



STONY BROOK REGIONAL SEWERAGE AUTHORITY

*HOPEWELL BOROUGH • HOPEWELL TOWNSHIP • PENNINGTON BOROUGH
PRINCETON • SOUTH BRUNSWICK TOWNSHIP • WEST WINDSOR TOWNSHIP*

Financial Statements

**For the Years Ended
November 30, 2018 and 2017**

With Independent Auditors' Reports

STONY BROOK REGIONAL SEWERAGE AUTHORITY

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Stony Brook Regional Sewerage Authority
290 River Road
Princeton, New Jersey 08540

Report on the Financial Statements

We have audited the accompanying financial statements of the Stony Brook Regional Sewerage Authority, as of and for the year ended November 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stony Brook Regional Sewerage Authority, as of November 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Stony Brook Regional Sewerage Authority as of November 30, 2017, and for the year then ended, were audited by other auditors whose report dated May 13, 2018, expressed an unmodified opinion as to conformity 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 analysis and the schedules related to accounting and reporting for pensions in Schedule R-1 through R-3 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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stony Brook Regional Sewerage Authority's basic financial statements. The supplemental data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019 on our consideration of the Stony Brook Regional Sewerage 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 Stony Brook Regional Sewerage Authority's internal control over financial reporting and compliance.

June 3, 2019



MANAGEMENT DISCUSSION AND ANALYSIS



STONY BROOK REGIONAL SEWERAGE AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year ending November 30, 2018. Management's Discussion and Analysis serves as an introduction to the financial statements and should be read in conjunction with the financial statements and the accompanying notes.

Management believes the Authority's financial condition is strong. Internal controls are in place to provide reasonable assurance that all financial transactions are properly recorded, and the financial statements are prepared in accordance with Generally Accepted Accounting Principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee, Clooney & Company is included in this report.

Financial Highlights

Total assets and deferred outflows of resources at year-end net of accumulated depreciation and amortization totaled \$ 72.96 million and exceeded liabilities in the amount of \$ 35.44 million. Net position totals \$ 34.32 million versus \$ 33.99 million for the prior year. The increase from the prior year net position was the result of GAAP basis net income of \$ 329,508. Working capital balances are adequate to meet the operational needs of the Authority including small capital projects provided in the budget.

Actual revenues on a budgetary basis totaled \$15,730,631 which is \$ 387,311 or 2.5% greater than the than the budget amount.

Actual expenditures on a budgetary basis totaled \$ 13,936,437 which is \$ 1,406,883 under budget. A significant portion of this saving came from lower than anticipated electricity costs, minor improvements, ash hauling, parts and maintenance tools and supplies.

Contract 17-1 Pennington Wastewater Treatment Plant Upgrade and Expansion Project was awarded in June 2018. The project is currently under construction and is projected to be completed by the end of January 2020. This project is funded in part from the 2012 (formerly 2004) bonds and unrestricted fund balance.

Construction of Contract 14-1 Emergency Generator Project (awarded in December 2014) continued through 2018 and is expected to be completed by April 2019. There are several punch list items that need

to be completed prior to final payment and project closeout. This project is funded under the 2015 New Jersey Environmental Infrastructure Financing Program (NJEIFP).

Contract 16-1 Dewatered Sludge Handling Pump Replacement Project is approximately 90% complete. The remaining work on this project is the installation of valves and piping. The valves have a long lead time and therefore this project is expected to be completed by mid-year 2019. This project is being funded under the NJEIFP.

The design of new effluent filters (due to the condition of the existing filter components, piping and valves) and ultraviolet (UV) disinfection system (for compliance with the NJDEP discharge permit disinfection byproducts requirements) for the River Road Wastewater Treatment Plant was awarded in 2018 and will be completed in 2019. It is anticipated that this project will be funded under the New Jersey Waster Bank (NJWB), formerly known as the New Jersey Environmental Infrastructure Program (NJEIFP).

The Small Capital Projects awarded/completed in 2018 included:

- Design of the Millstone Pump Station Odor Abatement Project was completed
- Award of Contract 18-1 Hopewell Wastewater Treatment Plant (WWTP) Primary Tank Sludge Collector Replacement Project
- Design and Construction for the River Road WWTP Commercial Power Protection Project was completed

Our plan is to primarily fund large capital projects over the next three to four years with the proceeds of the 2012 bond issue, unrestricted retained earnings, and the New Jersey I-Bank. Some of the capital projects identified are the result of NJDEP mandates for phosphorous removal, new permit discharge limits, improvements due to condition associated with age, redundancy, and resiliency. Projects include the improvements to the River Road WWTP filtration and disinfection system and the upgrade/improvements to the Hopewell WWTP.

Overview of Annual Financial Report

Management's Discussion and Analysis ("MD&A") serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes to Net Position; a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. This statement presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information includes the comparison of the budget to actual revenues and expenses, as well as the schedule of amounts refundable to or receivable from individual participants.

Summary of Organization and Business

The Authority is a public body corporate and politic of the State and was created pursuant to the Sewerage Authorities Act by ordinances passed during 1971 by the Borough and Township of Princeton, the Township of West Windsor, the Borough of Pennington, the Borough of Hopewell and the Township of Hopewell, all of which are municipal corporations of the State located in the County of Mercer. By ordinance adopted on May 4, 1976, the Township of South Brunswick in the County of Middlesex, was empowered to become a voting member of the Authority and subsequently became part of the Authority's statutory district. On January 1, 2013 the Township of Princeton and the Borough of Princeton consolidated into one municipality known as Princeton.

The Authority has broad powers under the Act, including among others, the following: to sue and be sued; to enter into leases and contracts; to acquire property by any lawful means, including the exercise of the power of eminent domain; to hold, operate and administer its property; to issue its negotiable bonds and to secure their payment and rights of holders thereof under a bond resolution; to enter into contracts with municipalities for the treatment and disposal of sewage originating in such municipalities; to charge and collect Service Charges for the use of its facilities and to revise such Service Charges which the act requires to be such that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay punctually the principal of and interest on any bonds and to maintain reserves and sinking funds therefore as may be required by the terms of any contract with bondholders; and to make and enforce rules and regulations for the management of its business affairs.

The Authority is made up of one representative from each member municipality. Each representative is appointed by the Member municipality to a five-year term. Authority officers are elected by its Members for one-year terms on or after each February 1.

The River Road Wastewater Treatment Plant ("WWTP") began operation in 1978 while the upstream treatment facilities became operational in 1984. Upon completion of the River Road Plant, the Authority commenced operations and began diverting flows from existing facilities located in Princeton (formally Princeton Township) to the Authority's new facilities. The River Road Plant utilizes a two-stage activated sludge process for the treatment of wastewater. The facilities for wastewater treatment consist of screening, grit removal tanks, two stages of aeration and clarification, filtration, chlorination and

dechlorination and reaeration facilities. The River Road Plant's effluent discharges to the Millstone River and is in accordance with New Jersey Department of Environmental Protection (NJDEP) agency approved plans and discharge permits.

The Hopewell and Pennington WWTPs, also known as the upstream facilities, have identical treatment processes. The facilities for wastewater treatment consist of an influent bar screen, primary settling, aeration, secondary settling, filtration, chlorination, dechlorination and post aeration.

The Hopewell and Pennington WWTPs discharge to the Beden Brook and the Stony Brook, respectively and are in accordance with NJDEP approved plans and discharge permits. Sludge from all three of the Authority wastewater treatment plants is incinerated at the River Road Plant.

The Authority also owns several miles of interceptor sewers, three pumping stations and associated force mains. Each Participant Municipality is responsible for the maintenance of its own wastewater collection and distribution system.

The River Road WWTP currently provides service to Princeton, West Windsor Township, a portion of South Brunswick Township, and through South Brunswick, the western part of Plainsboro Township. (Plainsboro Township is neither a Participant nor a Member). The existing upstream facilities currently provide service to Hopewell Borough, Pennington Borough, and a limited portion of Hopewell Township through Pennington Borough. A member customer service contract has been executed between the Authority and Hopewell Township for another limited area in Hopewell Township served by the Authority's Hopewell WWTP.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning.

