

**CAPE MAY COUNTY  
MUNICIPAL UTILITIES AUTHORITY  
REPORT ON AUDIT OF  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**



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## **INTRODUCTORY SECTION**

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# Cape May County Municipal Utilities Authority

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Cape May Court House, NJ 08210  
Telephone: (609) 465-9026 Telefax: (609) 465-9025  
[www.cmcmua.com](http://www.cmcmua.com) email: [admin@cmcmua.com](mailto:admin@cmcmua.com)

August 15, 2019

Chairman Betts and Authority Board Members:

Presented to you are the audited financial statements for the year ended December 31, 2018. 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, 2018, 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, 2018.

Respectfully,

CAPE MAY COUNTY  
MUNICIPAL UTILITIES AUTHORITY



Joseph V. Rizzuto  
Executive Director



**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**

**ROSTER OF OFFICIALS**

**DECEMBER 31, 2018**

<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 \$950,000. 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2018 and 2017, 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 and Other Required Supplementary Information*, 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 August 15, 2019 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**

**August 15, 2019**

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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, 2018, 2017 and 2016. 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 86 and related interpretations issued through December 31, 2018. 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 Facility's 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 and rehabilitate and or replace the equipment in order to achieve reliable treatment levels. During 2018, the Authority replaced a total of twenty-two (22) Rotating Biological Contactors ("RBCs") at the four (4) wastewater treatment facilities, rebuilt clarifier tanks, upgraded several large electrical breakers, rebuilt or replaced numerous pumps and grinder mechanisms at various Regional Pumping Stations. Several major construction projects commenced in 2018. They include the replacement of electrical emergency generator and switchgear at the Cape May Region Wastewater Treatment Facility, the replacement of the aeration system at the Seven Mile Beach/Middle Region Wastewater Treatment Facility, the replacement of the emergency generators at the Ocean City Region Wastewater Treatment Facility, the replacement of belt filter presses with rotary presses at the Ocean City Region, Wildwood/Lower Region and Seven Mile Beach/Middle Region Wastewater Treatment Facilities, and the rehabilitation of wet wells at various regional pumping stations. The Authority also kicked off the rehabilitation of the Authority Wide Supervisory Control and Data Acquisition ("SCADA") system. Many of these projects are performed with the use of in-house engineering and skilled labor representing a significant savings to the Authority.

In 2018, 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. 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 in 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.

## **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 for one year and will expire on December 31, 2019.

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 has been in operation since 1984 and 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, began operating in 1984 and 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 Sanitary 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 \$500,000 per year.

Tipping Fees for the two (2) waste types, Municipal Solid Waste and Construction and Demolition Waste, that constitute over ninety percent (90%) of the total tons received for disposal at the Sanitary Landfill over the last eight (8) years are shown below:

<b>Tipping Fee (\$/Ton)</b>								
<b><u>Waste Type</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>	<b><u>2018</u></b>
Municipal Solid Waste	\$65.95	\$65.95	\$67.25	\$68.50	\$69.75	\$71.00	\$72.42	\$73.86
Construction and Demolition	\$70.00	\$71.00	\$71.00	\$71.00	\$72.00	\$73.25	\$76.00	\$78.85

There was a 2.0% increase to the user fee rate in 2018 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 100-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 9+ years.

Authority employees continued to expand the landfill gas extraction system by installing slotted High Density Polyethylene (“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.

The Authority also purchased approximately \$100,000 of various sizes and lengths of HDPE pipe which will be used in the construction of an expanded Landfill Gas Recovery System. The construction of the expanded Landfill Gas Recovery System is scheduled to be complete in 2019.

In 2018, the Authority began to install a single mode fiber communication line around the perimeter of the Sanitary Landfill facility. This fiber line will later become part of a Supervisory Control and Data Acquisition (“SCADA”) System which is planned to be installed in 2019/2020. The SCADA System will allow the interconnection of the Leachate Pump Stations, Leachate Storage Tanks, Truck Fueling Station, Sanitary Landfill, Administration Building, Scalehouse, and Electrical Generation Building and will provide the transfer, monitoring and record of system generated information.

The Authority continues to operate and maintain three (3) Jenbacher JMS 320 Electrical Generating Engines at the Sanitary Landfill. The Authority, working with the Atlantic City Electric, was able to relocate the Point of Interconnection (“POI”) which enables the Authority to utilize electricity generated from the Generating Engines to provide all electrical needs throughout the Sanitary Landfill. All excess electricity not needed by the Sanitary Landfill is sold to the PJM electric grid. In 2018, more than 8,260 Megawatts were sold to the PJM electric grid providing an income of more than \$480,000 including capacity payments and sales of Renewable Energy Certificates (“REC’s”).

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 2018, the IPF processed a total of 28,804 tons of recyclables.

## Financial Highlights

- User charges billed for wastewater treatment provided to the Authority's Participants were \$34,427,628 for 2018, consistent with the *CMCMUA User Charge System Rate Setting Report, 2018*. User charges for 2018 reflected a 2.00% increase over the 2017 adopted rate.
- Income from Solid Waste Tipping Fees was \$13,994,051 for 2018 as compared to \$13,420,604 for 2017. This increase in tipping fee revenue is the result of increases in Construction and Demolition Waste and Dry Industrial Waste being delivered to the Sanitary Landfill for disposal, as well as an increase in the tipping fee rates over 2017.
- Effective with the December 31, 2018, financial statements, the Authority implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. For these other postemployment benefits (“OPEB”), GASB 75 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 notes 19 and 20 of the *Notes to Basic Financial*

*Statements*, the Authority offers postemployment healthcare to its qualifying retirees. The total net OPEB obligation at December 31, 2018, is \$41,641,785.

- 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, 2018, 2017 and 2016

	December 31, 2018				December 31, 2017	December 31, 2016
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	
Current Assets	\$ 9,440,240	7,817,233			17,257,473	15,169,474
Restricted Assets	38,875,400	20,360,466			59,235,866	47,629,505
Capital Assets, net	77,232,771	40,001,015			117,233,786	114,258,702
Deferred Outflow of Resources	187,853		1,485,233	5,564,122	7,237,208	13,115,650
Total Assets and Deferred Outflow of Resources	<u>125,736,264</u>	<u>68,178,714</u>	<u>1,485,233</u>	<u>5,564,122</u>	<u>200,964,333</u>	<u>190,173,331</u>
Current Unrestricted Liabilities	659,019	1,903,958			2,562,977	3,743,460
Current Restricted Liabilities	5,593,200	1,171,208			6,764,408	5,961,242
Long Term Obligations Outstanding	16,454,145	8,044,538	41,641,785	28,175,327	94,315,795	133,767,391
Deferred Inflow of Resources	-	-	17,858,707	11,252,913	29,111,620	386,449
Total Liabilities and Deferred Inflow of Resources	<u>22,706,364</u>	<u>11,119,704</u>	<u>59,500,492</u>	<u>39,428,240</u>	<u>132,754,800</u>	<u>143,858,542</u>
Net Position:						
Investment in Capital Assets	57,695,080	31,424,886			89,119,966	78,018,085
Restricted	45,324,009	11,621,414			56,945,423	46,599,933
Unreserved, Board Designated	10,811	9,232,879			9,243,690	6,593,797
Unreserved, Unrestricted		4,779,831	(58,015,259)	(33,864,118)	(87,099,546)	(84,897,026)
Total Net Position	<u>103,029,900</u>	<u>57,059,010</u>	<u>(58,015,259)</u>	<u>(33,864,118)</u>	<u>68,209,533</u>	<u>46,314,789</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 125,736,264</u>	<u>68,178,714</u>	<u>1,485,233</u>	<u>5,564,122</u>	<u>200,964,333</u>	<u>190,173,331</u>

### Analysis of Net Position (Table 1)

The Authority's assets exceeded its liabilities (*Net Position*) at the end of December 31, 2018, by approximately \$68.2 million. There is a deficit in Unreserved, Unrestricted Net Position of \$87.1 million which includes \$58.0 million for the net OPEB adjustment and \$33.8 million for the net Pension adjustment. The restricted Net Position amount of \$56.9 million includes approximately \$6.1 million restricted for debt service, \$6.5 million restricted for future landfill closure expenses, \$34.5 million restricted for equipment replacements and other renewal and replacements, \$5.0 million in restricted operations and maintenance reserves, \$3.8 million restricted for capital projects and \$1.0 million restricted for building and sites. The unreserved, board designated Net Position amount of \$9.2 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, 2018, 2017 and 2016**

	December 31, 2018					December 31, 2017	December 31, 2016
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total		
Operating Revenues:							
User Service Agreements	\$ 34,427,628	13,994,051	-	-	48,421,679	47,173,915	46,464,546
Septage/Leachate Disposal	1,012,704				1,012,704	874,746	834,251
Dry Sludge Processing	190,792				190,792	170,338	161,247
Landfill Cover Fees		266,287			266,287	103,490	177,106
Methane Gas Sales		139,601			139,601	157,073	24,668
Wood Product Sales		418,141			418,141	483,435	567,678
Sale of Scrap Metal		31,660			31,660	30,716	30,604
Environmental Credits		188,341			188,341	201,399	251,399
Electricity Generation		388,206			388,206	350,142	443,769
Operating Grants		148,220			148,220	143,320	143,920
Other	220,892	760,079			980,971	879,962	2,216,876
Total Operating Revenues	35,852,016	16,334,586	-	-	52,186,602	50,568,536	51,316,064
Operating Expenses:							
Personnel	9,301,397	5,110,775		(71,511)	14,340,661	14,865,236	17,322,126
Other Postemployment Benefits			480,437		480,437	1,473,473	171,767
Administrative	2,066,126	1,510,634			3,576,760	3,543,091	3,438,864
Operations and Maintenance	6,109,493	5,211,007			11,320,500	11,284,081	13,021,902
Enforcement and Compliance		135			135	528	376
Depreciation	4,521,451	2,492,851			7,014,302	7,049,914	7,168,583
Construction Fund Expenses	2,426,279	493,651			2,919,930	2,596,862	903,431
Total Operating Expenses	24,424,746	14,819,053	480,437	(71,511)	39,652,725	40,813,185	42,027,049
Operating Income	11,427,270	1,515,533	(480,437)	71,511	12,533,877	9,755,351	9,289,015
Nonoperating Revenue (Expense):							
Interest Income	618,702	394,774			1,013,476	449,439	324,967
Interest Expense	(615,736)	(88,472)			(704,208)	(835,207)	(1,063,027)
Cost of Issuance					-	(645)	(102,875)
Project fund credits - NJEIT	16,615				16,615	10,792	29,411
Amortization of Bond Premium	272,861	10,059			282,920	268,523	321,713
Loss on Disposal of Fixed Assets		(2,209)			(2,209)	(436,643)	-
Cumulative Chg in Accounting Prin.			(457,337)		(457,337)		
Total Nonoperating Revenue (Expense)	292,442	314,152	(457,337)	-	149,257	(543,741)	(489,811)
Change in Net Position	11,719,712	1,829,685	(937,774)	71,511	12,683,134	9,211,610	8,799,204
Net Position - Beginning of Year (as restated)	91,310,188	55,229,325	(57,077,485)	(33,935,629)	55,526,399	46,314,789	37,515,585
Total Net Position, End of Year	\$ 103,029,900	57,059,010	(58,015,259)	(33,864,118)	68,209,533	55,526,399	46,314,789

