

**SALEM COUNTY
IMPROVEMENT AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2018 and 2017**

SALEM COUNTY IMPROVEMENT AUTHORITY
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**SALEM COUNTY IMPROVEMENT AUTHORITY
ROSTER OF OFFICIALS
December 31, 2018**

The following officials were in office during the year ended December 31, 2018:

MEMBERS

Corydon Taylor
Susan Bestwick
Lewis Schneider
Barry Davis
Steven DiMatteo

POSITION

Chairperson
Vice Chairperson
Treasurer
Secretary
Alt. Secretary/Treasurer

OTHER OFFICIALS

Julie Acton
Mark Shoemaker, Esquire
John Cantalupo

Executive Director
Solicitor
Bond Counsel

SALEM COUNTY IMPROVEMENT AUTHORITY

PART I

FINANCIAL SECTION

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Salem County Improvement Authority
Alloway, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Salem County Improvement Authority, in the County of Salem, State of New Jersey, a component unit of the County of Salem (Authority), as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Salem County Improvement Authority, in the County of Salem, State of New Jersey as of December 31, 2018 and 2017 and the changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter***Prior Period Restatement***

Because of the correction of errors related to the calculation of grant revenues and grant receivables and the revision of costs associated with the landfill closure and post-closure cost calculation, beginning net position on the comparative statements of revenues, expenses and changes in net position has been restated for the year ended December 31, 2016, as discussed in note 15 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents 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 accompanying supplementary information, as listed in the table of contents, 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 21, 2019 on our consideration of the 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 solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
June 21, 2019

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

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Salem County Improvement Authority
Alloway, New Jersey

We have audited, in accordance with the 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 in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Salem County Improvement Authority, in the County of Salem, State of New Jersey, a component unit of the County of Salem (Authority), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 21, 2019. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the correction of errors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
June 21, 2019

**Salem County Improvement Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(UNAUDITED)**

The Salem County Improvement Authority (the Authority) is a public agency providing resource recovery, recycling, energy production, clean communities program support, solid waste disposal and management services and bond financing assistance for the County of Salem. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2018 and 2017.

FINANCIAL HIGHLIGHTS

- **Total Assets** - As of December 31, 2018, total assets were \$44,613,499.56, deferred outflows of resources were \$675,833.00 and after deducting liabilities of \$23,909,146.39 and deferred inflows of resources of \$870,328.00, net position equaled \$20,509,858.17. This is compared to year ended December 31, 2017 total assets, as restated, of \$42,690,665.68, deferred outflows of resources of \$765,202.00, total liabilities, as restated, of \$22,482,046.55, deferred inflows of resources of \$764,708 and net position, as restated, of \$20,209,113.13.
- **Total Operating Revenues** - 2018 operating revenues totaled \$7,814,871.20, which was an increase of \$1,391,058.07 from 2017 operating revenues, as restated, of \$6,423,813.13. The primary reason for the increase in revenue was a rate increase the Authority passed effective January 2018.
- **Total Operating Expenses** - 2018 operating expenses totaled \$7,539,051.14, which was an increase from 2017 operating expenses, as restated, of \$5,781,338.04. The main reason for the increase in expenditures was the result of additional expense related to the accrual of the liability of the landfill closure and post-closure costs.
- **Net Non-Operating Revenues (Expenses)** - In 2018, the Authority had net non-operating expenditures of \$8,575.02 compared to \$598,237.22 in net non-operating revenues, as restated, in 2017. This difference can be attributed to the cancellation of the payable that was assumed by the County of Salem in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditor's Reports, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental schedules.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority's assets, liabilities, deferred inflows and outflows of resources. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid. The comparative statements of revenues, expenses and changes in net position provide a breakdown of the various areas of revenues and expenses encountered during the current year. Net position – the difference between the Authority's assets, liabilities, deferred inflows and outflows of resources – is a measure of the Authority's financial health or position.

The comparative statement of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities; capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was \$20,509,858.17 on December 31, 2018. Total assets, total liabilities deferred outflow and inflows of resources and total net position are detailed below.

A significant portion of the Authority's net position (52.20%) represents its investment in capital assets (i.e. land, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position (0.10%) represents resources that are subject to external restrictions on how they can be used under state law. The remaining unrestricted net position (47.70%) may be used to meet the Authority's capital and ongoing obligations. Additionally the Authority's Board has internally designated a portion of the unrestricted net position for capital equipment and capital construction reserves.

COMPARATIVE STATEMENTS OF NET POSITION AS OF DECEMBER 31,

	<u>2018</u>	<u>2017</u> (Restated)	<u>2016</u> (Restated)
Assets			
Current Assets	\$ 17,504,557.64	\$ 16,774,418.11	\$ 17,951,902.41
Non-current Investments	8,061,399.30	6,524,973.62	3,409,233.20
Capital Assets (Net of Depreciation)	19,047,542.62	19,391,273.95	19,372,770.51
Total Assets	44,613,499.56	42,690,665.68	40,733,906.12
Deferred Outflows Of Resources	675,833.00	765,202.00	881,379.00
Liabilities			
Current Liabilities	1,716,529.12	910,881.69	1,690,137.97
Long Term Liabilities	22,192,617.27	21,571,164.86	20,661,103.33
Total Liabilities	23,909,146.39	22,482,046.55	22,351,241.30
Deferred Inflows Of Resources	870,328.00	764,708.00	455,643.00
Net Position			
Net Investment in Capital Assets	10,705,871.93	11,296,518.70	12,102,682.51
Restricted	16,605.61	13,607.65	12,375.68
Unrestricted	9,787,380.63	8,898,986.78	6,693,342.63
Total Net Position	\$ 20,509,858.17	\$ 20,209,113.13	\$ 18,808,400.82

FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u> (Restated)	<u>2016</u> (Restated)
Operating Revenues:			
Landfill Fees	\$ 7,413,810.70	\$ 6,085,598.39	\$ 5,397,515.95
State Grants	257,962.15	288,515.24	254,720.77
Other Operating Revenues	143,098.35	49,699.50	48,916.25
Total Operating Revenues	7,814,871.20	6,423,813.13	5,701,152.97
Operating Expenses:			
Administration	983,431.46	825,081.22	791,590.68
Cost of Providing Services	3,998,229.00	3,218,889.80	3,411,293.99
Landfill Closure and Post-Closure	1,271,812.99	573,298.40	419,904.49
Depreciation	1,285,577.69	1,164,068.62	1,233,843.52
Total Operating Expenses	7,539,051.14	5,781,338.04	5,856,632.68
Net Non-Operating Income (Expenses)	(8,575.02)	598,237.22	(104,758.71)
Capital Contributions	33,500.00	160,000.00	789,565.00
Change in Net Position	300,745.04	1,400,712.31	529,326.58
Net Position Beginning	20,209,113.13	18,808,400.82	16,619,294.07
Restatement	-	-	1,659,780.17
Net Position Beginning, As Restated	20,209,113.13	18,808,400.82	18,279,074.24
Change in Net Position	300,745.04	1,400,712.31	529,326.58
Net Position - Ending	\$ 20,509,858.17	\$ 20,209,113.13	\$ 18,808,400.82

OVERALL ANALYSIS & BUDGETARY HIGHLIGHTS

Overall, net position increased by \$300,745.04. The net increase was primarily the result of the rate increase that went into effect in January 2018. The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget is adopted on the accrual basis of accounting with cash provisions for bond principal. Significant variances between the original adopted budget and actual budget amounts fall within the two categories of favorable and unfavorable. The Authority overall experienced modest favorable and unfavorable variances in budgetary expenses with an overall favorable variance. There were no particular areas that suffered any unreasonable fluctuations when comparing budgeted and actual expenditures. Overall the Authority concluded the year with a net favorable operation appropriation variance of just over \$2.6 million.

