

**CAPE MAY COUNTY  
MUNICIPAL UTILITIES AUTHORITY  
REPORT ON AUDIT OF  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
YEARS ENDED DECEMBER 31, 2017 AND 2016**



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## **INTRODUCTORY SECTION**

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# Cape May County Municipal Utilities Authority

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Overnight Deliveries: 1523 Route 9 North, Swainton, New Jersey 08210

May 7, 2018

Chairman Betts and Authority Board Members:

Presented to you are the audited financial statements for the year ended December 31, 2017. There are separate financial statements for the Wastewater Management Program and Solid Waste Management Program, as has been done in prior years. The financial statements are presented separately for each program as supplemental information because the programs are separate and distinct for ratemaking, operating and public financing purposes.

Government Auditing Standards and State law require that the Cape May County Municipal Utilities Authority publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America. The financial statements for the year ended December 31, 2017, are presented as required.

In addition, and for the purposes of evaluating budget performance, staff has completed a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget*. This is more commonly referred to as the "Budget versus Actual" statements, and has been completed for both the Wastewater Management Program and Solid Waste Management Program.

The Management Discussion and Analysis ("MD&A") Report consists of management's representations concerning the finances of the Wastewater Management Program and Solid Waste Management Program. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Cape May County Municipal Utilities Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

## Cape May County Municipal Utilities Authority

The staff of the Authority prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Ford, Scott and Associates, L.L.C., a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America present fairly, in all material respects, the financial position of the Cape May County Municipal Utilities Authority at December 31, 2017.

Respectfully,

CAPE MAY COUNTY  
MUNICIPAL UTILITIES AUTHORITY



Joseph V. Rizzuto  
Executive Director



**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**

**ROSTER OF OFFICIALS**

**DECEMBER 31, 2017**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount of Surety Bond</u></b>
<b>Authority Members:</b>		
George W. Betts	Chairman	
Richard Rixey	Vice-Chairman	
William G. Burns, Jr.	Treasurer	\$200,000 (1)
Patricia A. Callinan	Corporate Secretary	
Carl H. Groon	Member	
Carol A. Heenan	Member	
Carol L. Saduk	Member	
<b>Other Officials:</b>		
Joseph V. Rizzuto	Executive Director	
Thomas J. LaRocco, P.E.	Chief Engineer/Deputy Director	
Joshua Palombo, MBA	Wastewater Program Manager	
John R. Conturo, P.E.	Solid Waste Program Manager	
Robert P. Donato, CPA	Chief Financial Officer	\$200,000 (2)

(1) Bond is with RLI Insurance Company.

(2) Bond is with the Western Surety Company.

All employees are covered by an "Employee Dishonesty Policy" to the limits of \$50,000 for the policy period and an "Excess Policy" for any excess over the \$50,000 with a limit of \$1,000,000. The policy is with New Jersey Utilities Authorities Joint Insurance Fund.

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## **FINANCIAL SECTION**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Chairman and Members  
of the Cape May County Municipal  
Utilities Authority  
Cape May Court House  
New Jersey

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

We have audited the accompanying financial statements of the business-type activities of the Cape May County Municipal Utilities Authority (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of and for the years ended December 31, 2017 and 2016, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Cape May County Municipal Utilities Authority (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of December 31, 2017 and 2016, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May County Municipal Utility Authority's basic financial statements. The Introductory Section and the Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Introductory Section and the Other Supplementary Information is the responsibility of management and was 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2018 on our consideration of the Cape May County 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 Authority's internal control over financial reporting and compliance.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Leon P. Costello*

**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**May 7, 2018**

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") of the Cape May County Municipal Utilities Authority ("Authority" / "CMCMUA") provides an introduction to the major issues affecting the operations of the Authority's wastewater management program and solid waste management program. The MD&A also provides an introduction and overview to the financial performance and statements of the Authority for the fiscal years ended December 31, 2017, 2016 and 2015. The information contained in the MD&A should be considered in conjunction with the Authority's financial statements.

The Authority's basic financial statements comprise two components: 1) consolidating proprietary fund financial statements, and 2) notes to those financial statements which are essential to a full understanding of the data contained in the financial statements. The supplementary information following the basic financial statements and notes thereto contains detailed and separate information pertaining to the Authority's wastewater management and solid waste management programs.

Regarding supplementary information, of particular note, the Authority reports a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget* for both the Wastewater Management Program (Schedule 4) and Solid Waste Management Program (Schedule 6). These schedules compare the "actual" revenue and expenses to "budget" revenue and expenses, including operating revenues and expenses, and non-operating revenues and expenses. Principal and Interest are reported in these schedules as expenses, and depreciation is not reported as an expense. This is a departure from the Authority's basic financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), where only the Interest Expense component of debt service is reported as an expense, and where depreciation is also reported as an expense.

The "Budget versus Actual" statement for each of the Authority's programs is a very important tool for staff, as it measures the Authority's actual financial and operational performance, and compares it to the Annual Budget as adopted by the Authority Board and approved by the State of New Jersey, Department of Community Affairs.

For the purpose of the MD&A, the ensuing discussion will review the financial statements of the CMCMUA, those prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to enterprise or proprietary funds of state and local governments. These are the Authority's basic financial statements discussed above.

### Pronouncement

The Authority has adopted GASB No. 1 through 81 and related interpretations issued through December 31, 2017. GASB Statements and Interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis supplementary information.

The MD&A will provide comparative analyses of key elements of the total enterprise funds.

### Wastewater Management Program

The Cape May County Municipal Utilities Authority was created by the Board of Chosen Freeholders of the County of Cape May in August of 1972, pursuant to the Municipal and County Utilities Authority Law (N.J.S.A. 40:14B-1 et seq.) for, among other things, the purpose of providing "...relief of waters in, bordering or entering the district from pollution or threatened pollution, and the consequent improvement of conditions affecting the public health...". Pursuant to said designation, the CMCMUA has designed and placed into operation a comprehensive water pollution control system (the "System") which utilizes a multi-regional approach to address wastewater management within the Authority's jurisdictional area. The Authority established and adopted regional planning areas throughout the County. The regional planning areas delineated by the CMCMUA to receive wastewater treatment services are: the Ocean City Service Region, Cape May Service Region, Seven Mile Beach/Middle Service Region, and Wildwood/Lower Service Region. All major components of the Authority's four regional service areas were placed into operation between 1982 and 1988. Currently, the CMCMUA provides wastewater conveyance, treatment and disposal services for all or a portion of, 13 of the 16 municipalities within Cape May County (the "Participants").

Each service region, as constructed by the CMCMUA, provides a regional conveyance system/network into which the local sewage collection systems of the participating municipalities connect. Each CMCMUA regional system, in turn, conveys, treats and disposes of the wastewater generated by the Participants which are located within such service region. Wastewater sludge which is generated by each of the Authority's wastewater treatment facilities is treated at the CMCMUA's centralized sludge composting facility. Following treatment, effluent from the Authority's four regional wastewater treatment facilities, along with wastewater from the Lower Township Municipal Utilities Authority's wastewater treatment facility, is discharged into the Atlantic Ocean through three Authority-owned ocean outfalls. Each ocean outfall is approximately one mile in length.

The approximate initial cost of the CMCMUA's Wastewater Management System was \$384,000,000. Federal and State grant participation in the planning, design and construction of the system was \$183,391,738.

The buildings and main infrastructure of the Authority's wastewater treatment and conveyance facilities have been designed to handle, or are capable of being expanded to handle, the peak seasonal flow at full build out within the sewer service area (i.e., summer flow) which was projected to occur in the Year 2020. However, the process equipment and tanks were sized to handle a lower peak seasonal flow. At some point in the future, additional modular tanks and process equipment will be added to the existing facilities if the wastewater flows significantly increase. Based on current wastewater flows received by the System, the CMCMUA does not anticipate the need for any significant capital expenditures to further increase the capacity of the System within the foreseeable future.

Since much of the assets at the Regional Wastewater Treatment Facilities now exceed 25 years of age and are at or near the end of their useful life, a great deal of labor and expenditures are required to maintain, rehabilitate and/or replace the equipment in order to achieve reliable treatment levels. During 2017, the Authority rebuilt several Rotating Biological Contactors at the four (4) Regional Wastewater Treatment Facilities, rebuilt several clarifier tanks, upgraded electrical breakers at various Regional Pumping Stations, replaced sludge storage tank mixers at the Cape May, Wildwood/Lower and Seven Mile Beach/Middle Region Wastewater Treatment Facilities, replaced sludge feed piping at the Cape May Region Wastewater Treatment Facility, installed a new spill containment system at the Seven Mile Beach/Middle Region Wastewater Treatment Facility's Reclaimed Water for Beneficial Reuse facility, rebuilt or replaced numerous pumps and grinder mechanisms at various Regional Pumping Stations, rehabilitated a Belt Filter Press at the Wildwood/Lower Region Wastewater Treatment Facility, and replaced flow metering devices at several Regional Pumping Stations. The Authority also continued to expand its digital communication system between the Regional Wastewater Treatment Facilities and Regional Pumping Stations. The use of in-house skilled labor to accomplish these types of tasks saved the Authority significant expenses that would have been incurred if this work had been performed by outside contractors.

In 2017, the Authority continued to operate its former Sludge Composting Facility as a "Sludge Transfer Facility". Dewatered sludge generated by the four (4) Regional Wastewater Treatment Facilities is transported from the "Sludge Transfer Facility" to the Atlantic County Utilities Authority ("ACUA") as the primary means for disposal. Due to the Authority's sludge production exceeding the ACUA's operational capacity during certain points in the year, the Authority holds a contract with a third party hauling and disposal contractor as its secondary option. Also in 2017, the Authority, along with its consultant, completed a Long-Term Comprehensive Biosolids Management Plan ("Plan"). The Plan outlines a short term sludge disposal solution and four viable long term solutions. The Plan identified the Authority's current sludge management operation as the most viable short term solution. The Authority considers all four (4) long term solutions as feasible, but has not yet decided the final long term direction.

The need to maintain, rehabilitate and/or replace aging assets, the requirement to fund pension contributions at a higher level, and increases in health insurance costs and permit fees will cause the Authority to continue with modest annual increases to its participants. By way of Resolution 2014, the Authority adopted a twenty (20) year capital improvement plan which provides for considerable advance project identification, planning, evaluation, scope definition, design, cost estimating and financial planning. This plan allows for continued investment in existing assets combined with strategic investments in new assets, which is essential to the Authority's mission. A large portion of the Authority's original bonds matured in 2015 giving the Authority the financial flexibility to keep participant increases at or below 2% annually for the foreseeable future while funding the necessary projects to assure a sustainable operation into the future.

In 1974, the CMCMUA acquired the “Shute” residence at 1523 Route 9 North in Swanton to serve as its Administration Building. The ranch-style home and garage were converted into offices for the initial few CMCMUA staff members. The Administration Building underwent many expansions as staffing increased to meet the needs of planning, constructing and operating the Regional Wastewater Treatment Facilities and the Solid Waste Management Program facilities. The Administration Building’s final configuration consisted of approximately 19,500 square feet (16,500 square feet of first floor office space, 2,700 square feet of second story storage, and 300 square feet of basement storage) providing working space for approximately forty (40) employees while also serving as the location for the twice monthly meetings of the CMCMUA Board of Commissioners.

Considering the Administration Building’s age, history and apparent deficiencies, in 2014 the Authority directed its General Engineering Consultant to conduct a Facilities Condition Assessment of the Administration Building. The General Engineering Consultant assembled a team of electrical, mechanical and structural engineers, as well as an architect to perform the assessment. The Facilities Condition Assessment report was divided into three distinct sections: HVAC and Plumbing Systems (Building Integrity, Environmental Conditions and Energy Efficiency); Electrical Systems (Electrical Adequacy and conformance with Codes, and Energy Efficiency) and Fire and Life Safety (including accessibility) Systems. The Facilities Condition Assessment report included recommendations as to what repairs and renovations would be necessary to make the Administration Building suitable for future needs and to extend the building’s useful life in order to ensure an adequate return on investment and life-cycle optimization. The estimated costs, as stated in the Facilities Condition Assessment report, to remediate identified deficiencies and life-safety issues totaled approximately \$1.9 Million. To extend the useful life of the Administration Building another twenty years would have required approximately \$1.5 Million in addition to the \$1.9 Million to remediate identified deficiencies and life-safety issues. With several of the original Bonds to construct the Authority’s Regional Wastewater Treatment Facilities reaching maturity, careful consideration of the Facilities Condition Assessment report findings, and analyzation of the return on investment of repairs/renovations and life-cycle optimization, the Authority deemed it prudent to utilize the \$3.4 Million to construct a new Administration Building with a seventy-five year useful life rather than extend the useful life of a forty plus year old building another twenty years.

In late 2014, the Authority issued a Request for Proposal for Professional Architectural/Engineering Services, Design and Construction Management of a New Administration Building. A competitive selection process resulted in OSK Design Partners, PA being awarded a contract for the Design and Construction Management of the CMCMUA’s new Administration Building. The design of the new Administration Building was completed in December of 2015. The construction phase was bid in early 2016 and a construction contract was entered into in April of 2016 with Arthur Ogren, Inc for \$8.496 million. Funding for this Wastewater Management Program Capital Improvement Project was through the Program’s Renewal and Replacement Fund. Ground breaking occurred in May 2016.

The Charles M. Norkis Administration Building, named after former Executive Director Charles M. Norkis for his substantial contributions to the Authority over his thirty-eight years of service, is located on Authority property that previously was a parking lot. The new two-story Administration Building consists of 20,560 square feet of public meeting/office space along with a 9,870 square foot basement. In addition to serving as the Administration Building of the Authority, the new Administration Building will serve as the Authority’s Emergency Management Center. Real-time operational communications from the Authority’s Regional Wastewater Treatment Facilities and Solid Waste Secure Sanitary Landfill will be transmitted to the new Administration Building affording Authority staff the ability to monitor and operate facilities remotely if the need arises. The new Administration Building complies with the Americans with Disabilities Act, features a robust IT infrastructure and incorporates materials/systems to reduce maintenance and utility costs. Energy efficient, cost effective amenities including LED lighting, thermally-improved aluminum windows with insulated glazing, EPA/Department of Energy “Energy Star” rated roofing system and geothermal heating and cooling systems have been integrated into the design.

Authority staff members moved into the Charles M. Norkis Administration Building in September 2017. Project close-out will be finalized upon completion of minor punch-list items. The former Administration Building was demolished in October 2017 with that area now serving as part of the Charles M. Norkis Administration Building’s parking lot.

## **Solid Waste Management Program**

The Cape May County Municipal Utilities Authority was designated by the Board of Chosen Freeholders of the County of Cape May as the implementing agency for solid waste management in the County pursuant to the provisions of the New Jersey Solid Waste Management Act (N.J.S.A. 13:1E-1 et. seq.), as amended and supplemented (the "Act").

As an initial step in meeting its responsibilities under the Act, in September 1979, the Authority completed a County Solid Waste Management Plan (the "Plan"). The Plan was subsequently adopted by the Cape May County Board of Chosen Freeholders and on February 5, 1981, the New Jersey Department of Environmental Protection ("NJDEP") issued a "Certificate of Approval for the Cape May County Solid Waste Management Plan". In order to enable the County to meet its long-term solid waste disposal requirements, consistent with the NJDEP certified Plan, the Authority constructed a new sanitary landfill to replace the existing unlined disposal facilities in the County. The CMCMUA also developed a county-wide source separation and recycling program (the "County Recycling Plan"), which was initially adopted by the County as a component of the Plan on December 8, 1987.

The Cape May County Solid Waste Management Plan has been amended and modified from time-to-time since its adoption, including an Amendment adopted by the County on February 13, 2007 which, among other things, reaffirmed a disposal strategy requiring that all solid waste generated within the County, which is not disposed of at an out-of-State facility, be disposed of at the Authority's Sanitary Landfill. This provision provides greater stability to the County's Solid Waste Management Program. This Plan Amendment was approved by the NJDEP on July 25, 2007.

The CMCMUA currently has disposal contracts with all sixteen municipalities located within Cape May County. These contracts require that all solid waste collected and/or otherwise under the control of each municipality be delivered to the Authority's Sanitary Landfill for disposal. These shared services agreements were renewed in 2011 and will expire on December 31, 2018.