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

The Authority's financial performance remained strong in 2018, with Net Position of \$68.2 million, increasing from \$55.5 million in 2017. Operating income was \$12.5 million, an increase of \$2.8 million from 2017. This increase was primarily due to an increase in solid waste disposal revenue due to increase in tonnages being delivered for disposal and additional revenue from the disposal of septage and leachate.

## **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 Participants 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, processing of outside sludge, 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 body 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 2018.

### *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 Shared 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 2018, 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 31,553 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 3,139 tons below the budgeted amounts.

Recycled material processed through the Intermediate Processing Facility ("IPF") in 2018 was 1,696 tons below the budgeted amount of 30,500 tons. Overall commodity prices for processed material in 2018 have decreased substantially as compared to 2017 commodity prices. The Average Commodity Revenue (ACR) was \$34.84/ton in 2017 and \$9.75/ton in 2018. This drastic reduction was caused by changes in available end markets for the processed materials. The Authority continued to reinvest in the IPF by replacing the Fiber Baler Lining, the Commingle Infeed Steel Conveyor, resurfacing the concrete tipping floor, and purchasing a new wheel loader.

Total volume of Class B/C products sold decreased in 2018 by 2,486 cubic yards when compared to the total volume sold in 2017. Commodity prices set by the Authority for the various products decreased by an overall average of \$1.08 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 \$71,536 in 2018 when compared to total sales in 2017.

Net Position in the Solid Waste Management Program increased by \$1,829,685 from 2017.

## Authority-Wide Expenses

Operating expenses, exclusive of depreciation expense, the net OPEB adjustment and net pension adjustment, increased by approximately \$851,000 compared to 2017.

- Noteworthy change from 2018 includes: an increase of \$750,000 in salary costs, inclusive of a 2-year, 5 percent retroactive salary increase for bargaining unit employees paid in 2018, and a 2018 salary increase for non-bargaining unit employees.

Nonoperating revenues and expenses are highlighted as follows:

- Interest expense was \$704,000 in 2018, a \$131,000 reduction from 2017. 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 \$1.0 million in 2018, a \$534,000 increase from 2017. This is due to an increase in investment rates increasing from an average of 0.81% in 2017 to an average of 1.72% in 2018.

Table 3  
Combined Condensed Statement of Cash Flows  
December 31, 2018, 2017 and 2016

	December 31, 2018						
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	December 31, 2017	December 31, 2016
Cash Flows Provided by (Used in):							
Operating Activities	\$ 16,907,047	4,160,559	-	-	21,067,606	18,060,478	19,800,314
Noncapital Financing Activities	108,685	(259,260)			(150,575)	(1,754)	(18,401)
Capital and Related Financing Activities	(10,722,945)	(2,167,117)			(12,890,062)	(11,510,680)	(20,457,247)
Investing Activities	(10,582,804)	730,350			(9,852,454)	(3,781,389)	(9,728,969)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,290,017)	2,464,532	-	-	(1,825,485)	2,766,655	(10,404,303)
Cash and Cash Equivalents, Beginning of Year	29,668,397	8,100,908	-	-	37,769,305	35,002,650	45,406,953
Cash and Cash Equivalents, End of Year	\$ 25,378,380	10,565,440	-	-	35,943,820	37,769,305	35,002,650

## 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 \$35.9 million in cash and cash equivalents at December 31, 2018, \$6.6 million is available for operations and current obligations, including current debt service obligations. The remaining \$29.3 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, 1523 U.S. Route 9 North, Cape May Court House, New Jersey 08210, telephone 609-465-9026.

## **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, 2018 AND 2017**

	<b>2018</b>	<b>(as restated) 2017</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,646,518	\$ 5,010,626
Investments	8,805,734	9,354,463
User charges receivable	1,550,132	1,549,205
Septage haulers fees receivable	91,391	87,903
Accounts receivable - other	206,020	316,276
Allowance for doubtful accounts	(42,322)	(42,322)
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	17,257,473	16,276,151
	<hr/>	<hr/>
<b>NONCURRENT ASSETS:</b>		
Restricted Assets:		
Cash and cash equivalents	29,297,302	32,758,679
Investments	28,979,499	17,564,840
New Jersey trust loan receivable	1,818	113,247
Prepaid Expenses	1,728	-
	<hr/>	<hr/>
TOTAL RESTRICTED ASSETS	58,280,347	50,436,766
	<hr/>	<hr/>
<b>CAPITAL ASSETS:</b>		
Capital Assets not being depreciated	28,807,987	34,216,004
Capital assets being depreciated	470,695,687	457,740,151
Less accumulated depreciation	382,269,888	376,270,819
	<hr/>	<hr/>
NET PROPERTY, PLANT AND EQUIPMENT	117,233,786	115,685,336
	<hr/>	<hr/>
TOTAL ASSETS	192,771,606	182,398,253
	<hr/>	<hr/>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>		
Deferred Outflows Related to Pensions	5,564,122	8,751,326
Deferred Outflows Related to OPEB	1,485,233	6,836
Deferred Amount on Refunding	187,853	263,652
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOW OF RESOURCES	7,237,208	9,021,814
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 200,008,814	\$ 191,420,067
	<hr/>	<hr/>

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 NET POSITION**  
**BUSINESS TYPE ACTIVITIES**  
**DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

	<b>2018</b>	<b>(as restated) 2017</b>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>		
Accounts payable - operations	\$ 2,068,794	\$ 1,802,828
Rebates due to Users	-	279,123
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</b>	<b>2,068,794</b>	<b>2,081,951</b>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accounts payable	1,794,557	780,412
Accrued interest payable	304,684	366,322
Current maturities of long-term debt (Net of Unamortized Bond Premium of \$376,456 in 2018 and \$358,718 in 2017, respectively)	4,203,831	4,041,016
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>6,303,072</b>	<b>5,187,750</b>
<b>LONG TERM OBLIGATIONS:</b>		
Accrued compensated absences	315,887	310,487
Due to IRS - arbitrage rebate	272,807	272,807
Net OPEB Obligations	41,641,785	48,751,762
Net Pension Liability	28,175,327	35,109,635
Long term portion of bonds payable (Net of Unamortized Bond Premium of \$1,008,709 in 2018 and \$1,385,166 in 2017, respectively)	23,909,989	28,118,822
<b>TOTAL LIABILITIES</b>	<b>102,687,661</b>	<b>119,833,214</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>		
Unearned revenue - user fees	-	150,575
Deferred Inflows related to pensions	11,252,913	7,577,320
Deferred Inflows related to OPEB	17,858,707	8,332,559
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>29,111,620</b>	<b>16,060,454</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>131,799,281</b>	<b>135,893,668</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, 2018 AND 2017**  
**(CONTINUED)**

	<b>2018</b>	<b>(as restated) 2017</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	\$ 89,119,966	\$ 83,525,498
Restricted For:		
Bond service	2,831,927	2,702,728
Bond reserve	3,293,633	3,293,633
Renewal and replacement	32,530,847	27,410,118
Capital projects	3,832,647	3,365,770
Landfill closure #1	6,453,008	6,194,591
Equipment reserve	1,935,547	2,229,331
Building and site	293,787	322,674
IPF capital reserve	744,045	1,046,483
Operating and maintenance reserve	5,029,982	5,029,982
Unreserved:		
Board Designated:		
Rate stabilization	854,667	840,280
IPF rate stabilization	450,499	654,676
Insurance	589,327	579,585
Future construction	7,349,197	5,646,520
Unrestricted	(87,099,546)	(87,315,470)
<b>TOTAL NET POSITION</b>	<b>68,209,533</b>	<b>55,526,399</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 200,008,814</b>	<b>\$ 191,420,067</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, 2018 AND 2017**

	<b><u>2018</u></b>	<b><u>(as restated)</u></b>
	<b><u>2017</u></b>	
<b>Operating revenues:</b>		
User service agreements	\$ 48,421,679	\$ 47,173,915
Septage haulers fees	616,663	565,857
Leachate disposal	396,041	308,889
Lower Township MUA debt service	-	-
Processing dry sludge	190,792	170,338
Compost sales	-	-
Tower rental	108,248	105,755
Operating grants	148,220	143,320
SLF cover fees	266,287	103,490
Methane gas sales	139,601	157,073
Wood product sales	418,141	483,435
Wood product delivery charge	17,346	22,296
Sale of asbestos bags	11,528	8,176
Sale of scrap metal	31,660	30,716
Electric generation income	388,206	350,142
Sale of renewable energy certificates	188,341	201,399
Miscellaneous	281,719	174,127
IPF electric reimbursement	97,742	98,017
IPF residue income	227,320	225,795
IPF commercial ton revenue	11,757	12,703
IPF administrative support reimbursement	76,377	75,440
IPF glass cover material	98,223	101,420
Recyclables Hauling	30,750	31,500
Recycling income	19,961	24,733
<b>TOTAL OPERATING REVENUES</b>	<b><u>52,186,602</u></b>	<b><u>50,568,536</u></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, 2018 AND 2017**  
**(CONTINUED)**

