.

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

June 5, 2019



Required Supplementary Information - Part I

Management Discussion and Analysis

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Manchester 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 2018. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$11,716,090 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$11,821,348.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$11,090,738 include plant and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$79,762 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$545,590 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$394,804 to \$7,511,130 during the fiscal year primarily due to a decrease in bonds and loans payable.

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 and liabilities and provides information about the nature and amounts of investments in resources (assets) 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.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

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 is \$11,716,090. This is a \$105,258 decrease under last year's net position of \$11,821,348. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2016</u>
Current and Other Assets	1,109,979	1,123,296	(13,317)	(1.19)%	1,615,051
Capital Assets	<u>18,184,248</u>	<u>18,664,416</u>	<u>(480,168)</u>	(2.57)%	<u>18,545,815</u>
Total Assets	<u>19,294,227</u>	<u>19,787,712</u>	<u>(493,485)</u>	(2.49)%	<u>20,160,866</u>
Deferred Outflows of Resources	<u>43,442</u>	<u>55,522</u>	<u>(12,080)</u>	(21.76)%	<u>68,446</u>
Current Liabilities	851,716	844,996	6,720	0.80%	2,437,906
Non-Current Liabilities	<u>6,659,414</u>	<u>7,060,938</u>	<u>(401,524)</u>	(5.69)%	<u>5,860,873</u>
Total Liabilities	<u>7,511,130</u>	<u>7,905,934</u>	<u>(394,804)</u>		<u>8,298,779</u>
Deferred Inflows of Resources	<u>110,449</u>	<u>115,952</u>	<u>(5,503)</u>	(4.75)%	<u>117,861</u>
Invested in Capital Assets, Net of Related Debt	11,090,738	11,197,311	(106,573)	(0.95)%	11,270,696
Restricted	79,762	79,762	0	0.00%	79,762
Unrestricted	<u>545,590</u>	<u>544,275</u>	<u>1,315</u>	0.24%	<u>462,214</u>
	<u>11,716,090</u>	<u>11,821,348</u>	<u>(105,258)</u>	(0.89)%	<u>11,812,672</u>

While the *Statement of Net Position* shows the change in financial position of nets assets, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position decreased by \$105,258.

**THE MANCHESTER UTILITIES AUTHORITY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

The following tables provides a FY 2018 and FY 2017 budget comparison:

**Budget vs. Actual
FY 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Net Assets Appropriated	153,000	153,000	0
Operating	2,771,640	2,812,467	40,827
Non-operating	<u> </u>	<u> </u>	<u>0</u>
	<u>2,924,640</u>	<u>2,965,467</u>	<u>40,827</u>
Expenses:			
Operating	2,370,155	2,283,390	86,765
Non-operating	<u>554,485</u>	<u>542,286</u>	<u>12,199</u>
	<u>2,924,640</u>	<u>2,825,676</u>	<u>98,964</u>
Income Before Depreciation and Contributions	<u> 0</u>	<u> 139,791</u>	<u> 139,791</u>

**Budget vs. Actual
FY 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Net Assets Appropriated	135,656	135,656	0
Operating	2,903,000	2,754,820	(148,180)
Non-operating	<u> </u>	<u> </u>	<u>0</u>
	<u>3,038,656</u>	<u>2,890,476</u>	<u>(148,180)</u>
Expenses:			
Operating	2,517,293	2,144,680	372,613
Non-operating	<u>521,363</u>	<u>452,036</u>	<u>69,327</u>
	<u>3,038,656</u>	<u>2,596,716</u>	<u>441,940</u>
Income Before Depreciation and Contributions	<u> 0</u>	<u> 293,760</u>	<u> 293,760</u>

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

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 Manchester Utilities Authority, 510 Belmont Avenue, Haledon, New Jersey 07508 or visit the Authority's web site at www.muawater.net.

Financial Statements

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Net Position
December 31,

	2018	2017
<u>ASSETS:</u>		
Current Assets:		
Unrestricted :		
Cash and Cash Equivalents	\$ 356,411	\$ 412,599
Consumer Accounts Receivable	510,394	424,969
Miscellaneous Receivables		22,374
Prepaid Expenses	106,097	99,484
Total Unrestricted Assets	972,902	959,426
Restricted:		
Debt Service Fund:		
Cash and Cash Equivalents	36,667	36,027
Revenue Fund		
Cash and Cash Equivalents	62,350	64,261
Series 2014 Water System Imp. Account:		
Cash and Cash Equivalents		139
Escrow Account		
Cash and Cash Equivalents	38,060	48,953
Non-Current Assets:		
Restricted:		
Due From New Jersey Environmental Infrastructure Trust		14,490
Total Restricted Assets	137,077	163,870
Capital Assets:		
Structures and Improvements	1,217,852	1,217,852
Water Supply and Distribution System	24,351,363	24,351,363
Equipment	866,261	866,261
Less: Accumulated Depreciation	(8,251,228)	(7,771,060)
Capital Assets (Net)	18,184,248	18,664,416
TOTAL ASSETS	19,294,227	19,787,712
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Unamortized Deferred Loss on Defeasance of Debt	38,756	48,445
Deferred Outflows - PERS	4,686	7,077
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 43,442	\$ 55,522