CONDENSED FINANCIAL STATEMENTS

CONDENSED STATEMENT OF NET POSITION

	November 30,		Variance	
	2018	2017	Dollars	Percentage
Assets and Deferred Outflows of Resources:				
Current Assets	\$ 22,791,556	\$ 20,343,085	\$ 2,448,471	12.04%
Property, Plant and Equipment - Net	47,511,738	46,317,621	1,194,117	2.58%
Deferred Outflows of Resources	2,655,085	2,630,072	25,013	0.95%
Total Assets and Deferred Outflows of Resources	\$ 72,958,379	\$ 69,290,778	\$ 3,667,601	5.29%
Liabilities and Deferred Inflows of Resources:				
Current Liabilities	\$ 3,704,938	\$ 2,526,483	\$ 1,178,455	46.64%
Non-Current Liabilities	31,734,605	30,566,958	1,167,647	3.82%
Deferred Inflows of Resources	3,194,532	2,202,541	991,991	45.04%
Total Liabilities and Deferred Inflows of Resources	38,634,075	35,295,982	3,338,093	9.46%
Net Position:				
Restricted and Net Investment in	\$ 32,397,362	\$ 32,073,447	\$ 323,915	1.01%
Unrestricted	1,926,942	1,921,349	5,593	0.29%
Total Net Position	34,324,304	33,994,796	329,508	0.97%
Total Liabilities and Net Position	\$ 72,958,379	\$ 69,290,778	\$ 3,667,601	5.29%

CONDENSED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	November 30,		Variance	
	2018	2017	Dollars	Percentage
Operating Revenues:				
Service Charges	\$ 12,923,320	\$ 12,735,414	\$ 187,906	1.48%
Septage, Sludge and Leachate	2,556,267	2,918,729	(362,462)	-12.42%
Other	73,612	35,157	38,455	109.38%
Total Operating Revenues	15,553,199	15,689,300	(136,101)	-0.87%
Operating Expenses:				
Operations and Maintenance	11,198,668	11,598,318	(399,650)	-3.45%
Depreciation	3,929,434	3,160,867	768,567	24.32%
Total Operating Expenses	15,128,102	14,759,185	368,917	2.50%
Operating Income	425,097	930,115	(505,018)	-54.30%
Non-Operating Revenues/(Expenses)	(95,589)	(787,618)	692,029	-87.86%
Change in Net Position	329,508	142,497	187,011	131.24%
Net Position - Beginning of Year, as	33,994,796	33,852,299	142,497	0.42%
	-	-	-	-
Net Position - Beginning of Year, as	33,994,796	33,852,299	142,497	0.42%
Net Position - End of Year	\$ 34,324,304	\$ 33,994,796	\$ 329,508	0.97%

FINANCIAL STATEMENTS

STONY BROOK REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
NOVEMBER 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Unrestricted:		
Cash - Held by the Authority	\$ 6,988,106	\$ 6,510,594
Cash Equivalents - Held by:		
Authority	4,098,978	4,063,093
Trustee	3,125,514	1,260,448
Accounts Receivable	342,735	426,304
Prepaid Expenses	27,708	27,728
<u>Total Unrestricted Current Assets</u>	<u>\$ 14,583,041</u>	<u>\$ 12,288,167</u>
Restricted:		
Cash Equivalents - Held by:		
Trustee	\$ 5,493,318	\$ 7,078,261
Investments - Held by Trustee	-	599,263
NJEIT Funds Receivable	2,715,197	377,394
<u>Total Restricted Current Assets</u>	<u>\$ 8,208,515</u>	<u>\$ 8,054,918</u>
<u>Total Current Assets</u>	<u>\$ 22,791,556</u>	<u>\$ 20,343,085</u>
Unrestricted Assets - Long Term:		
Property, Plant and Equipment	\$ 141,510,542	\$ 136,439,954
Less: Accumulated Depreciation	93,998,804	90,122,333
Property, Plant and Equipment, Net	<u>47,511,738</u>	<u>46,317,621</u>
Deferred Outflows of Resources:		
Pension Related	2,655,085	2,630,072
<u>TOTAL ASSETS</u>	<u>\$ 72,958,379</u>	<u>\$ 69,290,778</u>

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

STONY BROOK REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
NOVEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES</u>		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable and Accrued Expenses	\$ 2,096,457	\$ 855,236
<u>Total Current Liabilities Payable From Unrestricted Assets</u>	<u>\$ 2,096,457</u>	<u>\$ 855,236</u>
Current Liabilities Payable from Restricted Assets:		
Construction Accounts Payable	\$ -	\$ 127,031
Unearned Principal Forgiveness	71,706	71,706
Interest Payable	183,483	141,783
Contractor Hauler Deposits	29,489	29,489
Current Portion of Long-term Debt	<u>1,323,802</u>	<u>1,301,238</u>
<u>Total Current Liabilities Payable From Restricted Assets</u>	<u>\$ 1,608,480</u>	<u>\$ 1,671,247</u>
<u>Total Current Liabilities</u>	<u>\$ 3,704,937</u>	<u>\$ 2,526,483</u>
Noncurrent Liabilities:		
Accrued Compensated Absences	\$ 386,502	\$ 354,640
Post-Retirement Health Benefits Payable	241,176	206,082
Total Long-Term Debt, Net of Current Maturities	21,664,755	19,283,343
Net Pension Liability	<u>9,442,173</u>	<u>10,722,893</u>
<u>Total Noncurrent Liabilities</u>	<u>\$ 31,734,606</u>	<u>\$ 30,566,958</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 35,439,543</u>	<u>\$ 33,093,441</u>
<u>Deferred Inflows of Resources</u>		
Pension Related	<u>\$ 3,194,532</u>	<u>\$ 2,202,541</u>
<u>Total Deferred Inflows of Resources</u>	<u>\$ 3,194,532</u>	<u>\$ 2,202,541</u>
Net Position:		
Invested in Capital Assets, net of Related Liabilities	\$ 27,238,378	\$ 26,110,434
Restricted	5,158,984	5,963,013
Unrestricted	<u>1,926,942</u>	<u>1,921,349</u>
<u>TOTAL NET POSITION</u>	<u>\$ 34,324,304</u>	<u>\$ 33,994,796</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>	<u>\$ 72,958,379</u>	<u>\$ 69,290,778</u>

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

STONY BROOK REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Members' Service Charges	\$ 12,923,320	\$ 12,735,414
Septage, Sludge and Leachate	2,556,267	2,918,729
Other	73,612	35,157
	<u>15,553,199</u>	<u>15,689,300</u>
<u>Total Operating Revenues</u>	\$ <u>15,553,199</u>	\$ <u>15,689,300</u>
Operating Expenses Exclusive of Depreciation	\$ <u>11,198,669</u>	\$ <u>11,598,318</u>
Operating Income Before Depreciation	\$ <u>4,354,530</u>	\$ <u>4,090,982</u>
Depreciation	\$ <u>3,929,434</u>	\$ <u>3,160,867</u>
<u>Operating Income</u>	\$ <u>425,096</u>	\$ <u>930,115</u>
Non-Operating Revenues (Expenses):		
Interest Earned on Investments	\$ 177,432	\$ 82,527
Interest Expense - Debt Service	(626,510)	(613,647)
Amortization of Bond Premium	125,113	131,991
Principal Forgiveness Earned	-	41,347
Post-retirement Health Benefits Expense	(35,094)	(42,094)
Pension Expense, Net	263,471	(387,742)
	<u>(95,588)</u>	<u>(787,618)</u>
<u>Total Non-Operating Revenues (Expenses)</u>	\$ <u>(95,588)</u>	\$ <u>(787,618)</u>
Net Income (Loss)	\$ 329,508	\$ 142,497
Net Position, Beginning of Year	\$ <u>33,994,796</u>	\$ <u>33,852,299</u>
Net Position, End of Year	\$ <u><u>34,324,304</u></u>	\$ <u><u>33,994,796</u></u>