DEBT ADMINISTRATION

The Authority made interest payments of \$102,418.75 on its outstanding capital lease payable during the period under audit. As of December 31, 2018, the Authority had \$1,345,000.00 capital lease payments outstanding with principal payments due until 2028.

The Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the construction of an additional landfill cell to provide additional capacity. As of December 31, 2018, the Authority had \$7,044,322.69 in outstanding loans payable with principal payments due until 2036.

The Authority originally issued \$48,449,000.00 in conduit debt financing. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying leases or mortgage loans. As of December 31, 2018, there is one series of County Guaranteed Revenue Refunding Bonds, two series of County Guaranteed Revenue Bonds and one series of City of Salem Guaranteed Revenue Bonds. The corresponding aggregate outstanding principal totaling \$20,760,000.00 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements. See Note 1 to the Notes to Financial Statements for a more detailed explanation of conduit debt.

OPERATIONS DIVISION

With the sale of the Nursing Home in May of 2011 and the Economic Development Division no longer being an operational function of the Authority, the Authority was advised to create an "Operations Division" to combine these two previous entities. The Operations Division was created with the understanding that it would be a "place holder" in the event that future business or discussions from previous business or financial situations might arise.

SOLID WASTE DIVISION

Solid waste markets have begun to stabilize after many counties in New Jersey, including Salem County, had instituted flow control on specified waste types in prior years. The Authority Board has continued to implement a business plan for the Solid Waste Division which included flow control in 2016, which aimed at capturing revenue originating in Salem County. The Authority has secured a stable and predictable base of solid waste generated within Salem County by offering competitive pricing and excellent customer service.

The Authority continues to accept beneficial and profitable waste streams from markets outside Salem County as well. The Authority has contracts with all municipalities and multiple customers with adjusted rates to reflect market conditions and bordering Counties pricing influence. Yearly review of all rates is performed and the Authority is sensitive to the market and bordering Counties pricing structure. Insuring there is an economic supportive structure in Salem County is of utmost concern for the Solid Waste Division.

The Authority received NJDEP approval in 2015 to extend the life of the landfill with the construction of Cell 11 to meet future waste disposal needs. In order to finance the cell expansion project, the Authority utilized funding from the New Jersey Infrastructure Trust Fund (NJEIT), which is in conjunction with the NJDEP. The Authority issued a loan through the NJEIT that consisted of \$5,695,088 in an interest free fund loan and \$1,870,000 in interest bearing bonds. The rates on the interest bearing portion of the loan range from 3% to 5%. The expansion project was completed 2017 and the Authority made principal payments of \$354,580.74 on the loan in 2018.

In conjunction with the New Jersey Clean Energy Program, the Authority's capital program also includes clean energy upgrades over the next few years. Some of the equipment in the Administration and Operations buildings are nearing the end of their useful lives. Rather than just replacing equipment when it breaks down, the Authority has been proactively researching more energy efficient procedures and equipment that will allow the Authority to reduce energy consumption and thereby reduce the environmental impact of operations. The beginning of this clean energy program was the replacement of lighting fixtures and the HVAC system with more modern energy efficient technologies.

SOLID WASTE DIVISION (CONT'D)

Along with the clean energy upgrades, the Authority has partnered with businesses to ship agriculture plastic mulch overseas in order for them to be recycled. Along with the benefits of recycling, there is an added benefit of reducing the amount of waste in the landfill and thereby extending its useful life. The Authority is required to pay the shipping costs of the plastics however, they are paid from State recycling grant funds and there is no net cost to the Authority.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Salem County residents, investors, clients and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Julie Acton, Executive Director, Salem County Improvement Authority, PO Box 890, 52 McKillip Road, Alloway, New Jersey 08001-0890, by e-mail: jacton@scianj.org, by phone 856-935-7900 ext. 15, or the Authority website at scianj.com.

BASIC FINANCIAL STATEMENTS

SALEM COUNTY IMPROVEMENT AUTHORITY

Comparative Statements of Net Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 2,974,421.96	\$ 4,005,617.83
Investments	7,880,510.01	5,800,903.41
Service Fees Receivable, Net of an Allowance for Doubtful Accounts of \$2,479.54 in 2018 and \$1,414.07 in 2017	575,647.96	409,328.01
Accrued Interest Receivable	70,611.90	
Total Unrestricted Assets	<u>11,501,191.83</u>	<u>10,215,849.25</u>
Restricted Assets:		
Cash and Cash Equivalents	203,792.16	211,888.98
Investments	5,136,253.67	5,403,569.34
NJEIT Loan Receivable	477,257.00	780,134.00
Grant Receivable	143,320.00	143,320.00
Accrued Interest Receivable	42,742.98	19,656.54
Total Restricted Assets	<u>6,003,365.81</u>	<u>6,558,568.86</u>
Total Current Assets	<u>17,504,557.64</u>	<u>16,774,418.11</u>
Noncurrent Assets:		
Unrestricted Assets:		
Investments	1,998,398.50	1,295,268.40
Restricted Assets:		
Investments	6,063,000.80	5,229,705.22
Capital Assets:		
Capital Assets, net of Accumulated Depreciation	19,040,897.62	12,961,492.50
Construction in Progress	6,645.00	6,429,781.45
Total Capital Assets	<u>19,047,542.62</u>	<u>19,391,273.95</u>
Total Noncurrent Assets	<u>27,108,941.92</u>	<u>25,916,247.57</u>
Total Assets	<u>44,613,499.56</u>	<u>42,690,665.68</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Pensions	<u>675,833.00</u>	<u>765,202.00</u>