See accompanying Notes to Financial Statements.

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Statement of Revenues, Expenses and Changes in Net Position
 Years Ended December 31,

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Rents	\$ 2,591,056	\$ 2,532,814
Fire Hydrant Service	153,387	150,944
Sprinklers	21,976	36,879
Miscellaneous	38,083	31,374
Interest on Investments	<u>7,965</u>	<u>2,809</u>
 Total Operating Revenue	 <u>2,812,467</u>	 <u>2,754,820</u>
Operating Expenses:		
Administration	259,399	221,448
Costs of Providing Services	1,824,416	1,714,658
Depreciation	<u>480,168</u>	<u>446,228</u>
 Total Operating Expenses	 <u>2,563,983</u>	 <u>2,382,334</u>
 Operating Income (Loss)	 248,484	 372,486
Non-Operating Revenues/(Expenses):		
Other Non Operating Expenses		(11,280)
Debt Service	(352,189)	(350,977)
Amortization	<u>(1,553)</u>	<u>(1,553)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>(353,742)</u>	 <u>(363,810)</u>
 Change In Net Position	 (105,258)	 8,676
 Net Position - January 1,	 <u>11,821,348</u>	 <u>11,812,672</u>
 Net Position - December 31,	 \$ <u>11,716,090</u>	 \$ <u>11,821,348</u>

See accompanying Notes to Financial Statements.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Cash Flows
Years Ended December 31,

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 2,753,604	\$ 2,771,669
Interest Received	7,965	2,809
Cash Paid to Employees	(9,000)	(12,405)
Cash Paid for Employee Benefits	(1,892)	(3,105)
Cash Paid to Suppliers/Vendors	(2,090,421)	(2,001,041)
	660,256	757,927
Net cash provided (used) by operating activities		
Cash Flows from Investing Activities:		
Purchase of Property, Plant and Equipment		(564,828)
Net cash provided (used) by investing activities	-	(564,828)
Cash Flows from Financing Activities:		
Bond Principal Paid	(175,000)	(180,000)
USDA Loan Principal Paid	(47,777)	(46,084)
NJEIT Loan Principal Paid	(342,000)	(264,543)
Interest Paid	(178,460)	(168,899)
Debt Issue Costs Paid		(11,280)
Received from NJEIT	14,490	379,940
Net cash provided (used) by non-capital financing activities	(728,747)	(290,866)
Net increase / (decrease) in cash and cash equivalents	(68,491)	(97,767)
Cash and cash equivalents, Beginning of Year	561,979	659,746
Cash and cash equivalents, End of Year	\$ 493,488	\$ 561,979
Balance reported as:		
Unrestricted	356,411	412,599
Restricted	137,077	149,380
	493,488	561,979
Reconciliation of Operating Income to Net Cash Provided/(Used) by Operating Activities:		
Operating Income	\$ 248,484	\$ 372,486
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	480,168	446,228
Pension Adjustment	105	994
(Increase)/Decrease in:		
Consumer Accounts Receivable	(85,425)	29,191
Miscellaneous Accounts Receivable	22,374	(22,374)
Prepaid Expenses	(6,613)	(20,337)
Increase/(Decrease) in:		
Accounts Payable and accrued liabilities	(97)	(77,144)
Prepaid Revenue	12,153	
Security deposits payable	(10,893)	28,883
Net cash provided (used) by operating activities	\$ 660,256	\$ 757,927

See accompanying Notes to Financial Statements.

Notes to Financial Statements

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. GENERAL

The Manchester Utilities Authority (the Authority) is a public body politic and corporate created by Ordinance #2-18-2004A adopted March 17, 2004 by the Borough of Haledon under the Municipal and County Utilities Authorities Laws of the State of New Jersey (P.L. 1957, Chapter 183 as amended and supplemented.

The Authority is responsible for the acquisition, construction, maintenance, operation and improvement of the works for among other things, the accumulation, supply and distribution of water for the residents of the Borough of Haledon, County of Passaic, New Jersey.