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

STONY BROOK REGIONAL SEWERAGE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from Customers and Users	\$ 12,923,320	\$ 12,811,772
Receipts for Septage, Sludge and Leachate	2,639,836	2,974,095
Other Operating Receipts	73,612	35,157
Payments to Suppliers	(4,450,542)	(6,152,057)
Payments to Employees	<u>(5,525,294)</u>	<u>(5,467,779)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 5,660,932</u>	<u>\$ 4,201,188</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	\$ (5,250,583)	\$ (2,529,449)
Proceeds from the NJ Environmental Infrastructure Trust Loan Program	1,492,523	1,083,825
Principal Payments on Long-Term Debt	(1,301,237)	(1,662,646)
Interest Paid on Bonds	<u>(584,810)</u>	<u>(615,513)</u>
<u>Net Cash Used in Capital and Financing Activities</u>	<u>\$ (5,644,107)</u>	<u>\$ (3,723,783)</u>
<u>Cash Flows from Investing Activities</u>		
Sale (Purchase) of Investments	\$ 599,263	\$ (600,765)
Interest received	<u>177,432</u>	<u>82,581</u>
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>\$ 776,695</u>	<u>\$ (518,184)</u>
Net Increase (Decrease) in cash and cash equivalents	\$ 793,520	\$ (40,779)
Cash and Cash Equivalents, Beginning of Year	<u>\$ 18,912,396</u>	<u>\$ 18,953,175</u>
Cash and Cash Equivalents, End of Year	<u>\$ 19,705,916</u>	<u>\$ 18,912,396</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income	\$ 425,096	\$ 930,115
Depreciation	3,929,434	3,160,867
Changes in Operating Assets and Liabilities:		
Accounts Receivable	83,569	131,724
Prepaid Expenses	20	(721)
Accounts Payable and Accrued Expenses	1,190,951	13,346
Accrued Compensated Absences	<u>31,862</u>	<u>(34,143)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 5,660,932</u>	<u>\$ 4,201,188</u>

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

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(1) GENERAL

The Stony Brook Regional Sewerage Authority (Authority) was created to construct and operate a wastewater collection and treatment system to serve six municipalities in the Stony Brook watershed area of Mercer and Middlesex Counties, New Jersey. The Authority has entered into a service contract agreement with its member municipalities, obligating each participating municipality to the Authority for its proportionate share of the Authority's operating expenses, debt service and required reserve additions to the extent not met by other resources.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

Reporting Entity

The Authority's financial statements include the operations of the wastewater collection and waste-water treatment system for which the Board Members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by their respective municipalities. The Authority is not a component unit of any entity. The Authority is considered a joint venture of the participating governments. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Cash and Cash Equivalents

Cash equivalents are stated at cost which approximates market. The Authority considers investments with maturities of three months or less to be cash equivalents.

Investments

Investments are stated at fair value

Revenue

Revenue is derived from member service charges established to provide sufficient funds to cover operating expenses and debt service. Charges are based on member's sewerage flow into the system. Revenue is recognized when billed.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of wastewater treatment services. Non-operating revenues mainly consist of investment income and miscellaneous income. Non-operating expenses mainly consist of debt service interest and debt-related fees.

Accounting and Financial Reporting for Pensions

The Authority implemented GASB 68 in the Year 2015. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2015.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

The Authority has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, Authorities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has one item that qualifies for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Authority has one item that qualifies for reporting in this category, deferred amounts related to pensions.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

In accordance with the Bond Resolution and supplemental resolutions, the Authority has established various cash and investment accounts with a trustee. In addition, the Bond Resolution provides for certain restrictions on the use of funds in these accounts.

<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>USE FOR WHICH RESTRICTED</u>
Revenue	All revenue except grants-in-aid and interest on investments.	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts described below.
Bond Service	Amount needed to pay matured principal and interest plus principal and interest due on or before the following December 1 st .	Principal and interest on the bonds.
Bond Reserve	Amount needed to equal the greatest amount of debt service due in any fiscal year.	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the renewal and replacement account.
Renewal & Replacement	Amount needed to increase the balance to equal the renewal and replacement reserve requirement as defined by the resolutions.	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	Any amount determined by the Authority after meeting requirements of the bond service fund, the sinking fund, the bond reserve fund and the renewal and replacement fund.	Transfers to meet minimum levels required in the bond service, bond reserve, sinking fund or renewal and replacement accounts; if all accounts meet minimum requirements, then for any lawful purpose.
Sinking Fund	Beginning in 2004, the amount needed to increase the balance so that it equals the amount of sinking fund installments payable on the following December 1 st .	Principal and interest on bonds due on various dates through 2012.
Construction	Proceeds from bonds and grants-in-aid for construction projects.	Construction costs.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (continued)

In accordance with the terms of the bond resolutions, cash and investments of the bond service, bond reserve, renewal and replacement, and construction accounts are classified as restricted assets.

Accounts Receivable

The Authority's billing practices for service charges include billing its members quarterly based on the amount of flow received by the Authority in the previous year. The service charge includes a base charge for each member adjusted by the projected debt service. An annual billing adjustment between participants is made in the first quarter of the following year based on actual flow. Septage, sludge and leachate are billed monthly based upon usage. The Authority considers all accounts receivable to be fully collectible; no allowance for doubtful accounts is required.

Interest Income on Construction Account Investments

Interest income on deposits in the construction account is classified as a non-operating revenue and the related accrued interest receivable as a restricted asset, as the use of this income has been designated by resolution of the Authority to pay future construction costs.

Inventory

Inventory of supplies, estimated to be immaterial at year end, are recorded as an expense when purchased and accordingly, is not included in the financial statements.

Unamortized Bond Premium

Deferred bond premiums are being amortized over the life of the bond issue based on the effective interest method and are included in Bonds Payable, net of current maturities on the Statements of Net Position.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principal Forgiveness

The Authority entered into several loan agreements under the New Jersey Environmental Infrastructure Trust Financing Program that entitle the Authority to grants in the form of principal forgiveness. The principal forgiveness is being recognized as revenue as funds are expended and reimbursed under this category. As of November 30, 2018 and 2017, \$71,706 is remaining as unearned principal forgiveness on the Statements of Net Position.

Compensated Absences

The Authority provides compensated absences benefits to its employees. As of November 30, 2018 and 2017, the vested amounts were \$431,538 and \$453,824, respectively. These amounts are comprised of a long-term liability of \$386,502 and \$354,640, respectively, and \$45,036 and \$99,184, respectively, which are included in current liabilities as accounts payable and accrued expenses.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Equity is classified as Net Position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct construction costs, other expenditures related to construction and net interest expense on tax-exempt borrowings obtained to finance construction projects. Assets with a cost of more than \$5,000 are capitalized.

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

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

Treatment plan	25 – 40 years
Pumping Station	15 – 40 years
Collection System	40 years
Office Furniture and Equipment	5 – 15 years
Vehicles	5 years

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Details of property, plant and equipment as of November 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 911,690	\$ 911,690
Treatment Plant	96,840,185	96,840,185
Pumping Stations	10,453,799	10,453,799
Collection System	11,150,036	11,150,036
Office Furniture and Equipment	4,807,583	4,008,311
Automotive Equipment	756,904	809,868
Construction in Progress	<u>16,590,345</u>	<u>12,266,065</u>
	\$141,510,542	\$136,439,954
Less: Accumulated Depreciation	<u>93,998,804</u>	<u>90,122,333</u>
Net Property, Plant and Equipment	<u>\$ 47,511,738</u>	<u>\$ 46,317,621</u>

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director (Director) for approval prior to its adoption.

The budget must comply with the terms and provisions of loan agreements and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(4) CASH, CASH EQUIVALENTS AND INVESTMENTS

The components of cash and cash equivalents are summarized as follows:

	<u>Unrestricted</u>	<u>Restricted</u>
November 30, 2018:		
Cash and Cash Equivalents	<u>\$14,212,598</u>	<u>\$5,493,318</u>
November 30, 2017:		
Cash and Cash Equivalents	<u>\$11,834,135</u>	<u>\$7,078,261</u>

Cash on deposit is partially insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Governmental Unit Deposit Protection Act (NJGUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Authority does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of November 30, 2018, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk.

New Jersey Cash Management Fund

All investments in the New Jersey Cash Management Fund ("Fund") are governed by the regulations of the Investment Council which prescribes standards designed to insure the quality of investments and to minimize the risks related to investments. To date, the Fund has never defaulted on principal or interest on any short-term security held by its participants. Further, a reserve is being accumulated as additional protection for other than State participants. Finally, the Authority monitors eligible securities on a regular basis. As of November 30, 2018 and 2017, the Authority had \$2,095,248 and \$6,793,190, respectively, on deposit with the New Jersey Cash Management Fund.