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY

Comparative Statements of Net Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable - Operating	\$ 646,267.62	\$ 231,787.31
Accounts Payable - Capital	396,105.00	14,493.08
Accounts Payable - Related to Pensions	94,126.00	81,910.00
Payroll Taxes Payable	53.21	5,855.23
Accrued Wages	19,970.73	18,603.82
Accrued Interest Payable	33,915.54	36,228.37
Unearned Revenue	35,343.61	52,423.14
Intergovernmental Loan - Current Portion	11,166.67	
NJEIT Loan Payable - Current Portion	359,580.74	354,580.74
Capital Lease Payable - Current Portion	120,000.00	115,000.00
Total Current Liabilities	<u>1,716,529.12</u>	<u>910,881.69</u>
Noncurrent Liabilities:		
Landfill Closure and Post-Closure Costs	12,235,746.30	10,963,933.31
Compensated Absences Payable	114,520.69	117,227.12
Net Pension Liability	1,863,212.00	2,058,234.00
Accrued Liabilities - Related to Pensions	47,063.00	40,955.00
Intergovernmental Loan - Noncurrent Portion	22,333.33	
NJEIT Loan Payable - Noncurrent Portion	6,684,741.95	7,045,815.43
Capital Lease Payable - Noncurrent Portion	1,225,000.00	1,345,000.00
Total Noncurrent Liabilities	<u>22,192,617.27</u>	<u>21,571,164.86</u>
Total Liabilities	<u>23,909,146.39</u>	<u>22,482,046.55</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Pensions	<u>870,328.00</u>	<u>764,708.00</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	10,705,871.93	11,296,518.70
Restricted:		
Unemployment Trust	16,605.61	13,607.65
Unrestricted	<u>9,787,380.63</u>	<u>8,898,986.78</u>
Total Net Position	<u>\$ 20,509,858.17</u>	<u>\$ 20,209,113.13</u>

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

SALEM COUNTY IMPROVEMENT AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
Operating Revenues:		
Landfill Fees	\$ 7,413,810.70	\$ 6,085,598.39
State Grants	257,962.15	288,515.24
Other Revenues	<u>143,098.35</u>	<u>49,699.50</u>
Total Operating Revenues	<u>7,814,871.20</u>	<u>6,423,813.13</u>
Operating Expenses:		
Administrative:		
Salaries and Wages	246,725.50	267,992.13
Employee Benefits	139,470.34	155,075.36
Other Expenses	597,235.62	402,013.73
Cost of Providing Service:		
Salaries and Wages	492,701.76	461,259.27
Employee Benefits	227,778.10	212,600.38
Other Expenses	3,277,749.14	2,545,030.15
Landfill Closure and Post-Closure	1,271,812.99	573,298.40
Depreciation	<u>1,285,577.69</u>	<u>1,164,068.62</u>
Total Operating Expenses	<u>7,539,051.14</u>	<u>5,781,338.04</u>
Operating Income	<u>275,820.06</u>	<u>642,475.09</u>
Non-Operating Revenues (Expenses):		
Investment Income Including Net Realized and		
Unrealized Gains (Losses) on Investments	302,038.16	154,307.53
Interest Expense	(98,613.18)	(80,522.39)
Contribution to County of Salem	(212,000.00)	(250,438.00)
Cancellation of Payable Assumed by the County of Salem		708,022.13
Other Non-Operating Revenue		<u>66,867.95</u>
Total Non-Operating Revenues (Expenses)	<u>(8,575.02)</u>	<u>598,237.22</u>
Contributed Capital	<u>33,500.00</u>	<u>160,000.00</u>
Change in Net Position	<u>300,745.04</u>	<u>1,400,712.31</u>
Net Position Beginning of Year	20,209,113.13	17,245,554.69
Restatement (Note 15)	<u>-</u>	<u>1,562,846.13</u>
Net Position Beginning of Year, As Restated	20,209,113.13	18,808,400.82
Change in Net Position	<u>300,745.04</u>	<u>1,400,712.31</u>
Net Position at End of Year	<u><u>\$ 20,509,858.17</u></u>	<u><u>\$ 20,209,113.13</u></u>

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

SALEM COUNTY IMPROVEMENT AUTHORITY
 Comparative Statements of Cash Flows
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
Cash Flows From Operating Activities:		
Receipts from Customers and Users	\$ 7,230,411.22	\$ 6,124,902.58
Payments to Suppliers	(3,460,504.45)	(3,060,967.83)
Payments to Employees	(1,095,526.24)	(1,045,115.32)
Other Operating Receipts	<u>401,060.50</u>	<u>338,214.74</u>
Net Cash Provided by Operating Activities	<u>3,075,441.03</u>	<u>2,357,034.17</u>
Cash Flows From Non-Capital Financing Activities:		
County Appropriations	(212,000.00)	(250,438.00)
Other Non-Operating Receipts	<u>66,867.95</u>	<u>66,867.95</u>
Net Cash Used in Non-Capital Financing Activities	<u>(212,000.00)</u>	<u>(183,570.05)</u>
Cash Flows From Capital and Related Financing Activities:		
Interest Paid on Debt	(102,418.75)	(50,117.50)
Principal Paid on Debt	(469,580.74)	(308,053.83)
Capital Project Lease Receivable		521,480.70
Proceeds from Debt Issued	33,500.00	1,898,362.00
New Jersey Environmental Infrastructure Trust Receivable	302,877.00	554,674.00
Acquisitions of Capital Assets	<u>(526,734.44)</u>	<u>(1,900,594.89)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(762,356.93)</u>	<u>715,750.48</u>
Cash Flows From Investing Activities:		
Purchases of Investments	(14,648,196.57)	(9,389,845.47)
Receipts from the Maturity of Investments	11,206,894.50	3,997,782.84
Proceeds from Sales of Investments	81,187.37	
Investment Income Receipts	<u>219,737.91</u>	<u>141,460.27</u>
Net Cash Used for Investing Activities	<u>(3,140,376.79)</u>	<u>(5,250,602.36)</u>
Net Decrease in Cash and Cash Equivalents	(1,039,292.69)	(2,361,387.76)
Cash, Cash Equivalents and Investments at Beginning of Year	<u>4,217,506.81</u>	<u>6,578,894.57</u>
Cash, Cash Equivalents and Investments at End of Year	<u><u>\$ 3,178,214.12</u></u>	<u><u>\$ 4,217,506.81</u></u>

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY
Comparative Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
Reconciliation of Operating Income to Net Cash Flows Provided		
by Operating Activities:		
Operating Income	\$ 275,820.06	\$ 642,475.09
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	1,285,577.69	1,164,068.62
Pension Liability Expense - GASB 68	18,291.00	47,026.00
Changes in Assets and Liabilities:		
Service Fees Receivable	(166,319.95)	29,111.31
Accounts Payable	414,480.31	(113,923.95)
Accrued Salaries and Payroll Taxes	(4,435.11)	2,118.82
Unearned Revenue	(17,079.53)	10,192.88
Landfill Closure and Post-Closure Costs	1,271,812.99	573,298.40
Compensated Absences Payable	<u>(2,706.43)</u>	<u>2,667.00</u>
Net Cash Provided by Operating Activities	<u><u>\$ 3,075,441.03</u></u>	<u><u>\$ 2,357,034.17</u></u>

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

SALEM COUNTY IMPROVEMENT AUTHORITY
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Salem County Improvement Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("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 following is a summary of the more significant of these policies.