New Jersey statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the provision and distribution of an adequate supply of water and the collection, treatment, disposal and recycling of waste water and sewage sludge. These statutes were enacted as the "Municipal and Counties Utilities Authorities Act", and are codified in New Jersey statutes annotated as NJSA 40:14B-1 et. seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as NJSA 40A:5A-1 et. seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs (DCA), State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The Authority shall consist of five (5) commissioners who shall be appointed in accordance with the procedures set forth and for the terms of office provided in N.J.S.A. 40:14B-4.

The Authority's fiscal year is the twelve-month period ending December 31, on any year, or such other twelve-month period, which the Authority may establish by Resolution.

As a public body, under existing statutes, the Authority is exempt from both Federal and State taxes.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, amended by Statements No. 39 and 61, that requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION, (continued)

The Manchester 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.

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and short-term investments including certificates of deposit, with a maturity of three months or less carried at cost, which approximates market.

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

Restricted Accounts

Bond covenants of the Authority require portions of the debt proceeds, as well as other resources be set aside for various purposes under the control of the Bond Trustee. These amounts are reported as restricted assets. Cash and cash equivalents restricted for debt service on bonds are segregated in the "Debt Service Fund" account. Cash and cash equivalents restricted for use in construction are segregated in the "System Improvement" Account.

Investments

Investments consist of Certificates of Deposit and direct obligations of the U.S. Government, U.S. Government Agencies, repurchase agreements and investments in money market funds and are valued at cost, which approximates market. The Authority did not have investments for the years ending December 31, 2018 and 2017.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)

Deferred Outflows/Inflows of Resources, (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and are displayed in the following three components:

Net Investment in Capital Assets

The *Net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent unrelated debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

D. 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. Estimates are used to determine depreciation expense, and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

E. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement will have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, Certain Debt Extinguishment Issues, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

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 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 MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3. FINANCIAL REPORTING ENTITY, (continued)

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and either the primary government is able to impose its will on the organization; or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The Manchester Utilities Authority is a component unit of the primary government of the Borough of Haledon. The commissioners of the Manchester Utilities Authority are appointed by the Council of the Borough of Haledon, and under the deficiency agreement entered into by the Authority and the Borough of Haledon, the Borough is obligated to make up any deficiency in service charges.

NOTE 4. INTRALOCAL SERVICE AGREEMENT

The Authority has entered into an intralocal service agreement with the Borough of Haledon dated December 16, 2010. Under the terms of this agreement, the Borough will provide certain agreed upon services including daily labor services; emergency labor services; street closing services; administrative services; computer maintenance; general maintenance of Authority property; insurance; purchasing services; administrative space and equipment sharing; and vehicle parking and equipment storage. In consideration for the provision of these "Agreed Upon Services", the Authority will pay a fixed "Agreed Upon Services Payment" in monthly installments on the last business day of each month. The monthly installments will be calculated by dividing the Agreed Upon Services payment in twelve equal installments. All increases to the amount of the Agreed Upon Services Payment may be negotiated on an annual basis.

In addition, the Authority shall be billed annually by the Borough for the debt service on bonds, payable in 2022, that the Borough has outstanding for improvements to the Authority's water system.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5. WATER DEFICIENCY AGREEMENT, (continued)

(A) The sum of all of the amounts necessary or expended in the Fiscal Year of the Authority during such year (i) to pay or provide for the expenses of construction, acquisition, operation and maintenance of the Water System, including, without limitation, administrative and other expenses of the Authority, insurance, renewals, replacements, extensions, enlargements, alterations and betterments and the principal or redemption price of and interest on all other Bonds as the same become due; (ii) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary by the Authority; and (iii) to comply in all respects with the terms of any Bond Resolution and with the Act; from which is subtracted.

(B) The sum of the following amounts to the extent available to be used to pay or provide for the amounts described in Section 302(1)(A): (i) Service Charges; (ii) the proceeds of Bonds; (iii) the proceeds of insurance awards received by or for account of the Authority with respect to the Water System; (iv) contributions received by or for account of the Authority with respect to the Water System and not under any circumstances repayable by the Authority until after the payment in full of all other obligations of the Authority including its Bonds, original or refunding or both; or (v) any other funds on hand and available therefor at the beginning of the Fiscal Year.”