(5) ACCOUNTS RECEIVABLE

Accounts Receivable at November 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Participants	\$ --	\$ --
Septage, Sludge and Leachate	<u>342,735</u>	<u>426,304</u>
	<u>\$342,735</u>	<u>\$426,304</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(6) PROPERTY PLANT & EQUIPMENT

Property Plant and Equipment is summarized as follows:

	<u>Balance</u> <u>Nov 30, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Nov 30, 2018</u>
Land	\$ 911,690			\$ 911,690
Treatment Plant	96,840,185			96,840,185
Pumping Stations	10,453,799			10,453,799
Collection System	11,150,036			11,150,036
Office Furniture & Equip	4,008,311	\$ 799,272		4,807,583
Automotive Equipment	809,868		\$ (52,964)	756,904
Construction in Progress	<u>12,266,065</u>	<u>4,324,280</u>	<u>---</u>	<u>16,590,345</u>
	\$136,439,954	\$5,123,552	\$ (52,964)	\$141,510,542
Less: Accumulated Depreciation	<u>90,122,333</u>	<u>3,929,434</u>	<u>(52,963)</u>	<u>93,998,804</u>
Net Property, Plant & Equip	<u>\$ 46,317,621</u>	<u>\$1,194,118</u>	<u>\$ (1)</u>	<u>\$ 47,511,738</u>

Construction in Progress consists of several projects in process which are largely funded through the New Jersey Environmental Trust Financing Program.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(7) LONG-TERM DEBT

A summary of long-term debt is as follows:

	<u>2018</u>	<u>2017</u>
2012 Revenue Refunding Bonds	\$ 6,375,000	\$ 6,655,000
2007 NJEIT Financing	2,646,932	2,922,053
2009 NJEIT/ARRA Financing	990,375	1,072,500
2010 NJEIT Financing	4,874,817	5,363,249
2015 NJEIT Financing	3,128,951	3,304,510
2017 NJEIT Interim Construction Financing	<u>3,830,326</u>	<u>---</u>
Total Debt	21,846,401	\$19,317,312
Less Current Maturities	(1,323,802)	(1,301,238)
Unamortized Bond Premiums	621,000	614,000
Unamortized Principal Savings Credits	<u>521,156</u>	<u>653,269</u>
Long Term Debt	<u>\$21,664,755</u>	<u>\$19,283,343</u>

Changes in bonds payable are as follows:

Bonds Payable beginning of year	\$19,317,312	\$21,007,958
Bonds Issued	3,830,326	--
Scheduled Repayments	(1,301,237)	(1,662,646)
Non-Cash Project Adjustments	<u>--</u>	<u>(28,000)</u>
Bonds Payable end of year	<u>\$21,846,401</u>	<u>\$19,317,312</u>

Principal payment requirements for the next five years are as follows:

2019	\$1,323,802
2020	1,340,926
2021	1,367,925
2022	1,406,864
2023	1,454,489

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(7) LONG-TERM DEBT (CONTINUED)

2004 Revenue Bonds

In 2004 the Authority issued \$8,865,000 of Revenue Bonds for the purpose of funding various projects and plant improvements. A portion, \$6,695,000, of these outstanding bonds were refunded at a lower rate on August 9, 2012. See note on the 2012 Refunding Bonds.

2012 Revenue Refunding Bonds

On August 2, 2012, the Authority issued \$7,000,000 in Revenue Refunding Bonds with an average interest rate of 3.03 percent to advance refund \$6,695,000 of outstanding 2004 Series Revenue Bonds with an average interest rate of 4.84 percent. The gross debt service savings totaled \$503,412 after payment of all issuance costs. On a present value basis, the debt service savings was \$317,965 or 4.75 percent of the refunded bonds. The refunding resulted in a net carrying amount difference of \$923,322 which is being amortized over a 27-month period and corresponds to the final maturity of the old bonds final payment which was made on December 1, 2015.

New Jersey Environmental Infrastructure Trust Loans (NJEIT)

2007 NJEIT Trust Fund Loan

In 2007, the Authority participated in the NJEIT Financing Program in the amount of \$5,515,000 to finance energy efficiencies to the sludge incineration facilities. This financing is comprised of: a Trust Loan which bears interest from 3.4% to 5.0% and a Fund Loan which bears no interest.

2009 NJEIT Trust Fund Loan

In 2009, the Authority participated in the NJEIT Financing Program in the amount of \$3,310,373 to finance the replacement of eight mechanical surface aerators located in the existing nitrification tanks. In addition, the project included replacement of the polymer and caustic chemical storage and feed systems for sludge processing and various appurtenance work.

This financing comprised of a Trust Loan in the amount of \$825,000 which bears interest from 2.0% to 5.0%, a Fund Loan in the amount of \$828,458 which bears no interest, and the American Recovery and Reinvestment Act (ARRA) which provides for principal forgiveness in the amount of \$1,656,915. The principal forgiveness portion is being recognized as revenue as the funds are expended and reimbursed. For the years ended November 30, 2018 and 2017, \$71,706 is reported as unearned principal forgiveness on the Statement of Net Position.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(7) LONG-TERM DEBT (CONTINUED)

2010 NJEIT Trust Fund Loan (Continued)

In 2010, the Authority participated in the NJEIT Financing Program in the amount of \$12,917,500 to finance the Headworks project. The project includes the construction of four new grit chambers and the installation of influent screens.

This financing is comprised a Trust Loan in the amount of \$6,220,000 (net of bond premium) which bears interest at 5.0%; a Fund Loan in the amount of \$4,107,500 which bears no interest; and principal forgiveness of \$2,500,000. The Fund Loan principal amortization reflects the principal forgiveness on a pro-rata basis over the life of the loan. On July 18, 2014, \$810,000 of these bonds were defeased by the Trust. This includes \$320,000 of year 2029 bonds and \$490,000 of year 2030 bonds. The interest savings from this defeasance is \$637,022.

2015 NJEIT Trust Fund Loan

In 2015, the Authority participated in the NJEIT Financing Program in the amount of \$3,650,628 to finance the Emergency Generator project. This project includes the installation of a natural gas emergency generator at the River Road Wastewater Treatment plant and the replacement of existing turbine emergency generators with new diesel emergency generators at both the Millstone and South Brunswick Pump Stations.

This financing is comprised of a Trust Loan in the amount of \$1,075,000 (net of bond premium) which bears interest from 4.0% to 5.0%; a Fund Loan in the amount of \$2,575,628 which bears no interest; and principal forgiveness in the amount of \$873,874. The Fund Loan principal amortization reflects the principal forgiveness on a pro-rata basis over the life of the loan.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(7) LONG-TERM DEBT (CONTINUED)

New Jersey Environmental Infrastructure Trust Loans (NJEIT) (Continued)

2017 NJEIT Long-Term Interim Financing

In 2017, for purposes of temporary/interim financing during construction, the Authority issued a non-interest bearing Note to the NJEIT in the amount of \$5,700,000 which is due May 1, 2020. The final cost estimates for the project loan were \$3,836,326. The Note represent funding for improvements to the Authority's Sludge Pumps.

Proceeds of the Notes are held by the NJEIT for the benefit of the Authority upon submission by the Authority of approved construction cost requisitions. The Authority expects to permanently finance these Notes through the NJEIT Financing Program. At the time of such permanent financing, the Authority expects to deliver a non-interest bearing bond to the State of New Jersey for approximately 75% of the amount of the Note and a bond bearing interest at the then current market rates for approximately 25% of the amount of the Note. Each bond is expected to be amortized on a level debt service basis for a period of not less than twenty (20) years and not more than thirty (30) years.

During the year ended November 30, 2018, a total of \$1,492,523 was drawn on these Notes towards project costs.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(8) RISK MANAGEMENT

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund ("Fund"). The Fund was created on September 15, 1991, in accordance with P.L. 1983, C.372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes." The Fund is both an insured and self-administered group of utility authorities established for the purpose of providing low cost insurance coverage and safety programs for the member utility authorities in order to keep insurance premiums, claims and administrative costs at a minimum.

The following coverages are offered by the Fund to its members:

- a. Worker's Compensation and Employer's Liability
- b. Liability other than Motor Vehicles
- c. Property Damage other than Motor Vehicles
- d. Motor Vehicle
- e. Environmental Liability
- f. Pubic Officials and Employment Practices Liability

The Joint Insurance Fund is also a member of The Municipal Excess Liability Joint Insurance Fund which provides excess insurance for worker's compensation and employer's liability.

A participating utility authority must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for non-payment of assessments or continued non-compliance after written notice to comply with the by-laws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's by-laws.