The County Recycling Plan, which has also been amended from time-to-time with the approval of the NJDEP, currently mandates the recycling of more than 40 different materials and recommends the recycling of 8 additional materials. A prohibition on the disposal of designated recyclables at the Authority's Sanitary Landfill, as well as an extensive educational program, substantially contributes to the overall recycling success achieved in the County. In 2013, the plan was amended to convert the recycling program from a dual stream process to a single stream process.

Major Components of the CMCMUA Solid Waste Management Program include the following:

1. The Sanitary Landfill which is located on a 457 acre site on the Woodbine Borough – Upper Township border is the only active landfill in Cape May County.
2. A solid waste transfer station, located in Middle Township, provides solid waste haulers and municipalities in the southern portion of the County with an alternative to the delivery of solid waste and source separated recyclables directly to the Authority's Landfill;
3. An Intermediate Processing Facility, located at the Sanitary Landfill, receives, sorts, processes and markets various categories of recyclables that are collected at curbside by the municipalities;
4. A Class "B" Recycling Facility which receives and processes source separated wood pallets, tree stumps and branches into recyclable components to be marketed;
5. A Class "C" Exempt Facility which receives and composts source separated leaves and grass. Following composting, the material is marketed as an organic soil amendment;
6. A Landfill Gas Recovery System which recovers the gas generated by the decomposition of solid waste in the Authority's Sanitary Landfill. Initially constructed in 1996 as part of an emission control system, the Authority expanded the system in 1998 to collect and refine the landfill gas into a

marketable product which fueled the boilers at the Woodbine Developmental Center ("WDC"), a state-run facility owned by the New Jersey Department of Human Services ("NJ DHS") through 2009. After the NJ DHS replaced their boilers, the sale of gas to WDC resumed in October 2011; and,

7. The Authority completed the implementation of a second electrical generation project towards the end of 2013 that converts energy from excess landfill gas into electricity. An average of 2.0 megawatts of electricity are produced hourly and sold through PJM, a regional transmission organization that coordinates the movement of wholesale electricity in all or part of 13 states and the District of Columbia, for use on the PJM electric grid. Sales of electricity through generation, capacitance, and Renewable Energy Certificates ("RECs") are expected to generate revenues in excess of \$750,000 per year.

The Authority has been operating the Sanitary Landfill and Transfer Station since 1984. User fees for the disposal of Municipal Solid Waste and Construction and Demolition Waste (combined to constitute approximately ninety percent (90%) of the waste received for disposal) for the period 2009 to 2017 are shown below:

**User Fee (\$/Ton)**

<b><u>Waste Type</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Municipal Solid Waste	\$63.00	\$64.70	\$65.95	\$65.95	\$67.25	\$68.50	\$69.75	\$71.00	\$72.42
Construction and Demolition	\$69.00	\$70.00	\$70.00	\$71.00	\$71.00	\$71.00	\$72.00	\$73.25	\$76.00

There was a 2.0% increase to the user fee rate in 2017 for municipal solid waste and a 3.75% user fee rate increase for construction and demolition waste. Cape May County maintained one of the lowest tipping fees in New Jersey, which was well below average pricing throughout the State.

The Authority previously received formal approval of all necessary applications for a 74 acre lateral expansion of the Sanitary Landfill. These approvals for the Sanitary Landfill expansion will ensure that Cape May County residents and businesses have a safe, affordable, local disposal location for their solid waste for the next 90-plus years. In 2014, design was completed for the first cell of this expansion, Cell 2G.

In 2014, the Authority solicited bids and awarded a contract to C. Abbonizio Contractors, Inc. in the amount of \$4,513,455 for construction of Cell 2G Phase 1. Included in the Phase 1 contract was the relocation of existing leachate collection manholes and pump stations from the Cell 1A disposal area, installation of a new leachate management system including pump stations, meter chambers, and a Cell 2G forcemain with associated electrical service and controls. C. Abbonizio Contractors, Inc. commenced construction in May 2015 and completed the contract work in December 2015. Authority employees completed the following portion of the Phase 1 construction: constructed a new Cell 2G perimeter access road, installed seven (7) valve vaults and the forcemain between Cell 2G and the leachate storage tanks, installed a concrete box culvert to handle future storm water from the Cell 2G area. In 2016, Authority employees continued with construction activities in Cell 2G with the commissioning of the valve vaults and pump stations and the installation of five (5) sets of primary and secondary leachate collection laterals beneath the future perimeter berm of Cell 2G. In 2017, Authority employees placed and compacted structural fill to begin construction of the east perimeter berm of Cell 2G.

In 2017, the Authority procured the services of an engineering firm to assist the Authority in the development of a detailed Sequencing Fill Plan. The Sequencing Fill Plan depicts grades and elevations of future areas of refuse placement on the existing footprint of the constructed Sanitary Landfill. Additionally, the Sequencing Fill Plan provides locations of side slopes, access roads, plateau grades and elevations, maximizing the use of available air space of the constructed Sanitary Landfill up to elevation 180± feet. The Authority also purchased and installed a Global Positioning Satellite ("GPS") System in one of the Authority's solid waste compactors used on the working face of the Sanitary Landfill. The downloading of the Sequencing Fill Plan model into the GPS System allows the operator of the solid waste compactor to monitor the compaction effort in real time, as well as provides grade control so the placement of the refuse follows the contours and elevations developed in

the Sequencing Fill Plan. By maximizing the use of the available air space on the existing footprint of the Sanitary Landfill to elevation 180± feet, construction of the final segment of Cell 2G Phase 1 area is anticipated not to be necessary for another 10+ years.

Authority employees continued to expand the landfill gas extraction system by installing slotted HDPE “bioreactor” pipe lines horizontally in the refuse of Cell 1F. Trenching activities for each pipe line began on the south edge of Cell 1F and continued northward across Cell 1F. The perforated HDPE pipe was installed in a trench and partially backfilled with a stone bed prior to final backfill of the trench with refuse and cover soil. The perforated HDPE pipe lines were then connected to the landfill vacuum system to draw landfill gas from the waste mass of Cell 1F. These perforated HDPE pipe lines will later be connected to a leachate force main which will enable the facility to inject collected leachate back into the waste mass to increase the rate of decomposition of the refuse.

In 2017, the Authority completed the third and final phase of resurfacing the concrete tip floor at the Transfer Station. This project entailed the resurfacing of the south bay tip floor, the replacement of the existing bay drain, and the installation of a new push wall.

Another project undertaken and completed at the Transfer Station in 2017 was the replacement of the HVAC system. The existing oil burning HVAC system was removed and a natural gas burning system was installed. The local gas utility company installed a natural gas supply line to the Transfer Station in order to provide natural gas for this new HVAC system.

The Authority continued to operate and maintain the landfill gas powered electric generators installed in 2007 and 2013. These six (6) generators now produce in excess of 17,500 megawatts of power annually. The generators initiated in 2007 work on a net metering agreement with the local electric company, Atlantic City Electric, whereby all generation is first used on-site and any excess is sold onto the PJM electric grid directly to Atlantic City Electric. The generators initiated in 2013 supply power directly onto the PJM electric grid. Both projects were recipients of grants; the grant in 2007 was for \$285,000 and the 2013 generators received a \$253,000 grant. With these engines in operation, in excess of \$700,000 is annually realized by savings on electrical costs, direct sales of electricity generated, and sales of Renewable Energy Certificates (“RECs”).

The Authority's recycling center, the Intermediate Processing Facility (“IPF”), was initially operated as a dual stream facility (separate lines for paper and containers). In response to a survey completed by all of the County's municipalities, the Authority made the decision to modify the facility to a single stream recycling process. Construction and erection of the new processing equipment at the IPF was completed in late March 2013. In 2017, the IPF processed a total of 29,000 tons of recyclables.

## Financial Highlights

- User charges billed for wastewater treatment provided to the Authority's Participants were \$33,753,311 for 2017, consistent with the *CMCMUA User Charge System Rate Setting Report, 2017*. User charges for 2017 reflected a 2.00% increase over the 2016 adopted rate.
- Income from Solid Waste Tipping Fees was \$13,420,604 for 2017 as compared to \$13,372,062 for 2016. This minor increase in tipping fee revenue is the result of decreases in Bulky Waste and Dry Industrial Waste being delivered to the Sanitary Landfill for disposal, offset by increases in Municipal Solid Waste and Construction and Demolition Debris being delivered, as well as an increase in the tipping fee rates over 2016.
- Effective with the December 31, 2008, financial statements, the Authority implemented Governmental Accounting Standards Board (“GASB”) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. For these other postemployment benefits (“OPEB”), GASB 45 requires measurement, recognition, and financial reporting using an actuarial cost method to determine the annual required contribution of the employer, as well as presentation of funded status and funding progress information. As discussed in note 19 of the *Notes to Basic Financial Statements*, the Authority offers postemployment healthcare to its qualifying retirees;



however, only the post-retirement benefits for vision, which is not included in the New Jersey State Health Benefits Plan, in which the Authority participates, are the costs which are the subject of GASB Statement No. 45. As of December 31, 2017, the actuarially-determined annual required contribution was \$244,794. The Authority paid approximately \$93,979 in retiree health benefit premiums and related reimbursements in 2017. The total net OPEB obligation at December 31, 2017, is \$8,860,740.

- On February 22, 2010, the Authority issued a \$230,280 Sewer Revenue Trust/Fund Loan, Series 2010-A, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing Program, provided funds for rehabilitation of a force main in the Wildwood/Lower Service Region. Of the total amount of the financing, \$171,000 is at zero percent (0%) interest, requiring repayment of principal only. The remaining \$59,280 financing amount bears annual interest rates of 0.61% to 4.18% over the life of the loan.
- On December 2, 2010, the Authority issued an \$856,000 Sewer Revenue Trust/Fund Loan, Series 2010-B, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for clarifier rebuilds, variable frequency drives, rotating biological contactor gear boxes, and various roof repairs, throughout and among the Authority's regional wastewater treatment facilities. Of the total amount of the financing, \$218,000 was granted principal forgiveness by the NJEIT, thus requiring no repayment. Another \$218,000 was provided at zero percent (0%) interest. The final \$420,000 financing amount of the trust/fund loan bears annual interest of 5% over the life of the loan.
- On December 2, 2010, the Authority issued an \$8,506,537 Sewer Revenue Trust/Fund Loan, Series 2010-C, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for sludge trucks and screw assemblies for the Authority's Sludge Composting Facility, and various mechanical drives, variable frequency drives, and bar screens/grinders at various pump stations throughout the wastewater treatment service regions. The financing also provides funds for the repair and replacement of 17,000 feet of existing 24" diameter force mains. Of the total amount of the financing, \$4,236,537 was provided at zero percent (0%) interest. The remaining \$4,270,000 financing amount of the trust/fund loan bears annual interest of 5% over the life of the loan.
- On October 13, 2011, the Authority issued \$13,015,000 Sewer Revenue Refunding Bonds, Series 2011 (the "2011 Refunding Bonds"), pursuant to the Sewer General and Supplemental Bond Resolutions, in order to refund and defease all of the Authority's outstanding \$14,210,000 Sewer Revenue Refunding Bonds, Series 2002-C. The refunding allowed the Authority to benefit from lower interest rates, which for the 2011 Refunding Bonds range from yield rates of 2.08% to 3.08% over the life of the bonds. The refunding resulted in a net present value savings of \$2,032,463, or 14.30%. The 2011 Refunding Bonds will reach final maturity on January 2, 2021, the same date the Series 2002-C bonds would have reach final maturity.
- On May 3, 2012, the Authority issued a \$1,722,516 Sewer Revenue Trust/Fund Loan, Series 2012-A and Series 2012-B, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2012 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for emergency generators, gate valves, submersible pumps, variable frequency drives, asphalt rehabilitation, a forklift and front-end loader, and roof replacements, for and throughout the wastewater treatment service regions. Of the total amount of the financing, \$195,148 is not required to be repaid (principal forgiveness by NJEIT) and \$972,368 was provided at zero percent (0%) interest. The remaining \$555,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.18% over the life of the loan.
- On May 3, 2012, the Authority issued a \$5,206,467 Solid Waste Revenue Trust/Fund Loan, Series 2012-C, pursuant to the Authority's General Bond Resolution, adopted on September 21, 2011. This 20-year financing, obtained through the 2012 New Jersey Environmental Infrastructure Trust Financing

("NJEIT") Program, provides funds for this phase of a multi-phase project for the construction of a double composite lined Landfill Cell 2G, covering approximately 19 acres, with the construction of associated access roads, stormwater drainage and leachate management systems. This first phase includes the reconfiguration of drainage system from a two (2) sedimentation basin system to a one (1) sedimentation basin system, and the subsequent filling of the abandoned basin as the base for new Cell 2G. Of the total amount of the financing, \$3,966,467 was provided at zero percent (0%) interest. The remaining \$1,240,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.18% over the life of the loan.

- On November 24, 2015, the Authority issued \$5,403,580 Solid Waste Revenue Trust/Fund Loan, Series 2015-A, pursuant to the Authority's General Bond Resolution, adopted on September 21, 2011. This 20-year financing, obtained through the 2015 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for the next phase of a multi-phase project for the construction of a double composite lined Landfill Cell 2G, covering approximately 19 acres, with the construction of associated access roads, storm water drainage and leachate management systems. This phase includes the removal of the overburden from the initial phase of the project down to the new Cell 2G base grades, which will facilitate the remaining work necessary for cell construction. Of the total amount of the financing, \$4,073,580 was provided at zero percent (0%) interest. The remaining \$1,330,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.025% over the life of the loan.
- On May 26, 2016, the Authority issued a \$3,149,503 Sewer Revenue Trust/Fund Loan, Series 2016-A, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2016 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for modification to existing piping of various wastewater pumping stations throughout the Authority's four (4) wastewater service regions to allow the bypassing of wastewater flows around each station's wet well for maintenance, repair and emergency purposes. Of the total amount of the financing, \$2,389,503 was provided at zero percent (0%) interest. The remaining \$760,000 financing amount of the trust/fund loan bears an average annual interest rate of 3.15% over the life of the loan.

## **Required Financial Statements**

The Financial Statements are intended to report information about the Authority using accounting methods similar to those used by private sector companies, consistent with New Jersey statutes. Specifically, the financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by GASB. Accordingly, the Authority recognizes revenues when earned, not received. Expenses are recognized when incurred, not when they are paid.

The *Statement of Net Position*, the first required statement, and the *Statement of Revenues, Expenses and Changes in Net Position*, the second required statement, report information about the Authority's financial condition. The Authority's Net Position, i.e., the difference between assets and liabilities, are a measure of 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. Net Position increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities. It is important to point out depreciation is shown as an expense which has a negative impact on Net Position. Depreciation decreases the Authority's Net Position even though it is a non-cash expense.

The third and final required financial statement, the *Statement of Cash Flows*, provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

## Financial Analysis

Table 1  
Combined Condensed Statement of Net Position  
December 31, 2017, 2016 and 2015

	December 31, 2017				December 31, 2016	December 31, 2015
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	
Current Assets	\$ 8,582,017	7,694,134			16,276,151	15,169,474
Restricted Assets	33,043,754	18,457,216			51,500,970	47,629,505
Capital Assets, net	74,749,930	40,935,406			115,685,336	114,258,702
Deferred Outflow of Resources	263,652			8,751,326	9,014,978	13,115,650
Total Assets and Deferred Outflow of Resources	116,639,353	67,086,756	-	8,751,326	192,477,435	190,173,331
Current Unrestricted Liabilities	714,490	1,946,210			2,660,700	3,743,460
Current Restricted Liabilities	4,493,688	1,179,517			5,673,205	5,961,242
Long Term Obligations Outstanding	20,120,987	8,581,129	8,860,740	35,109,635	72,672,491	86,873,304
Deferred Inflow of Resources	-	150,575		7,577,320	7,727,895	386,449
Total Liabilities and Deferred Inflow of Resources	25,329,165	11,857,431	8,860,740	42,686,955	88,734,291	96,964,455
Net Position:						
Investment in Capital Assets	51,692,173	31,833,325			83,525,498	78,018,085
Restricted	39,607,204	11,988,106			51,595,310	46,599,933
Unreserved, Board Designated	10,811	7,710,250			7,721,061	6,593,797
Unreserved, Unrestricted		3,697,644	(8,860,740)	(33,935,629)	(39,098,725)	(38,002,939)
Total Net Position	91,310,188	55,229,325	(8,860,740)	(33,935,629)	103,743,144	93,208,876
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 116,639,353	67,086,756	-	8,751,326	192,477,435	190,173,331

### Analysis of Net Position (Table 1)

The Authority's assets exceeded its liabilities (*Net Position*) at the end of December 31, 2017, by approximately \$103.7 million. There is a deficit in Unreserved, Unrestricted Net Position of \$39.1 million which includes \$8.9 million for the net OPEB adjustment and \$33.9 million for the net Pension adjustment. The restricted Net Position amount of \$51.6 million includes approximately \$6.0 million restricted for debt service, \$6.2 million restricted for future landfill closure expenses, \$29.6 million restricted for equipment replacements and other renewal and replacements, \$5.0 million in restricted operations and maintenance reserves, \$2.2 million restricted for capital projects and \$1.4 million restricted for building and sites. The unreserved, board designated Net Position amount of \$7.7 million consists primarily of rate stabilization and insurance board-designated Net Positions.