The deficiency calculation for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Income/(Loss) Before Contributions	(\$105,258)	\$8,676
Add Back Depreciation	<u>480,168</u>	<u>446,228</u>
Excess/(Deficiency)	<u>\$374,910</u>	<u>\$454,904</u>

There is no deficiency under the Water Agreement for the years ending December 31, 2018 and 2017.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. CASH AND CASH EQUIVALENTS, (continued)

Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging institution or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2018, all of the Authority's deposits were insured with Federal Deposit Insurance or under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) and not exposed to custodial credit risk.

NOTE 7. PLANT, PROPERTY AND EQUIPMENT

The Authority's plant, property and equipment is valued at estimated acquisition cost based upon an appraisal performed by the Authority's engineer during fiscal year 2008. Subsequent to fiscal year 2008, property, plant and equipment additions are valued at acquisition costs.

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

A description of the changes in the plant, property and equipment accounts of the Authority for the year ended December 31, 2018 and 2017 is as follows:

	<u>Balance</u> <u>Dec.31.2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec.31.2018</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	1,217,852			1,217,852
Water Supply and Distribution System	24,351,363			24,351,363
Equipment	<u>866,261</u>	<u> </u>	<u> </u>	<u>866,261</u>
Total Capital Assets, Being Depreciated	<u>26,435,476</u>	<u> </u>	<u> </u>	<u>26,435,476</u>
Less: Accumulated Depreciation:				
Structures and Improvements	(960,739)	(15,031)		(975,770)
Water Supply and Distribution System	(6,334,055)	(414,798)		(6,748,853)
Equipment	<u>(476,266)</u>	<u>(50,339)</u>	<u> </u>	<u>(526,605)</u>
Total Accumulated Depreciation	<u>(7,771,060)</u>	<u>(480,168)</u>	<u> </u>	<u>(8,251,228)</u>
Total Capital Assets Being Depreciated, Net	<u>18,664,416</u>	<u>(480,168)</u>	<u> </u>	<u>18,184,248</u>
Capital Assets, Net	<u>\$18,664,416</u>	<u>(\$480,168)</u>	<u>\$ </u>	<u>\$18,184,248</u>

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8. LONG-TERM DEBT(Continued)

In April of 2010, the Authority entered into a loan agreement with the United States Department of Agriculture in order to fund outstanding Project Notes, Series 2008 issued to provide funds for various projects relating to the improvement of its water supply and distribution system. Under this agreement, the Authority was awarded a grant of \$450,000 and was issued a loan in the amount of \$1,550,000 under the U.S.D.A. Rural Development Program. This loan has an interest rate of 4.125% and a term of 40 years. Payments of principal and interest are due twice annually in March and September of each year to maturity with a final maturity in 2050.

A summary of the Authority's activity under the U.S.D.A. Rural Development Loan Program for the year ended December 31, 2018 and 2017 is as follows:

<u>Loan</u>	<u>Original Amount of Loan</u>	<u>Balance Dec.31.2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Dec.31.2018</u>
LN01	\$1,500,000	\$1,270,190	\$	\$26,221	\$1,243,969
LN03	<u>1,550,000</u>	<u>1,413,499</u>	<u> </u>	<u>21,556</u>	<u>1,391,943</u>
	<u>\$3,050,000</u>	<u>\$2,683,689</u>	<u>\$</u>	<u>\$47,777</u>	<u>\$2,635,912</u>
Current Portion		\$47,776			\$49,531
Non-Current Portion		<u>2,635,913</u>			<u>2,586,381</u>
		<u>\$2,683,689</u>			<u>\$2,635,912</u>

<u>Loan</u>	<u>Original Amount of Loan</u>	<u>Balance Dec.31.2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Dec.31.2017</u>
LN01	\$1,500,000	\$1,295,578	\$	\$25,388	\$1,270,190
LN03	<u>1,550,000</u>	<u>1,434,195</u>	<u> </u>	<u>20,696</u>	<u>1,413,499</u>
	<u>\$3,050,000</u>	<u>\$2,729,773</u>	<u>\$</u>	<u>\$46,084</u>	<u>\$2,683,689</u>
Current Portion		\$46,084			\$47,776
Non-Current Portion		<u>2,683,689</u>			<u>2,635,913</u>
		<u>\$2,729,773</u>			<u>\$2,683,689</u>

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8. LONG-TERM DEBT, (continued)

A summary of the activity under the New Jersey Environmental Infrastructure Trust Program for the year ended December 31, 2018 and 2017 is as follows:

NJEIT Loans Payable

	Balance Dec.31,2017	Issued	Deobligated/ Retired	Balance Dec.31,2018
	<u>\$4,736,796</u>	<u>\$</u>	<u>\$342,000</u>	<u>\$4,394,796</u>
Current Portion	\$342,000			\$347,001
Non-Current Portion	<u>4,394,796</u>			4,047,795
	<u>\$4,736,796</u>			<u>\$4,394,796</u>