	<b>2018</b>	<b>(as restated) 2017</b>
<b>Operating expenses:</b>		
Salary and wages	\$ 9,887,799	\$ 9,191,813
Employee benefits	4,452,862	5,673,423
Other post-employment benefits (Note 19)	480,437	1,473,473
Administrative expenses	3,576,760	3,543,091
Operations and maintenance	11,320,635	11,284,609
Depreciation	7,014,302	7,049,914
Construction fund expenses	2,919,930	2,596,862
<b>TOTAL OPERATING EXPENSES</b>	<b>39,652,725</b>	<b>40,813,185</b>
<b>Operating income</b>	<b>12,533,877</b>	<b>9,755,351</b>
<b>Nonoperating revenues (expenses):</b>		
Project fund credits - NJEIT	16,615	10,792
Cost of Issuance	-	(645)
Interest income	1,013,476	449,439
Interest expense	(704,208)	(835,207)
Amortization of bond premium	282,920	268,523
Loss on the disposal of fixed assets	(2,209)	(436,643)
Cumulative Change in Accounting Principle	(457,337)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>149,257</b>	<b>(543,741)</b>
<b>Change in Net Position</b>	<b>12,683,134</b>	<b>9,211,610</b>
<b>Net Position - beginning (as restated)</b>	<b>55,526,399</b>	<b>46,314,789</b>
<b>Net Position - ending</b>	<b>\$ 68,209,533</b>	<b>\$ 55,526,399</b>

**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, 2018 AND 2017**

	2018	(as restated) 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 51,923,331	\$ 50,168,534
Other operating cash receipts	369,112	416,480
Payments to employees	(14,406,772)	(13,628,134)
Payments to suppliers and vendors	(16,818,065)	(18,896,402)
Net cash provided by operating activities	21,067,606	18,060,478
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Prepayments received (returned)	(150,575)	(1,754)
Net cash provided/(used) by noncapital financing activities	(150,575)	(1,754)
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(8,564,961)	(8,913,836)
N.J. trust and fund loan	111,429	2,017,340
Principal paid on capital debt	(3,746,483)	(3,801,464)
Interest paid on capital debt	(690,047)	(812,720)
Net cash (used) by capital and related financing activities	(12,890,062)	(11,510,680)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments matured (purchased)	(10,865,930)	(4,230,828)
Interest income	1,013,476	449,439
Net cash provided/(used) by investing activities	(9,852,454)	(3,781,389)
Net increase/(decrease) in cash and cash equivalents	(1,825,485)	2,766,655
CASH AND CASH EQUIVALENTS, JANUARY 1	37,769,305	35,002,650
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 35,943,820	\$ 37,769,305
Reconciliation of operating income to net cash		
Provided by operating activities:		
Operating income	\$ 12,462,366	\$ 10,990,018
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in Accounting Principle	(457,337)	-
Depreciation	7,014,302	7,049,914
	19,019,331	18,039,932
Changes in assets and liabilities:		
Receivables, net	105,841	16,478
Prepaid Expenses	(1,728)	-
Deferred Outflows of Resources	(1,478,397)	(6,836)
Deferred Inflows of Resources	9,526,148	8,332,559
Accounts and other payables	(6,103,589)	(8,321,655)
	\$ 21,067,606	\$ 18,060,478

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

## **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, 2018 AND 2017**

**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, 2018. 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**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

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

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 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.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Authority's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred before the End of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Authority's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Authority's financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement is effective for fiscal periods beginning after December 15, 2020, 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, 2018 AND 2017**  
**(CONTINUED)**

**E. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2018, 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	9,765,930	5,515,109	10,605,002	4,676,037
Total capital assets not being depreciated	<u>15,443,631</u>	<u>5,515,109</u>	<u>10,605,002</u>	<u>10,353,738</u>
Capital assets being depreciated:				
Land Improvements	7,016,324			7,016,324
Buildings and building improvements	134,268,598	9,290,838		143,559,436
Machinery and Equipment	96,272,201	2,803,346		99,075,547
Other capitalized costs	128,787,369			128,787,369
Total capital assets being depreciated at historical cost	<u>366,344,492</u>	<u>12,094,184</u>	<u>-</u>	<u>378,438,676</u>
Less:				
Accumulated depreciation	307,038,193	4,521,450		311,559,643
Total capital assets being depreciated, net of accumulated depreciation	<u>59,306,299</u>	<u>7,572,734</u>	<u>-</u>	<u>66,879,033</u>
Capital Assets, net	<u>\$ 74,749,930</u>	<u>13,087,843</u>	<u>10,605,002</u>	<u>77,232,771</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**  
**(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	16,915,472	316,468	634,591	16,597,349
Total capital assets not being depreciated	<u>18,772,372</u>	<u>316,468</u>	<u>634,591</u>	<u>18,454,249</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	23,008,188	1,878,793	1,017,442	23,869,539
Other capitalized costs	22,055,717			22,055,717
Total capital assets being depreciated at historical cost	<u>91,395,659</u>	<u>1,878,793</u>	<u>1,017,442</u>	<u>92,257,010</u>
Less:				
Accumulated depreciation	69,232,626	2,492,851	1,015,233	70,710,244
Total capital assets being depreciated, net of accumulated depreciation	<u>22,163,033</u>	<u>(614,058)</u>	<u>2,209</u>	<u>21,546,766</u>
Capital Assets, net	<u>\$ 40,935,405</u>	<u>(297,590)</u>	<u>636,800</u>	<u>40,001,015</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.

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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**  
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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, 2018 AND 2017**  
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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, 2018 AND 2017**  
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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, 2018 is \$315,887 and the unrecorded balance of accrued sick leave and vacation at December 31, 2017 is \$1,647,398, assuming all employees are eligible at separation.



**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**  
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**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 Authorityship 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

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
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%
2024	3,421	3.72%			
				<u>\$ 38,085</u>	

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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>
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>\$ 95,644</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>
2019	\$ 20,000	5.00%	2025	\$ 25,000	5.00%
2020	20,000	5.00%	2026	25,000	5.00%
2021	20,000	5.00%	2027	30,000	5.00%
2022	20,000	5.00%	2028	30,000	5.00%
2023	25,000	5.00%	2029	30,000	5.00%
2024	25,000	5.00%	2030	35,000	5.00%
				<u>\$ 305,000</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>
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	402		
			<u>\$ 69,243</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>
2019	\$ 205,000	5.00%	2025	\$ 275,000	5.00%
2020	215,000	5.00%	2026	285,000	5.00%
2021	225,000	5.00%	2027	300,000	5.00%
2022	235,000	5.00%	2028	315,000	5.00%
2023	245,000	5.00%	2029	330,000	5.00%
2024	260,000	5.00%	2030	<u>350,000</u>	5.00%
				\$ <u><u>3,240,000</u></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.

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<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
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	103,859
			<u>\$ 2,771,307</u>

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>
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%
2025	20,000	5.00%			
				<u>\$ 280,000</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>	
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>249,932</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>
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%
2025	10,000	5.00%			
				<u>\$ 150,000</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>
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>\$ 398,262</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>
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%
2027	45,000	4.00%			
				<u>\$ 705,000</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>
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	29,716
			<u>\$ 1,892,716</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

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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.

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.

Year January 1	Amount	Interest Rate	Year January 1	Amount	Interest Rate
2019	\$ 2,595,000	5.00%	2021	1,025,000	4.50%
2020	950,000	4.00%	2021	1,050,000	5.00%
2020	1,775,000	5.00%			
2021	200,000	3.00%			
2021	575,000	4.00%			
Total				\$ 8,170,000	

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:

Issue	Current Portion	Long-Term Portion	Interest	Total
2011 Refunding Bonds	\$ 2,595,000	\$ 5,575,000	\$ 574,062	\$ 8,744,062
NJ Environmental Infrastructure Financing Program:				
2010 Series A - Trust Loan	2,907	35,178	8,518	46,603
2010 Series A - Fund Loan	8,695	86,949	-	95,644
2010 Series B - Trust Loan	20,000	285,000	108,500	413,500
2010 Series B - Fund Loan	11,474	57,770	-	69,244
2010 Series C - Trust Loan	205,000	3,035,000	1,146,000	4,386,000
2010 Series C - Fund Loan	235,363	2,535,944	-	2,771,307
2012 Series A - Trust Loan	15,000	265,000	80,256	360,256
2012 Series A - Fund Loan	20,909	229,024	-	249,933
2012 Series B - Trust Loan	10,000	140,000	42,454	192,454
2012 Series B - Fund Loan	30,636	367,626	-	398,262
2016 Series A - Trust Loan	30,000	675,000	209,050	914,050
2016 Series A - Fund Loan	121,500	1,771,216	-	1,892,716
Unamortized Costs:				
Bond Premiums	365,757	806,743	-	1,172,500
	<u>\$ 3,672,241</u>	<u>\$ 15,865,450</u>	<u>\$ 2,168,840</u>	<u>\$ 21,706,531</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>
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%
2025	75,000	5.00%			
				<u>\$ 955,000</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>
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>\$ 2,713,898</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>
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%
2027	75,000	3.00%			
				<u>\$ 1,235,000</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.