(9) AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the bond resolutions as of November 30, 2018:

	<u>Amount Required</u>	<u>Balance On Hand</u>	<u>Excess or (Deficiency)</u>
Bond Service Account	\$ 412,500	\$ 413,361	\$ 861
Bond Reserve Account	543,400	558,745	15,345
Renewal and Replacement Account	600,000	616,757	16,757

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(10) NET POSITION

The components of net position are as follows:

	<u>November 30</u>	
	<u>2018</u>	<u>2017</u>
Net Position:		
Invested in Capital Assets, net of related liabilities	\$27,238,378	\$26,110,434
Restricted:		
Bond Service	412,500	411,700
Bond Reserve	543,400	543,400
Renewal and Replacement	600,000	600,000
Capital Projects	<u>3,603,084</u>	<u>4,407,913</u>
Total Restricted	<u>\$ 5,158,984</u>	<u>\$ 5,963,013</u>
Unrestricted:		
Designated for Emergencies	\$ 1,318,808	\$ 1,000,000
Designated for Capital Projects	7,955,001	9,371,521
Designated for OPEB	241,176	206,082
Undesignated	3,398,322	2,066,639
Net Pension Liability	<u>(10,986,365)</u>	<u>(10,722,893)</u>
Total Unrestricted	<u>\$ 1,926,942</u>	<u>\$ 1,921,349</u>
Total Net Position	<u>\$34,324,304</u>	<u>\$33,994,796</u>

(11) DEFERRED COMPENSATION PLAN

The Authority offers its employees a Deferred Compensation Plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all eligible employees. The Plan permits employees to defer a portion of their salary before federal income tax. The deferred compensation is available to employees or their beneficiaries upon termination, retirement, death, or unforeseeable emergency.

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 records and accounts of the Authority as they are not the property or rights of the Authority.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(12) PENSION PLAN

All required full-time employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pensions and Benefits (Division). 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 financial statements and required supplementary information for the system. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or online at www.state.nj.ustreasury/pensions.

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision 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 of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials and part-time employees, effective July 1, 2007. Part-time employees that earn an annual salary of at least \$5,000 and work less than 35 hours per week are eligible to enroll in the New Jersey Defined Contribution Plan (DCRP). The DCRP is offered through the Prudential Retirement Insurance and Annuity Company. Employees contribute 5.5% of salary and the Authority contributes 3% of salary, for a total contribution of 8.5%. Membership is mandatory for such individuals with vesting occurring after one year of membership. The Authority has no employees enrolled in the DCRP.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the PERS system.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(12) PENSION PLAN (CONTINUED)

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS was changed. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30-year period and paid in level dollars. COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for PERS.

Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(12) PENSION PLAN (CONTINUED)

Contribution Requirements:

Three Year Trend Information for PERS

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2018	\$426,731	100%	\$426,731
2017	411,366	100%	411,366
2016	398,381	100%	398,381

DCRP Contributions

The Authority did not make DCRP contributions for the years ended November 30, 2018 and 2017.

(13) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At November 30, 2018, the Authority reported a net pension liability of \$9,442,173 for its proportionate share of the net pension liability. The total 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 July 1, 2017, which was rolled forward to June 30, 2018. 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 0.0479553700 percent, which was an increase of 0.0018916684 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$640,258 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2018 billing was \$426,731.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(13) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

At November 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions	\$3,019,105	\$1,555,914
Net difference between expected and actual experience	48,687	180,064
Net difference between projected and actual earnings on pension plan investments	88,568	--
Changes in proportion and differences between Authority contributions and proportionate share of contributions	38,172	442,106
Contributions subsequent to the measurement date	<u>\$3,194,532</u>	<u>\$2,178,084</u>

Other amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2019	\$146,321
2020	(9,945)
2021	(569,836)
2022	(483,183)
2023	<u>(99,805)</u>
	<u>(\$1,016,448)</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(13) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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 rolled forward to June 30, 2018. These actuarial valuations used the following assumptions:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age):		
Through 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.00 Percent

Preretirement 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. Postretirement 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The 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 the experience deviates, the larger the impact on future financial statements.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(13) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 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:

<u>Asset Class</u>	<u>June 30, 2018</u>	
	<u>Target_</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Fund	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(13) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% in both years and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	1% Decrease	June 30, 2018 At Current Discount Rate	1% Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Authority's proportionate share of the pension liability	\$11,872,445	\$9,442,173	\$7,403,331

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(14) RETIREE HEALTH BENEFIT COVERAGE

In 2013, the Authority adopted a single-employer defined benefit healthcare plan ("Plan"). In order to be eligible to receive retirement benefits under the Plan, the following conditions must be met:

- A. Retire with 25 or more years of service with the Authority for pension purposes.
- B. Retiree must be 55 years of age or older at the time of retirement

Retiree health benefits terminate when the retired employee is eligible for Medicare or dies. The maximum contribution by the Authority for retiree health benefits is \$7,000 per year, which serves as a reimbursement for insurance purchased by the retiree directly. As a result of implementing GASB Statement No. 45, Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans (OPEB), the Authority has hired an independent financial firm to calculate their annual OPEB costs and unfunded accrued liability as required by GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation – the Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the Plan:

	<u>2018</u>	<u>2017</u>
Annual Required Contribution	\$ 42,094	\$ 42,094
Payments to Retirees	<u>(7,000)</u>	<u>(7,361)</u>
Net other post-employment benefit obligation	35,094	34,733
Net other post-employment benefit, beginning of year	<u>206,082</u>	<u>171,349</u>
Net other post employment benefit, end of year	<u>\$241,176</u>	<u>\$206,082</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(14) RETIREE HEALTH BENEFIT COVERAGE

Methods and Assumptions:

- The only postemployment benefit offered by the SBRSA other than pensions is Retiree Health Benefit Coverage.
- All employees who meet the Retiree Health Benefit Coverage requirements will receive an annual payment of \$7,000 per year until the Employee is eligible for Medicare.
- Medicare eligibility begins at age 65.
- All employees will remain employed with SBRSA until they turn 55 years of age and complete 25 years of service.
- Annual earnings on funds deposited into an OPEB account would earn 4% per year (the average of the 20-year Treasury over the last 15 years).
- All eligible employees would receive the maximum Retiree Health Benefit Coverage.
- Employees are not covered by any other insurance.

The Authority had an actuarial valuation performed during the fiscal year ended November 30, 2016. In accordance with State requirements, the Authority will need to update their net other post-employment benefit obligation every three years. The authority currently has one retired employee receiving retirement benefits. The net OPEB obligation of the Authority to provide benefits to retirees for the years ended November 30, 2018 and 2017 is \$42,094 in each year. The Authority has funds set aside in unrestricted net position equal to the OPEB obligation.

(15) COMMITMENTS AND CONTINGENCIES

Commitments

The Authority has committed design and construction contracts outstanding at November 30 as follows:

	<u>2018</u>
Construction	\$ 8,787,779
Engineering	<u>92,323</u>
	<u>\$ 8,880,102</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

(16) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At November 30, 2018, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