	Balance Dec.31,2016	Issued	Deobligated/ Retired	Balance Dec.31,2017
	<u>\$3,395,986</u>	<u>\$1,605,352</u>	<u>\$264,542</u>	<u>\$4,736,796</u>
Current Portion	\$257,543			\$342,000
Non-Current Portion	<u>3,138,443</u>			4,394,796
	<u>\$3,653,529</u>			<u>\$4,736,796</u>

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

Period Ending December 31,	U.S.D.A. Rural Development Loans		NJ Environmental Infrastructure Loans		Total
	Principal	Interest	Principal	Interest	
2019	\$49,531	\$97,242	\$3,470,001	\$57,758	\$3,674,532
2020	51,353	95,421	357,000	52,808	556,582
2021	53,241	93,533	358,000	47,178	551,952
2022	55,199	91,575	359,000	41,738	547,512
2023	57,229	89,545	292,000	32,328	471,102
2024-2050	<u>2,369,359</u>	<u>1,301,262</u>	<u>2,681,795</u>	<u>196,081</u>	<u>6,548,497</u>
	<u>\$2,635,912</u>	<u>\$1,768,578</u>	<u>\$7,517,796</u>	<u>\$427,891</u>	<u>\$12,350,177</u>

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14. PENSION PLANS

Authority employees participate in the State of New Jersey Public Employees' Retirement System (PERS) contributory, defined benefit public employee retirement systems 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 1/60 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 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

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14. PENSION PLANS, (continued)

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

<u>Fiscal Year</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$1,203	\$-0-
2017	1,162	-0-
2016	1,122	-0-

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

Public Employees Retirement System (PERS)

At December 31, 2018, the Authority reported a liability of \$25,238 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Authority's proportion was .000128182 percent, which was a decrease of .000001676 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Authority recognized pension expense of \$1,308. 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>
Differences between expected and actual experience	\$481	\$130
Changes of assumptions	4,159	8,070
Net difference between projected and actual earnings on pension plan investments		237
Changes in proportion and differences between Authority contributions and proportionate share of contributions	46	454
Total	<u>\$4,686</u>	<u>\$8,891</u>

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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).

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

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

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:

	June 30, 2018		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Authority's proportionate share of the pension liability	\$31,734	\$25,238	\$19,789

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 17. AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and cash equivalent accounts are required by Authority's Bond Resolutions:

Cash and cash equivalents on hand	79,762
Debt Service Requirement	79,762
Excess or Deficiency	<u>-0-</u>

NOTE 18. UNRESTRICTED NET POSITION

At December 31, 2018 and 2017 the Authority's unrestricted net position was comprised of the following:

	<u>2018</u>	<u>2017</u>
Pension Related Items	(30,718)	(30,613)
Available for use in Future Budgets	576,308	574,888
Net Position- Unrestricted	<u>545,590</u>	<u>544,275</u>

Required Supplementary Information - Part II

MANCHESTER UTILITIES AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's Share of Net Pension Liability - PERS
*Last 10 Fiscal Years**

	2018	2017	2016	2015
Authority's proportion of the net pension liability (asset)	0.0001281820%	0.0001298585%	0.0001307990%	0.0001305058%
Authority's proportionate share of the net pension liability (asset)	\$ 25,238	\$ 30,229	\$ 38,739	\$ 29,296
Authority's covered payroll - PERS	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	280.42%	335.88%	430.43%	325.51%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.93%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

MANCHESTER UTILITIES AUTHORITY
Note to Required Schedules of Supplementary Information
For the Year Ended December 31, 2018

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date, resulting in a change in the discount rate from 5.00% to 5.66%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Supplementary Schedules

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
Schedule of Revenue, Expenses and Changes in Net Position
Restricted and Unrestricted
For The Year Ended December 31,