<u>Year</u> <u>February 1</u>		<u>Amount</u>	<u>Year</u> <u>August 1</u>		<u>Amount</u>
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		<u>76,425</u>
					<u>\$ 3,459,568</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):

<u>Issue</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>	<u>Interest</u>	<u>Total</u>
NJ Environmental Infrastructure				
Financing Program:				
2012 Series C - Trust Loan	\$ 55,000	\$ 900,000	\$ 273,041	\$ 1,228,041
2012 Series C - Fund Loan	208,761	2,505,137	-	2,713,898
2015 Series A - Trust Loan	50,000	1,185,000	408,181	1,643,181
2015 Series A - Fund Loan	207,131	3,252,436	-	3,459,567
Unamortized Costs:				
Bond Premium	10,699	201,965	-	212,664
	<u>\$ 531,591</u>	<u>\$ 8,044,538</u>	<u>\$ 681,222</u>	<u>\$ 9,257,351</u>



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**6. LONG TERM OBLIGATIONS**

Changes in long-term obligations for the year ended December 31, 2018 are as follows:

	Balance 12/31/2017	Issues or Additions	Payments or Expenditures	Balance 12/31/2018	Amounts Due Within One Year
Compensated Absences	\$ 310,487	\$ 5,400	\$	\$ 315,887	\$ -
Due to IRS - Arbitrage Rebate	272,807			272,807	-
Net OPEB Obligation Payable	48,751,762	1,129,693	8,239,670	41,641,785	-
Net Pension Liability	35,109,635		6,934,308	28,175,327	-
Bonds Payable:					
Wastewater Program	21,536,595		3,171,405	18,365,190	3,306,483
Solid Waste Program	8,879,358		515,893	8,363,465	520,893
Unamortized Costs:					
Bond Premium	1,743,885		358,720	1,385,165	376,455
	<u>\$ 116,604,529</u>	<u>\$ 1,135,093</u>	<u>\$ 19,219,996</u>	<u>\$ 98,519,626</u>	<u>\$ 4,203,831</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 7.34% through June 30, 2018, and 7.50% 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>
2018	\$ 202,347	68,105	1,145,223	1,415,675	1,415,675
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

**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, 2018.

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

At December 31, 2018, the Authority reported a liability of \$28,175,327 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Authority's proportion was 0.14309822000%, which was a decrease of 5.12% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Authority recognized pension expense of \$1,351,853. 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	\$ 537,308	145,281
Changes of assumptions	4,642,827	9,008,971
Net difference between projected and actual earnings on pension plan investments	-	264,286
Changes in proportion and differences between Authority contributions and proportionate share of contributions	383,987	1,834,375
Total	<u>\$ 5,564,122</u>	<u>11,252,913</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,	
2019	\$ 229,539
2020	(393,395)
2021	(2,523,218)
2022	(2,260,632)
2023	(741,085)
Total	<u>\$ (5,688,791)</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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 Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012

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to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more 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, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real 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 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make

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projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2043 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 5.66%, 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 (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of the net pension liability	\$ 33,873,870	\$ 28,175,327	\$ 23,397,487

*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 \$6.45 million reported as restricted net position/landfill closure account #1 at December 31, 2018, 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 23.09% 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 2018. 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 \$75,652,160 as of December 31, 2018, \$0 was uninsured and uncollateralized.

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**Investments**

At December 31, 2018, 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 Mgmt.	Not rated	\$ 23,378,854	23,378,854	23,378,854		
NJ ARM	Not rated	7,953,371	7,953,371	7,953,371		
FHLMC MTN	AAA	456,925	456,124	76,916	379,209	
FNMA MTN	AAA	492,000	486,496	175,707	194,504	116,285
Federal Farm Credit Bank	AAA	140,000	140,209	29,993	110,216	
Federal Home Loan Banks	AAA	985,000	986,102	130,720	607,579	247,803
US Treasury Bonds	AAA	297,000	381,594	76,256	305,338	
Financing Corp.	AAA	42,000	41,909		41,909	
First American Govt. Obligation Fund CI Z	AAAm	156,184	156,184	156,184		
US Treasury Notes	AAA	<u>3,806,000</u>	<u>3,804,390</u>	<u>817,291</u>	<u>1,243,546</u>	<u>1,743,553</u>
		<u>\$ 37,707,334</u>	<u>37,785,233</u>	<u>32,795,292</u>	<u>2,882,301</u>	<u>2,107,641</u>

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

**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, 2018. The reserves will be revised if future calculations warrant a revision.



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**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	\$ 494,183
Wastewater Construction	Solid Waste Project	<u>461,336</u>
		<u>\$ 955,519</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**

*General Information about the Plan:*

The Authority offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical, prescription drug and dental coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service

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credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

*Allocation Methodology:*

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation, where applicable, and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and non-employer allocation percentages have been rounded for presentation purposes.

*Net OPEB Liability:*

*Components of Net OPEB Liability*

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2018 is as follows:

	<b>June 30, 2018</b>	
	<b>Collective Total</b>	<b>Proportionate Share</b>
Total OPEB Liability	\$ 15,981,103,227	\$ 32,405,682
Plan Fiduciary Net Position	314,485,086	637,697
Net OPEB Liability	<u>\$ 15,666,618,141</u>	<u>\$ 31,767,985</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

At June 30, 2018 the Authority's proportionate share of the Collective Net OPEB Liability was \$31,767,985. The Authority's proportion of the Collective Net OPEB Liability was 0.202775% which was an increase from the prior year of 3.78%.

For the Year ended June 30, 2018 the Authority's Total OPEB Expense was \$1,236,396.

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

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

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

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

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

*Health Care Trend Assumptions*

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

*Discount Rate*

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

*Sensitivity of Net OPEB Liability to Changes in the Discount Rate*

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

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		1% Decrease (2.87%)		Discount Rate (3.87%)		1% Increase (4.87%)
Collective						
Net OPEB Liability	\$	18,381,085,096	\$	15,666,618,141	\$	13,498,373,388
Proportionate Share						
Net OPEB Liability	\$	37,272,245	\$	31,767,985	\$	27,371,327

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

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

		1% Decrease		Healthcare Cost Trend Rate		1% Increase
Collective						
Net OPEB Liability	\$	13,068,471,450	\$	15,666,618,141	\$	19,029,006,023
Proportionate Share						
Net OPEB Liability	\$	26,499,593	\$	31,767,985	\$	38,586,067

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (3,180,882,321)	\$	\$ 6,450,034
Changes of assumptions		(3,974,042,874)		8,058,365
Net difference between projected and actual earnings on OPEB plan investments	8,279,239		16,788	
Changes in proportion and differences between contributions and proportionate share of contributions	2,106,728,269	(2,106,728,269)	1,468,445	3,350,308
Total	\$ 2,115,007,508	\$ (9,261,653,464)	\$ 1,485,233	\$ 17,858,707

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Collective Totals	Proportionate Share
2019	\$ (1,049,390,011)	\$ (2,404,227)
2020	(1,049,390,011)	(2,404,227)
2021	(1,049,390,011)	(2,404,227)
2022	(1,050,264,681)	(2,406,231)
2023	(1,051,678,489)	(2,409,470)
Thereafter	(1,896,532,753)	(4,345,092)
Total	<u>\$ (7,146,645,956)</u>	<u>\$ (16,373,474)</u>

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

*Collective OPEB Expenses reported by the State of New Jersey*

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2018 are as follows:

Service cost	\$ 896,235,148
Interest on Total OPEB Liability	764,082,232
Expected Investment Return	(9,389,460)
Administrative Expenses	8,200,113
Current Period Recognition (Amortization) of Deferred Inflow s/ Outflow s of Resources:	
Differences between Expected and Actual Experience	(445,501,726)
Changes in Assumptions	(606,176,763)
Differences between Projected and Actual Investment	
Earnings on OPEB Plan Investments	2,288,478
Total Collective OPEB Expense	<u>\$ 609,738,022</u>

**20. POST EMPLOYMENT BENEFITS**

Effective February 1, 2013, the 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.

It is the policy of the 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 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 75.

The actuarial valuation report was based on 204 total participants including 53 retirees.

**Annual OPEB Cost and Net OPEB Liability**

The Authority's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. 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

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(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 January 1, 2018 actuarial valuation, the "Entry-Age-Normal as a Percentage of Salary" method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 3.0% and annual health insurance cost trend rate of 4.75%. In addition, the unfunded actuarial accrued liability is being amortized period of 20 years.

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

In the January 1, 2018 actuarial valuation, the Actuarially Determined Contribution for the year's ending December 31, 2018 were projected as follows:

	<u>12/31/2018</u>
Service Cost	\$ 383,212
20 Year Amortization of NOL at 3.0%	291,039
Actuarily Determined Contribution	<u>674,251</u>
Actual Contribution	116,633
Contribution deficiency	\$ <u><u>(557,618)</u></u>
Covered Payroll	\$ 12,088,590
Actuarily Determined Contribution as a % of Covered Payroll	5.58%

The following reflects the change in the Total OPEB Liability as of the January 1, 2018 valuation date for the year ended December 31, 2018.

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	<u>12/31/2018</u>
OPEB Liability, Beginning of Year	\$ 9,318,077
Changes for the Year:	
Service Cost	383,212
Interest	289,144
Assumption Changes & Difference	
Between Actual & Expected Experience	-
Change in Actuarial Cost Method	-
Benefit Payments	(116,633)
OPEB Liability, End of Year	\$ <u>9,873,800</u>
Covered payroll (for Covered Participants)	\$ 12,088,590
Total OPEB liability as a percentage of covered payroll	81.68%

**Sensitivity of the total OPEB liability to changes in the discount rate.**

The December 31, 2018 valuation was prepared using a discount rate of 4.01%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$8,303,254 or by 15.91%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$11,834,113 or by 19.85%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.00%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>11,834,113</u>	\$ <u>9,873,800</u>	\$ <u>8,303,254</u>

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.**

The December 31, 2018 valuation was prepared using an initial trend rate of 4.75%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$12,385,562 or by 25.44%. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$7,978,822 or by 19.19%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline 4.75%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>7,978,822</u>	\$ <u>9,873,800</u>	\$ <u>12,385,562</u>

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

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

For the year ended December 31, 2018, the Authority's Actuarially determined OPEB expense was \$672,356. At December 31, 2018, the Authority would have reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Increase in December 31, 2018 OPEB Liability due to Actuarial experience different from expected and actuarial assumption changes	\$ -	\$ -
Total	\$ <u>-</u>	\$ <u>-</u>

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

For the Year Ending December 31,

2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	\$ <u>-</u>

**21. RESTATEMENT OF PRIOR BALANCES**

Net position has been restated as required by the implementation of GASB 75, as discussed in notes 19 and 20 above.