(17) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through June 3, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF CHANGES IN UNRESTRICTED CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED NOVEMBER 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Held by Authority Operating Accounts	Held by Trustee		2018 Totals	Memo 2017 Totals
		Revenue Account	General Account		
Sources:					
Members' Service Charges	\$ 13,212,432	\$	\$	\$ 13,212,432	\$ 12,735,414
Members' Service Charges-prior year	18,455			18,455	357,707
Interest on Investments	21,690	4,963	19,753	46,406	46,273
Receipts from Septage, Sludge and Leachate Services	2,625,537			2,625,537	2,976,821
Investments Matured					
Miscellaneous Receipts	75,150			75,150	83,907
Transfers Within Other Unrestricted Accounts		415,666	3,355,986		-
Transfers from Restricted Accounts			(1,931,303)	(1,931,303)	(1,193,977)
Bond Refunding					
	<u>\$ 15,953,263</u>	<u>\$ 420,630</u>	<u>\$ 1,444,436</u>	<u>\$ 14,046,677</u>	<u>\$ 15,006,145</u>
Uses:					
Operations/Capital Expenditures	\$ 15,439,866	\$	\$	\$ 15,439,866	\$ 14,445,547
Transfers to Restricted Accounts				-	-
	<u>\$ 15,439,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,439,866</u>	<u>\$ 14,445,547</u>
Increase (Decrease)	\$ 513,397	\$ 420,630	\$ 1,444,436	\$ 2,378,463	\$ 560,598
Balance, Beginning of Year	10,573,687	3,350	1,257,098	11,834,135	11,273,537
Balance, End of Year	<u>\$ 11,087,084</u>	<u>\$ 423,980</u>	<u>\$ 2,701,534</u>	<u>\$ 14,212,598</u>	<u>\$ 11,834,135</u>
Balance Comprised Of:					
Cash	\$ 6,988,106	\$	\$	\$ 6,988,106	\$ 6,510,594
Cash Equivalents	4,098,978	423,980	2,701,534	7,224,492	5,323,541
Total	<u>\$ 11,087,084</u>	<u>\$ 423,980</u>	<u>\$ 2,701,534</u>	<u>\$ 14,212,598</u>	<u>\$ 11,834,135</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF CHANGES IN RESTRICTED CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED NOVEMBER 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Held by Trustee				2018 Total	2017 Total (Memo)
	Debt Service Account					
	Bond Service Account	Bond Reserve Account	Replacement Account	Construction Accounts		
Sources:						
Interest Received on Investments Credited to Income	\$ 595	\$ 7,145	\$ 6,945	\$ 79,440	\$ 94,125	\$ 42,697
Transfers Within Restricted Accounts	1,931,303				1,931,303	1,925,662
NJEIT Trust Loan						270,956
DEP Fund Loan						606,943
Principal Forgiveness					-	205,926
	<u>\$ 1,931,898</u>	<u>\$ 7,145</u>	<u>\$ 6,945</u>	<u>\$ 79,440</u>	<u>\$ 2,025,428</u>	<u>\$ 3,052,184</u>
Uses:						
Payment of Bond Interest Charged to Expenses	\$ 585,016	\$	\$	\$	\$ 585,016	\$ 682,763
Payment of Bond Principal	1,301,035				1,301,035	1,595,396
Payment of Trustee Fees	44,453				44,453	44,453
Transfer to Unrestricted Accounts		415,666		1,863,463	2,279,129	731,686
	<u>\$ 1,930,504</u>	<u>\$ 415,666</u>	<u>\$ -</u>	<u>\$ 1,863,463</u>	<u>\$ 4,209,634</u>	<u>\$ 3,054,298</u>
Increase (Decrease)	\$ 1,394	\$ (408,521)	\$ 6,945	\$ (1,784,023)	\$ (2,184,206)	\$ (2,114)
Balance, Beginning of Year	411,967	967,266	609,813	5,688,478	7,677,524	7,679,638
Balance, End of Year	<u>\$ 413,361</u>	<u>\$ 558,745</u>	<u>\$ 616,758</u>	<u>\$ 3,904,455</u>	<u>\$ 5,493,318</u>	<u>\$ 7,677,524</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND
COSTS FUNDED BY OPERATING REVENUES
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

	2018		2017	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Operating Revenues:				
Members Charges:				
Gross	\$ <u>12,923,320</u>	\$ <u>12,923,320</u>	\$ <u>12,735,414</u>	\$ <u>12,735,414</u>
Net Member Charges	\$ <u>12,923,320</u>	\$ <u>12,923,320</u>	\$ <u>12,735,414</u>	\$ <u>12,735,414</u>
Septage, Sludge and Leachate	\$ 2,350,000	\$ 2,556,267	\$ 2,500,000	\$ 2,918,729
Interest Income	20,000	177,432	20,000	82,527
Other	50,000	73,612	50,000	35,157
Retained Earnings	-	-	-	-
	\$ <u><u>15,343,320</u></u>	\$ <u><u>15,730,631</u></u>	\$ <u><u>15,305,414</u></u>	\$ <u><u>15,771,827</u></u>
Costs Funded by Operating Revenues:				
Salaries and Wages:				
Administrative	\$ 577,027	\$ 528,208	\$ 507,061	\$ 478,413
Operation and Maintenance	3,432,043	3,584,766	3,380,465	3,508,416
Benefits	1,565,432	1,444,182	1,486,827	1,446,807
	\$ <u><u>5,574,502</u></u>	\$ <u><u>5,557,156</u></u>	\$ <u><u>5,374,353</u></u>	\$ <u><u>5,433,636</u></u>
Administrative Expenses:				
Insurance	\$ 348,113	\$ 332,756	\$ 329,490	\$ 292,019
Seminars	16,481	5,706	12,888	7,233
Meetings and Travel	7,660	4,385	9,705	5,589
Telephone	58,921	60,160	51,122	57,119
Computer Payroll Service	16,472	10,909	9,859	10,367
Office Supplies	16,131	8,270	19,346	7,664
Data Processing Supplies	17,865	18,485	19,225	17,556
Service Contracts	145,545	92,869	121,367	96,218
Dues	15,604	14,960	16,211	15,642
Magazines, Books, Etc.	5,874	921	5,752	1,774
Postage	6,000	4,740	6,000	4,541
Advertising and Printing	5,250	4,098	3,600	4,962
Rental and Easements	13,524	15,440	13,524	18,337
Regulatory Fees and Permits	79,092	52,638	78,768	49,899
Miscellaneous	10,631	14,640	10,554	12,389
	\$ <u><u>763,163</u></u>	\$ <u><u>640,977</u></u>	\$ <u><u>707,411</u></u>	\$ <u><u>601,309</u></u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND
COSTS FUNDED BY OPERATING REVENUES
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

	2018		2017	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Operating and Maintenance Expenses:				
Fuel Oil and Natural Gas	\$ 708,695	\$ 706,649	\$ 722,013	\$ 778,234
Water	58,099	52,664	58,099	51,877
Electricity	1,945,124	1,456,052	2,056,794	1,519,029
Operating Chemicals	745,971	721,480	758,185	705,777
Maintenance Tools and Supplies	330,900	259,293	307,400	194,336
Janitorial Supplies	13,680	14,343	13,500	10,882
Laboratory Chemicals and Supplies	18,758	13,098	18,758	14,341
Uniforms	21,588	16,141	20,773	15,761
Training	35,340	21,625	41,385	27,437
Safety Equipment	62,871	35,978	60,197	36,141
Outside Lab Testing	28,542	35,196	28,542	21,307
Pretreatment Supplies	300	257	300	135
Ash and Sludge Hauling	497,551	342,402	446,585	358,118
Maintenance and Repairs	439,625	380,770	475,875	617,981
Operating Supplies	88,522	70,082	96,810	66,560
Buildings and Grounds	91,000	94,779	96,000	66,999
Spare Parts	351,850	223,587	292,250	289,745
Hazardous Waste Disposal	6,045	897	16,050	3,034
Medical Testing	8,280	5,873	5,005	5,428
Contingency for Fines	20,000	-	20,000	-
Minor Operational Improvements	251,987	189,008	191,588	149,447
	<u>\$ 5,724,728</u>	<u>\$ 4,640,176</u>	<u>\$ 5,726,109</u>	<u>\$ 4,932,569</u>
Vehicle Maintenance:				
Gas, Oil and Tires	\$ 27,904	\$ 17,699	\$ 34,875	\$ 21,368
Parts and Service	40,550	28,954	25,400	32,442
Vehicle Registration	2,800	2,391	2,800	2,464
	<u>\$ 71,254</u>	<u>\$ 49,044</u>	<u>\$ 63,075</u>	<u>\$ 56,274</u>
Professional Services:				
Legal and Audit	\$ 80,000	\$ 102,587	\$ 84,000	\$ 80,216
Trustee Services	32,955	35,705	32,955	35,455
Consultants - Other	358,950	173,024	494,700	458,859
	<u>\$ 471,905</u>	<u>\$ 311,317</u>	<u>\$ 611,655</u>	<u>\$ 574,530</u>
Total Operating Expenses	<u>\$ 12,605,552</u>	<u>\$ 11,198,669</u>	<u>\$ 12,482,603</u>	<u>\$ 11,598,318</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND
COSTS FUNDED BY OPERATING REVENUES
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

	<u>2018</u>		<u>2017</u>	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Capital Purchase Fund Contribution	\$ 850,000	\$ 850,000	\$ 600,000	\$ 600,000
Equipment Recorded as				
Property, Plant and Equipment	-	-	-	-
	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>
 Total Operating Expenses	 \$ 13,455,552	 \$ 12,048,669	 \$ 13,082,603	 \$ 12,198,318
 Debt Service Funded by Members	 <u>\$ 1,887,768</u>	 <u>\$ 1,887,768</u>	 <u>\$ 2,222,811</u>	 <u>\$ 1,891,292</u>
 Costs Funded by Operating Revenues	 <u>\$ 15,343,320</u>	 <u>\$ 13,936,437</u>	 <u>\$ 15,305,414</u>	 <u>\$ 14,089,610</u>
 Excess of Revenues over Expenditures		<u>\$ 1,794,194</u>		<u>\$ 1,682,217</u>