	Restricted		Totals (Memo)		
	Unrestricted	Net Investment in Capital Assets	Current Debt Service	2018	2017
Operating Revenues:					
Rents	2,591,056			2,591,056	2,532,814
Fire Hydrant Service	153,387			153,387	150,944
Sprinklers	21,976			21,976	36,879
Miscellaneous	38,083			38,083	31,374
Interest on Investments	7,965			7,965	2,809
Total Operating Revenue	2,812,467	-	-	2,812,467	2,754,820
Operating Expenses:					
Cost of Providing Services	1,824,416			1,824,416	1,714,658
Administrative and Executive	259,399			259,399	221,448
Depreciation		480,168		480,168	446,228
Total Operating Expenses	2,083,815	480,168	-	2,563,983	2,382,334
Operating Income	728,652	(480,168)	-	248,484	372,486
Non-Operating Revenue/(Expenses):					
Other Non-operating Expenses				-	(11,280)
Debt Service	(352,189)			(352,189)	(350,977)
Amortization		(1,553)		(1,553)	(1,553)
Total Non-Operating Revenue/(Expenses)	(352,189)	(1,553)	-	(353,742)	(363,810)
Net Income / (Loss) Before Transfers and Contributions	376,463	(481,721)	-	(105,258)	8,676
Transfers:					
Bond Principal Paid	(389,777)			389,777	-
NJFIT Received	14,629	(14,629)		(14,629)	-
Increase / (Decrease) in Net Position	1,315	(106,573)	-	(105,258)	8,676
Net Position - January 1,	544,275	11,197,311	79,762	11,821,348	11,812,672
Net Position - December 31,	545,590	11,090,738	79,762	11,716,090	11,821,348

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Supplementary Schedule of Operating Revenues and Appropriations -
Budget vs. Actual
Year Ended December 31, 2018
With Comparative Actual Amounts
in December 31, 2017

	2018 Original Budget	2018 Final Budget	2018 Actual	Variance	2017 Actual
Revenues:					
Net Position Utilized	153,000	153,000	153,000	-	135,656
Service Fees	2,541,000	2,541,000	2,591,056	50,056	2,532,814
Fire Hydrant Service	155,000	155,000	153,387	(1,613)	150,944
Sprinklers	31,000	31,000	21,976	(9,024)	36,879
Miscellaneous	29,640	29,640	38,083	8,443	31,374
Interest on Investments and Deposits	15,000	15,000	7,965	(7,035)	2,809
Total Operating Revenues	2,924,640	2,924,640	2,965,467	40,827	2,890,476
Expenses:					
Administration:					
Salaries and Wages	9,000	9,000	9,000	-	12,405
Social Security			689	(689)	949
PERS Pension			1,203	(1,203)	1,162
Administrative Fees	31,000	31,000	30,397	603	33,249
Attorney Fees	73,000	73,000	63,470	9,530	64,012
Engineering Fees	45,000	45,000	112,337	(67,337)	66,918
Auditor Fees	43,000	43,000	36,198	6,802	35,759
Bank Fees	750	750		750	
Bookkeeper	11,100	11,100	6,000	5,100	6,000
Subtotal Administration	212,850	212,850	259,294	(46,444)	220,454
Cost of Providing Services:					
Borough Contract	469,400	469,400	421,925	47,475	409,354
Chemicals	8,000	8,000	9,583	(1,583)	7,054
Office Supplies	2,500	2,500	3,295	(795)	2,567
Permits	1,250	1,250	2,985	(1,735)	1,050
Postage	6,000	6,000	3,879	2,121	4,468
Telephone	21,000	21,000	18,934	2,066	21,741
Lab Testing	22,000	22,000	11,660	10,340	11,061
Legal Advertisements	4,500	4,500	2,789	1,711	5,092
Licensed Operator	23,000	23,000	26,193	(3,193)	23,468
Maintenance to Buildings	3,500	3,500	1,950	1,550	1,465
Meter Purchases & Replacement	17,500	17,500	15,843	1,657	25,082
Passaic Valley Water Commission	985,000	985,000	885,451	99,549	923,405
Pump Maintenance	7,500	7,500	40	7,460	5,462
Emergency Repairs	130,000	130,000	268,289	(138,289)	112,999
Utilities	120,000	120,000	112,745	7,255	113,241
Hydrant Repairs	45,000	45,000	9,139	35,861	13,859
Computer Maintenance/Software	7,500	7,500	4,851	2,649	10,246
Other Insurance	23,000	23,000	425	22,575	520
Road Openings	3,500	3,500		3,500	
Service Contracts	6,500	6,500	4,776	1,724	5,054
State Taxes and Fees	5,000	5,000	6,765	(1,765)	4,765
Subscriptions/Dues	975	975	914	61	870
Miscellaneous	10,000	10,000	11,985	(1,985)	7,527
Subtotal Cost of Providing Services	1,922,625	1,922,625	1,824,416	98,209	1,710,350