**Table 2**  
**Combined Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
**December 31, 2017, 2016 and 2015**

	December 31, 2017				December 31, 2016	December 31, 2015
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	
Operating Revenues:						
User Service Agreements	\$ 33,753,311	13,420,604	-		47,173,915	46,464,546
Septage/Leachate Disposal	874,746				874,746	834,251
Dry Sludge Processing	170,338				170,338	161,247
Landfill Cover Fees		103,490			103,490	177,106
Methane Gas Sales		157,073			157,073	24,668
Wood Product Sales		483,435			483,435	567,678
Sale of Scrap Metal		30,716			30,716	30,604
Environmental Credits		201,399			201,399	251,399
Electricity Generation		350,142			350,142	443,769
Operating Grants		143,320			143,320	143,920
Other	273,160	606,802			879,962	2,216,876
Total Operating Revenues	35,071,555	15,496,981	-	-	50,568,536	51,316,064
Operating Expenses:						
Personnel	8,849,270	4,781,299		1,234,667	14,865,236	17,322,126
Other Postemployment Benefits			150,815		150,815	171,767
Administrative	1,880,566	1,662,525			3,543,091	3,438,864
Operations and Maintenance	6,642,394	4,641,687			11,284,081	13,021,902
Enforcement and Compliance		528			528	376
Depreciation	4,655,062	2,394,852			7,049,914	7,168,583
Landfill Closure Expenses					-	-
Construction Fund Expenses	2,082,484	514,378			2,596,862	903,431
Total Operating Expenses	24,109,776	13,995,269	150,815	1,234,667	39,490,527	42,027,049
Operating Income	10,961,779	1,501,712	(150,815)	(1,234,667)	11,078,009	9,289,015
Nonoperating Revenue (Expense):						
Interest Income	239,004	210,435			449,439	324,967
Interest Expense	(721,327)	(113,880)			(835,207)	(1,063,027)
Cost of Issuance	(645)				(645)	(102,875)
Project fund credits - NJEIT	10,792				10,792	29,411
Amortization of Bond Premium	258,835	9,688			268,523	321,713
Loss on Disposal of Fixed Assets	(436,643)				(436,643)	-
Total Nonoperating Revenue (Expense)	(649,984)	106,243	-	-	(543,741)	(489,811)
Change in Net Position	10,311,795	1,607,955	(150,815)	(1,234,667)	10,534,268	8,799,204
Net Position - Beginning of Year	80,998,393	53,621,370	(8,709,925)	(32,700,962)	93,208,876	84,409,672
Total Net Position, End of Year	\$ 91,310,188	55,229,325	(8,860,740)	(33,935,629)	103,743,144	93,208,876

### Analysis of Changes in Net Position (Table 2)

The Authority's financial performance remained strong in 2017, with Net Position of \$103.7 million, increasing from \$93.2 million in 2016. Operating income was \$11.0 million, an increase of \$1.8 million from 2016. This increase was primarily due to the decrease in additional pension expense related to the implementation of GASB Statement 68.

## **Operating and Nonoperating Revenue**

### *Wastewater Management Program*

The Authority's Wastewater Management Program employs a rate-setting plan whereby the sum of all charges to its municipal users are to be sufficient to pay for operational expenses, repair and maintenance costs of the entire system, including extensions and alterations of the system, principal and interest on outstanding debt, and for any deficits created by nonpayment from any user. The Authority considers all these expenses and contingencies when setting an annual rate, while also considering offsetting revenues from interest income, septage disposal fees, compost product sales, as well as Authority contributions from its rate stabilization fund. This annual rate-setting process culminates in a public hearing where the following year's proposed rates are presented and discussed, and comments from the public are heard. Following this public hearing, and after consideration of any comments received, the Authority's governing board adopts the proposed rates for the following year.

Consistent with prior years, the Authority's wastewater management program operated successfully under the rates set in the beginning of 2017.

### *Solid Waste Management Program*

Pursuant to the Cape May County Solid Waste Management Plan, all non-recycled solid waste generated within Cape May County is to be disposed of at the Authority's Sanitary Landfill or transported out-of-state for disposal at a properly permitted solid waste facility. This plan, as approved by the New Jersey Department of Environmental Protection, is consistent with recent Federal and State court decisions.

The Authority strives to maintain a series of tipping fees for various waste classification types consistent with market conditions in and around the southern New Jersey area, and beyond. The Authority's goal is to provide solid waste disposal opportunities to both its constituent municipalities and the private sector at large which are fair and reasonable in cost, yet provide the greatest protection to the environment as possible. Similar to its wastewater management program, the Authority annually develops a series of tipping fees by waste type, being mindful of its annual debt service requirements, as well as its obligations within the framework of its Interlocal Service Agreements with Cape May County municipalities. The Authority holds a public hearing on the proposed tipping fees, after which the Authority Board formally adopts the final tipping fees for the coming year.

For 2017, the Authority's Solid Waste Management Program experienced higher than anticipated tonnages of Type 10 - Municipal Waste, Type 13C - Construction and Demolition Waste, Type 25 - Animal and Food Processing Waste and Type 27A - Asbestos Waste. Tonnages in excess of the budgeted amount for these four (4) waste types totaled 29,749 tons. Lower than expected tonnages were experienced for Type 13 - Dry Bulky Waste, Type 23 - Vegetative Waste and Type 27 - Dry Industrial Waste. Total tonnages for these three (3) types of wastes were 7,481 tons below the budgeted amounts.

Recycled material processed through the Intermediate Processing Facility ("IPF") in 2017 was 114 tons below the budgeted amount of 30,016 tons. Overall commodity prices for processed material had increased as compared to 2016 commodity prices. The Authority continued to reinvest in the IPF Facility by relining the fiber baler and purchasing a new forklift and wheel loader.

Total volume of Class B/C products sold decreased in 2017 by 4,250 cubic yards when compared to the total volume sold in 2016. Commodity prices set by the Authority for the various products decreased by an overall average of \$0.41 per cubic yard. The decrease in total volume sold and the decrease in the average price per yard yielded a total decrease in sales of \$87,255 in 2017 when compared to total sales in 2016.

Net Position in the Solid Waste Management Program increased by \$1,607,955 from 2016.

## Authority-Wide Expenses

Operating expenses, exclusive of depreciation expense, the net OPEB adjustment and net pension adjustment, decreased by approximately \$491,000 compared to 2016.

- Noteworthy changes from 2016 include: a decrease of \$550,000 in salary costs and net employee benefits; a decrease of \$1,700,000 in operation and maintenance costs; and a \$1,700,000 increase in capital and construction-related expenditures.

Nonoperating revenues and expenses are highlighted as follows:

- Interest expense was \$835,000 in 2017, a \$228,000 reduction from 2016. As the outstanding bond issues continue to be paid down, amounts payable as principal will increase as the amounts payable as interest will decrease.
- Interest income was \$449,000 in 2017, a \$124,000 increase from 2016.

Table 3  
Combined Condensed Statement of Cash Flows  
December 31, 2017, 2016 and 2015

	December 31, 2017					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	December 31, 2016
						December 31, 2015
Cash Flows Provided by (Used in):						
Operating Activities	\$ 14,076,795	3,983,683	-	-	18,060,478	19,800,314
Noncapital Financing Activities	(14,477)	12,723			(1,754)	(18,401)
Capital and Related Financing Activities	(8,236,499)	(3,274,181)			(11,510,680)	(20,457,247)
Investing Activities	(305,065)	(3,476,324)			(3,781,389)	(9,728,969)
						2,175,349
Net Increase (Decrease) in Cash and Cash Equivalents	5,520,754	(2,754,099)	-	-	2,766,655	(10,404,303)
Cash and Cash Equivalents, Beginning of Year	24,147,643	10,855,007	-	-	35,002,650	45,406,953
Cash and Cash Equivalents, End of Year	\$ 29,668,397	8,100,908	-	-	37,769,305	35,002,650
						45,406,953

## Analysis of Cash Flows (Table 3)

The Authority made all of its debt service payments on time and in the required amounts. In both the wastewater management program and solid waste management program, cash used in capital related financing activities exceeded the cash provided by operations because reserve funds were used to pay for certain Authority-wide renewals and replacements.

Of the \$37.8 million in cash and cash equivalents at December 31, 2017, \$5.0 million is available for operations and current obligations, including current debt service obligations. The remaining \$32.8 million has been reserved or restricted for debt service, insurance deductibles, future construction projects, operating and maintenance reserves, and plant and equipment renewals, replacements and improvements.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide the CMCMUA's Board Members, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact either the Authority's Executive Director or Chief Financial Officer at the Cape May County Municipal Utilities Authority, Post Office Box 610, Cape May Court House, New Jersey 08210, telephone 609-465-9026.

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## **BASIC FINANCIAL STATEMENTS**

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**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY****(A component unit of the County of Cape May)****STATEMENT OF NET POSITION****BUSINESS TYPE ACTIVITIES****DECEMBER 31, 2017 AND 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,010,626	\$ 7,310,644
Investments	9,354,463	5,931,290
User charges receivable	1,549,205	1,162,910
Septage haulers fees receivable	87,903	92,041
Accounts receivable - other	316,276	714,911
Allowance for doubtful accounts	(42,322)	(42,322)
<b>TOTAL CURRENT ASSETS</b>	<b>16,276,151</b>	<b>15,169,474</b>
<b>NONCURRENT ASSETS:</b>		
Restricted Assets:		
Cash and cash equivalents	32,758,679	27,692,006
Investments	17,564,840	16,757,185
New Jersey trust loan receivable	113,247	2,130,587
<b>TOTAL RESTRICTED ASSETS</b>	<b>50,436,766</b>	<b>46,579,778</b>
<b>CAPITAL ASSETS:</b>		
Capital Assets not being depreciated	34,216,004	30,587,445
Capital assets being depreciated	457,740,151	454,103,081
Less accumulated depreciation	376,270,819	370,431,824
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>115,685,336</b>	<b>114,258,702</b>
<b>TOTAL ASSETS</b>	<b>182,398,253</b>	<b>176,007,954</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>		
Deferred Outflows Related to Pensions	8,751,326	12,779,755
Deferred Amount on Refunding	263,652	335,895
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>9,014,978</b>	<b>13,115,650</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 191,413,231</b>	<b>\$ 189,123,604</b>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**STATEMENT OF NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

	<u>2017</u>	<u>2016</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>		
Accounts payable - operations	\$ 1,802,828	\$ 3,277,854
Rebates due to Users	279,123	-
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</b>	<u>2,081,951</u>	<u>3,277,854</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accounts payable	780,412	1,056,349
Accrued interest payable	366,322	416,078
Current maturities of long-term debt (Net of Unamortized Bond Premium of \$358,718 in 2017 and \$340,766 in 2016, respectively)	<u>4,041,016</u>	<u>3,904,694</u>
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<u>5,187,750</u>	<u>5,377,121</u>
<b>LONG TERM OBLIGATIONS:</b>		
Accrued compensated absences	310,487	308,052
Due to IRS - arbitrage rebate	272,807	272,807
Net OPEB Obligations	8,860,740	8,709,925
Net Pension Liability	35,109,635	45,246,597
Long term portion of bonds payable (Net of Unamortized Bond Premium of \$1,385,166 in 2017 and \$1,743,884 in 2016, respectively)	<u>28,118,822</u>	<u>32,335,923</u>
<b>TOTAL LIABILITIES</b>	<u>79,942,192</u>	<u>95,528,279</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>		
Unearned revenue - user fees	150,575	152,329
Deferred Inflows related to pensions	<u>7,577,320</u>	<u>234,120</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>7,727,895</u>	<u>386,449</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<u>87,670,087</u>	<u>95,914,728</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**STATEMENT OF NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

<b>NET POSITION:</b>	<b>2017</b>	<b>2016</b>
Net Investment in Capital Assets	\$ 83,525,498	\$ 78,018,085
Restricted For:		
Bond service	2,702,728	2,599,365
Bond reserve	3,293,633	3,293,633
Renewal and replacement	27,410,118	21,089,173
Capital projects	3,365,770	4,050,503
Landfill closure #1	6,194,591	5,941,230
Equipment reserve	2,229,331	3,128,841
Building and site	322,674	316,827
IPF capital reserve	1,046,483	1,150,379
Operating and maintenance reserve	5,029,982	5,029,982
Unreserved:		
Board Designated:		
Rate stabilization	840,280	833,793
IPF rate stabilization	654,676	517,274
Insurance	579,585	575,147
Future construction	5,646,520	4,667,583
Unrestricted	(39,098,725)	(38,002,939)
<b>TOTAL NET POSITION</b>	<b>103,743,144</b>	<b>93,208,876</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 191,413,231</b>	<b>\$ 189,123,604</b>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating revenues:</b>		
User service agreements	\$ 47,173,915	\$ 46,464,546
Septage haulers fees	565,857	512,073
Leachate disposal	308,889	322,178
Lower Township MUA debt service	-	50,000
Processing dry sludge	170,338	161,247
Compost sales	-	10,627
Tower rental	105,755	95,317
Operating grants	143,320	143,920
SLF cover fees	103,490	177,106
Methane gas sales	157,073	24,668
Wood product sales	483,435	567,678
Wood product delivery charge	22,296	23,675
Sale of asbestos bags	8,176	7,738
Sale of scrap metal	30,716	30,604
Electric generation income	350,142	443,769
Sale of renewable energy certificates	201,399	251,399
Miscellaneous	174,127	1,491,140
IPF electric reimbursement	98,017	101,437
IPF residue income	225,795	215,007
IPF commercial ton revenue	12,703	9,174
IPF administrative support reimbursement	75,440	64,730
IPF glass cover material	101,420	99,820
Recyclables Hauling	31,500	25,125
Recycling income	24,733	23,086
<b>TOTAL OPERATING REVENUES</b>	<u>50,568,536</u>	<u>51,316,064</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

	<u>2017</u>	<u>2016</u>
<b>Operating expenses:</b>		
Salary and wages	\$ 9,191,813	\$ 9,692,256
Employee benefits	5,673,423	7,629,870
Other post-employment benefits (Note 19)	150,815	171,767
Administrative expenses	3,543,091	3,438,864
Operations and maintenance	11,284,081	13,021,902
Enforcement and compliance	528	376
Depreciation	7,049,914	7,168,583
Construction fund expenses	2,596,862	903,431
<b>TOTAL OPERATING EXPENSES</b>	<u>39,490,527</u>	<u>42,027,049</u>
<b>Operating income</b>	<u>11,078,009</u>	<u>9,289,015</u>
<b>Nonoperating revenues (expenses):</b>		
Project fund credits - NJEIT	10,792	29,411
Cost of Issuance	(645)	(102,875)
Interest income	449,439	324,967
Interest expense	(835,207)	(1,063,027)
Amortization of bond premium	268,523	321,713
Loss on the disposal of fixed assets	(436,643)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(543,741)</u>	<u>(489,811)</u>
<b>Change in Net Position</b>	<u>10,534,268</u>	<u>8,799,204</u>
<b>Net Position - beginning</b>	<u>93,208,876</u>	<u>84,409,672</u>
<b>Net Position - ending</b>	<u>\$ 103,743,144</u>	<u>\$ 93,208,876</u>

The Accompanying Notes to Financial Statements  
are an Integral Part of this Statement