Reporting Entity

The Authority is a public body corporate and politic of the State of New Jersey and was originally created by a resolution of the Board of Chosen Freeholders of the County of Salem (the "County"), adopted in 1976, pursuant to the County Improvement Authority Law, Chapter 183 of the Pamphlet Laws of 1960, of the State of New Jersey, as amended and supplemented, ("The Act").

The Act empowers improvement authorities to provide within the County, public facilities, convention halls, equipment and facilities for public transportation, aviation facilities, garbage and solid waste systems, the improvement, furtherance and promotion of tourist industries and recreational attractiveness and planning and carrying out of redevelopment projects.

The Authority has five board members, appointed by the Salem County Board of Chosen Freeholders. One member is appointed each year for a five-year term.

The Authority is composed of two distinct divisions:

Operations Division

The Operations Division was created by resolution on September 11, 2014 and began operations on January 1, 2015. The Operations Division was created for the purpose of managing the payments and reimbursements of health benefit expenses of former retired employees of the dissolved Nursing Home Division. Subsequent to the creation of the Operations Division, the County of Salem assumed the responsibility to directly pay the health benefit expenses of former retired employees of the dissolved Nursing Home Division. This division also processes any activities outside of the scope of the Solid Waste Landfill Division.

Solid Waste Landfill Division

The Solid Waste Landfill Division is the former Salem County Utilities Authority, and came under the umbrella of the Salem County Improvement Authority effective April 1, 2009. The Salem County Utilities Authority was a public body corporate and politic of the State of New Jersey and was originally created as a utilities authority by an ordinance adopted in 1980 by the Board of Chosen Freeholders of Salem County. The Salem County Utilities Authority began operations on April 18, 1988 and was created for the purpose of constructing, maintaining and operating facilities for the disposal of solid waste generated throughout the County in an environmentally sound manner in conformance with the provisions of the New Jersey Solid Waste Management Act, consulting Chapter 326 of the Pamphlet Laws of 1983, of the State of New Jersey, implementing the Salem County Solid Waste Management plan, as amended and reviewing modifications to the plan.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Unit (Cont'd)**

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the County of Salem.

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (Operations and Solid Waste Landfill) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Landfill, convenience center and other fees are recognized as revenue when services are provided.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting (Cont'd)****Revenues -- Exchange and Non-Exchange Transactions (Cont'd)**

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current year and to adopt not later than the beginning of the Authority's year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, debt issue costs, debt discounts, debt premiums and deferred loss on defeasance are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted an amending budget resolution during the year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

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

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments (Cont'd)**

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventories

The cost of inventories of supplies are recorded as expenditures at the time the individual items are purchased. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable year end. The Authority had no prepaid expenses for the years ended December 31, 2018 and 2017.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$5,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Depreciation**

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Site and Building Improvements	5-21
Landfill Cells	3-12
Furniture and Equipment	3-20
Vehicles	5-8

Debt Premiums

Debt premiums arising from the issuance of long-term debt are amortized over the life of the loans, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Loan premiums are presented as an adjustment of the face amount on the loans.

Deferred Outflows and Deferred Inflows of Resources

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

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

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pensions

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from solid waste disposal and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the solid waste facility and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, investment expenses and contribution to the County of Salem.

Reclassifications

Certain balances as of December 31, 2017 have been reclassified to conform to December 31, 2018 presentation. Specifically, Net Position - Net Investment in Capital Assets was increased by \$737, 278.92 to \$11,296,518.70 and Unrestricted was decreased by the same amount to \$8,898,986.78.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies****Recently Issued and Adopted Accounting Pronouncements**

For the year ended December 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of this Statement had no impact on the Authority's financial statements.

Also, the Authority adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this Statement had no impact on the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the year ending December 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the year ending December 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement will become effective for the Authority in the year ending December 31, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The Statement will become effective for the Authority in the year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement will become effective for the Authority in the year ending December 31, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

Note 3: DETAIL NOTES - ASSETS**Cash and Cash Equivalents**

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule on the following page.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Cash and Cash Equivalents (Cont'd)**

As of December 31, 2018 and 2017, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Insured by FDIC	\$ 250,000.00	\$ 250,000.00
Insured by GUDPA	2,961,035.95	3,932,897.70
Uninsured and Uncollateralized	202,063.05	197,039.95
	<hr/>	<hr/>
Total	\$ 3,413,099.00	\$ 4,379,937.65
	<hr/>	<hr/>

Investments

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's \$21,078,162.98 as of December 31, 2018 and \$17,729,446.37 of December 31, 2017 investments in certificate of deposits, debt obligations of FNMA, FICO, FHLB, FFCB, FHLMC and US Treasury are held in the name of the Authority.

As of December 31, 2018 and 2017, the Authority's investment balances were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Insured by FDIC	\$ 10,442,204.00	\$ 10,388,221.90
Insured by GUDPA	6,029,401.44	2,808,599.32
Uninsured and Uncollateralized	4,606,557.54	4,532,625.15
	<hr/>	<hr/>
Total	\$ 21,078,162.98	\$ 17,729,446.37
	<hr/>	<hr/>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. More than 5.0% of the Authority's investments are in US Treasury securities. These investments represent 15.07% of the Authority's total investments.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