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2018

Date	Original Amount	Interest Rate	Maturities		Balance 01/01/18	Issued	Redeemed or Retired	Balance 12/31/18
			Date	Amount				
03/10/10	1,310,000	4.000%	08/01/2019	70,000	348,000			
		5.000%	08/01/2020	70,000				
		3.000%	08/01/2021	71,000				
		4.000%	08/01/2022	72,000				
					348,000		65,000	283,000
03/10/10	1,260,555	0.000%	02/01/2019	23,344				
		0.000%	08/01/2019	46,687				
		0.000%	02/01/2020	23,344				
		0.000%	08/01/2020	46,687				
		0.000%	02/01/2021	23,344				
		0.000%	08/01/2021	46,687				
		0.000%	02/01/2022	23,344				
		0.000%	08/01/2022	46,687				
		0.000%	02/01/2023	23,344				
		0.000%	08/01/2023	46,687				
		0.000%	02/01/2024	23,344				
		0.000%	08/01/2024	46,687				
		0.000%	02/01/2025	23,344				
		0.000%	08/01/2025	46,687				
		0.000%	02/01/2026	23,344				
		0.000%	08/01/2026	46,687				
0.000%	02/01/2027	23,344						
0.000%	08/01/2027	46,687						
0.000%	02/01/2028	9,487						
					709,797		70,031	639,766

New Jersey Environmental Infrastructure Trust - Trust Loan Series 2010A

New Jersey Environmental Infrastructure Trust - Fund Loan Series 2010

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2018

Date	Original Amount	Interest Rate	Date	Maturities Amount	Balance 01/01/18	Issued	Redeemed or Retired	Balance 12/31/18
05/22/13	286,121	0.000%	02/01/2019	5,155				
			08/01/2019	10,311				
			02/01/2020	5,155				
			08/01/2020	10,311				
			02/01/2021	5,155				
			08/01/2021	10,311				
			02/01/2022	5,155				
			08/01/2022	10,311				
			02/01/2023	5,155				
			08/01/2023	10,311				
			02/01/2024	5,155				
			08/01/2024	10,311				
			02/01/2025	5,155				
			08/01/2025	10,311				
			02/01/2026	5,155				
			08/01/2026	10,311				
			02/01/2027	5,155				
			08/01/2027	10,311				
			02/01/2028	5,155				
			08/01/2028	10,311				
			02/01/2029	5,155				
			08/01/2029	10,311				
			02/01/2030	1,028				
					186,620		15,466	171,154

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2013A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2018

Date	Original		Interest Rate	Maturities		Balance 01/01/18	Issued	Redeemed or Retired	Balance 12/31/18
	Date	Amount		Date	Amount				
05/21/14		1,531,527	0.0000%	02/01/2019	27,349				
				08/01/2019	54,697				
				02/01/2020	27,349				
				08/01/2020	54,697				
				02/01/2021	27,349				
				08/01/2021	54,697				
				02/01/2022	27,349				
				08/01/2022	54,697				
				02/01/2023	27,349				
				08/01/2023	54,697				
				02/01/2024	27,349				
				08/01/2024	54,697				
				02/01/2025	27,349				
				08/01/2025	54,697				
				02/01/2026	27,349				
				08/01/2026	54,697				
				02/01/2027	27,349				
				08/01/2027	54,697				
				02/01/2028	27,349				
				08/01/2028	54,697				
				02/01/2029	27,349				
				08/01/2029	54,697				
				02/01/2030	27,349				
				08/01/2030	54,697				
				02/01/2031	27,349				
				08/01/2031	54,697				
				02/01/2032	27,349				
				08/01/2032	16,034				
						1,192,027		82,046	1,109,981

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2014A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2018

Date	Original Amount	Interest Rate	Maturities		Balance 01/01/18	Issued	Redeemed or Retired	Balance 12/31/18
			Date	Amount				
05/25/17	1,195,352	0.000%	02/01/2019-	21,486				
			08/01/2019	42,972				
			02/01/2020	21,486				
			08/01/2020	42,971				
			02/01/2021	21,486				
			08/01/2021	42,971				
			02/01/2022	21,486				
			08/01/2022	42,971				
			02/01/2023	21,486				
			08/01/2023	42,971				
			02/01/2024	21,486				
			08/01/2024	42,971				
			02/01/2025	21,486				
			08/01/2025	42,972				
			02/01/2026	21,486				
			08/01/2026	42,971				
			02/01/2027	21,486				
			08/01/2027	42,971				
			02/01/2028	21,486				
			08/01/2028	42,971				
			02/01/2029	21,486				
			08/01/2029	42,972				
			02/01/2030	21,486				
			08/01/2030	42,971				
			02/01/2031	21,486				
			08/01/2031	42,971				
			02/01/2032	21,486				
			08/01/2032	42,971				
			02/01/2033	21,486				
			08/01/2033	42,972				
			02/01/2034	21,486				
			08/01/2034	42,971				
			02/01/2035	21,486				
			08/01/2035	42,971				
			02/01/2036	21,486				
			08/01/2036	13,636				
					1,195,352		64,457	1,130,895