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS TYPE ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 50,168,534	\$ 48,743,297
Other operating cash receipts	416,480	1,590,900
Payments to employees	(13,628,134)	(14,181,354)
Payments to suppliers and vendors	(18,896,402)	(16,352,529)
Net cash provided by operating activities	<u>18,060,478</u>	<u>19,800,314</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Prepayments received (returned)	(1,754)	(18,401)
Net cash provided/(used) by noncapital financing activities	<u>(1,754)</u>	<u>(18,401)</u>
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(8,913,836)	(7,934,494)
N.J. trust and fund loan	2,017,340	27,694
Principal paid on capital debt	(3,801,464)	(11,188,454)
Interest paid on capital debt	(812,720)	(1,361,993)
Net cash (used) by capital and related financing activities	<u>(11,510,680)</u>	<u>(20,457,247)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments matured (purchased)	(4,230,828)	(10,053,936)
Interest income	449,439	324,967
Net cash provided/(used) by investing activities	<u>(3,781,389)</u>	<u>(9,728,969)</u>
Net increase/(decrease) in cash and cash equivalents	2,766,655	(10,404,303)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>35,002,650</u>	<u>45,406,953</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 37,769,305</u>	<u>\$ 35,002,650</u>
Reconciliation of operating income to net cash		
Provided by operating activities:		
Operating income	\$ 12,312,676	\$ 12,428,622
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,049,914	7,168,583
	19,362,590	19,597,205
Changes in assets and liabilities:		
Receivables, net	16,478	(970,927)
Accounts and other payables	(1,318,590)	1,174,036
	<u>\$ 18,060,478</u>	<u>\$ 19,800,314</u>



## **NOTES TO FINANCIAL STATEMENTS**

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**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**1. GENERAL**

The Cape May County Municipal Utilities Authority, hereafter referred to as the "Authority," is a public body politic and corporate, constituting a political subdivision of the State of New Jersey organized and existing under the provisions of Municipal Utilities Authority Law, (New Jersey Revised Statutes 40:14B-1 et seq.), constituting Chapter 183 of the Pamphlet Laws of 1957, and was created by virtue of a resolution of the Board of Chosen Freeholders of the County of Cape May, hereafter referred to as the "County," adopted August 8, 1972. The Authority is a component unit of the County of Cape May, New Jersey, and was created to construct and operate a countywide wastewater treatment system in Cape May County. In December 1980, the County Freeholders designated the Authority as the agency to implement the County's Solid Waste Management Plan, which involved constructing a secure sanitary landfill and transfer station. As a public body, under existing statute, the Authority is exempt from both federal and state income taxes.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Financial Statements**

The financial statements of the Authority have been prepared on a full accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The Authority's financial statements include the accounts of all operations of the Authority. The Authority, as a component unit of the County of Cape May, State of New Jersey, is financially accountable to the County. As set forth in Government Accounting Standards Board (GASB) 14, as amended by GASB 61, financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Authority, as a component unit, issues separate financial statements from the County of Cape May. However, if the County presented its financial statements in accordance with accounting principles generally accepted in the United States of America, these financial statements would be includable with the County's on a blended basis.

The Authority has adopted GASB No. 1 through 81 and related interpretations issued through December 31, 2017. GASB Statements and Interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis supplementary information.

**C. Grants**

Grants received from various sources are recorded when the grant is approved. Grants not externally restricted and utilized to finance operations are identified as operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital and are increases to the Unrestricted Net Position.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

**D. Recent Accounting Pronouncements Not Yet Effective**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Authority's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Authority's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Authority's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Authority's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Authority's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Authority's financial reporting.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

**E. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2017, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Ending Balance</u></b>
<b>Wastewater Management Program:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,677,701			5,677,701
Construction in Progress	6,410,012	5,710,922	2,355,004	9,765,930
Total capital assets not being depreciated	<u>12,087,713</u>	<u>5,710,922</u>	<u>2,355,004</u>	<u>15,443,631</u>
Capital assets being depreciated:				
Land Improvements	7,101,504		85,180	7,016,324
Buildings and building improvements	135,510,378		1,241,780	134,268,598
Machinery and Equipment	93,702,686	2,872,163	302,648	96,272,201
Other capitalized costs	128,787,369			128,787,369
Total capital assets being depreciated at historical cost	<u>365,101,937</u>	<u>2,872,163</u>	<u>1,629,608</u>	<u>366,344,492</u>
Less:				
Accumulated depreciation	303,576,095	4,655,063	1,192,965	307,038,193
Total capital assets being depreciated, net of accumulated depreciation	<u>61,525,842</u>	<u>(1,782,900)</u>	<u>436,643</u>	<u>59,306,299</u>
Capital Assets, net	<u>\$ 73,613,555</u>	<u>3,928,022</u>	<u>2,791,647</u>	<u>74,749,930</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Solid Waste Management Program:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,856,900			1,856,900
Construction in Progress	16,642,831	769,268	496,627	16,915,472
Total capital assets not being depreciated	<u>18,499,731</u>	<u>769,268</u>	<u>496,627</u>	<u>18,772,372</u>
Capital assets being depreciated:				
Land Improvements	33,255,835			33,255,835
Buildings and building improvements	13,075,919			13,075,919
Machinery and Equipment	20,613,674	2,412,471	17,957	23,008,188
Other capitalized costs	22,055,717			22,055,717
Total capital assets being depreciated at historical cost	<u>89,001,145</u>	<u>2,412,471</u>	<u>17,957</u>	<u>91,395,659</u>
Less:				
Accumulated depreciation	66,855,729	2,394,854	17,957	69,232,626
Total capital assets being depreciated, net of accumulated depreciation	<u>22,145,416</u>	<u>17,617</u>	<u>-</u>	<u>22,163,033</u>
Capital Assets, net	<u>\$ 40,645,147</u>	<u>786,885</u>	<u>496,627</u>	<u>40,935,405</u>

All costs incurred by the Authority prior to any of the four regional sewer systems being placed in operation are capitalized and not considered as operating expenses.

Depreciation of the physical plant and equipment in operation is recorded on a straight-line basis. Depreciation on contributed capital has been recorded as a reduction of contributed capital. Depreciation is computed using estimated lives of between 6 and 45 years.

**F. Restricted Accounts**

1. Regional Wastewater Management Program

In accordance with the 1979 Sewer General Bond Resolution, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit of all revenue received by the Authority for the Regional Wastewater Management Program:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Construction	Proceeds of debt issued and Construction grants-in-aid	Expenses legally chargeable to bond proceeds.
Revenue	All revenues received for the Wastewater Treatment Program.	Operating expenses and transfers to the various Accounts described below.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
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<b><u>Account</u></b>	<b><u>Amount</u></b>	<b><u>Use for Which Restricted</u></b>
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the following January 1st.	Principal and interest on bonds.
Sinking Fund	Amount needed to pay sinking fund installments due on or before the established due dates for installments.	Purchase or redemption of Bonds. Installments commence January 1, 1992.
Bond Reserve (Future Debt Service)	Amount needed to increase the balance to equal the greatest amount of debt service due in any year.	To make up any deficiency in the Bond Service Account, if any.
Renewal and Replacement	Amount needed to increase the balance to equal the "System Reserve Requirement" as defined by the Bond Resolution.	Transfers to meet minimum levels required in the Bond Service, Sinking or Bond Reserve accounts or major repairs, renewals and extensions of the system.
General Account	Deposits will be made as funds are available after all other requirements are met.	Any lawful purpose of the Authority.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

Pursuant to the provisions of the 1984 Supplemental Resolution and the 1985 Supplemental Resolution, the Authority was required to maintain a special sub-account in the General Account, designated the "Rate Stabilization Account." Those provisions are no longer in effect. The funds now on deposit in the Rate Stabilization Account are free of any restrictions and may be used for any lawful purpose of the Authority.

<b><u>Account</u></b>	<b><u>Amount</u></b>	<b><u>Use for Which Restricted</u></b>
Escrow Accounts	Refunding bond proceeds and interest earned on investments.	Payment of bonds when due for which refunding bonds were issued and interest on refunding bonds until crossover dates.
Cost of Issuance Accounts	Refunding bond proceeds and interest earned on investments.	Costs and expenses incurred in connection with issuance and delivery and portion of bond insurance and such other fees with respect to refunding bonds issued prior to crossover date.

The Authority has also established the following unreserved accounts designated by the Board for the Wastewater Management Program:

- Rate Stabilization Fund - The fund was established by the Authority to offset fluctuations in rates from users.



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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
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2. Solid Waste Management Program

The 1986 Solid Waste Bond Resolution, with all associated Supplemental bond Resolutions, expired with the final related debt service payments made in 2012. The Authority adopted a new General Bond Resolution on September 21, 2011, but no bonds have been issued under this new resolution. The Authority is maintaining certain accounts, although not required due to the absence of outstanding bonds, in order to maintain a clear segregation of funds for current operations and capital projects:

<b><u>Account</u></b>	<b><u>Amount</u></b>	<b><u>Use for Which Restricted</u></b>
Construction	Any moneys received, from any source, for the payment of construction costs or cost of the project.	Expenses legally chargeable to bond proceeds, if any.
Revenue	All revenues received for the Solid Waste Program.	Operating expenses and transfers to the various accounts described below.
Renewal and Replacement	Annual operating budget appropriation for the renewal And/or replacement.	Transfers to meet appropriate for major repairs, renewals and replacements of the project.
Landfill Closure	Amount needed to increase balance to equal the "Landfill Closure Requirement" and any additional amount deemed necessary by the Authority.	Reasonable and necessary expenses with respect to the proper closure of the Authority's secure landfill.
General	Deposits will be made as funds are available after all other reserves are met	Any lawful purpose of the Authority.

In addition to the above, the Authority has also established the following restricted accounts for the Solid Waste Management Program:

- Building and Site Maintenance Reserve - Funds reserved from operating revenues to be used for the purchase or acquisition of various Capital items and/or improvements.
- IPF Capital Reserve – The fund was established by the Authority as required by the IPF contract with FCR Camden Inc. in order that funds will be available to perform all needed repairs and improvements to the Intermediate Processing Facility when required without burdening the Solid Waste Management Program operating budget.

The Authority has also established the following unreserved accounts designated by the Board for the Solid Waste Management Program:

- Rate Stabilization Fund - The fund was established by the Authority to pay the Pinelands Commission the amount of \$2.04 per ton until the amount of \$2,250,000 had been paid to the Commission. This payment is per the prior agreement with the Pinelands Commission to allow

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
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the Cape May County Municipal Utilities Authority's Secure Sanitary Landfill to remain open. The remaining balance in the fund may be used for operating and other expenses.

- IPF Rate Stabilization Fund - The fund was established by the Authority with recycling income derived from Out-of-County recyclables. This fund is to be used as necessary to mitigate any loss by the Authority for the recycling of material at the Intermediate Processing Facility (IPF).
- Insurance and Liability Reserve - The Authority has set up this account as a self insurance reserve to pay any possible claims not covered by current insurance policies.
- Future Construction - The Authority has set up this account as a reserve for future capital projects.

**G. Annual Budget**

The Authority submits an annual budget to the State of New Jersey for the Wastewater Management Program and for the Solid Waste Management Program. Once adopted, the Authority may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budgets are prepared on the accrual basis. Unspent appropriations for annually budgeted funds lapse at year-end.

**H. Leave Policies**

Employees are encouraged to use vacation leave during the year in which it is earned. However, employees may defer up to one (1) year's accrual of vacation leave into the succeeding year. Upon termination of employment for any reason, employees will be paid for any accrued, unused vacation leave.

Unused sick leave for union employees may accumulate from year to year to a maximum of two hundred sixty (260) days total. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of fifteen (15) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

Unused sick leave for non-bargaining unit employees may accumulate for an indefinite period. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of fifteen (15) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

A portion of the monetary value of unused sick leave and vacation has been accrued by charges to operations. This liability may be affected by conditions which could preclude an employee from receiving full payment of the accrual. The accrual at December 31, 2017 is \$310,487 and the unrecorded balance of accrued sick leave and vacation at December 31, 2017 is \$1,328,140, assuming all employees are eligible at separation.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

**I. Post-Employment Health Benefits**

Upon retirement from the Cape May County Municipal Utilities Authority, all eligible employees will be provided Authority-paid health benefits in accordance with the criteria for eligibility, the requirements included in the Authority policy, and with the provisions of the health benefit plan or plans as provided to eligible Authority employees.

**J. Cash, Cash Equivalents and Investments**

The Authority's investments practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, 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 397 days 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.

**K. Pensions**

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

**3. GENERAL BOND RESOLUTIONS**

**A. Regional Wastewater Collection and Treatment System**

On April 4, 1979, the Authority authorized the issuance of revenue bonds (the "Sewer System Revenue Bonds") for the acquisition and construction of a wastewater collection and treatment system (the "Sewer System") pursuant to a resolution entitled "Resolution Authorizing the Issuance of Revenue Bonds of the Cape May County Municipal Utilities Authority," which resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Sewer Resolution").

All of the Sewer System Revenue Bonds described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the sewer system and are further secured by substantially similar agreements with certain municipalities located within Cape May County (the "County"), as well as the Township of Lower Municipal Utilities Authority and New Jersey – American Water Company. The Sewer System Revenue Bonds are also secured by an agreement dated as of October 16, 1974, as amended and supplemented, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the sewer system revenues.

**B. Regional Solid Waste System**

On June 18, 1986, the Authority authorized the issuance of revenue bonds (the "Solid Waste System Revenue Bonds") for the acquisition and construction of a certain solid waste facilities (the "Solid Waste System") pursuant to resolution entitled "Resolution Authorizing the Issuance of Solid Waste Revenue Bonds (Landfill Program) of the Cape May County Municipal Utilities Authority," which

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Solid Waste Resolution"). On August 1, 2011, the Authority satisfied all its obligations to the bondholders under the General Bond Resolution and all Supplemental Bond Resolutions.

On September 21, 2011, the Authority adopted a resolution entitled "Resolution Authorizing the Issuance of Solid Waste System Revenue Bonds and Project Notes of the Cape May County Municipal Utilities Authority", which provides for future short-term and long-term financing when necessary for capital improvements to the Authority's Solid Waste System.

All of the Solid Waste System Bonds/Loans described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the Solid Waste System and are further secured by an agreement dated as of July 8, 1990, as amended, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the Solid Waste System revenues.