As of December 31, 2018 and 2017, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value Hierarchy Level *</u>	<u>Credit Rating</u>	<u>Fair Value Dec. 31, 2018</u>	<u>Fair Value Dec. 31, 2017</u>
US Treasury Notes	1/2/2018	Level 1	AAA		\$ 45,000.00
Zions Bancorporation CD	2/2/2018	Level 1	N/R		244,914.25
Financing Corporation	2/8/2018	Level 1	AAA		14,570.36
US Treasury Notes	2/15/2018	Level 1	AAA		59,363.23
Federal Home Loan Bank	3/19/2018	Level 1	AAA		44,842.54
TD Bank CD	3/19/2018	Level 1	N/R		1,003,077.26
US Treasury Notes	3/31/2018	Level 1	AAA		4,982.95
Wells Fargo Bank NA CD	4/20/2018	Level 1	N/R		44,959.50
US Treasury Notes	4/30/2018	Level 1	AAA		34,873.59
Franklin Bank CD	5/8/2018	Level 1	N/R		1,549,835.09
Bank of Hapoalim CD	5/11/2018	Level 1	N/R		244,718.25
Federal Farm Credit Bank	5/11/2018	Level 1	AAA		44,865.41
Bank of China CD	5/17/2018	Level 1	N/R		244,698.65
Regal Bank CD	5/17/2018	Level 1	N/R		446,695.86
Federal National Mortgage Association	5/21/2018	Level 1	AAA		39,858.44
Comenity Bank CD	5/23/2018	Level 1	N/R		244,566.35
Ally Bank CD	5/29/2018	Level 1	N/R		244,541.85
Enerbank USA CD	5/29/2018	Level 1	N/R		244,510.00
Merrick Bank CD	5/29/2018	Level 1	N/R		244,539.40
Wells Fargo Bank CD	6/1/2018	Level 1	N/R		194,625.60
Liberty National Bank CD	6/8/2018	Level 1	N/R		104,806.80
Bank Leumi CD	6/15/2018	Level 1	N/R		99,780.00
Safra National Bank CD	6/15/2018	Level 1	N/R		244,485.50
Wex Bank CD	7/9/2018	Level 1	N/R		244,353.20
Dmb Community Bank CD	7/16/2018	Level 1	N/R		244,348.30
Pacific Coast Bank CD	7/17/2018	Level 1	N/R		244,546.75
Capital One Bank CD	7/20/2018	Level 1	N/R		49,830.50
Independence Bank CD	7/23/2018	Level 1	N/R		244,149.85
Southwest National Bank CD	8/9/2018	Level 1	N/R		244,394.85
Banccentral NA CD	8/17/2018	Level 1	N/R		244,360.55
Triumph Bank CD	8/17/2018	Level 1	N/R		244,363.00
International Bank of Chicago CD	8/20/2018	Level 1	N/R		244,022.45
US Treasury Notes	8/31/2018	Level 1	AAA		49,693.82
BMO Harris Bank CD	9/21/2018	Level 1	N/R		243,821.55
Capital One NA CD	9/21/2018	Level 1	N/R		243,841.15
BMW Bank of NA CD	9/24/2018	Level 1	N/R		243,821.55
Federal National Mortgage Association	9/27/2018	Level 1	AAA		64,559.73
Customers Bank CD	9/28/2018	Level 1	N/R		243,794.60
Champlain Bank CD	10/9/2018	Level 1	N/R		244,213.55
Federal National Mortgage Association	10/19/2018	Level 1	AAA		39,712.40
Key Bank NA CD	10/26/2018	Level 1	N/R		243,581.45
American Bank Center CD	10/31/2018	Level 1	N/R		233,597.05
Midland St Bank CD	11/2/2018	Level 1	N/R		243,547.15
Town & Country Bank CD	11/5/2018	Level 1	N/R		243,956.30
US Treasury Bonds	11/15/2018	Level 1	AAA		95,455.76
American Express Centurian Bank CD	12/3/2018	Level 1	N/R		244,331.15
Everbank FL CD	12/7/2018	Level 1	N/R		244,186.60
Tbank CD	12/7/2018	Level 1	N/R		29,887.50
Regal Bank CD	12/19/2018	Level 1	N/R		558,991.11
Del Norte Bank CD	1/11/2019	Level 1	N/R	\$ 244,985.30	
US Treasury Notes	1/15/2019	Level 1	AAA	60,657.86	60,246.11
TD Bank CD	1/17/2019	Level 1	N/R	2,000,000.00	

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value Hierarchy Level *</u>	<u>Credit Rating</u>	<u>Fair Value Dec. 31, 2018</u>	<u>Fair Value Dec. 31, 2017</u>
Balance Carried Forward				\$ 2,305,643.16	\$ 11,264,718.85
Luther Burbank Savings Bank CD	1/18/2019	Level 1	N/R	244,982.85	
Stearns Bank CD	2/1/2019	Level 1	N/R	244,806.45	243,907.30
TCF National Bank CD	2/1/2019	Level 1	N/R	244,784.40	243,645.15
Worlds Foremost Bank CD	2/1/2019	Level 1	N/R	199,878.00	199,542.00
Charter Bank CD	2/14/2019	Level 1	N/R	244,718.25	243,848.50
State Bank of India CD	2/14/2019	Level 1	N/R	49,975.00	
State Bank of India CD	2/14/2019	Level 1	N/R	19,990.00	
US Treasury Bonds	2/15/2019	Level 1	AAA	38,965.01	41,814.21
US Treasury Notes	2/15/2019	Level 1	AAA		19,993.65
Federal National Mortgage Association	2/26/2019	Level 1	AAA	44,743.97	44,423.12
Minnwest Bank CD	3/4/2019	Level 1	N/R	74,970.75	
Citizens Bank CD	4/24/2019	Level 1	N/R	244,848.10	
US Treasury Notes	4/30/2019	Level 1	AAA	169,008.88	148,516.01
TD Bank CD	5/8/2019	Level 1	N/R	1,000,000.00	
US Treasury Notes	5/15/2019	Level 1	AAA	109,816.48	111,426.61
US Treasury Bonds	5/15/2019	Level 1	AAA	20,451.81	
Regal Bank CD	5/17/2019	Level 1	N/R	448,178.53	
Ponce De Leon Federal Bank CD	5/28/2019	Level 1	N/R	74,702.25	74,685.75
US Treasury Notes	5/31/2019	Level 1	AAA	139,140.17	138,711.77
State Bank of India CD	6/10/2019	Level 1	N/R	99,630.00	99,772.00
US Treasury Notes	6/30/2019	Level 1	AAA	223,602.75	223,023.54
US Treasury Notes	8/15/2019	Level 1	AAA	34,743.96	35,499.26
US Treasury Bonds	8/15/2019	Level 1	AAA		21,373.82
Federal Home Loan Mortgage Corporation	8/28/2019	Level 1	AAA	266,498.91	266,552.91
US Treasury Notes	8/31/2019	Level 1	AAA	98,686.19	98,575.19
Federal National Mortgage Association	9/12/2019	Level 1	AAA	44,490.87	44,642.97
Federal Home Loan Bank	9/12/2019	Level 1	AAA	39,580.50	
Federal Home Loan Bank	9/13/2019	Level 1	AAA		39,819.90
Mechanics Savings Bank CD	9/16/2019	Level 1	N/R	243,351.15	243,826.45
TD Bank CD	9/17/2019	Level 1	N/R	1,014,355.53	
US Treasury Notes	9/30/2019	Level 1	AAA	98,733.42	98,802.42
Federal National Mortgage Association	9/30/2019	Level 1	AAA	345,330.76	343,710.26
Capital One Bank CD	10/4/2019	Level 1	N/R	143,998.05	144,377.95
Federal National Mortgage Association	10/9/2019	Level 1	AAA	24,479.50	24,077.50
Federal Home Loan Bank	10/11/2019	Level 1	AAA	49,286.67	49,133.17
US Treasury Notes	10/15/2019	Level 1	AAA	177,363.07	
Federal National Mortgage Association	10/24/2019	Level 1	AAA	24,675.55	24,669.05
Federal Home Loan Mortgage Corporation	10/28/2019	Level 1	AAA	162,687.67	162,443.47
Morgan Stanley Bank CD	11/12/2019	Level 1	N/R	243,084.10	243,978.35
Bank of Baroda CD	11/13/2019	Level 1	N/R	244,941.20	
Blc Community Bank CD	11/13/2019	Level 1	N/R	244,007.75	
Sallie Mae Bank CD	11/22/2019	Level 1	N/R	243,106.15	244,157.20
Woodland Bank CD	11/25/2019	Level 1	N/R	242,853.80	243,684.35
US Treasury Notes	11/30/2019	Level 1	AAA	39,380.83	39,312.43
US Treasury Notes	11/30/2019	Level 1	AAA	99,076.37	99,611.37
Pacific City CD	12/16/2019	Level 1	N/R	59,483.40	59,765.40
Safra National Bank CD	12/16/2019	Level 1	N/R	245,095.55	
Federal Farm Credit Bank	12/16/2019	Level 1	AAA	34,517.82	34,555.27
Regal Bank CD	12/19/2019	Level 1	N/R	2,066,867.38	
Touchmark National Bank CD	12/30/2019	Level 1	N/R	243,250.70	244,936.30
US Treasury Notes	1/31/2020	Level 1	AAA	157,631.43	
US Treasury Bonds	2/15/2020	Level 1	AAA	36,136.56	38,720.61
Discover Bank CD	2/24/2020	Level 1	N/R	243,819.10	