	<u>2016</u>	<u>2017</u>
<b>Beginning net position as previously reported at December 31,</b>	<b>\$ 93,208,876</b>	<b>\$ 103,743,144</b>
Prior period adjustment - Implementation GASB 75		
Net OPEB liability (measurement date) - 2017		(1,322,658)
Net OPEB liability (measurement date) - 2016	(46,894,087)	(46,894,087)
Total prior period adjustment	(46,894,087)	(48,216,745)
<b>Net position as restated, January 1,</b>	<b>\$ <u>46,314,789</u></b>	<b>\$ <u>55,526,399</u></b>

**22. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events for potential recognition and/or disclosure through August 15, 2019, 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**  
**Schedule of the Authority's Proportionate Share of the Net OPEB Liability**  
**State Health Benefits Program**  
**Last Three Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net OPEB liability (asset)	0.202775%	0.195393%	0.215928%
Authority's proportionate of the net OPEB liability (asset)	\$ 31,767,985.00	39,891,022.00	46,894,087.00
Authority's covered payroll	10,516,445.00	10,149,768.00	10,537,005.00
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	302.08%	393.02%	445.04%
Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	not available	not available

Source: GASB 75 report on State of New Jersey State Health Benefits Program; Authority records

Note: This schedule is required by GASB 75 to be show information for a 10 year period.  
However, information is only currently available for three years.  
Additional years will be presented as they become available.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of the Authority's Proportionate Share of the Net OPEB Liability**  
**Vision and Medicare Part B Reimbursements**  
**Last Three Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net OPEB liability (asset)	100.000000%	100.000000%	100.000000%
Authority's proportionate of the net OPEB liability (asset)	\$ 9,873,800.00	8,860,740.00	8,709,925.00
Authority's covered payroll	10,516,445.00	10,149,768.00	10,537,005.00
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	93.89%	87.30%	82.66%
Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	not available	not available

Source: GASB 75 report on State of New Jersey State Health Benefits Program; Authority records

Note: This schedule is required by GASB 75 to be show information for a 10 year period.  
However, information is only currently available for three years.  
Additional years will be presented as they become available.

**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,**

	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.1430982220%	0.1508249411%	0.1527717042%	0.1542083233%	0.1483271947%	0.1473077754%
Authority's proportionate of the net pension liability (asset)	\$ 28,175,327	\$ 35,109,635	\$ 45,246,597	\$ 34,616,678	\$ 27,770,908	\$ 28,153,443
Authority's covered payroll	\$ 10,516,445	\$ 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	267.92%	345.92%	429.41%	330.84%	269.24%	278.22%
Plan fiduciary net position as a percentage of the total pension liability	46.40%	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 six 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,**

	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,415,675	\$ 1,292,686	\$ 1,258,402	\$ 1,145,220	\$ 1,091,373	\$ 1,063,090
Contributions in relation to the contractually required contribution	1,415,675	1,292,686	1,258,402	1,145,220	1,091,373	1,063,090
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 10,516,445	\$ 10,149,768	\$ 10,537,005	\$ 10,463,313	\$ 10,314,672	\$ 10,119,281
Contributions as a percentage of covered-employee payroll	13.46%	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 six years.  
Additional years will be presented as they become available.

## **OTHER SUPPLEMENTARY INFORMATION**

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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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 15, 2019.

### **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**

**August 15, 2019**

**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, 2018 AND 2017**

	December 31, 2018					December 31, 2017				
	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	\$ 5,064,977	1,581,541			6,646,518	4,208,468	802,158			5,010,626
Investments	4,202,552	4,603,182			8,805,734	4,197,604	5,156,859			9,354,463
User charges receivable	69,517	1,480,615			1,550,132		1,549,205			1,549,205
Septage haulers fees receivable	91,391	-			91,391	87,903				87,903
Accounts receivable - other	27,157	178,863			206,020	103,396	212,880			316,276
Allowance for doubtful accounts	(15,354)	(26,968)			(42,322)	(15,354)	(26,968)			(42,322)
<b>TOTAL CURRENT ASSETS</b>	<b>9,440,240</b>	<b>7,817,233</b>	<b>-</b>	<b>-</b>	<b>17,257,473</b>	<b>8,582,017</b>	<b>7,694,134</b>	<b>-</b>	<b>-</b>	<b>16,276,151</b>
<b>NONCURRENT ASSETS:</b>										
Restricted Assets:										
Cash and cash equivalents		8,983,899			29,297,302		7,298,750			32,758,679
Investments	20,313,403	11,376,567			28,979,499	25,459,929	11,158,466			17,564,840
New Jersey trust loan receivable	17,602,932				1,818	6,406,374				113,247
Prepaid Expenses	1,818				1,728	113,247				-
Due from Solid Waste Management Program	955,519				955,519	1,064,204				1,064,204
<b>TOTAL RESTRICTED ASSETS</b>	<b>38,875,400</b>	<b>20,360,466</b>	<b>-</b>	<b>-</b>	<b>59,235,866</b>	<b>33,043,754</b>	<b>18,457,216</b>	<b>-</b>	<b>-</b>	<b>51,500,970</b>
<b>CAPITAL ASSETS:</b>										
Capital Assets not being depreciated	10,353,739	18,454,248			28,807,987	15,443,631	18,772,373			34,216,004
Capital assets being depreciated	378,438,676	92,257,011			470,695,687	366,344,492	91,395,659			457,740,151
Less accumulated depreciation	311,559,644	70,710,244			382,269,888	307,038,193	69,232,626			376,270,819
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>77,232,771</b>	<b>40,001,015</b>	<b>-</b>	<b>-</b>	<b>117,233,786</b>	<b>74,749,930</b>	<b>40,935,406</b>	<b>-</b>	<b>-</b>	<b>115,685,336</b>
<b>TOTAL ASSETS</b>	<b>125,548,411</b>	<b>68,178,714</b>	<b>-</b>	<b>-</b>	<b>193,727,125</b>	<b>116,375,701</b>	<b>67,086,756</b>	<b>-</b>	<b>-</b>	<b>183,462,457</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
Deferred Outflows Related to Pensions				5,564,122	5,564,122				8,751,326	8,751,326
Deferred Outflows Related to OPEB			1,485,233		1,485,233			6,836		6,836
Deferred Amount on Refunding	187,853				187,853	263,652				263,652
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>187,853</b>	<b>-</b>	<b>1,485,233</b>	<b>5,564,122</b>	<b>7,237,208</b>	<b>263,652</b>	<b>-</b>	<b>6,836</b>	<b>8,751,326</b>	<b>9,021,814</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 125,736,264</b>	<b>68,178,714</b>	<b>1,485,233</b>	<b>5,564,122</b>	<b>200,964,333</b>	<b>\$ 116,639,353</b>	<b>67,086,756</b>	<b>6,836</b>	<b>8,751,326</b>	<b>192,484,271</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, 2018 AND 2017**  
**(CONTINUED)**

	December 31, 2018					December 31, 2017				
	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 UNRESTRICTED ASSETS:</b>										
Accounts payable - operations	\$ 659,019	1,409,775			2,068,794	\$	714,490			1,802,828
Rebates due to users					-		279,123			279,123
Due Wastewater Management Program		494,183			494,183		578,749			578,749
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</b>	659,019	1,903,958	-	-	2,562,977		714,490	-	-	2,660,700
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>										
Accounts payable	1,651,924	142,633			1,794,557		645,033			780,412
Accrued interest payable	269,036	35,648			304,684		328,591			366,322
Due Wastewater Management Program		461,336			461,336		485,455			485,455
Current maturities of long-term debt										
(Net of Unamortized Bond Premium of \$376,456 in 2018 and \$358,718 in 2017, respectively)										
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	3,672,240	531,591			4,203,831		3,520,064			4,041,016
	5,593,200	1,171,208	-	-	6,764,408		4,493,688	-	-	5,673,205
<b>LONG TERM OBLIGATIONS:</b>										
Accrued compensated absences	315,887				315,887		310,487			310,487
Due to IRS - arbitrage rebate	272,807				272,807		272,807			272,807
Net OPEB Obligations			41,641,785		41,641,785			48,751,762		48,751,762
Net Pension Liability				28,175,327	28,175,327				35,109,635	35,109,635
Long term portion of bonds payable										
(Net of Unamortized Bond Premium of \$1,008,709 in 2018 and \$1,385,166 in 2017, respectively)										
<b>TOTAL LIABILITIES</b>	15,865,451	8,044,538			23,909,989		19,537,693			28,118,822
	22,706,364	11,119,704	41,641,785	28,175,327	103,643,180		25,329,165	48,751,762	35,109,635	120,897,418
<b>DEFERRED INFLOW OF RESOURCES:</b>										
Unearned revenue - user fees					-					150,575
Deferred inflows related to OPEB			17,858,707		17,858,707			8,332,559		8,332,559
Deferred inflows related to pensions				11,252,913	11,252,913				7,577,320	7,577,320
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	-	-	17,858,707	11,252,913	29,111,620		-	8,332,559	7,577,320	16,060,454
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	22,706,364	11,119,704	59,500,492	39,428,240	132,754,800	\$	25,329,165	57,084,321	42,686,955	136,957,872

**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, 2018 AND 2017**  
**(CONTINUED)**

	December 31, 2018					December 31, 2017				
	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	\$ 57,695,080	31,424,886			89,119,966	\$ 51,692,173	31,833,325			83,525,498
Restricted For:										
Bond service	2,831,927				2,831,927					2,702,728
Bond reserve	3,293,633				3,293,633	2,702,728				3,293,633
Renewal and replacement	32,530,847				32,530,847	27,410,118				27,410,118
Capital projects	3,832,647				3,832,647	3,365,770				3,365,770
Landfill closure #1		6,453,008			6,453,008		6,194,591			6,194,591
Equipment reserve		1,935,547			1,935,547		2,229,331			2,229,331
Building and site		293,787			293,787		322,674			322,674
IPF capital reserve		744,045			744,045		1,046,483			1,046,483
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	843,856			854,667	10,811	829,469			840,280
IPF rate stabilization		450,499			450,499		654,676			654,676
Insurance		589,327			589,327		579,585			579,585
Future construction		7,349,197			7,349,197		5,646,520			5,646,520
Unrestricted	-	4,779,831	(58,015,259)	(33,864,118)	(87,099,546)	-	3,697,644	(57,077,485)	(33,935,629)	(87,315,470)
<b>TOTAL NET POSITION</b>	<b>103,029,900</b>	<b>57,059,010</b>	<b>(58,015,259)</b>	<b>(33,864,118)</b>	<b>68,209,633</b>	<b>91,310,188</b>	<b>55,229,325</b>	<b>(57,077,485)</b>	<b>(33,935,629)</b>	<b>55,526,399</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 125,736,264</b>	<b>68,178,714</b>	<b>1,485,233</b>	<b>5,564,122</b>	<b>200,964,333</b>	<b>\$ 116,639,353</b>	<b>67,086,756</b>	<b>6,836</b>	<b>8,751,326</b>	<b>192,484,271</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, 2018 AND 2017**