**4. SEWER SYSTEM REVENUE BONDS/LOANS**

**A. New Jersey Environmental Infrastructure Financing Program**

1. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-A

On February 22, 2010, the Authority issued \$59,280 Sewer Revenue Trust Loan, Series 2010-A (the "2010 A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u>		<u>Amount</u>	<u>Rate</u>	<u>Year</u>		<u>Amount</u>	<u>Rate</u>
<u>August 1</u>				<u>August 1</u>			
2018	\$	2,829	2.77%	2024	\$	3,421	3.72%
2019		2,907	2.97%	2025		3,548	3.82%
2020		2,994	3.16%	2026		3,683	3.92%
2021		3,088	3.29%	2027		3,828	4.01%
2022		3,190	3.48%	2028		3,981	4.10%
2023		3,301	3.62%	2029		4,144	4.18%
					\$	<u>40,914</u>	

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2. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-A

On February 22, 2010, the Authority issued \$171,000 Sewer Revenue Fund Loan, Series 2010-A (the "2010-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2018	\$ 2,898	2018	\$ 5,797
2019	2,898	2019	5,797
2020	2,898	2020	5,797
2021	2,898	2021	5,797
2022	2,898	2022	5,797
2023	2,898	2023	5,797
2024	2,898	2024	5,797
2025	2,898	2025	5,797
2026	2,898	2026	5,797
2027	2,898	2027	5,797
2028	2,898	2028	5,797
2029	2,898	2029	5,796
			<u>\$ 104,339</u>

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3. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-B

On December 2, 2010, the Authority issued \$420,000 Sewer Revenue Trust Loan, Series 2010-B (the "2010-B Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-B Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2018	\$ 20,000	5.00%	2025	\$ 25,000	5.00%
2019	20,000	5.00%	2026	25,000	5.00%
2020	20,000	5.00%	2027	30,000	5.00%
2021	20,000	5.00%	2028	30,000	5.00%
2022	20,000	5.00%	2029	30,000	5.00%
2023	25,000	5.00%	2030	35,000	5.00%
2024	25,000	5.00%			
				<u>\$ 325,000</u>	

4. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-B

On December 2, 2010, the Authority issued \$218,000 Sewer Revenue Fund Loan, Series 2010-B (the "2010-B Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-B Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-B Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2018	\$ 3,825	2018	\$ 7,649
2019	3,825	2019	7,649
2020	3,825	2020	7,649
2021	3,825	2021	7,649
2022	3,824	2022	7,649
2023	3,824	2023	7,649
2024	3,824	2024	7,649
2025	401		
			<u>\$ 80,716</u>

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5. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-C

On December 2, 2010, the Authority issued \$4,270,000 Sewer Revenue Trust Loan, Series 2010-C (the "2010-C Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-C Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2018	\$ 195,000	5.00%	2025	\$ 275,000	5.00%
2019	205,000	5.00%	2026	285,000	5.00%
2020	215,000	5.00%	2027	300,000	5.00%
2021	225,000	5.00%	2028	315,000	5.00%
2022	235,000	5.00%	2029	330,000	5.00%
2023	245,000	5.00%	2030	350,000	5.00%
2024	260,000	5.00%			
				<u>\$ 3,435,000</u>	

6. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-C

On December 2, 2010, the Authority issued \$4,236,537 Sewer Revenue Fund Loan, Series 2010-C (the "2010-C Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-C Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-C Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2018	\$ 78,454	2018	\$ 156,909
2019	78,454	2019	156,909
2020	78,454	2020	156,909
2021	78,454	2021	156,909
2022	78,454	2022	156,909
2023	78,454	2023	156,909
2024	78,454	2024	156,909
2025	78,454	2025	156,909
2026	78,454	2026	156,909
2027	78,454	2027	156,909
2028	78,454	2028	156,909
2029	78,454	2029	156,909
2030	78,455	2030	<u>103,859</u>
			<u>\$ 3,006,670</u>

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7. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-A

On May 3, 2012, the Authority issued \$370,000 Sewer Revenue Trust Loan, Series 2012-A (the "2012 A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2018	\$ 15,000	5.00%	2025	\$ 20,000	5.00%
2019	15,000	5.00%	2026	25,000	5.00%
2020	15,000	5.00%	2027	25,000	3.00%
2021	20,000	5.00%	2028	25,000	3.00%
2022	20,000	5.00%	2029	25,000	3.13%
2023	20,000	5.00%	2030	25,000	3.20%
2024	20,000	5.00%	2031	25,000	3.25%
				<u>\$ 295,000</u>	



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8. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-A

On May 3, 2012, the Authority issued \$390,293 Sewer Revenue Fund Loan, Series 2012-A (the "2012-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>		<u>Amount</u>		<u>Year</u> <u>August 1</u>		<u>Amount</u>	
2018	\$	6,970		2018	\$	13,939	
2019		6,969		2019		13,939	
2020		6,970		2020		13,939	
2021		6,969		2021		13,939	
2022		6,970		2022		13,939	
2023		6,969		2023		13,939	
2024		6,970		2024		13,939	
2025		6,969		2025		13,939	
2026		6,970		2026		13,939	
2027		6,969		2027		13,939	
2028		6,970		2028		13,939	
2029		6,969		2029		13,939	
2030		6,970		2030		12,969	
						\$	<u><u>270,841</u></u>

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9. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-B

On May 3, 2012, the Authority issued \$185,000 Sewer Revenue Trust Loan, Series 2012-B (the "2012-B Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-B Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2018	\$ 10,000	5.00%	2025	\$ 10,000	5.00%
2019	10,000	5.00%	2026	10,000	5.00%
2020	10,000	5.00%	2027	10,000	3.00%
2021	10,000	5.00%	2028	15,000	3.00%
2022	10,000	5.00%	2029	15,000	3.13%
2023	10,000	5.00%	2030	15,000	3.20%
2024	10,000	5.00%	2031	15,000	3.25%
				<u>\$ 160,000</u>	

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10. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-B

On May 3, 2012, the Authority issued \$582,075 Sewer Revenue Fund Loan, Series 2012-B (the "2012-B Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-B Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-B Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2018	\$ 10,211	2018	\$ 20,424
2019	10,212	2019	20,424
2020	10,211	2020	20,424
2021	10,212	2021	20,424
2022	10,211	2022	20,424
2023	10,212	2023	20,424
2024	10,211	2024	20,424
2025	10,212	2025	20,424
2026	10,211	2026	20,424
2027	10,212	2027	20,424
2028	10,211	2028	20,424
2029	10,212	2029	20,424
2030	10,211	2030	20,424
2031	10,212	2031	20,424
			<u>\$ 428,897</u>

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11. NJ Environmental Infrastructure Trust – Trust Loan, Series 2016-A

On May 26, 2016, the Authority issued \$760,000 Sewer Revenue Trust Loan, Series 2016-A (the "2016-A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2016-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2018	\$ 30,000	5.00%	2027	\$ 45,000	4.00%
2019	30,000	5.00%	2028	45,000	2.00%
2020	30,000	5.00%	2029	45,000	2.00%
2021	35,000	5.00%	2030	45,000	2.00%
2022	35,000	5.00%	2031	40,000	2.125%
2023	35,000	5.00%	2032	50,000	3.00%
2024	40,000	4.00%	2033	50,000	3.00%
2025	40,000	4.00%	2034	50,000	3.00%
2026	40,000	4.00%	2035	50,000	3.00%
				<u>\$ 735,000</u>	

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12. NJ Environmental Infrastructure Trust – Fund Loan, Series 2016-A

On May 26, 2016, the Authority issued \$2,389,503 Sewer Revenue Fund Loan, Series 2016-A (the "2016-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2016-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2016-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>		<u>Amount</u>		<u>Year</u> <u>August 1</u>		<u>Amount</u>	
2018	\$	40,500		2018	\$	81,000	
2019		40,500		2019		81,000	
2020		40,500		2020		81,000	
2021		40,500		2021		81,000	
2022		40,500		2022		81,000	
2023		40,500		2023		81,000	
2024		40,500		2024		81,000	
2025		40,500		2025		81,000	
2026		40,500		2026		81,000	
2027		40,500		2027		81,000	
2028		40,500		2028		81,000	
2029		40,500		2029		81,000	
2030		40,500		2030		81,000	
2031		40,500		2031		81,000	
2032		40,500		2032		81,000	
2033		40,500		2033		81,000	
2034		40,500		2034		81,000	
2035		40,500		2035		81,003	
						\$	<u><u>2,187,003</u></u>

**B. Sewer Revenue Refunding Bonds, Series 2011**

On October 13, 2011, the Authority issued \$13,015,000 Sewer Revenue Refunding Bonds, Series 2011 (the "2011 Refunding Bonds") pursuant to the Sewer Resolution with a net interest cost of 2.978220% to advance refund \$14,210,000 of outstanding Sewer Revenue Refunding Bonds, Series 2002-C with an average interest rate of 5.25%. The net proceeds of \$14,623,555 include a premium on the bonds of \$1,608,555 and net of payments of \$52,847 in underwriting fees and \$130,850 of issuance costs were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The refunded bonds are non-callable and will mature starting in 2017 until final maturity in 2021.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of \$370,557. The difference reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the fiscal year 2021 using the Bonds Outstanding Method. The Authority completed the advance refunding to reduce its total debt service payments over the next 10 years by \$2,499,223 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,032,463.

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The 2011 Refunding Bonds mature on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of January and July.

<u>Year</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2018	\$ 150,000	3.00%	2020	\$ 1,775,000	5.00%
2018	200,000	4.00%	2021	200,000	3.00%
2018	2,120,000	5.00%	2021	575,000	4.00%
2019	2,595,000	5.00%	2021	1,025,000	4.50%
2020	950,000	4.00%	2021	1,050,000	5.00%
Total				\$ <u>10,640,000</u>	

Summary of Sewer System Revenue Bonds/Loans (as of December 31, 2017, the current principal, and long term principal, interest and total debt service, excluding those Sewer System Revenue Bonds that have been paid or defeased), is as follows:

<u>Issue</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>	<u>Interest</u>	<u>Total</u>
2011 Refunding Bonds	\$ 2,470,000	\$ 8,170,000	\$ 1,268,750	\$ 11,908,750
NJ Environmental Infrastructure Financing Program:				
2010 Series A - Trust Loan	2,829	38,085	10,007	50,921
2010 Series A - Fund Loan	8,695	95,644	-	104,339
2010 Series B - Trust Loan	20,000	305,000	124,750	449,750
2010 Series B - Fund Loan	11,474	69,243	-	80,717
2010 Series C - Trust Loan	195,000	3,240,000	1,317,750	4,752,750
2010 Series C - Fund Loan	235,363	2,771,307	-	3,006,670
2012 Series A - Trust Loan	15,000	280,000	92,650	387,650
2012 Series A - Fund Loan	20,909	249,932	-	270,841
2012 Series B - Trust Loan	10,000	150,000	49,140	209,140
2012 Series B - Fund Loan	30,636	398,262	-	428,898
2016 Series A - Trust Loan	30,000	705,000	234,950	969,950
2016 Series A - Fund Loan	121,500	1,892,717	-	2,014,217
Unamortized Costs:				
Bond Premiums	348,659	1,172,503	-	1,521,162
	<u>\$ 3,520,065</u>	<u>\$ 19,537,693</u>	<u>\$ 3,097,997</u>	<u>\$ 26,155,755</u>

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**5. SOLID WASTE SYSTEM REVENUE BONDS/LOANS**

**A. New Jersey Environmental Infrastructure Financing Program**

1. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-C

On May 3, 2012, the Authority issued \$1,240,000 Solid Waste Revenue Trust Loan, Series 2012-C (the "2012-C Trust Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2012-C Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2018	\$ 50,000	5.00%	2025	\$ 75,000	5.00%
2019	55,000	5.00%	2026	80,000	5.00%
2020	60,000	5.00%	2027	80,000	3.00%
2021	60,000	5.00%	2028	85,000	3.00%
2022	65,000	5.00%	2029	85,000	3.13%
2023	65,000	5.00%	2030	90,000	3.20%
2024	70,000	5.00%	2031	85,000	3.25%
				<u>\$ 1,005,000</u>	

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2. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-C

On May 3, 2012, the Authority issued \$3,966,467 Solid Waste Revenue Fund Loan, Series 2012-B (the "2012-C Fund Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2012-C Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-C Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2018	\$ 69,587	2018	\$ 139,175
2019	69,587	2019	139,174
2020	69,587	2020	139,175
2021	69,587	2021	139,174
2022	69,587	2022	139,175
2023	69,587	2023	139,174
2024	69,587	2024	139,175
2025	69,587	2025	139,174
2026	69,587	2026	139,175
2027	69,587	2027	139,174
2028	69,587	2028	139,175
2029	69,587	2029	139,174
2030	69,587	2030	139,174
2031	69,587	2031	139,174
			<u>\$ 2,922,660</u>



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3. NJ Environmental Infrastructure Trust – Trust Loan, Series 2015-A

On November 24, 2015, the Authority issued \$1,330,000 Solid Waste Revenue Trust Loan, Series 2015-A (the "2015-A Trust Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2015-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2018	\$ 50,000	5.00%	2027	\$ 75,000	3.00%
2019	50,000	5.00%	2028	75,000	3.00%
2020	55,000	5.00%	2029	80,000	3.00%
2021	55,000	5.00%	2030	80,000	3.00%
2022	60,000	5.00%	2031	85,000	3.00%
2023	60,000	5.00%	2032	85,000	3.00%
2024	65,000	5.00%	2033	85,000	3.125%
2025	70,000	5.00%	2034	90,000	3.125%
2026	70,000	3.00%	2035	95,000	3.25%
				<u>\$ 1,285,000</u>	

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4. NJ Environmental Infrastructure Trust – Fund Loan, Series 2015-A

On November 24, 2015, the Authority issued \$4,073,580 Solid Waste Revenue Fund Loan, Series 2015-A (the "2015-A Fund Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2015-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2015-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

Year February 1		Amount	Year August 1		Amount
2018	\$	69,044	2018	\$	138,087
2019		69,044	2019		138,087
2020		69,044	2020		138,087
2021		69,044	2021		138,087
2022		69,044	2022		138,087
2023		69,044	2023		138,087
2024		69,044	2024		138,087
2025		69,044	2025		138,087
2026		69,044	2026		138,087
2027		69,044	2027		138,087
2028		69,044	2028		138,087
2029		69,044	2029		138,087
2030		69,044	2030		138,087
2031		69,044	2031		138,087
2032		69,044	2032		138,087
2033		69,044	2033		138,087
2034		69,045	2034		138,088
2035		69,045	2035		76,425
					<u>\$ 3,666,699</u>

Summary of Solid Waste System Revenue Bonds/Loans (as of December 31, 2017, the current principal and long term principal, interest and total debt service, excluding those Solid Waste System Revenue Bonds that have been paid or defeased, is as follows):

Issue	Current Portion	Long-Term Portion	Interest	Total
NJ Environmental Infrastructure Financing Program:				
2012 Series C - Trust Loan	\$ 50,000	\$ 955,000	\$ 315,290	\$ 1,320,290
2012 Series C - Fund Loan	208,761	2,713,898	-	2,922,659
2015 Series A - Trust Loan	45,000	1,240,000	456,488	1,741,488
2015 Series A - Fund Loan	207,131	3,459,567	-	3,666,698
Unamortized Costs:				
Bond Premium	10,059	212,664	-	222,723
	<u>\$ 520,951</u>	<u>\$ 8,581,129</u>	<u>\$ 771,778</u>	<u>\$ 9,873,858</u>

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**6. LONG TERM OBLIGATIONS**

Changes in long-term obligations for the year ended December 31, 2017 are as follows:

	Balance 12/31/2016	Issues or Additions	Payments or Expenditures	Balance 12/31/2017	Amounts Due Within One Year
Compensated Absences	\$ 308,052	\$ 2,435	\$	\$ 310,487	\$ -
Due to IRS - Arbitrage Rebate	272,807			272,807	-
Net OPEB Obligation Payable	8,709,925	244,794	93,979	8,860,740	-
Net Pension Liability	45,246,597		10,136,962	35,109,635	-
Bonds Payable:					
Wastewater Program	24,765,715		3,229,120	21,536,595	3,171,405
Solid Waste Program	9,390,251		510,893	8,879,358	510,893
Unamortized Costs:					
Bond Premium	2,084,651		340,766	1,743,885	358,718
	<u>\$ 90,777,998</u>	<u>\$ 247,229</u>	<u>\$ 14,311,720</u>	<u>\$ 76,713,507</u>	<u>\$ 4,041,016</u>

**7. PENSION AND RETIREMENT PLANS**

Substantially all of the Authority's employees participate in the Public Employees' Retirement System, which is administered by the New Jersey Division of Pensions and Benefits. The plan has a Board of Trustees that is primarily responsible for its administration. According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at - <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

**Plan Descriptions** - The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007, plan members enrolled in the PERS are required to contribute 7.20% through June 30, 2017, and 7.34% thereafter, of employees' annual compensation as defined. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus assets not longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability.

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

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Life Insurance</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2017	\$ 219,705	64,516	1,080,391	1,364,612	1,364,612
2016	224,449	67,376	1,033,953	1,325,778	1,325,778
2015	207,621	77,566	941,655	1,226,842	1,226,842

**8. DEFINED CONTRIBUTION RETIREMENT PROGRAM**

**Plan Description**

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

**Vesting and Benefits Provisions**

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

**Funding Policy**

Members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. The Authority has 3 Board Members enrolled in the DCRP during the year ended December 31, 2017.

**9. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

At December 31, 2017, the Authority reported a liability of \$35,109,635 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2017, the Authority's proportion was 0.15082494110%, which was a decrease of 0.0019% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Authority recognized pension expense of \$2,631,888. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 826,711	
Changes of assumptions	7,073,382	7,047,449
Net difference between projected and actual earnings on pension plan investments	239,073	
Changes in proportion and differences between District contributions and proportionate share of contributions	612,160	529,871
Total	<u>\$ 8,751,326</u>	<u>7,577,320</u>

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 June 30,	
2018	\$ 934,008
2019	1,356,975
2020	806,038
2021	(1,077,626)
2022	(845,389)
Total	<u>\$ 1,174,006</u>

**Actuarial Assumptions**

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

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

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

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tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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 inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

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

*Discount Rate*

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 40% of the actuarially determined

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contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Authority's proportionate share of the net pension liability	\$ 42,123,086	\$ 35,109,635	\$ 29,274,130

*Pension plan fiduciary net position.*

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

**10. REGIONAL WASTEWATER TREATMENT FACILITIES**

<u>Region</u>	<u>Date Commenced Operations</u>
Ocean City Region	February 1982
Cape May Region	February 1984
Seven Mile Beach/Middle Region	August 1987
Wildwood/Lower Region	May 1988

The Authority, in computing its annual charges, computes the amount which at all times will be sufficient to pay or provide for the expenses of the operation, repair and maintenance of the system, including insurance, renewals and replacements, the cost of extending the system not otherwise provided for, and principal of and interest on any and all bonds or other obligations of the Authority as the same become due, to provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority from any other participant in the system, and to provide such revenues and maintain such reserves or sinking funds as may be required by the terms of any contract or other obligations of the Authority. The Service Contract may not be terminated as long as any bonds issued to finance the system have not been paid in full.