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value Hierarchy Level *</u>	<u>Credit Rating</u>	<u>Fair Value Dec. 31, 2018</u>	<u>Fair Value Dec. 31, 2017</u>
Balance Carried Forward				\$ 13,454,350.77	\$ 15,944,254.07
US Treasury Notes	2/29/2020	Level 1	AAA	153,229.82	
Federal Home Loan Bank	3/13/2020	Level 1	AAA	35,199.55	36,194.60
Eaglebank CD	3/31/2020	Level 1	N/R	244,370.35	
Abbybank CD	4/13/2020	Level 1	N/R	244,162.10	
US Treasury Notes	4/30/2020	Level 1	AAA	155,981.20	
Partnership Bank CD	5/4/2020	Level 1	N/R	124,440.00	
Providence Bank CD	5/15/2020	Level 1	N/R	24,983.00	
Providence Bank CD	5/15/2020	Level 1	N/R	44,969.40	
US Treasury Bonds	5/15/2020	Level 1	AAA	16,074.79	17,232.04
US Treasury Notes	5/15/2020	Level 1	AAA	35,285.92	36,130.82
Enerbank USA CD	5/28/2020	Level 1	N/R	234,635.75	
Iberiabank CD	5/29/2020	Level 1	N/R	244,105.75	
Morgan Stanley CD	6/8/2020	Level 1	N/R	244,578.60	
Live Oak Bank CD	6/15/2020	Level 1	N/R	79,739.20	
Pinnacle CD	6/15/2020	Level 1	N/R	244,551.65	
Tompkins Trust CD	6/15/2020	Level 1	N/R	244,375.25	
Two River Community Bank CD	6/15/2020	Level 1	N/R	224,426.25	
Wx Bank CD	7/6/2020	Level 1	N/R	244,647.20	
Wells Fargo Bank CD	7/27/2020	Level 1	N/R	244,561.45	
First Republic Bank CD	8/3/2020	Level 1	N/R	244,340.95	
Stock Yards Bank & Trust CD	8/7/2020	Level 1	N/R	244,130.25	
Hanmi Bank CD	8/10/2020	Level 1	N/R	244,115.55	
US Treasury Bonds	8/15/2020	Level 1	AAA	21,296.96	22,800.96
US Treasury Notes	8/15/2020	Level 1	AAA	14,875.88	15,115.73
UBS Bank USA CD	8/28/2020	Level 1	N/R	244,419.35	
United Community Bank CD	8/28/2020	Level 1	N/R	244,840.75	
Bloomsdale Bank CD	8/31/2020	Level 1	N/R	244,007.75	
Great North Bank CD	8/31/2020	Level 1	N/R	244,007.75	
Country Bank Savings CD	11/9/2020	Level 1	N/R	244,943.65	
US Treasury Notes	11/15/2020	Level 1	AAA	24,969.54	25,371.54
Celtic Bank CD	11/16/2020	Level 1	N/R	244,914.25	
Federal National Mortgage Association	11/30/2020	Level 1	AAA	44,059.32	44,300.52
Ally Bank CD	12/28/2020	Level 1	N/R	179,454.60	
Citibank CD	12/28/2020	Level 1	N/R	244,492.85	
First Inet Bank CD	12/28/2020	Level 1	N/R	244,728.05	
Federal Home Loan Bank	2/18/2021	Level 1	AAA	43,739.30	43,784.75
Federal Farm Credit Bank	4/1/2021	Level 1	AAA	19,564.54	19,689.34
US Treasury Bonds	8/15/2021	Level 1	AAA	44,473.63	47,215.23
US Treasury Notes	11/30/2021	Level 1	AAA	117,866.10	118,851.30
US Treasury Strips	2/15/2022	Level 1	AAA	41,596.20	41,147.55
US Treasury Notes	3/31/2022	Level 1	AAA	58,404.54	58,760.34
US Treasury Notes	5/15/2022	Level 1	AAA	24,365.36	24,545.11
US Treasury Bonds	8/15/2022	Level 1	AAA	28,411.98	29,927.73
US Treasury Notes	8/15/2022	Level 1	AAA	9,643.26	9,706.36
Federal Home Loan Bank	12/9/2022	Level 1	AAA	48,436.99	49,227.49
US Treasury Notes	2/15/2023	Level 1	AAA	43,795.73	44,206.58
Federal Home Loan Bank	3/28/2023	Level 1	AAA	39,100.91	39,768.11
US Treasury Notes	5/15/2023	Level 1	AAA	106,380.40	107,072.30
US Treasury Bonds	8/15/2023	Level 1	AAA	28,464.50	29,699.75
US Treasury Notes	8/15/2023	Level 1	AAA	94,105.85	95,407.35
US Treasury Notes	11/15/2023	Level 1	AAA	80,624.34	81,904.34
US Treasury Notes	2/15/2024	Level 1	AAA	25,015.57	25,400.82
US Treasury Notes	5/15/2024	Level 1	AAA	99,530.93	100,831.93

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

<u>Investment</u>	<u>Maturity</u>	<u>Level *</u>	<u>Rating</u>	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Balance Carried Forward				\$ 20,465,785.58	\$ 17,108,546.67
Federal Home Loan Bank	6/14/2024	Level 1	AAA	40,194.04	41,103.24
US Treasury Notes	8/15/2024	Level 1	AAA	58,929.63	59,662.83
Federal Home Loan Bank	9/13/2024	Level 1	AAA	84,789.57	86,512.52
US Treasury Notes	11/15/2024	Level 1	AAA	19,605.09	19,843.69
US Treasury Notes	2/15/2025	Level 1	AAA	100,810.33	101,866.63
Federal Home Loan Bank	3/14/2025	Level 1	AAA	38,632.90	39,392.10
US Treasury Notes	5/15/2025	Level 1	AAA	92,222.38	93,313.93
US Treasury Notes	8/15/2025	Level 1	AAA	167,439.71	169,319.21
US Treasury Notes	11/15/2025	Level 1	AAA	9,753.74	9,885.54
				<u>\$ 21,078,162.98</u>	<u>\$ 17,729,446.37</u>

* Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs for the asset; they should be used only when the relevant Level 1 and Level 2 inputs are unavailable.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy that would further limit its exposure to credit risk.