	December 31, 2018					December 31, 2017				
	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	\$ 34,427,628	13,994,051			48,421,679	\$ 33,753,311	13,420,604			47,173,915
Septage haulers fees	616,663				616,663	565,857				565,857
Leachate disposal	396,041				396,041	308,889				308,889
Lower Township MUA debt service					-	-				-
Processing dry sludge	190,792				190,792	170,338				170,338
Compost sales					-	-				-
Tower rental	108,248				108,248	105,755				105,755
Operating grants		148,220			148,220		143,320			143,320
SLF cover fees		266,287			266,287		103,490			103,490
Methane gas sales		139,601			139,601		157,073			157,073
Wood product sales		418,141			418,141		483,435			483,435
Wood product delivery charge		17,346			17,346		22,296			22,296
Sale of asbestos bags		11,528			11,528		8,176			8,176
Sale of scrap metal		31,660			31,660		30,716			30,716
Electric generation income		388,206			388,206		350,142			350,142
Sale of renewable energy certificates		188,341			188,341		201,399			201,399
Miscellaneous	112,644	169,075			281,719	167,405	6,722			174,127
IPF electric reimbursement		97,742			97,742		98,017			98,017
IPF residue income		227,320			227,320		225,795			225,795
IPF commercial ton revenue		11,757			11,757		12,703			12,703
IPF administrative support reimbursement		76,377			76,377		75,440			75,440
IPF glass cover material		98,223			98,223		101,420			101,420
Recyclables Hauling		30,750			30,750		31,500			31,500
Recycling income		19,961			19,961		24,733			24,733
<b>TOTAL OPERATING REVENUES</b>	<b>35,852,016</b>	<b>16,334,586</b>	<b>-</b>	<b>-</b>	<b>52,186,602</b>	<b>35,071,555</b>	<b>15,496,981</b>	<b>-</b>	<b>-</b>	<b>50,568,536</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, 2018 AND 2017**  
**(CONTINUED)**

	December 31, 2018					December 31, 2017				
	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 expenses:</b>										
Salary and wages	\$ 6,438,864	3,448,935			9,887,799	\$ 6,007,749	3,184,064			9,191,813
Employee benefits	2,862,533	1,661,840		(71,511)	4,452,862	2,841,521	1,597,235		1,234,667	5,673,423
Other post-employment benefits (Note 19)			480,437		480,437			1,473,473		1,473,473
Administrative expenses	2,066,126	1,510,634			3,576,760	1,880,566	1,662,525			3,543,091
Operations and maintenance	6,109,493	5,211,142			11,320,635	6,642,394	4,642,215			11,284,609
Depreciation	4,521,451	2,492,851			7,014,302	4,655,062	2,394,852			7,049,914
Construction fund expenses	2,426,279	493,651			2,919,930	2,082,484	514,378			2,596,862
<b>TOTAL OPERATING EXPENSES</b>	<b>24,424,746</b>	<b>14,819,053</b>	<b>480,437</b>	<b>(71,511)</b>	<b>39,652,725</b>	<b>24,109,776</b>	<b>13,985,269</b>	<b>1,473,473</b>	<b>1,234,667</b>	<b>40,813,185</b>
<b>Operating income</b>	<b>11,427,270</b>	<b>1,515,533</b>	<b>(480,437)</b>	<b>71,511</b>	<b>12,533,877</b>	<b>10,961,779</b>	<b>1,501,712</b>	<b>(1,473,473)</b>	<b>(1,234,667)</b>	<b>9,755,351</b>
<b>Nonoperating revenues (expenses):</b>										
Project fund credits - NJEIT	16,615				16,615	10,792				10,792
Cost of Issuance					-	(645)				(645)
Interest income	618,702	394,774			1,013,476	239,004	210,435			449,439
Interest expense	(615,736)	(88,472)			(704,208)	(721,327)	(113,880)			(835,207)
Amortization of bond premium	272,861	10,059			282,920	258,835	9,688			268,523
Loss on Disposal of Fixed Assets		(2,209)			(2,209)	(436,643)				(436,643)
Cumulative Change in Accounting Principle			(457,337)		(457,337)					-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>292,442</b>	<b>314,152</b>	<b>(457,337)</b>	<b>-</b>	<b>149,257</b>	<b>(649,984)</b>	<b>106,243</b>	<b>-</b>	<b>-</b>	<b>(543,741)</b>
Change in Net Position	11,719,712	1,829,685	(937,774)	71,511	12,683,134	10,311,795	1,607,955	(1,473,473)	(1,234,667)	9,211,610
Net Position - beginning (as restated)	91,310,188	55,229,325	(57,077,485)	(33,935,629)	55,526,399	80,998,393	53,621,370	(55,604,012)	(32,700,962)	46,314,789
Net Position - ending	\$ 103,029,900	\$ 57,059,010	\$ (58,015,259)	\$ (33,864,118)	\$ 68,209,533	\$ 91,310,188	\$ 55,229,325	\$ (57,077,485)	\$ (33,935,629)	\$ 55,526,399

**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, 2018 AND 2017**

	December 31, 2018					December 31, 2017				
	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	\$ 35,634,358	16,288,973			51,923,331	\$ 35,153,507	15,015,027			50,168,534
Other operating cash receipts	220,892	148,220			369,112	273,160	143,320			416,480
Payments to employees	(9,295,997)	(5,110,775)			(14,406,772)	(8,846,835)	(4,781,299)			(13,628,134)
Payments to suppliers and vendors	(9,652,206)	(7,165,859)			(16,818,065)	(12,503,037)	(6,393,365)			(18,896,402)
Net cash provided by operating activities	16,907,047	4,160,559	-	-	21,067,606	14,076,795	3,983,683	-	-	18,060,478
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>										
Prepayments received (returned)	-	(150,575)			(150,575)	-	(1,754)			(1,754)
Net transfers from (to) other funds	108,685	(108,685)			-	(14,477)	14,477			-
Net cash provided/(used) by noncapital financing activities	108,685	(259,260)	-	-	(150,575)	(14,477)	12,723	-	-	(1,754)
<b>CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>										
Purchase of capital assets	(7,004,292)	(1,560,669)			(8,564,961)	(6,228,725)	(2,685,111)			(8,913,836)
N.J. trust and fund loan	111,429	-			111,429	1,996,786	20,554			2,017,340
Principal paid on capital debt	(3,230,590)	(515,893)			(3,746,483)	(3,290,571)	(510,893)			(3,801,464)
Interest paid on capital debt	(599,492)	(90,555)			(690,047)	(713,989)	(98,731)			(812,720)
Net cash (used) by capital and related financing activities	(10,722,945)	(2,167,117)	-	-	(12,890,062)	(8,236,499)	(3,274,181)	-	-	(11,510,680)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>										
Investments matured (purchased)	(11,201,506)	335,576			(10,865,930)	(544,069)	(3,686,759)			(4,230,828)
Interest income	618,702	394,774			1,013,476	239,004	210,435			449,439
Net cash provided/(used) by investing activities	(10,582,804)	730,350	-	-	(9,852,454)	(305,065)	(3,476,324)	-	-	(3,781,389)
Net increase/(decrease) in cash and cash equivalents	(4,290,017)	2,464,532	-	-	(1,825,485)	5,520,754	(2,754,099)	-	-	2,766,655
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	29,668,397	8,100,908			37,769,305	24,147,643	10,855,007			35,002,650
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ 25,378,380	10,565,440	-	-	\$ 35,943,820	\$ 29,668,397	8,100,908	-	-	\$ 37,769,305

**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, 2018 AND 2017**  
**(CONTINUED)**

	December 31, 2018					December 31, 2017				
	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
\$	11,427,270	1,515,533	(480,437)	71,511	12,462,366	\$ 10,961,779	1,501,712	(1,473,473)	(1,234,667)	10,990,018
	4,521,451	2,492,851	(457,337)	-	(457,337) 7,014,302	4,655,062	2,394,852	-	-	7,049,914
	15,948,721	4,008,384	(937,774)	71,511	19,019,331	15,616,841	3,896,564	(1,473,473)	(1,234,667)	18,039,932
	3,234 (1,728)	102,607		3,187,204	105,841 (1,728)	355,112	(338,634)		4,028,429	16,478
			(1,478,397)		(1,478,397)			(6,836)		-
			9,526,148		9,526,148			8,332,559		8,332,559
	956,820	49,568	(7,109,977)	(3,258,715)	(6,103,589)	(1,895,158)	425,753	(6,852,250)	(2,793,762)	(8,321,655)
\$	16,907,047	4,160,559	-	-	21,067,606	\$ 14,076,795	3,983,683	-	-	18,060,478

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:  
 Change in Accounting Principle  
 Depreciation  
 Changes in assets and liabilities:  
 Receivables, net  
 Prepaid Expenses  
 Deferred Outflows of Resources  
 Deferred Inflows of Resources  
 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, 2018**

	<b>2018 Budget (as revised)</b>	<b>2018 Actual</b>
<b>REVENUES:</b>		
User service agreements:	\$ 34,427,628	34,427,628
Interest on investments and deposits	624,938	617,299
Septage/Leachate disposal fees	1,155,000	1,012,704
Processing Dry Sludge	250,000	190,792
Tower rental	105,000	108,248
Project fund credits - NJEIT	-	46,491
Miscellaneous	100,000	79,727
	<u>\$ 36,662,566</u>	<u>36,482,889</u>
<b>EXPENSES:</b>		
<b>Personnel services:</b>		
Salaries and wages:		
Ocean City region	\$ 1,049,204	1,053,404
Cape May region	733,474	814,840
Seven Mile Beach/Middle region	2,297,735	2,233,300
Wildwood/Lower region	1,207,039	1,294,124
Composting facility	330,680	308,282
Administration	785,474	734,914
<b>Employee benefits:</b>		
Social Security tax	457,708	460,872
Workers' compensation insurance	199,634	156,466
Other employee benefits	2,273,130	2,245,195
<b>Administrative expenses:</b>		
Operating portion of administrative overhead costs	1,428,000	1,803,826
Professional fees	118,000	60,994
Financial management	24,182	18,193
Permits and fees	247,000	183,113