The balance of revenues is to be received from compost sales, septage and leachate disposal charges and interest received on investments.

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**11. DEFERRED COMPENSATION**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Authority established the Deferred Compensation Program through the U.S. Conference of Mayors (USCOM) on March 20, 1985. The USCOM has amended its Deferred Compensation Plan Document to incorporate the requirements of the Small Business Job Protection Act of 1996, and said amended Plan Document has been approved by and filed with the State of New Jersey Department of Community Affairs. By adopting the USCOM program, all regulatory, operational, administrative and fiduciary responsibilities were assumed by the Plan Administrator on behalf of the Authority. The USCOM partnered with what eventually became Nationwide Retirement Solutions ("Nationwide") to act as Administrator of the Program.

Effective January 1, 2013, USCOM is no longer partnering with Nationwide Retirement Solutions as the Program Administrator; instead, USCOM will be partnering with Great-West Retirement Services. The Authority will no longer be utilizing the 1985-adopted USCOM master prototype deferred compensation program. The Authority has opted to continue its long-standing relationship with Nationwide Retirement Solutions and has adopted the Nationwide Retirement Solutions Deferred Compensation Program.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights have been removed from the books and accounts of the Authority as they are no longer the property or rights of the Authority.

**12. LITIGATION AND CONTINGENCIES**

From time to time, the CMCMUA is a defendant or co-defendant in various lawsuits arising out of normal operations and construction activities of the CMCMUA. It is the opinion of management and the General Counsel to the CMCMUA that the resolution of these other pending lawsuits will not have a material adverse effect on the Authority's assets, liabilities or results of operations.

**13. INTERMEDIATE PROCESSING FACILITY (IPF)**

The Cape May County Municipal Utilities Authority constructed the Cape May County Intermediate Processing Facility ("IPF"), which commenced operations in April 1990, for the purpose of processing and marketing recyclable materials. As of October 1, 2017, Republic Services, Inc. is responsible for improvement, maintenance and operation of the IPF under a contract which terminates on December 31, 2021. The Authority pays monthly service fee payments and revenue sharing to Hudson Baylor Corporation as compensation for its expenses to operate and maintain the IPF.

**14. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance amounts in Solid Waste Management Program (\$26,968) and Wastewater Management Program (\$15,354) are contra asset amounts presented as reductions to User Charges Receivable, Composting Fees Receivable and Septage Haulers Fees Receivable, respectively.

**15. CLOSURE AND POST-CLOSURE CARE COST**

State and federal laws and regulations require the Authority to place a final and impermeable cover on its sanitary landfill site once it stops accepting waste for disposal and to perform certain



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maintenance and monitoring functions at the site for thirty years after closure. To cover closure and post-closure care cost requirements that will be paid near or after the date that the landfill stops accepting waste, the Authority collects a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6.19 million reported as restricted net position/landfill closure account #1 at December 31, 2017, is in excess of the amount required to date based on the assumption that the landfill would permanently close in the year 2095. Based upon volume projections available in the landfill made by the Authority's Consulting Engineer, only 22.35% of the total landfill capacity has been utilized. These cumulative amounts are based on what it would cost to perform all closure and post-closure care in 2017. Actual closure and post-closure costs may be higher due to inflation, changes in technology, or changes in regulations. The above percentage of total landfill capacity utilized has changed substantially from 2008 due to a 74 acre vertical expansion of the sanitary landfill which has received all regulatory approvals.

The Authority is required by state and federal regulations to make annual contributions to a closure fund to finance closure and post-closure care. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these additional costs may need to be covered by charges to future landfill users.

**16. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority has a formal policy regarding custodial credit risk, and N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the Authority's bank balance of \$66,153,958 as of December 31, 2017, \$0 was uninsured and uncollateralized.

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**Investments**

At December 31, 2017, the Authority had the following investments:

Investment Type	Average Credit/ Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				Less Than 1	1-5	6-10
NJ Cash Management	Not rated	\$ 20,724,712	20,724,712	20,724,712		
FHLMC MTN	AAA	550,160	551,218	237,577	313,640	
FNMA MTN	AAA	612,000	605,702	174,111	315,306	116,285
Federal Farm Credit Bank	AAA	170,000	170,007	59,837	110,170	
Federal Home Loan Banks	AAA	760,000	761,677	120,379	460,734	180,564
US Treasury Bonds	AAA	372,000	493,499	111,905	340,780	40,814
Financing Corp.	AAA	20,000	26,863	26,863		
First American Govt. Obligation Fund CI Z	AAAm	4,811	4,811	4,811		
US Treasury Notes	AAA	<u>3,567,000</u>	<u>3,580,815</u>	<u>703,499</u>	<u>1,276,224</u>	<u>1,601,091</u>
		<u>\$ 26,780,683</u>	<u>26,919,303</u>	<u>22,163,694</u>	<u>2,816,855</u>	<u>1,938,754</u>

(1) Ratings are provided where applicable to indicate associated credit risk.

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**17. DUE TO IRS – ARBITRAGE REBATE**

The amount stated on the Statement of Net Position (\$272,807) has been established from earnings on bond proceeds, as reserves for the possible payment of arbitrage earnings to the Internal Revenue Service. Periodic arbitrage calculations have been made for the various bond issues and the Authority has concluded that the amounts established as reserves are sufficient at December 31, 2017. The reserves will be revised if future calculations warrant a revision.

**18. RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY**

Receivables and payables at December 31, 2017 are as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
Wastewater Construction	Solid Waste Operating	\$ 578,749
Wastewater Construction	Solid Waste Project	<u>485,455</u>
		<u>\$ 1,064,204</u>

Interfunds were created to account for reimbursements due to Wastewater Management Program from Solid Waste Management Program that have not been paid at December 31, 2017.

**19. POST EMPLOYMENT HEALTHCARE PLAN**

Effective February 1, 2013, the Cape May County Municipal Utilities Authority joined New Jersey's State Health Benefits Plan ("SHBP"). The SHBP plan now provides postretirement medical, dental and prescription drug coverage. Therefore, only the Medicare part B reimbursements and the postretirement vision care continue to be provided by the Authority.

**Plan Description**

The State Health Benefits Program ("SHBP"), is a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et. seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Authority authorized participation in the SHBP's post-retirement benefit program through resolution.

It is the policy of the Cape May County Municipal Utilities Authority to provide health benefits to eligible employees who retire from the Authority and satisfy the Authority's minimum service requirements in a manner consistent with New Jersey Law and Authority Policy.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf).

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The Authority utilizes the New Jersey State Health Benefits Plan for health insurance, however, they also provide post-retirement benefits for vision that is not included as a part of the State Health Benefits Plan. These benefits are budgeted by the Authority annually on a "pay as you go basis".

In accordance with GASB 45 and the State of New Jersey, the Authority is required to obtain an actuarial valuation of the liability for providing these benefits. The actuary has decided to use the entry age actuarial cost method and the level percentage of payroll amortization method. The actuarial valuation report was based on 147 total participants including 52 retirees. The actuarial valuation date is January 1, 2018. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

**Annual OPEB Cost and Net OPEB Obligation**

The Authority's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the GASB 45 Actuarial Valuation Report dated March 28, 2017, the Entry Age Normal with a Level Dollar Allocation Method was used for all participants. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level dollar amount.

**Other Post-Employment Benefit Costs and Obligations**

The following reflects the components of the 2017 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2018 actuarial valuation update report and OPEB payments made or accrued during 2017:

	December 31, 2017
Annual required contribution	\$ 713,358
Interest on net OPEB obligation	217,748
Adjustment to annual required contribution	<u>(686,312)</u>
Annual OPEB Cost (Expense)	244,794
Contributions made (1)	<u>93,979</u>
Increase in Net OPEB Obligation	150,815
Net OPEB Obligation - Beginning of Year	<u>8,709,925</u>
End of Year	<u><u>\$ 8,860,740</u></u>

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The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015 \$	82,850	85.94%	8,538,158
12/31/2016	254,035	32.38%	8,709,925
12/31/2017	244,794	38.39%	8,860,740

**Funding Status and Progress**

As of January 1, 2018, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$8.86 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.86 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$11.3 million, and the ratio of the UAAL to the covered payroll was 78.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

The State of New Jersey has not provided statutory authority that would allow the OPEB costs to be funded at this time.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal with a level dollar allocation method. The actuarial assumptions included a 3.5 percent investment rate of return, compounded annually, net of investment expenses. The Medicare Part B premiums are assumed to increase 6.5% per year. Vision care costs are assumed to increase 5% per year. The amortization period is 30 years for the initial unfunded actuarial accrued liability. Because there is only one amortization base, the equivalent single amortization period is also 30 years.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

**20. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events for potential recognition and/or disclosure through May 7, 2018, the date the financial statements were available to be issued, no issues were identified that require disclosure.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**OPEB SCHEDULE OF FUNDING PROGRESS AND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**YEARS ENDED DECEMBER 31,**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ([b-a]/c)
1/1/2010	\$ -	32,193,780	32,193,780	0.0%	10,519,191	306.0%
1/1/2013	-	6,152,635	6,152,635	0.0%	11,222,833	54.8%
1/1/2016	-	8,657,572	8,657,572	0.0%	11,500,000	75.3%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended December 31	Annual OPEB Cost	Contributions From Employer**	Percentage Contributed	Net OPEB Obligation
2015	\$ 85,850	71,201	82.94%	8,538,158
2016	254,035	82,268	32.38%	8,709,925
2017	244,794	93,979	38.39%	8,860,740

\*\* Employer contributions are adjusted for implicit rate subsidies.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEE RETIREMENT SYSTEM**  
**YEARS ENDED DECEMBER 31,**

	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.1508249411%	0.1527717042%	0.1542083233%	0.1483271947%	0.1473077754%
Authority's proportionate of the net pension liability (asset)	\$ 35,109,635	\$ 45,246,597	\$ 34,616,678	\$ 27,770,908	\$ 28,153,443
Authority's covered payroll	\$ 10,149,768	\$ 10,537,005	\$ 10,463,313	\$ 10,314,672	\$ 10,119,281
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	345.92%	429.41%	330.84%	269.24%	278.22%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to be show information for a 10 year period.  
However, information is only currently available for five years.  
Additional years will be presented as they become available.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF AUTHORITY CONTRIBUTIONS  
PUBLIC EMPLOYEE RETIREMENT SYSTEM  
YEARS ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,292,686	\$ 1,258,402	\$ 1,145,220	\$ 1,091,373	\$ 1,063,090
Contributions in relation to the contractually required contribution	<u>1,292,686</u>	<u>1,258,402</u>	<u>1,145,220</u>	<u>1,091,373</u>	<u>1,063,090</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 10,149,768	\$ 10,537,005	\$ 10,463,313	\$ 10,314,672	\$ 10,119,281
Contributions as a percentage of covered-employee payroll	12.74%	11.94%	10.95%	10.58%	10.51%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to be show information for a 10 year period.  
However, information is only currently available for five years.  
Additional years will be presented as they become available.

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## **OTHER SUPPLEMENTARY INFORMATION**

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# FORD - SCOTT

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Chairman and Members  
of the Cape May County Municipal  
Utilities Authority  
Cape May Court House, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Cape May County Municipal Utilities Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 7, 2018.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Leon P. Costello*

**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**May 7, 2018**



**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**GENERAL COMMENTS AND RECOMMENDATIONS**

**Findings and Recommendations**

None

**Status of Prior Year's Audit Recommendations**

There were no prior year recommendations.

Any 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.

*Ford, Scott, & Associates, L.L.C.*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Leon P. Costello*

Leon P. Costello  
Certified Public Accountant  
Registered Municipal Accountant  
No. 393

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**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**COMBINING SCHEDULE OF NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**DECEMBER 31, 2017 AND 2016**

	December 31, 2017					December 31, 2016				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
<b>ASSETS</b>										
<b>CURRENT ASSETS:</b>										
Cash and cash equivalents	\$ 4,208,468	802,158			5,010,626	3,031,960	4,278,684			7,310,644
Investments	4,197,604	5,156,859			9,354,463	4,920,766	1,010,524			5,931,290
User charges receivable		1,549,205			1,549,205		1,162,910			1,162,910
Septage haulers fees receivable	87,903				87,903	92,041				92,041
Accounts receivable - other	103,396	212,880			316,276	454,370	260,541			714,911
Allowance for doubtful accounts	(15,354)	(26,968)			(42,322)	(15,354)	(26,968)			(42,322)
<b>TOTAL CURRENT ASSETS</b>	<b>8,582,017</b>	<b>7,694,134</b>	<b>-</b>	<b>-</b>	<b>16,276,151</b>	<b>8,483,783</b>	<b>6,685,691</b>	<b>-</b>	<b>-</b>	<b>15,169,474</b>
<b>NONCURRENT ASSETS:</b>										
Restricted Assets:										
Cash and cash equivalents	25,459,929	7,298,750			32,758,679	21,115,683	6,576,323			27,692,006
Investments	6,406,374	11,158,466			17,564,840	5,139,143	11,618,042			16,757,185
New Jersey trust loan receivable	113,247				113,247	2,110,033	20,554			2,130,587
Due from Solid Waste Management Program	1,064,204				1,064,204	1,049,727				1,049,727
<b>TOTAL RESTRICTED ASSETS</b>	<b>33,043,754</b>	<b>18,457,216</b>	<b>-</b>	<b>-</b>	<b>51,500,970</b>	<b>29,414,586</b>	<b>18,214,919</b>	<b>-</b>	<b>-</b>	<b>47,629,505</b>
<b>CAPITAL ASSETS:</b>										
Capital Assets not being depreciated	15,443,631	18,772,373			34,216,004	12,087,713	18,499,732			30,587,445
Capital assets being depreciated	366,344,492	91,395,659			457,740,151	365,101,937	89,001,144			454,103,081
Less accumulated depreciation	307,038,193	69,232,626			376,270,819	303,576,095	66,855,729			370,431,824
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>74,749,930</b>	<b>40,935,406</b>	<b>-</b>	<b>-</b>	<b>115,685,336</b>	<b>73,613,555</b>	<b>40,645,147</b>	<b>-</b>	<b>-</b>	<b>114,258,702</b>
<b>TOTAL ASSETS</b>	<b>116,375,701</b>	<b>67,086,756</b>	<b>-</b>	<b>-</b>	<b>183,462,457</b>	<b>111,511,924</b>	<b>65,545,757</b>	<b>-</b>	<b>-</b>	<b>177,057,681</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
Deferred Outflows Related to Pensions				8,751,326	8,751,326				12,779,755	12,779,755
Deferred Amount on Refunding	263,652				263,652	335,895				335,895
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>263,652</b>	<b>-</b>	<b>-</b>	<b>8,751,326</b>	<b>9,014,978</b>	<b>335,895</b>	<b>-</b>	<b>-</b>	<b>12,779,755</b>	<b>13,115,650</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 116,639,353</b>	<b>67,086,756</b>	<b>-</b>	<b>8,751,326</b>	<b>192,477,435</b>	<b>\$ 111,847,819</b>	<b>65,545,757</b>	<b>-</b>	<b>12,779,755</b>	<b>190,173,331</b>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**COMBINING SCHEDULE OF NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