Service Fees

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

<u>Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 410,742.08	\$ 7,413,810.70	\$ 7,246,425.28	92.61%
2017	439,820.24	6,085,598.39	6,114,676.55	93.71%
2016	526,627.66	5,397,515.95	5,484,323.37	92.58%

The Authority's policy for allowance for doubtful accounts is to review aging history periodically and deem accounts doubtful as necessary.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets**

During the year ended December 31, 2018, the following changes in Capital Assets occurred:

	Balance <u>Jan. 1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2018</u>
Capital Assets not being Depreciated					
Land & Land Improvements	\$ 1,339,663.90				\$ 1,339,663.90
Construction in Progress	6,429,781.45	\$ 407,060.86	\$ (6,830,197.31)		6,645.00
Total Capital Assets not being Depreciated	7,769,445.35	407,060.86	(6,830,197.31)	\$ -	1,346,308.90
Capital Assets being Depreciated					
Infrastructure	34,468,507.04		7,416,498.08		41,885,005.12
Buildings & Improvements	4,133,120.55		144,958.57		4,278,079.12
Equipment	6,252,420.47	534,785.50	(731,259.34)		6,055,946.63
Total Capital Assets being Depreciated	44,854,048.06	534,785.50	6,830,197.31	-	52,219,030.87
Total Capital Assets	52,623,493.41	941,846.36	-	-	53,565,339.77
Less Accumulated Depreciation	(33,232,219.46)	(1,285,577.69)	-	-	(34,517,797.15)
Capital Assets, Net	\$ 19,391,273.95	\$ (343,731.33)	\$ -	\$ -	\$ 19,047,542.62

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets (Cont'd)**

During the year ended **December 31, 2017**, the following changes in Capital Assets occurred:

	Balance <u>Jan. 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2017</u>
Capital Assets not being Depreciated					
Land & Land Improvements	\$ 1,339,663.90				\$ 1,339,663.90
Construction in Progress	5,797,724.89	\$ 632,056.56			6,429,781.45
Total Capital Assets not being Depreciated	7,137,388.79	632,056.56	\$ -	\$ -	7,769,445.35
Capital Assets being Depreciated					
Infrastructure	34,468,507.04				34,468,507.04
Buildings	4,133,120.55				4,133,120.55
Equipment	5,701,904.97	550,515.50			6,252,420.47
Total Capital Assets being Depreciated	44,303,532.56	550,515.50	-	-	44,854,048.06
Total Capital Assets	51,440,921.35	1,182,572.06	-	-	52,623,493.41
Less Accumulated Depreciation	(32,068,150.84)	(1,164,068.62)	-	-	(33,232,219.46)
Capital Assets, Net	\$ 19,372,770.51	\$ 18,503.44	\$ -	\$ -	\$ 19,391,273.95

Note 4: DETAIL NOTES – LIABILITIES**Long-term Liabilities**

During the year ended December 31, 2018 and 2017, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>Jan. 1, 2018</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable:					
NJEIT Loans	\$ 7,372,034.17		\$ (354,580.74)	\$ 7,017,453.43	\$ 359,580.74
Premium on Loan	28,362.00		(1,492.74)	26,869.26	
Intergovernmental		\$ 33,500.00		33,500.00	11,166.67
Total Loans Payable	7,400,396.17	33,500.00	(356,073.48)	7,077,822.69	370,747.41
Net Pension Liability	2,058,234.00	1,493,680.00	(1,688,702.00)	1,863,212.00	
Accrued Liabilities -					
Related to Pension	40,955.00	47,063.00	(40,955.00)	47,063.00	
Closure & Post Closure	10,963,933.31	1,271,812.99		12,235,746.30	
Capital Lease Payable	1,460,000.00		(115,000.00)	1,345,000.00	120,000.00
Compensated Absences	117,227.12	15,667.58	(18,374.01)	114,520.69	
Total Other Liabilities	14,640,349.43	2,828,223.57	(1,863,031.01)	15,605,541.99	120,000.00
Total Noncurrent Liabilities	\$ 22,040,745.60	\$ 2,861,723.57	\$ (2,219,104.49)	\$ 22,683,364.68	\$ 490,747.41

	<u>Balance</u> <u>Jan. 1, 2017</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2017</u> (Restated)	<u>Due Within</u> <u>One Year</u>
Loans Payable:					
NJEIT Loans	\$ 5,695,088.00	\$ 1,870,000.00	\$ (193,053.83)	\$ 7,372,034.17	\$ 354,580.74
Premium on Loan		28,362.00		28,362.00	
Total Loans Payable	5,695,088.00	1,898,362.00	(193,053.83)	7,400,396.17	354,580.74
Net Pension Liability	2,449,120.00	1,300,379.00	(1,691,265.00)	2,058,234.00	
Accrued Liabilities -					
Related to Pension	36,732.00	40,955.00	(36,732.00)	40,955.00	
Net OPEB Obligation	708,022.13		(708,022.13)		
Closure & Post Closure	10,390,634.91	573,298.40		10,963,933.31	
Capital Lease Payable	1,575,000.00		(115,000.00)	1,460,000.00	115,000.00
Compensated Absences	114,560.12	5,982.66	(3,315.66)	117,227.12	
Total Other Liabilities	15,274,069.16	1,920,615.06	(2,554,334.79)	14,640,349.43	115,000.00
Total Noncurrent Liabilities	\$ 20,969,157.16	\$ 3,818,977.06	\$ (2,747,388.62)	\$ 22,040,745.60	\$ 469,580.74

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust**

On May 25, 2017, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling \$7,565,088.00 for the construction of Cell 11 of the landfill. The Fund portion of the award is for \$5,695,088.00 and is interest free. The remaining Trust portion is for \$1,870,000.00 and carries interest rates varying from 3.0% to 5.0% with a final maturity due on August 1, 2036.

The following schedule reflects the loan maturities for NJEIT:

<u>Year Ending December 31,</u>	<u>Interest Free Loan Principal</u>	<u>Loan Principal</u>	<u>Total Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 289,580.74	\$ 70,000.00	\$ 359,580.74	5.00%	\$ 66,612.50	\$ 426,193.24
2020	289,580.74	70,000.00	359,580.74	5.00%	63,112.50	422,693.24
2021	289,580.74	75,000.00	364,580.74	5.00%	59,612.50	424,193.24
2022	289,580.74	80,000.00	369,580.74	5.00%	55,862.50	425,443.24
2023	289,580.74	85,000.00	374,580.74	5.00%	51,862.50	426,443.24
2024-2028	1,447,903.70	480,000.00	1,927,903.70	3.00% - 5.00%	197,862.50	2,125,766.20
2029-2033	1,447,903.70	565,000.00	2,012,903.70	3.00% - 3.125%	115,212.50	2,128,116.20
2034-2036	868,742.33	380,000.00	1,248,742.33	3.25% - 3.375%	25,350.00	1,274,092.33
	<u>\$5,212,453.43</u>	<u>\$1,805,000.00</u>	<u>7,017,453.43</u>		<u>\$635,487.50</u>	<u>\$ 7,652,940.93</u>
Current Maturities			(359,580.74)			
Premium on Bonds			<u>26,869.26</u>			
Long-Term Portion			<u>\$6,684,741.95</u>			

Intergovernmental Loan

On February 8, 2018, the Authority approved a loan from the Pollution Control Financing Authority of Salem County totaling \$33,500.00 for the acquisition of a global positioning system for the compactor. As part of the agreement, the Authority also received a grant of \$33,500.00 towards the acquisition. The loan carries interest rates varying from 1.75% to 2.25% with a final maturity due on August 1, 2021.