**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, 2018**  
**(CONTINUED)**

	<b>2018 Budget (as revised)</b>	<b>2018 Actual</b>
<b>EXPENSES (CONTINUED):</b>		
<b>Operations and maintenance:</b>		
Utilities	\$ 2,242,800	2,005,219
Chemicals	975,000	593,110
Miscellaneous	65,000	45,931
Supplies and postage	192,750	158,735
Repair and replacement parts	587,150	337,864
Materials	2,000	-
Rent/Lease	14,500	4,719
Other insurance	392,245	277,214
Tower Shared Services	40,000	29,713
Outside service	1,981,210	1,420,356
Capital Equipment	419,210	965,896
Lubrications/Fuels	416,000	270,736
	<u>18,479,125</u>	<u>17,477,016</u>
Interest expense	<u>589,836</u>	<u>589,836</u>
<b>Other costs funded by operating revenues:</b>		
Bond principal	3,300,605	3,300,604
Renewal and replacement reserve	14,293,000	15,115,433
	<u>17,593,605</u>	<u>18,416,037</u>
Total costs funded by operating revenues	36,662,566	36,482,889
Add: Excess (Deficit)	<u>-</u>	<u>-</u>
	<u>\$ 36,662,566</u>	<u>36,482,889</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, 2018**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2018
<b><u>Unrestricted Accounts</u></b>				
<b>Revenue and Operating Accounts:</b>				
TD Bank - Daily Deposit Acct.	\$ 84,340	1.950	N/A	\$ 84,340
TD Bank - Checking Acct	77,104	1.950	N/A	77,104
TD Bank - Money Market	225,806	1.950	N/A	225,806
Sturdy Savings Bank - Money Market	11,372	0.040	N/A	11,372
NJ Cash Management Fund	2,249,181	2.320	N/A	2,249,181
NJ ARM	1,953,371	2.230	N/A	1,953,371
Parke Bank - Money Market	4,665,330	2.280	N/A	4,665,330
Petty Cash				1,025
				<u>9,267,529</u>
Total Unrestricted Accounts				<u>9,267,529</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.	1,630,896	1.950	N/A	1,630,896
TD Bank - Health Savings Account	16,959	1.950	N/A	16,959
NJ Cash Management Fund		2.320	N/A	487,208
Petty Cash				700
				<u>2,140,593</u>
<b>Bond Reserve Fund:</b>				
Parke Bank - Liquid Investment Acct.	2,861,696	2.280	N/A	2,861,696
Sturdy Savings Bank - Money Market	17,679	0.040	N/A	17,679
NJ Cash Management Fund	100,000	2.320	N/A	100,000
				<u>2,979,375</u>
<b>Renewal and Replacement Accounts:</b>				
Sturdy Savings Bank - Money Market	8,914	0.040	N/A	8,914
Parke Bank - Money Market	7,761,067	2.280	N/A	7,761,067
NJ ARM	6,000,000	2.230	N/A	6,000,000
TD Bank - Money Market	8,000,000	1.950	N/A	8,000,000
NJ Cash Management Fund	10,429,026	2.320	N/A	10,429,026
TD Bank - Checking	1,403	1.950	N/A	1,403
				<u>32,200,410</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, 2018**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2018
<b><u>Restricted Accounts (Continued)</u></b>				
<b>Rate Stabilization Account:</b>				
NJ Cash Management Fund	10,811	2.320	N/A	10,811
<b>Sick and Vacation Pay Reserve Fund:</b>				
NJ Cash Management Fund	315,887	2.320	N/A	315,887
<b>2002 Forward Financing Fund:</b>				
NJ Cash Management Fund	260,000	2.320	N/A	260,000
Sturdy Savings Bank - Money Market	9,259	0.040	N/A	9,259
				269,259
Total Restricted Accounts				37,916,335
Total - Wastewater Management Program				\$ 47,183,864

## **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, 2018**

	<b>2018 Budget (as revised)</b>	<b>2018 Actual</b>
<b>REVENUES:</b>		
User charges and fees	\$ 14,371,623	13,994,051
Interest on investments and deposits	280,000	247,048
Compost Chip Sales	530,000	418,141
Paint Recycling	14,000	19,961
Operating Grants	143,320	148,220
IPF Electric reimbursement	100,000	97,742
Wood Product Delivery charge	16,000	17,346
Sale of scrap metal	30,000	31,660
Renewable Energy Credits	210,000	188,341
Recyclables Hauling	25,500	30,750
Sale of Asbestos Bags	13,000	11,528
IPF Glass Cover Material	100,000	98,223
IPF Residue Income	205,000	227,320
IPF Commercial Tons Revenue	12,000	11,757
IPF Administrative Support Reimbursement	75,000	76,377
SLF Cover	80,000	266,287
Gas Methane Revenue	200,000	139,601
PJM Electric Energy Sales	525,000	388,206
Hazardous Waste	500	525
Miscellaneous	5,000	168,550
	<u>\$ 16,935,943</u>	<u>16,581,634</u>
<b>EXPENSES:</b>		
<b>Personnel services:</b>		
Salaries and wages:		
Sanitary landfill	\$ 1,719,952	1,756,965
Transfer station	727,033	699,169
Maintenance and repair	406,591	423,609
Recycling	92,132	90,886
Management and administration	552,926	391,292
Enforcement and Compliance	89,088	87,014
<b>Employee benefits:</b>		
Social Security tax	270,147	244,957
Workers' compensation insurance	151,998	112,730
Other employee benefits	1,468,633	1,304,153
<b>Administrative expenses:</b>		
Other expenses	330,000	208,305
Operating Portion of Administrative		
Overhead costs	1,228,417	1,302,329
<b>Enforcement and compliance:</b>		
Other expenses	6,000	135

**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, 2018**  
**(CONTINUED)**

	<b>2018 Budget (as revised)</b>	<b>2018 Actual</b>
<b>EXPENSES (CONTINUED):</b>		
<b>Operations and maintenance:</b>		
Sanitary landfill:		
Support services	\$ 963,500	838,047
Other expenses	1,258,559	981,959
Transfer station:		
Support services	53,041	48,974
Other expenses	98,320	65,050
Maintenance and repair and equipment	1,075,366	825,312
Recycling	190,000	167,204
Taxes and other charges:		
Landfill contingency tax	90,922	91,665
Recycling Tax	544,985	536,697
Host community benefits	1,199,692	1,120,815
	<u>12,517,302</u>	<u>11,297,267</u>
Interest expense	<u>88,472</u>	<u>88,472</u>
<b>Other costs funded by operating revenues:</b>		
Bond principal	515,893	515,893
Renewal and Replacement Fund	900,000	900,000
Reserve for Future Construction	2,748,671	828,671
Reserve for Building & Site Improvements	40,000	40,000
Closure and postclosure care	181,995	182,258
	<u>4,386,559</u>	<u>2,466,822</u>
Total costs funded by operating revenues	16,992,333	13,852,561
Add: Excess (Deficit)	<u>(56,390)</u>	<u>2,729,073</u>
	<u>\$ 16,935,943</u>	<u>16,581,634</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, 2018**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2018
<b><u>Unrestricted Accounts</u></b>				
<b>Revenue and Operating Accounts:</b>				
TD Bank - Daily Deposit Account	\$ 159,408	1.950	N/A	\$ 159,408
TD Bank - Checking Account	213,894	1.950	N/A	213,894
TD Bank - Prepayment Escrow	148,892	0.000	N/A	148,892
TD Bank - Money Market	668,213	1.950	N/A	668,213
Sturdy Savings Bank - Money Market	6,478	0.040	N/A	6,478
Parke Bank - Money Market	379,857	2.280	N/A	379,857
NJ Cash Management Fund	4,118,250	2.320	N/A	4,118,250
Petty Cash				4,800
				<u>5,699,792</u>
<b>Host Community Benefit Reserve Fund</b>				
NJ Cash Management Fund	484,931	2.320	N/A	<u>484,931</u>
				<u>484,931</u>
Total Unrestricted Accounts				<u>6,184,723</u>
<b><u>Restricted Accounts</u></b>				
<b>Construction Accounts:</b>				
TD Bank - Checking Account	82,682	1.950	N/A	82,682
TD Bank - Money Market	2,816	1.950	N/A	2,816
Parke Bank - Money Market	660,000	1.150	N/A	660,000
NJ Cash Management Fund	276,284	2.320	N/A	276,284
Sturdy Savings Bank - Money Market	9,135	0.040	N/A	9,135
				<u>1,030,917</u>
<b>Equipment Reserve Accounts:</b>				
Sturdy Savings Bank - Money Market	8,369	0.040	N/A	8,369
NJ Cash Management Fund	2,062,178	2.320	N/A	<u>2,062,178</u>
				<u>2,070,547</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2018**  
**(CONTINUED)**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2018
<b>Restricted Accounts (Continued)</b>				
<b>Landfill Closure Account:</b>				
First Amer Govt Oblig Fund CI Z	\$ 156,184	2.270	N/A	\$ 156,184
Federal Home Lending	45,000	2.390	4/15/2019	44,985
Federal Home Lending	58,000	2.390	8/12/2021	57,705
Federal Home Lending	60,000	2.390	4/20/2020	59,795
Federal Home Lending	80,000	2.390	2/16/2021	79,789
Federal Home Lending	100,000	2.390	1/17/2020	99,895
Federal Home Lending	34,000	2.390	2/25/2023	34,000
Federal Home Lending	40,000	2.390	7/25/2020	40,031
Federal Home Lending	32,088	2.390	5/25/2019	31,931
Federal Home Lending	7,837	2.390	3/25/2020	7,994
Federal National Mortgage Assoc.	60,000	2.390	8/2/2019	59,899
Federal National Mortgage Assoc.	20,000	2.390	10/24/2019	19,946
Federal National Mortgage Assoc.	60,000	2.390	10/7/2021	59,899
Federal National Mortgage Assoc.	50,000	2.390	9/12/2019	49,718
Federal National Mortgage Assoc.	117,000	2.390	4/24/2026	116,285
Federal National Mortgage Assoc.	5,000	2.390	9/12/2023	4,980
Federal National Mortgage Assoc.	30,000	2.390	10/9/2019	26,217
Federal National Mortgage Assoc.	30,000	2.390	10/24/2019	29,739
Federal National Mortgage Assoc.	40,000	2.390	2/26/2019	39,906
Federal National Mortgage Assoc.	30,000	2.390	2/28/2020	29,981
Federal National Mortgage Assoc.	50,000	2.390	4/13/2021	49,926
Federal Farm Credit Bks	30,000	2.390	5/8/2020	30,008
Federal Farm Credit Bks	30,000	2.390	9/27/2019	29,993
Federal Farm Credit Bks	25,000	2.390	4/1/2021	25,212
Federal Farm Credit Bks	25,000	2.390	11/27/2020	24,956
Federal Farm Credit Bks	30,000	2.390	7/17/2023	30,040
Federal Home Loan Bks	60,000	2.390	8/5/2019	59,885
Federal Home Loan Bks	60,000	2.390	7/14/2021	59,704
Federal Home Loan Bks	20,000	2.390	5/28/2019	19,962
Federal Home Loan Bks	50,000	2.390	9/28/2020	49,840
Federal Home Loan Bks	50,000	2.390	6/12/2020	50,302
Federal Home Loan Bks	35,000	2.390	12/9/2022	33,959
Federal Home Loan Bks	50,000	2.390	9/13/2019	50,873
Federal Home Loan Bks	70,000	2.390	2/11/2020	69,872
Federal Home Loan Bks	50,000	2.390	3/28/2023	50,281
Federal Home Loan Bks	30,000	2.390	2/12/2021	29,704
Federal Home Loan Bks	30,000	2.390	3/14/2025	29,882
Federal Home Loan Bks	50,000	2.390	6/14/2024	49,770
Federal Home Loan Bks	100,000	2.390	9/13/2024	100,912
Federal Home Loan Bks	30,000	2.390	3/10/2028	29,624
Federal Home Loan Bks	65,000	2.390	9/12/2025	64,489
Federal Home Loan Bks	100,000	2.390	6/9/2028	99,164
Federal Home Loan Bks	25,000	2.390	9/8/2028	24,644
Federal Home Loan Bks	55,000	2.390	6/11/2021	56,415
Federal Home Loan Bks	55,000	2.390	3/13/2020	56,821
United States Treas Bond	75,000	2.390	8/15/2021	108,686
United States Treas Bond	56,000	2.390	2/15/2019	76,256
United States Treas Bond	30,000	2.390	8/15/2022	40,814
United States Treas Bond	25,000	2.390	8/15/2023	32,840
United States Treas Bond	55,000	2.390	2/15/2020	76,375
United States Treas Bond	56,000	2.390	2/15/2022	46,623
Tennessee Valley Authority Power	42,000	2.390	3/15/2020	41,909
United States Treas Note	120,000	2.390	5/15/2019	118,955
United States Treas Note	25,000	2.390	1/31/2019	24,946
United States Treas Note	35,000	2.390	7/31/2021	34,820