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2017A-1

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2018

Date	Original		Interest Rate	Maturities		Balance 01/01/18	Issued	Redeemed or Retired	Balance 12/31/18
	Date	Amount		Date	Amount				
05/21/07		1,500,000	3.250%	05/21/2031	19,775				
				11/20/2031	20,096				
				05/21/2032	20,422				
				11/20/2032	20,754				
				05/21/2033	21,092				
				11/20/2033	21,434				
				05/21/2034	21,783				
				11/20/2034	22,137				
				05/21/2035	22,496				
				11/20/2035	22,862				
				05/21/2036	23,233				
				11/20/2036	23,611				
				05/21/2037	23,995				
				11/20/2037	24,384				
				05/21/2038	24,781				
				11/20/2038	25,183				
				05/21/2039	25,593				
				11/20/2039	26,009				
				05/21/2040	26,431				
				11/20/2040	26,861				
				05/21/2041	27,297				
				11/20/2041	27,741				
				05/21/2042	28,192				
				11/20/2042	28,650				
				05/21/2043	29,115				
				11/20/2043	29,588				
				05/21/2044	30,069				
				11/20/2044	30,558				
				05/21/2045	31,054				
				11/20/2045	31,559				
				05/21/2046	32,072				
				11/20/2046	32,593				
				05/21/2047	32,150				
						1,270,190		26,221	1,243,969

United States Department
of Agriculture Rural
Development Loan (LN-01)
(Cont'd.)

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2018

	Original		Interest Rate	Maturities		Balance 01/01/18	Issued	Redeemed or Retired	Balance 12/31/18
	Date	Amount		Date	Amount				
United States Department of Agriculture Rural Development Loan (LN-03) (Cont'd)	03/29/10	1,550,000	4.125%	03/29/2031	18,113				
				09/29/2031	18,486				
				03/29/2032	18,866				
				09/29/2032	19,254				
				03/29/2033	19,650				
				09/29/2033	20,054				
				03/29/2034	20,467				
				09/29/2034	20,888				
				03/29/2035	21,317				
				09/29/2035	21,756				
				03/29/2036	22,203				
				09/29/2036	22,660				
				03/29/2037	23,126				
				09/29/2037	23,602				
				03/29/2038	24,087				
				09/29/2038	24,583				
				03/29/2039	25,088				
				09/29/2039	25,604				
				03/29/2040	26,131				
				09/29/2040	26,669				
				03/29/2041	27,217				
				09/29/2041	27,777				
				03/29/2042	28,348				
			09/29/2042	28,911					
			03/29/2043	29,526					
			09/29/2043	30,134					
			03/29/2044	30,753					
			09/29/2044	31,386					
			03/29/2045	32,032					
			09/29/2045	32,690					
			03/29/2046	33,363					
			09/29/2046	34,049					
			03/29/2047	34,749					
			09/29/2047	35,464					
			03/29/2048	36,193					
			09/29/2048	36,938					
			03/29/2049	37,698					
			09/29/2049	38,473					
			03/29/2050	23,219					
						1,413,499		21,556	1,391,943
						7,420,485		389,777	7,030,708
Grand Totals						389,776			396,532
Current Portion						7,030,709			6,634,176
Non-Current Portion						7,420,485			7,030,708

THE MANCHESTER UTILITIES AUTHORITY

(A Component Unit of the Borough of Haledon)

Roster of Officials

December 31, 2018

Commissioners

Victor D'Ambrosio

James Van Sickle

Dewan Chowdhury

Geraldine Flach-Sybesma

Carlos Moczo

Authority Consultant

Malcolm Pirnie/ARCADIS

General Counsel

Fronzuto Law Group

Bond Counsel

Hawkins, Delafield & Wood, LLP

Authority Auditor

Ferraioli, Wielkotz, Cerullo & Cuva

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 Commissioners
of the Manchester Utilities Authority
Haledon, NJ 07508

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 Manchester 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 5, 2019.

Internal Control Over Financial Reporting

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

Comments and Recommendations

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

COMMENTS AND RECOMMENDATIONS

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 total sum of \$17,500, 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." If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, be resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective July 1, 2015, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$40,000.

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 MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

No findings or recommendations were reported in the prior year.

APPRECIATION

We want to express our appreciation for the assistance and courtesies rendered by Authority Officials during the course of the audit.