	December 31, 2017					December 31, 2016				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
<b>LIABILITIES</b>										
<b>CURRENT LIABILITIES PAYABLE FROM</b>										
<b>UNRESTRICTED ASSETS:</b>										
Accounts payable - operations	\$ 714,490	1,088,338			1,802,828	\$ 2,200,767	1,077,087			3,277,854
Rebates due to users		279,123			279,123					-
Due Wastewater Management Program		578,749			578,749		465,606			465,606
<b>TOTAL CURRENT LIABILITIES PAYABLE</b>										
<b>FROM CURRENT ASSETS</b>	714,490	1,946,210	-	-	2,660,700	2,200,767	1,542,693	-	-	3,743,460
<b>CURRENT LIABILITIES PAYABLE FROM</b>										
<b>RESTRICTED ASSETS:</b>										
Accounts payable	645,033	135,379			780,412	1,056,349				1,056,349
Accrued interest payable	328,591	37,731			366,322	393,496	22,582			416,078
Due Wastewater Management Program		485,455			485,455		584,121			584,121
Current maturities of long-term debt										
(Net of Unamortized Bond Premium of \$358,718 in 2017 and \$340,766 in 2016, respectively)	3,520,064	520,952			4,041,016	3,387,411	517,283			3,904,694
<b>TOTAL CURRENT LIABILITIES PAYABLE</b>										
<b>FROM RESTRICTED ASSETS</b>	4,493,688	1,179,517	-	-	5,673,205	4,837,256	1,123,986	-	-	5,961,242
<b>LONG TERM OBLIGATIONS:</b>										
Accrued compensated absences	310,487				310,487	308,052				308,052
Due to IRS - arbitrage rebate	272,807				272,807	272,807				272,807
Net OPEB Obligations			8,860,740		8,860,740			8,709,925		8,709,925
Net Pension Liability				35,109,635	35,109,635				45,246,597	45,246,597
Long term portion of bonds payable										
(Net of Unamortized Bond Premium of \$1,385,166 in 2017 and \$1,743,884 in 2016, respectively)	19,537,693	8,581,129			28,118,822	23,230,544	9,105,379			32,335,923
<b>TOTAL LIABILITIES</b>	25,329,165	11,706,856	8,860,740	35,109,635	81,006,396	30,849,426	11,772,058	8,709,925	45,246,597	96,578,006
<b>DEFERRED INFLOW OF RESOURCES:</b>										
Unearned revenue - user fees		150,575			150,575		152,329			152,329
Deferred Inflows related to pensions				7,577,320	7,577,320				234,120	234,120
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>										
	-	150,575	-	7,577,320	7,727,895	-	152,329	-	234,120	386,449
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	\$ 25,329,165	11,857,431	8,860,740	42,686,955	88,734,291	\$ 30,849,426	11,924,387	8,709,925	45,480,717	96,964,455

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
(A component unit of the County of Cape May)  
**COMBINING SCHEDULE OF NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

	December 31, 2017					December 31, 2016				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
<b>NET POSITION:</b>										
Net Investment in Capital Assets	\$ 51,692,173	31,833,325			83,525,498	\$ 46,995,600	31,022,485			78,018,085
Restricted For:										
Bond service	2,702,728				2,702,728	2,599,365				2,599,365
Bond reserve	3,293,633				3,293,633	3,293,633				3,293,633
Renewal and replacement	27,410,118				27,410,118	21,089,173				21,089,173
Capital projects	3,365,770				3,365,770	4,050,503				4,050,503
Landfill closure #1		6,194,591			6,194,591		5,941,230			5,941,230
Equipment reserve		2,229,331			2,229,331		3,128,841			3,128,841
Building and site		322,674			322,674		316,827			316,827
IPF capital reserve		1,046,483			1,046,483		1,150,379			1,150,379
Operating and maintenance reserve	2,834,955	2,195,027			5,029,982	2,834,955	2,195,027			5,029,982
Unreserved:										
Board Designated:										
Rate stabilization	10,811	829,469			840,280	10,811	822,982			833,793
IPF rate stabilization		654,676			654,676		517,274			517,274
Insurance		579,585			579,585		575,147			575,147
Future construction		5,646,520			5,646,520	124,353	4,667,583	(8,709,925)	(32,700,962)	4,667,583
Unrestricted	-	3,697,644	(8,860,740)	(33,935,629)	(39,098,725)		3,283,595	(8,709,925)	(32,700,962)	(38,002,339)
<b>TOTAL NET POSITION</b>	<b>91,310,188</b>	<b>55,229,325</b>	<b>(8,860,740)</b>	<b>(33,935,629)</b>	<b>103,743,144</b>	<b>80,998,393</b>	<b>53,621,370</b>	<b>(8,709,925)</b>	<b>(32,700,962)</b>	<b>93,208,876</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 116,639,353</b>	<b>67,086,756</b>	<b>-</b>	<b>8,751,326</b>	<b>192,477,435</b>	<b>\$ 111,847,819</b>	<b>65,545,757</b>	<b>-</b>	<b>12,779,755</b>	<b>190,173,331</b>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017					December 31, 2016				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
<b>Operating revenues:</b>										
User service agreements	\$ 33,753,311	13,420,604			47,173,915	\$ 33,092,484	13,372,062			46,464,546
Septage haulers fees	565,857				565,857	512,073				512,073
Leachate disposal	308,889				308,889	322,178				322,178
Lower Township MUA debt service	-				-	50,000				50,000
Processing dry sludge	170,338				170,338	161,247				161,247
Compost sales	-				-	10,627				10,627
Tower rental	105,755				105,755	95,317				95,317
Operating grants		143,320			143,320		143,920			143,920
SLF cover fees		103,490			103,490		177,106			177,106
Methane gas sales		157,073			157,073		24,668			24,668
Wood product sales		483,435			483,435		567,678			567,678
Wood product delivery charge		22,296			22,296		23,675			23,675
Sale of asbestos bags		8,176			8,176		7,738			7,738
Sale of scrap metal		30,716			30,716		30,604			30,604
Electric generation income		350,142			350,142		443,769			443,769
Sale of renewable energy certificates		201,399			201,399		251,399			251,399
Miscellaneous		6,722			174,127	1,301,663	189,477			1,491,140
IPF electric reimbursement	167,405	98,017			98,017		101,437			101,437
IPF residue income		225,795			225,795		215,007			215,007
IPF commercial ton revenue		12,703			12,703		9,174			9,174
IPF administrative support reimbursement		75,440			75,440		64,730			64,730
IPF glass cover material		101,420			101,420		99,820			99,820
Recyclables Hauling		31,500			31,500		25,125			25,125
Recycling income		24,733			24,733		23,086			23,086
<b>TOTAL OPERATING REVENUES</b>	<b>35,071,555</b>	<b>15,496,981</b>	<b>-</b>	<b>-</b>	<b>50,568,536</b>	<b>35,545,589</b>	<b>15,770,475</b>	<b>-</b>	<b>-</b>	<b>51,316,064</b>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

	December 31, 2017				December 31, 2016					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
Operating expenses:										
Salary and wages	\$ 6,007,749	3,184,064			9,191,813	\$ 6,342,263	3,349,993			9,692,256
Employee benefits	2,841,521	1,597,235		1,234,667	5,673,423	2,927,652	1,562,611		3,139,607	7,629,870
Other post-employment benefits (Note 19)			150,815		150,815			171,767		171,767
Administrative expenses	1,880,566	1,662,525			3,543,091	1,786,272	1,652,592			3,438,864
Operations and maintenance	6,642,394	4,641,687			11,284,081	7,846,730	5,175,172			13,021,902
Enforcement and compliance		528			528		376			376
Depreciation	4,655,062	2,394,852			7,049,914	4,839,545	2,329,038			7,168,583
Construction fund expenses	2,082,484	514,378			2,596,862	418,708	484,723			903,431
TOTAL OPERATING EXPENSES	24,109,776	13,995,269	150,815	1,234,667	39,490,527	24,161,170	14,554,505	171,767	3,139,607	42,027,049
Operating income	10,961,779	1,501,712	(150,815)	(1,234,667)	11,078,009	11,384,419	1,215,970	(171,767)	(3,139,607)	9,289,015
Nonoperating revenues (expenses):										
Project fund credits - NJEIT	10,792				10,792	12,283	17,128			29,411
Cost of Issuance	(645)				(645)	(46,311)	(56,564)			(102,875)
Interest income	239,004	210,435			449,439	155,494	169,473			324,967
Interest expense	(721,327)	(113,880)			(835,207)	(956,855)	(106,172)			(1,063,027)
Amortization of bond premium	258,835	9,688			268,523	315,323	6,390			321,713
Loss on Disposal of Fixed Assets	(436,643)				(436,643)					-
TOTAL NONOPERATING REVENUES (EXPENSES)	(649,984)	106,243	-	-	(543,741)	(520,066)	30,255	-	-	(489,811)
Change in Net Position	10,311,795	1,607,955	(150,815)	(1,234,667)	10,534,268	10,864,353	1,246,225	(171,767)	(3,139,607)	8,799,204
Net Position - beginning	80,998,393	53,621,370	(8,709,925)	(32,700,962)	93,208,876	70,134,040	52,375,145	(8,538,159)	(29,561,355)	84,409,672
Net Position - ending	\$ 91,310,188	\$ 55,229,325	(8,860,740)	(33,935,629)	103,743,144	\$ 80,998,393	\$ 53,621,370	(8,709,925)	(32,700,962)	\$ 93,208,876

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**BUSINESS TYPE ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017					December 31, 2016				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>										
Receipts from customers and users	\$ 35,153,507	15,015,027			50,168,534	\$ 33,636,125	15,107,172			48,743,297
Other operating cash receipts	273,160	143,320			416,480	1,446,980	143,920			1,590,900
Payments to employees	(8,946,835)	(4,781,239)			(13,628,134)	(9,268,750)	(4,912,604)			(14,181,354)
Payments to suppliers and vendors	(12,503,037)	(6,393,365)			(18,896,402)	(7,987,674)	(8,364,855)			(16,352,529)
Net cash provided by operating activities	14,076,795	3,983,683	-	-	18,060,478	17,826,681	1,973,633	-	-	19,800,314
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>										
Prepayments received (returned)	-	(1,754)			(1,754)	-	(18,401)			(18,401)
Net transfers from (to) other funds	(14,477)	14,477			-	(124,063)	124,063			-
Net cash provided/(used) by noncapital financing activities	(14,477)	12,723	-	-	(1,754)	(124,063)	105,662	-	-	(18,401)
<b>CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>										
Purchase of capital assets	(6,228,725)	(2,685,111)			(8,913,836)	(7,208,863)	(725,631)			(7,934,494)
N.J. trust and fund loan	1,996,786	20,554			2,017,340	(2,011,940)	2,039,634			27,694
Principal paid on capital debt	(3,290,571)	(510,893)			(3,801,464)	(10,729,942)	(458,512)			(11,188,454)
Interest paid on capital debt	(713,989)	(98,731)			(812,720)	(1,258,716)	(103,277)			(1,361,993)
Net cash (used) by capital and related financing activities	(8,236,499)	(3,274,181)	-	-	(11,510,680)	(21,209,461)	752,214	-	-	(20,457,247)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>										
Investments matured (purchased)	(544,069)	(3,686,759)			(4,230,828)	(9,162,891)	(891,045)			(10,053,936)
Interest income	239,004	210,435			449,439	155,494	169,473			324,967
Net cash provided/(used) by investing activities	(305,065)	(3,476,324)	-	-	(3,781,389)	(9,007,397)	(721,572)	-	-	(9,728,969)
Net increase/(decrease) in cash and cash equivalents	5,520,754	(2,754,099)	-	-	2,766,655	(12,514,240)	2,109,937	-	-	(10,404,303)
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	24,147,643	10,855,007			35,002,650	36,661,883	8,745,070			45,406,953
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ 29,668,397	8,100,908	-	-	37,769,305	\$ 24,147,643	10,855,007	-	-	35,002,650



**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**BUSINESS TYPE ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(CONTINUED)**

	December 31, 2017				December 31, 2016					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
\$	10,961,779	1,501,712	(150,815)	(1,234,667)	12,312,676	\$ 11,384,419	1,215,970	(171,767)	(3,139,607)	12,428,622
	4,655,062	2,394,852	-	-	7,049,914	4,839,545	2,329,038	-	-	7,168,583
	15,616,841	3,896,564	(150,815)	(1,234,667)	19,362,590	16,223,964	3,545,008	(171,767)	(3,139,607)	19,597,205
	355,112	(338,634)		4,028,429	16,478	(451,544)	(519,383)		(7,167,862)	(970,927)
	(1,895,158)	425,753	150,815	(2,793,762)	(1,318,590)	2,054,261	(1,051,992)	171,767	10,307,469	1,174,036
\$	14,076,795	3,983,683	-	-	18,060,478	\$ 17,826,681	1,973,633	-	-	19,800,314

Reconciliation of operating income to net cash  
 Provided by operating activities:  
 Operating income  
 Adjustments to reconcile operating income to  
 net cash provided by operating activities:  
 Depreciation  
  
 Changes in assets and liabilities:  
 Receivables, net  
 Accounts and other payables

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## **WASTEWATER MANAGEMENT PROGRAM**

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**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**WASTEWATER MANAGEMENT PROGRAM**  
**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>2017 Budget (as revised)</b>	<b>2017 Actual</b>
<b>REVENUES:</b>		
User service agreements:	\$ 33,753,311	33,753,311
Interest on investments and deposits	213,988	239,004
Septage/Leachate disposal fees	1,130,000	874,746
Processing Dry Sludge	225,000	170,338
Tower rental	105,000	105,755
Project fund credits - NJEIT	-	10,791
Miscellaneous	195,000	158,751
	<u>\$ 35,622,299</u>	<u>35,312,696</u>
<b>EXPENSES:</b>		
<b>Personnel services:</b>		
Salaries and wages:		
Ocean City region	\$ 1,010,191	1,015,009
Cape May region	812,520	748,101
Seven Mile Beach/Middle region	2,411,352	2,201,723
Wildwood/Lower region	1,130,000	1,132,454
Composting facility	367,526	313,477
Administration	562,794	596,985
<b>Employee benefits:</b>		
Social Security tax	457,105	433,417
Workers' compensation insurance	202,703	145,200
Other employee benefits	2,395,517	2,262,904
<b>Administrative expenses:</b>		
Operating portion of administrative overhead costs	1,400,000	1,598,686
Professional fees	104,000	65,947
Financial management	24,182	18,193
Permits and fees	247,000	197,740

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**WASTEWATER MANAGEMENT PROGRAM**  
**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

	<b>2017 Budget (as revised)</b>	<b>2017 Actual</b>
<b>EXPENSES (CONTINUED):</b>		
<b>Operations and maintenance:</b>		
Utilities	\$ 2,160,800	2,004,668
Chemicals	954,800	658,116
Miscellaneous	46,900	24,471
Supplies and postage	189,450	150,665
Repair and replacement parts	564,550	299,287
Materials	1,000	-
Rent/Lease	14,500	2,868
Other insurance	366,595	286,230
Tower Shared Services	39,000	-
Outside service	1,913,120	1,386,954
Capital Equipment	422,620	1,569,312
Lubrications/Fuels	391,050	259,823
	<u>18,189,275</u>	<u>17,372,230</u>
Interest expense	<u>721,327</u>	<u>721,327</u>
<b>Other costs funded by operating revenues:</b>		
Bond principal	3,159,697	3,159,697
Renewal and replacement reserve	13,552,000	14,059,442
	<u>16,711,697</u>	<u>17,219,139</u>
Total costs funded by operating revenues	35,622,299	35,312,696
Add: Excess (Deficit)	<u>-</u>	<u>-</u>
	<u>\$ 35,622,299</u>	<u>35,312,696</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**WASTEWATER MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2017**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2017
<b><u>Unrestricted Accounts</u></b>				
<b>Revenue and Operating Accounts:</b>				
TD Bank - Daily Deposit Acct.	\$ 5,619	1.250	N/A	\$ 5,619
TD Bank - Checking Acct	72,410	1.250	N/A	72,410
TD Bank - Money Market	1,551	1.250	N/A	1,551
Sturdy Savings Bank - Money Market	11,353	0.040	N/A	11,353
NJ Cash Management Fund	4,197,604	1.190	N/A	4,197,604
Parke Bank - Liquid Investment Acct.	4,116,510	1.150	N/A	4,116,510
Petty Cash				1,025
				<u>8,406,072</u>
Total Unrestricted Accounts				<u>8,406,072</u>
<b><u>Restricted Accounts</u></b>				
<b>Construction Accounts:</b>				
Sturdy Savings - Payroll Acct.	4,830	0.000	N/A	4,830
TD Bank - Checking Acct.	1,254,535	1.250	N/A	1,254,535
TD Bank - Health Savings Account	14,629	1.080	N/A	14,629
NJ Cash Management Fund	684,844	1.190	N/A	684,844
Petty Cash				700
				<u>1,959,538</u>
<b>Bond Reserve Fund:</b>				
Parke Bank - Liquid Investment Acct.	2,861,696	1.150	N/A	2,861,696
Sturdy Savings Bank - Money Market	17,679	0.040	N/A	17,679
NJ Cash Management Fund	100,000	1.190	N/A	100,000
				<u>2,979,375</u>
<b>Renewal and Replacement Accounts:</b>				
Sturdy Savings Bank - Money Market	8,915	0.040	N/A	8,915
Parke Bank - Liquid Investment Acct.	13,287,685	1.150	N/A	13,287,685
TD Bank - Money Market	8,000,000	1.250	N/A	8,000,000
NJ Cash Management Fund	5,040,232	1.190	N/A	5,040,232
				<u>26,336,832</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**WASTEWATER MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2017**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2017
<b><u>Restricted Accounts (Continued)</u></b>				
<b>Rate Stabilization Account:</b>				
NJ Cash Management Fund	10,811	1.190	N/A	10,811
<b>Sick and Vacation Pay Reserve Fund:</b>				
NJ Cash Management Fund	310,487	1.190	N/A	310,487
<b>2002 Forward Financing Fund:</b>				
NJ Cash Management Fund	260,000	1.190	N/A	260,000
Sturdy Savings Bank - Money Market	9,260	0.040	N/A	9,260
				269,260
Total Restricted Accounts				31,866,303
Total - Wastewater Management Program				\$ 40,272,375