## Schedule 7

**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, 2018**  
**(CONTINUED)**

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2018
<b><u>Restricted Accounts (Continued)</u></b>				
<b>Landfill Closure Account (Continued):</b>				
United States Treas Note	240,000	2.390	1/31/2019	239,357
United States Treas Note	135,000	2.390	3/31/2019	134,467
United States Treas Note	55,000	2.390	4/30/2019	54,706
United States Treas Note	45,000	2.390	1/31/2021	44,116
United States Treas Note	75,000	2.390	2/15/2020	74,856
United States Treas Note	25,000	2.390	4/15/2020	24,991
United States Treas Note	40,000	2.390	8/15/2020	39,527
United States Treas Note	60,000	2.390	8/15/2026	58,345
United States Treas Note	224,000	2.390	2/15/2026	224,605
United States Treas Note	15,000	2.390	3/31/2019	14,942
United States Treas Note	75,000	2.390	5/15/2026	74,405
United States Treas Note	70,000	2.390	3/31/2022	69,563
United States Treas Note	25,000	2.390	5/15/2023	23,054
United States Treas Note	40,000	2.390	8/31/2022	40,072
United States Treas Note	115,000	2.390	11/30/2021	114,115
United States Treas Note	72,000	2.390	2/15/2023	70,255
United States Treas Note	200,000	2.390	2/15/2025	196,229
United States Treas Note	240,000	2.390	8/15/2025	235,831
United States Treas Note	30,000	2.390	12/31/2021	30,049
United States Treas Note	80,000	2.390	6/30/2022	81,456
United States Treas Note	129,000	2.390	2/15/2027	129,475
United States Treas Note	140,000	2.390	8/15/2027	138,467
United States Treas Note	30,000	2.390	11/15/2024	30,145
United States Treas Note	95,000	2.390	11/15/2025	99,165
United States Treas Note	247,000	2.390	11/15/2027	236,105
United States Treas Note	105,000	2.390	5/15/2027	106,238
United States Treas Note	93,000	2.390	8/15/2024	96,439
United States Treas Note	131,000	2.390	5/15/2024	131,186
United States Treas Note	154,000	2.390	8/15/2023	151,083
United States Treas Note	50,000	2.390	2/15/2019	50,135
United States Treas Note	60,000	2.390	2/15/2024	60,888
United States Treas Note	30,000	2.390	2/15/2028	29,702
United States Treas Note	32,000	2.390	11/15/2023	32,203
United States Treas Note	45,000	2.390	5/15/2028	44,860
United States Treas Note	100,000	2.390	8/15/2028	97,684
United States Treas Note	148,000	2.390	5/15/2019	155,462
United States Treas Note	56,000	2.390	5/15/2021	58,552
United States Treas Note	71,000	2.390	11/15/2028	72,438
United States Treas Note	24,000	2.390	8/15/2019	24,322
United States Treas Note	25,000	2.390	5/15/2020	36,177
	<u>6,375,109</u>			<u>6,453,008</u>
<b>Insurance Accounts:</b>				
Parke Bank - Money Market	569,704	2.280	N/A	569,704
NJ Cash Management Fund	19,623	2.320	N/A	<u>19,623</u>
				<u>589,327</u>
<b>Building and Site Improvement Account:</b>				
Parke Bank - Money Market	293,787	1.150	N/A	<u>293,787</u>
				<u>293,787</u>

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**SOLID WASTE MANAGEMENT PROGRAM**  
**SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**DECEMBER 31, 2018**  
**(CONTINUED)**

**Schedule 7**

<b>Description</b>	<b>Face Amount</b>	<b>Interest Rate %</b>	<b>Due Date</b>	<b>Cost December 31, 2018</b>
<b><u>Restricted Accounts (Continued)</u></b>				
<b>Rate Stabilization Accounts:</b>				
Sturdy Savings Bank - Money Market	2,357	0.040	N/A	2,357
NJ Cash Management Fund	841,499	2.320	N/A	841,499
				<u>843,856</u>
Sturdy Savings Bank - Money Market	3,321	0.040	N/A	3,321
NJ Cash Management Fund	660,820	2.320	N/A	660,820
				<u>664,141</u>
<b>IPF Capital Reserve Accounts:</b>				
Sturdy Savings Bank - Money Market	2,533	0.040	N/A	2,533
NJ Cash Management Fund	1,063,153	2.320	N/A	1,063,153
				<u>1,065,686</u>
<b>Reserve for Future Construction:</b>				
Parke Bank - Money Market	7,347,776	2.280	N/A	7,347,776
Sturdy Savings Bank - Money Market	1,421	0.040	N/A	1,421
				<u>7,349,197</u>
Total Restricted Accounts				<u><u>20,360,466</u></u>
Total - Solid Waste Management Program				\$ <u><u>26,545,189</u></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, 2018**

	Total	Supplemental Authority IPF Expenses	Contracted Operator
<b>REVENUES:</b>			
Operating Revenues:			
Net sales - Cape May County	\$ 2,190,120		2,190,120
Net Sales - Commercial/Merchants	11,757		11,757
Total Operating Revenues	2,201,877	-	2,201,877
IPF Capital Reserve Fund - Repair Expense Reimbursement	321,642	321,642	
Total Revenues	2,523,519	321,642	2,201,877
<b>EXPENSES:</b>			
Operating Expenses:			
Base operating fee (payable by CMCMUA)	38,673		38,673
Equipment and repairs	321,642		321,642
CMCMUA administrative support	76,377	76,377	
IPF residue disposal expense	227,319	227,319	
Glass residue - Accepted as daily cover	98,223	98,223	
Operator revenue share	1,963,170		1,963,170
Total operating expenses	2,725,404	401,919	2,323,485
Transfer to IPF Rate Stabilization Fund	-		
Non-Municipal Recycling Revenue - Operations	11,757	11,757	
Rebates to Municipalities	-		
Excess Residue Fees to remain in Solid Waste Operations	-		
Operating Subsidy - Rate Stabilization Fund	(213,642)	(213,642)	
Total Expenses	2,523,519	200,034	2,323,485
Authority's (Cost) of Operating the Intermediate Processing Facility	\$ -	121,608	(121,608)
<b>ANALYSIS OF BALANCE DUE (TO) FROM OPERATORS AT DECEMBER 31, 2018</b>			
Balance due from operator, December 31, 2017	\$ 64,195	-	64,195
Increased by:			
IPF electric reimbursement Owed to MUA	97,742		97,742
IPF glass Hauling Reimbursement Owed to MUA	30,750		30,750
Net Operator Revenue Share	(121,608)		(121,608)
	6,884	-	6,884
Decreased by:			
Payments Received from Operator	267,604		267,604
	267,604	-	267,604
Balance due From operator - December 31, 2017	\$ (196,525)	-	(196,525)