RECONCILIATION OF BUDGETARY BASIS TO NET INCOME

Budgetary Revenues over Expenses	\$ 1,794,194	\$ 1,682,217
Adjustments to Budgetary Basis:		
Depreciation	(3,929,434)	(3,160,867)
Debt Service Funded by Participants	1,887,768	1,891,292
Interest Expense	(626,511)	(613,647)
Capital Purchase Fund Contribution	850,000	600,000
Amortization of Bond Premium	125,113	131,991
Principal Forgiveness	-	41,347
Post Retirement Health Benefits Payable	(35,094)	(42,094)
Pension Expense, Net	263,472	(387,742)
Total Adjustments	<u>(1,464,686)</u>	<u>(1,539,720)</u>
Net Income GAAP Basis	<u>\$ 329,508</u>	<u>\$ 142,497</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF AMOUNTS REFUNDABLE TO OR RECEIVABLE FROM INDIVIDUAL MEMBERS FOR THE YEAR ENDED NOVEMBER 30, 2018

	PRINCETON	SOUTH BRUNSWICK TOWNSHIP	WEST WINDSOR TOWNSHIP	HOPEWELL BOROUGH	PENNINGTON BOROUGH	TOTAL
ACTUAL						
Operating Expenses	\$ 3,811,981	\$ 4,201,083	\$ 2,669,036	\$ 192,431	\$ 324,139	\$ 11,198,670
Capital Purchase Fund Contribution	289,336	318,870	202,585	14,606	24,603	850,000
Revenues - Septage Sludge and Leachate Receipts	(870,143)	(958,961)	(609,248)	(43,925)	(73,990)	(2,556,267)
Interest	(60,397)	(66,562)	(42,288)	(3,049)	(5,136)	(177,432)
Misc Revenue	(25,057)	(27,615)	(17,544)	(1,265)	(2,131)	(73,612)
Budget Balance To Retained Earnings	610,736	673,076	427,619	30,830	51,932	1,794,193
Debt Service Apportioned to Members	642,588	708,180	449,921	32,438	54,640	1,887,768
Total Base Charges (Dollar Amount)	\$ 4,399,044	\$ 4,848,071	\$ 3,080,081	\$ 222,066	\$ 374,058	\$ 12,923,320
Gallons Treated (Actual)	1,359,458,569	1,498,223,494	951,852,644	68,626,115	115,597,089	3,993,757,911
Total Base Charges (Percentage)	34.040%	37.514%	23.834%	1.718%	2.894%	100.000%
Debt Service Adjustment - Increase (Decrease)	(391,566)	189,961	198,581	12,308	(9,284)	-
Net Member Charges - Actual	\$ 4,007,478	\$ 5,038,032	\$ 3,278,662	\$ 234,374	\$ 364,774	\$ 12,923,320
BUDGET						
Operating Expenses	\$ 4,061,233	\$ 5,121,536	\$ 2,896,303	\$ 200,040	\$ 326,440	\$ 12,605,552
Capital Purchase Fund Contribution	273,851	345,348	195,299	13,489	22,012	850,000
Revenues - Septage Sludge and Leachate Receipts	(757,119)	(954,786)	(539,946)	(37,293)	(60,857)	(2,350,000)
Interest	(6,444)	(8,126)	(4,595)	(317)	(518)	(20,000)
Misc Revenue	(16,109)	(20,315)	(11,488)	(793)	(1,295)	(50,000)
Budget Balance From Retained Earnings	608,198	766,985	433,741	29,957	48,887	1,887,768
Total Base Charges (Dollar Amount)	\$ 4,163,611	\$ 5,250,643	\$ 2,969,314	\$ 205,083	\$ 334,669	\$ 12,923,320
Gallons Treated (budget)	1,111,540,273	1,401,740,047	792,704,306	54,750,000	89,345,073	3,450,079,699
Total Base Charges (Percentage)	32.218%	40.629%	22.976%	1.587%	2.590%	100.000%
Debt Service Adjustment - Increase (Decrease)	(391,566)	189,961	198,581	12,308	(9,284)	-
Net Member Charges - Budget / Paid.	\$ 3,772,045	\$ 5,440,604	\$ 3,167,895	\$ 217,391	\$ 325,385	\$ 12,923,320
Due (to) From Members at November 30, 2018	\$ 235,433	(402,572)	110,766	16,983	39,389	(0)
Allocation:						
Operation	\$ 201,042	(343,766)	94,586	14,502	33,635	(0)
Debt Service	34,391	(58,805)	16,180	2,481	5,754	-
Amount Due (Refund)	\$ 235,433	(402,572)	110,766	16,983	39,389	(0)

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO SCHEDULE OF AMOUNTS REFUNDABLE TO OR RECEIVABLE FROM
INDIVIDUAL MEMBERS

FOR THE YEAR ENDED NOVEMBER 30, 2018

(1) BASIS OF PRESENTATION

Five of the six member municipalities entered into an amended service contract dated November 1, 1977 with Stony Brook Regional Sewerage Authority ("Authority") for the treatment and disposal of sewage in return for the Authority constructing, operating, and maintaining the system. At the beginning of each year, the members are assessed user charges based on the current year's budgeted operating revenues and expenses allocated to the individual members by the Authority's projection based on the average of five prior years of flow. This allocation is then adjusted for actual flow received through year-end, and any additional charges or refunds necessary to or from the members are determined by the Authority and assessed in the year-end adjustment.

(2) METER CERTIFICATION AND CALIBRATION

The Authority's staff services and calibrates the billing meters monthly. On a quarterly basis, the Authority utilizes the services of W.G. Malden, Inc. to certify the flow meters at each of the metering stations. As a result of the monthly calibration and quarterly certification, adjustments to the meter data are made by the Authority's engineering staff. A monthly flow report is sent to all of the member communities showing the adjusted flows and describing any adjustments which were made.

(3) ALLOCATION OF PERCENTAGE

Allocation percentages are developed using actual flows measured by the meters installed at the member municipalities' meter stations. These flows are then adjusted for non-metered flow during meter breakdowns and any reallocations of flows experienced from having one member's meter station registering flows from another community. These percentages are then used to allocate actual revenues and expenditures to determine the amount refundable to or receivable from the individual members.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF BONDS PAYABLE - NOVEMBER 30, 2018

SERIES 2012 REVENUE BONDS

<u>YEAR OF MATURITY</u>	<u>TRUST LOAN PRINCIPAL</u>	<u>INTEREST RATE</u>
2019	\$ 285,000	4.00%
2020	305,000	4.00%
2021	315,000	4.00%
2022	325,000	4.00%
2023	340,000	4.00%
2024	355,000	4.00%
2025	370,000	4.00%
2026	385,000	4.00%
2027	400,000	4.00%
2028	415,000	4.00%
2029	430,000	4.00%
2030	450,000	4.00%
2031	470,000	4.00%
2032	490,000	4.00%
2033	510,000	4.00%
2034	<u>530,000</u>	4.00%
	\$ <u><u>6,375,000</u></u>	

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF BONDS PAYABLE - NOVEMBER 30, 2018

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2007 BONDS

<u>YEAR OF MATURITY</u>	<u>TOTAL</u>	<u>TRUST LOAN PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>FUND LOAN PRINCIPAL</u>
2019	\$ 284,686	\$ 137,000	4.00%	\$ 147,686
2020	289,810	143,000	4.00%	146,810
2021	293,809	148,000	5.00%	145,809
2022	303,747	157,000	5.00%	146,747
2023	313,373	166,000	4.25%	147,373
2024	324,577	176,000	4.50%	148,577
2025	327,075	181,000	4.50%	146,075
2026	308,855	191,000	4.50%	117,855
2027	<u>201,000</u>	<u>201,000</u>	4.25%	<u>-</u>
	\$ <u><u>2,646,932</u></u>	\$ <u><u>1,500,000</u></u>		\$ <u><u>1,146,932</u></u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF BONDS PAYABLE - NOVEMBER 30, 2018