## **SOLID WASTE MANAGEMENT PROGRAM**

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**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>2017 Budget (as revised)</b>	<b>2017 Actual</b>
<b>REVENUES:</b>		
User charges and fees	\$ 13,724,173	13,420,604
Interest on investments and deposits	90,000	101,995
Compost Chip Sales	550,000	483,435
Paint Recycling	13,500	14,898
Operating Grants	129,000	143,320
IPF Electric reimbursement	90,000	98,017
Wood Product Delivery charge	16,000	22,296
Sale of scrap metal	25,000	30,716
Renewable Energy Credits	250,000	201,399
Shrink Wrap/Oil/Batteries	-	934
Recyclables Hauling	25,000	31,500
Sale of Asbestos Bags	13,000	8,176
IPF Glass Cover Material	100,000	101,420
IPF Residue Income	210,000	225,795
IPF Commercial Tons Revenue	8,500	12,703
IPF Administrative Support Reimbursement	66,000	75,440
SLF Cover	100,000	103,490
Gas Methane Revenue	50,000	157,073
CFC/Other Scrap Metal	5,000	8,901
PJM Electric Energy Sales	525,000	350,142
Hazardous Waste	500	-
Miscellaneous	5,000	6,722
	<u>\$ 15,995,673</u>	<u>15,598,976</u>
<b>EXPENSES:</b>		
<b>Personnel services:</b>		
Salaries and wages:		
Sanitary landfill	\$ 1,707,913	1,627,648
Transfer station	698,828	641,169
Maintenance and repair	402,911	392,047
Recycling	88,559	75,789
Management and administration	429,194	361,426
Enforcement and Compliance	88,197	85,985
<b>Employee benefits:</b>		
Social Security tax	267,109	228,632
Workers' compensation insurance	153,209	104,344
Other employee benefits	1,329,962	1,264,259
<b>Administrative expenses:</b>		
Other expenses	443,500	278,028
Operating Portion of Administrative		
Overhead costs	1,204,330	1,384,497
<b>Enforcement and compliance:</b>		
Other expenses	6,000	528

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

	2017 Budget (as revised)	2017 Actual
<b>EXPENSES (CONTINUED):</b>		
<b>Operations and maintenance:</b>		
Sanitary landfill:		
Support services	\$ 922,800	812,774
Other expenses	1,209,875	1,046,580
Transfer station:		
Support services	35,200	16,101
Other expenses	104,300	81,105
Maintenance and repair and equipment	1,089,859	929,123
Recycling	437,000	154,468
Taxes and other charges:		
Landfill contingency tax	93,241	91,054
Recycling Tax	543,917	533,367
Host community benefits	1,174,392	1,110,590
	<u>12,430,296</u>	<u>11,219,514</u>
Interest expense	<u>93,326</u>	<u>93,326</u>
<b>Other costs funded by operating revenues:</b>		
Bond principal	510,893	510,893
Renewal and Replacement Fund	900,000	900,000
Reserve for Future Construction	1,878,519	789,519
Reserve for Building & Site Improvements	0	40,000
Closure and postclosure care	182,639	183,911
	<u>3,472,051</u>	<u>2,424,323</u>
Total costs funded by operating revenues	15,995,673	13,737,163
Add: Excess (Deficit)	<u>-</u>	<u>1,861,813</u>
	<u>\$ 15,995,673</u>	<u>15,598,976</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2017**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2017
<b><u>Unrestricted Accounts</u></b>				
<b>Revenue and Operating Accounts:</b>				
TD Bank - Daily Deposit Account	\$ 208,670	1.250	N/A	\$ 208,670
TD Bank - Checking Account	184,876	1.250	N/A	184,876
Bank of America - Prepayment Escrow	150,575	0.000	N/A	150,575
TD Bank - Money Market	2,114	1.250	N/A	2,114
Sturdy Savings Bank - Money Market	6,471	0.040	N/A	6,471
Parke Bank - Liquid Investment Acct.	244,652	1.150	N/A	244,652
NJ Cash Management Fund	4,678,141	1.190	N/A	4,678,141
Petty Cash				4,800
				<u>5,480,299</u>
<b>Host Community Benefit Reserve Fund</b>				
NJ Cash Management Fund	478,718	1.190	N/A	<u>478,718</u>
				<u>478,718</u>
Total Unrestricted Accounts				<u>5,959,017</u>
<b><u>Restricted Accounts</u></b>				
<b>Construction Accounts:</b>				
TD Bank - Checking Account	80,736	1.250	N/A	80,736
TD Bank - Money Market	2,816	1.250	N/A	2,816
Parke Bank - Liquid Investment Acct.	660,000	1.150	N/A	660,000
NJ Cash Management Fund	271,561	1.190	N/A	271,561
Sturdy Savings Bank - Money Market	9,131	0.040	N/A	9,131
				<u>1,024,244</u>
<b>Equipment Reserve Accounts:</b>				
Sturdy Savings Bank - Money Market	8,368	0.040	N/A	8,368
NJ Cash Management Fund	2,220,963	1.190	N/A	<u>2,220,963</u>
				<u>2,229,331</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2017**  
**(CONTINUED)**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2017
<b>Restricted Accounts (Continued)</b>				
<b>Landfill Closure Account:</b>				
First Amer Govt Oblig Fund CI Z	\$ 4,811	1.150	N/A	\$ 4,811
Federal Home Lending	30,000	2.350	4/9/2018	29,953
Federal Home Lending	135,000	2.350	7/27/2018	134,923
Federal Home Lending	15,000	2.350	10/12/2018	14,994
Federal Home Lending	45,000	2.350	4/15/2019	44,985
Federal Home Lending	58,000	2.350	8/12/2021	57,705
Federal Home Lending	60,000	2.350	4/20/2020	59,795
Federal Home Lending	100,000	2.350	1/17/2020	99,895
Federal Home Lending	26,050	2.350	5/25/2018	27,078
Federal Home Lending	30,000	2.350	9/25/2018	30,630
Federal Home Lending	35,000	2.350	5/25/2019	34,828
Federal Home Lending	16,110	2.350	3/25/2020	16,432
Fannie Mae	60,000	2.350	8/2/2019	59,899
Fannie Mae	20,000	2.350	10/24/2019	19,946
Fannie Mae	60,000	2.350	10/7/2021	59,899
Fannie Mae	50,000	2.350	9/12/2019	49,718
Fannie Mae	117,000	2.350	4/24/2026	116,286
Fannie Mae	30,000	2.350	10/9/2019	26,217
Fannie Mae	30,000	2.350	10/24/2019	29,739
Fannie Mae	50,000	2.350	5/21/2018	49,192
Fannie Mae	40,000	2.350	2/26/2019	39,906
Fannie Mae	50,000	2.350	10/19/2018	49,919
Fannie Mae	30,000	2.350	2/28/2020	29,981
Fannie Mae	75,000	2.350	9/27/2018	75,000
Federal Farm Credit Bks	60,000	2.350	5/11/2018	59,837
Federal Farm Credit Bks	30,000	2.350	5/8/2020	30,008
Federal Farm Credit Bks	30,000	2.350	9/27/2019	29,993
Federal Farm Credit Bks	25,000	2.350	4/1/2021	25,212
Federal Farm Credit Bks	25,000	2.350	11/27/2020	24,957
Federal Home Loan Bks	60,000	2.350	6/29/2018	59,855
Federal Home Loan Bks	60,000	2.350	8/5/2019	59,885
Federal Home Loan Bks	60,000	2.350	7/14/2021	59,704
Federal Home Loan Bks	20,000	2.350	5/28/2019	19,962
Federal Home Loan Bks	50,000	2.350	9/28/2020	49,840
Federal Home Loan Bks	50,000	2.350	6/12/2020	50,302
Federal Home Loan Bks	60,000	2.350	12/14/2018	60,523
Federal Home Loan Bks	65,000	2.350	12/9/2022	63,067
Federal Home Loan Bks	50,000	2.350	9/13/2019	50,873
Federal Home Loan Bks	50,000	2.350	3/28/2023	50,281
Federal Home Loan Bks	30,000	2.350	3/14/2025	29,882
Federal Home Loan Bks	50,000	2.350	6/14/2024	49,770
Federal Home Loan Bks	100,000	2.350	9/13/2024	100,912
Federal Home Loan Bks	55,000	2.350	3/13/2020	56,821
United States Treas Bond	75,000	2.350	8/15/2021	108,686
United States Treas Bond	56,000	2.350	2/15/2019	76,256
United States Treas Bond	30,000	2.350	8/15/2022	40,814
United States Treas Bond	75,000	2.350	11/15/2018	111,905
United States Treas Bond	25,000	2.350	8/15/2023	32,840
United States Treas Bond	55,000	2.350	2/15/2020	76,375
United States Treas Bond	56,000	2.350	2/15/2022	46,623
Financing Corp	20,000	2.350	2/8/2018	26,863
United States Treas Note	55,000	2.350	4/30/2018	53,804
United States Treas Note	45,000	2.350	1/31/2018	44,880
United States Treas Note	85,000	2.350	12/31/2017	84,390

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2017**  
**(CONTINUED)**

**Schedule 7**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2017
<b><u>Restricted Accounts (Continued)</u></b>				
<b>Landfill Closure Account (Continued):</b>				
United States Treas Note	125,000	2.350	3/31/2018	124,756
United States Treas Note	25,000	2.350	1/31/2019	24,946
United States Treas Note	35,000	2.350	7/31/2021	34,820
United States Treas Note	35,000	2.350	12/15/2018	34,829
United States Treas Note	45,000	2.350	1/31/2021	44,116
United States Treas Note	75,000	2.350	2/15/2020	74,856
United States Treas Note	25,000	2.350	4/15/2020	24,991
United States Treas Note	60,000	2.350	8/15/2026	58,345
United States Treas Note	55,000	2.350	8/31/2018	54,764
United States Treas Note	224,000	2.350	2/15/2026	224,605
United States Treas Note	75,000	2.350	5/15/2026	74,405
United States Treas Note	70,000	2.350	3/31/2022	69,562
United States Treas Note	157,000	2.350	5/15/2023	144,782
United States Treas Note	40,000	2.350	8/31/2022	40,072
United States Treas Note	115,000	2.350	11/30/2021	114,115
United States Treas Note	72,000	2.350	2/15/2023	70,255
United States Treas Note	200,000	2.350	2/15/2025	196,229
United States Treas Note	240,000	2.350	8/15/2025	235,831
United States Treas Note	30,000	2.350	12/31/2021	30,049
United States Treas Note	80,000	2.350	6/30/2022	81,456
United States Treas Note	129,000	2.350	2/15/2027	129,475
United States Treas Note	140,000	2.350	8/15/2027	138,467
United States Treas Note	30,000	2.350	11/15/2024	30,145
United States Treas Note	95,000	2.350	11/15/2025	99,165
United States Treas Note	20,000	2.350	11/25/2027	19,670
United States Treas Note	105,000	2.350	5/15/2027	106,238
United States Treas Note	93,000	2.350	8/15/2024	96,439
United States Treas Note	131,000	2.350	5/15/2024	131,186
United States Treas Note	154,000	2.350	8/15/2023	151,083
United States Treas Note	200,000	2.350	4/30/2018	203,047
United States Treas Note	60,000	2.350	2/15/2024	60,888
United States Treas Note	96,000	2.350	11/15/2023	96,609
United States Treas Note	148,000	2.350	5/15/2019	155,462
United States Treas Note	56,000	2.350	5/15/2021	58,552
United States Treas Note	93,000	2.350	2/15/2018	103,030
United States Treas Note	24,000	2.350	8/15/2019	24,323
United States Treas Note	25,000	2.350	5/15/2020	36,177
	6,055,971			6,194,591
<b>Insurance Accounts:</b>				
Parke Bank - Liquid Investment Acct.	560,297	1.150	N/A	560,297
NJ Cash Management Fund	19,288	1.190	N/A	19,288
				579,585
<b>Building and Site Improvement Account:</b>				
Parke Bank - Liquid Investment Acct.	322,674	1.150	N/A	322,674
				322,674
<b>Rate Stabilization Accounts:</b>				
Sturdy Savings Bank - Money Market	2,356	0.040	N/A	2,356
NJ Cash Management Fund	827,113	1.190	N/A	827,113
				829,469

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2017**  
**(CONTINUED)**

**Schedule 7**

<b>Description</b>	<b>Face Amount</b>	<b>Interest Rate %</b>	<b>Due Date</b>	<b>Cost December 31, 2017</b>
<b><u>Restricted Accounts (Continued)</u></b>				
<b>IPF Rate Stabilization Accounts:</b>				
Sturdy Savings Bank - Money Market	3,320	0.040	N/A	3,320
NJ Cash Management Fund	495,774	1.190	N/A	495,774
				<u>499,094</u>
<b>IPF Capital Reserve Accounts:</b>				
Sturdy Savings Bank - Money Market	2,532	0.040	N/A	2,532
NJ Cash Management Fund	1,129,176	1.190	N/A	1,129,176
				<u>1,131,708</u>
<b>Reserve for Future Construction:</b>				
Parke Bank - Liquid Investment Acct.	5,645,099	1.150	N/A	5,645,099
Sturdy Savings Bank - Money Market	1,421	0.040	N/A	1,421
				<u>5,646,520</u>
Total Restricted Accounts				<u>18,457,216</u>
Total - Solid Waste Management Program				<u>\$ 24,416,233</u>



**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the County of Cape May)**  
**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF OPERATIONS**  
**INTERMEDIATE PROCESSING FACILITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Total	Supplemental Authority IPF Expenses	Contracted Operator
<b>REVENUES:</b>			
Operating Revenues:			
Net sales - Cape May County	\$ 3,145,997		3,145,997
Net Sales - Commercial/Merchants	12,703		12,703
Total Operating Revenues	3,158,700	-	3,158,700
IPF Capital Reserve Fund - Repair Expense Reimbursement	85,225	85,225	
Total Revenues	3,243,925	85,225	3,158,700
<b>EXPENSES:</b>			
Operating Expenses:			
Base operating fee (payable by CMCMUA)	38,621		38,621
Equipment and repairs	85,225		85,225
CMCMUA administrative support	75,440	75,440	
IPF residue disposal expense	225,795	225,795	
Glass residue - Accepted as daily cover	101,420	101,420	
Operator revenue share	2,292,121		2,292,121
Total operating expenses	2,818,622	402,655	2,415,967
Transfer to IPF Rate Stabilization Fund	133,477	133,477	
Non-Municipal Recycling Revenue - Operations	12,703	12,703	
Rebates to Municipalities	279,123	279,123	
Total Expenses	3,243,925	827,958	2,415,967
Authority's (Cost) of Operating the Intermediate Processing Facility	\$ -	(742,733)	742,733
<b>ANALYSIS OF BALANCE DUE (TO) FROM OPERATORS AT DECEMBER 31, 2017</b>			
Balance due from operator, December 31, 2016	\$ 92,552	-	92,552
Increased by:			
IPF electric reimbursement Owed to MUA	98,017		98,017
IPF glass Hauling Reimbursement Owed to MUA	31,500		31,500
Net Operator Revenue Share	742,733		742,733
	872,250	-	872,250
Decreased by:			
Payments Received from Operator	900,607		900,607
	900,607	-	900,607
Balance due From operator - December 31, 2017	\$ 64,195	-	64,195