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST/ARRA
SERIES 2009 BONDS

<u>YEAR OF MATURITY</u>	<u>TOTAL</u>	<u>TRUST LOAN PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>FUND LOAN PRINCIPAL</u>
2019	\$ 80,125	\$ 38,000	4.00%	\$ 42,125
2020	85,125	43,000	4.00%	42,125
2021	85,125	43,000	4.00%	42,125
2022	85,125	43,000	3.50%	42,125
2023	90,125	48,000	4.00%	42,125
2024	89,125	47,000	4.00%	42,125
2025	89,125	47,000	3.75%	42,125
2026	94,125	52,000	4.00%	42,125
2027	94,125	52,000	4.00%	42,125
2028	99,125	57,000	4.00%	42,125
2029	99,125	57,000	4.00%	42,125
	<u>\$ 990,375</u>	<u>\$ 527,000</u>		<u>\$ 463,375</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF BONDS PAYABLE - NOVEMBER 30, 2018

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010 BONDS

<u>YEAR OF MATURITY</u>	<u>TOTAL</u>	<u>TRUST LOAN PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>FUND LOAN PRINCIPAL</u>
2019	\$ 498,432	\$ 285,000	5.00%	\$ 213,432
2020	480,432	267,000	5.00%	213,432
2021	493,432	280,000	5.00%	213,432
2022	507,432	294,000	5.00%	213,432
2023	525,432	312,000	5.00%	213,432
2024	538,432	325,000	5.00%	213,432
2025	556,432	343,000	5.00%	213,432
2026	374,793	361,000	5.00%	13,793
2027	378,000	378,000	5.00%	-
2028	394,000	394,000	5.00%	-
2029	128,000	128,000	5.00%	-
	<u>\$ 4,874,817</u>	<u>\$ 3,367,000</u>		<u>\$ 1,507,817</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF BONDS PAYABLE - NOVEMBER 30, 2018

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2015 BONDS

<u>YEAR OF MATURITY</u>	<u>TOTAL</u>	<u>TRUST LOAN PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>FUND LOAN PRINCIPAL</u>
2019	\$ 175,559	\$ 40,000	5.00%	\$ 135,559
2020	180,559	45,000	5.00%	135,559
2021	180,559	45,000	5.00%	135,559
2022	185,559	50,000	5.00%	135,559
2023	185,559	50,000	5.00%	135,559
2024	190,559	55,000	5.00%	135,559
2025	190,559	55,000	5.00%	135,559
2026	195,559	60,000	5.00%	135,559
2027	195,559	60,000	4.00%	135,559
2028	200,560	65,000	4.00%	135,560
2029	200,560	65,000	4.00%	135,560
2030	205,560	70,000	4.00%	135,560
2031	205,560	70,000	4.00%	135,560
2032	210,560	75,000	4.00%	135,560
2033	210,560	75,000	4.00%	135,560
2034	<u>215,560</u>	<u>80,000</u>	4.00%	<u>135,560</u>
	\$ <u><u>3,128,951</u></u>	\$ <u><u>960,000</u></u>		\$ <u><u>2,168,951</u></u>

SCHEDULE "R-1"

STONY BROOK REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Measurement Date Ending June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0448029400%	\$ 8,562,732	3,109,936	275.33%	48.72%
2014	0.0447616970%	8,380,614	3,199,381	261.94%	52.08%
2015	0.0463378240%	10,401,913	3,154,616	329.74%	47.92%
2016	0.0463048860%	13,714,179	3,105,794	441.57%	40.13%
2017	0.0460637000%	10,722,893	3,347,769	320.30%	48.10%
2018	0.0479553700%	9,442,173	3,421,078	276.00%	46.40%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "R-2"

STONY BROOK REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Year</u> <u>Ending</u> <u>November 30,</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Authority's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2013	\$ 0	\$ 0	\$ -0-	\$ 3,109,936	0.00%
2014	337,581	337,581	-0-	3,199,381	10.55%
2015	369,099	369,099	-0-	3,154,616	11.70%
2016	398,381	398,381	-0-	3,105,794	12.83%
2017	411,366	411,366	-0-	3,347,769	12.29%
2018	451,988	451,988	-0-	3,421,078	13.21%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

STONY BROOK REGIONAL SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED NOVEMBER 30, 2018

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.58%) to the current measurement date (3.87%), resulting in a change in the discount rate from 5.00% to 5.66%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

NOVEMBER 30, 2018

<u>Authority Members</u>	<u>Position</u>
Robert A. Bartolini	Chair
Gale D. Downey	Vice Chair
C. Schuyler Moorehouse	Treasurer
Bharat Patel	Member
David A. Goldfarb	Member
Harry R. Compton	Member
<u>Other Officials</u>	<u>Position</u>
John V. Kantorek, PE	Secretary/Executive Director
Antonia Schurott-Pchola, PE	Assistant Executive Director
Jonathan Sears	Chief Financial Officer
Patricia Carlino	Assistant Secretary
Diane Alexander	Attorney

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOVEMBER 30, 2018

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
Stony Brook Regional Sewerage Authority
290 River Road
Princeton, New Jersey 08540

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 Stony Brook Regional Sewerage Authority as of and for the year ended November 30, 2018, and the related notes to the financial statements, which collectively comprise Stony Brook Regional Sewerage Authority's financial statements, and have issued our report thereon dated June 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stony Brook Regional Sewerage 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 Stony Brook Regional Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Stony Brook Regional Sewerage 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 Stony Brook Regional Sewerage Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 Stony Brook Regional Sewerage 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 Stony Brook Regional Sewerage Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 3, 2019

A handwritten signature in black ink, appearing to read "Suplee Clooney & Company". The signature is written in a cursive, flowing style.



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Board
Stony Brook Regional Sewerage Authority
290 River Road
Princeton, New Jersey 08540

Report on Compliance for Each Major Federal Program

We have audited the Stony Brook Regional Sewerage Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Stony Brook Regional Sewerage Authority's major federal programs for the year ended November 30, 2018. The Stony Brook Regional Sewerage Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Stony Brook Regional Sewerage Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Stony Brook Regional Sewerage Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

SUPLEE, CLOONEY & COMPANY

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Stony Brook Regional Sewerage Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Stony Brook Regional Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2018.

Report on Internal Control Over Compliance

Management of the Stony Brook Regional Sewerage Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Stony Brook Regional Sewerage Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Stony Brook Regional Sewerage Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

June 3, 2019



STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED NOVEMBER 30, 2018

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL C.F.D.A. NUMBER</u>	<u>GRANT PERIOD</u>	<u>PROJECT NUMBER</u>	<u>GRANT AWARD AMOUNT</u>	<u>2018 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES</u>
<u>Direct Programs</u> Department of Environmental Protection Agency Passed Thru: NJ Department of Environmental Protection	66.458	2017 - 2020	S340400-10	\$ 5,700,000	\$ 1,492,523	\$ 1,492,523

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED NOVEMBER 30, 2018

NOTE 1: GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of Stony Brook Regional Sewerage Authority (Authority). The Authority is defined in the Notes to the Authority's basic financial statements. All federal financial awards received directly from federal agencies, as well as federal financial awards passed through other governmental agencies, is included on the Schedule of Expenditures of Federal Awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's basic financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

NOTE 5: OTHER

Matching contributions expended by the Stony Brook Regional Sewerage Authority in accordance with terms of the various grants are not reported in the accompanying schedules.

STONY BROOK REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED NOVEMBER 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| (1) Type of Auditor's Report Issued: | Unmodified |
| (2) Internal Control Over Financial Reporting: | |
| (a) Material weaknesses identified? | No |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (3) Noncompliance material to the basic financial statements noted? | No |

Federal Program(s)

- | | |
|--|------------|
| (1) Internal Control Over Major Federal Programs: | |
| (a) Material weaknesses identified? | No |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) Type of Auditor's Report issued on compliance for major federal program(s)? | Unmodified |
| (3) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No |

(4) Identification of Major Federal Program(s):

<u>Program</u>	<u>Amounts Expended</u>
Department of Environmental Protection Agency; Passed Thru NJ Department of Environmental Protection	\$1,492,523

- | | |
|---|----|
| (5) Program Threshold Determination: | |
| Type A Federal Program Threshold \geq \$750,000.00 | |
| Type B Federal Program Threshold \geq \$187,500.00 < \$750,000.00 | |
| (6) Auditee qualified as a low-risk auditee under OMB Uniform Guidance? | No |

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED NOVEMBER 30, 2018

Section II - Financial Statement Audit - Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III - Findings and Questioned Costs Relative to Major Federal Programs

Federal Programs - None Reported

STONY BROOK REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED NOVEMBER 30, 2018

Federal Programs - None Reported