The following schedule reflects the loan maturities for the intergovernmental loan:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 11,166.67	1.75%	\$ 553.68	\$ 11,720.35
2020	11,166.67	2.00%	446.67	11,613.34
2021	<u>11,166.66</u>	<u>2.25%</u>	<u>251.25</u>	<u>11,417.91</u>
	33,500.00		<u>\$ 1,251.60</u>	<u>\$ 34,751.60</u>
Current Maturities	<u>(11,166.67)</u>			
Long-Term Portion	<u>\$ 22,333.33</u>			

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Compensated Absences**

Authority employees may accumulate unused sick time with no limit. Upon retirement, employees are compensated for accumulated sick leave and accumulated vacation time (upon board approval) at their current hourly rate times the number of hours accumulated, up to a maximum of \$15,000.00. The accrued liability for accumulated sick leave and vacation time at December 31, 2018 and 2017 is estimated to be in the amounts of \$114,520.69 and \$117,227.12, respectively.

Net Pension Liability

For details on the net pension liability, see the Pension Plans section below. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Lease Obligations

Capital Leases Payable - The Solid Waste Landfill Division of the Salem County Improvement Authority entered into a Capital Project Lease Agreement for the purpose of constructing and equipping a glass blowing facility to be utilized by the students of the Salem Community College and the residents of the County. The Salem County Improvement Authority financed the cost of the project through the issuance of its County-Guaranteed Lease Revenue Bonds (County Glass Blowing Project), Series 2008. These bonds were refunded on December 5, 2016 as County-Guaranteed Lease Revenue Refunding Bonds (County Glass Blowing Project), Series 2016.

The following schedule represents the remaining principal and interest payments, through maturity, for capital leases due by the Solid Waste Landfill Division of the Salem County Improvement Authority:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 120,000.00	2.25%	\$ 28,912.50	\$ 148,912.50
2020	120,000.00	2.25%	26,212.50	146,212.50
2021	125,000.00	2.25%	23,456.25	148,456.25
2022	125,000.00	2.25%	20,643.75	145,643.75
2023	135,000.00	2.25%	17,718.75	152,718.75
2024-2028	<u>720,000.00</u>	2.25%	<u>41,512.50</u>	<u>761,512.50</u>
	1,345,000.00		<u>\$158,456.25</u>	<u>\$ 1,503,456.25</u>
Current Maturities	<u>(120,000.00)</u>			
Long-Term Portion	<u>\$1,225,000.00</u>			

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Lease Obligations (Cont'd)**

Operating Leases - At December 31, 2018, the Authority had operating lease agreements in effect for copiers, a digital mailing system, postage machine and building rent.

Future minimum rental payments under operating lease agreements are as follows:

<u>Calendar Year</u>	<u>Amount</u>
2019	\$ 187,235.24
2020	187,235.24
2021	185,450.48
2022	184,835.24
2023	184,220.00
2024-2028	956,991.67
2029	49,560.00
	<u>\$ 1,935,527.87</u>

Rental payments under operating leases for year ended December 31, 2018 and 2017 were \$187,235.24 and \$187,043.00 respectively.

Pension Plans

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees participated in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- | | |
|---|--------------------------------------------------------------------------------------------|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010 |
| 4 | Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the years ended December 31, 2018 and 2017 was 13.09% and 11.13% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2018 was \$94,126.00, and was payable by April 1, 2019. Based on the PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$81,910.00, which was paid by April 1, 2018. Employee contributions to the Plan during the years ended December 31, 2018 and 2017 were \$53,535.12 and \$55,113.11, respectively.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the years ended December 31, 2018 and 2017, employee contributions totaled \$569.50 and \$1,599.01, respectively. The Authority recognized pension expense of \$405.24 and \$1,154.35 for the years ended December 31, 2018 and 2017, which equaled the required contributions. There were no forfeitures during the year.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS**

At December 31, 2018, the Authority's proportionate share of the net pension liability was \$1,863,212.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of 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. For the June 30, 2018 measurement date, the Authority's proportion was .0094629722%, which was an increase of .0006211543% from its proportion measured as of June 30, 2017.

At December 31, 2017, the Authority's proportionate share of the net pension liability was \$2,058,234.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. 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. For the June 30, 2017 measurement date, the Authority's proportion was .0088418179%, which was an increase of .0005725494% from its proportion measured as of June 30, 2016.

For the years ended December 31, 2018 and 2017, the Authority recognized pension expense of \$100,202.00 and \$120,488.00, respectively. These amounts were based on the plan's June 30, 2018 and 2017 measurement dates, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	Measurement Date June 30, 2018		Measurement Date June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 35,532.00	\$ 9,607.00	\$ 48,464.00	\$ -
Changes of Assumptions	307,026.00	595,756.00	414,663.00	413,143.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	17,477.00	14,015.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	286,212.00	247,488.00	247,105.00	351,565.00
Authority Contributions Subsequent to the Measurement Date	47,063.00	-	40,955.00	-
	<u>\$ 675,833.00</u>	<u>\$ 870,328.00</u>	<u>\$ 765,202.00</u>	<u>\$ 764,708.00</u>

The deferred outflows of resources related to pensions totaling \$47,063.00 and \$40,955.00 will be included as a reduction of the net pension liability in the years ended December 31, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2020 and April 1, 2019 contractually required contribution, prorated from the pension plans measurement date of June 30, 2018 and June 30, 2017 to the Authority's year end of December 31, 2018 and 2017.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 9,848.00
2020	(26,012.00)
2021	(129,963.00)
2022	(75,471.00)
2023	(19,960.00)
	<u>\$ (241,558.00)</u>

Actuarial Assumptions – PERS

The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018 and 2017. These actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

For the June 30, 2018 measurement date, 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 modified 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).

For the June 30, 2017 measurement date, 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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' and PFRS' target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018, the plans measurement date, calculated using a discount rate of 5.66%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 2,342,774.00</u>	<u>\$ 1,863,212.00</u>	<u>\$ 1,460,890.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 2,553,379.00</u>	<u>\$ 2,058,234.00</u>	<u>\$ 1,645,717.00</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Post-Employment Benefits**

During the year ended December 31, 2017, the County of Salem assumed the liability for all the former nursing home retired employees under the Authority. Prior to December 31, 2017, the County of Salem reimbursed each monthly payment for post employment health benefit costs.

With the County assumption of the liability, the Authority has no remaining obligations for post-employment benefits to any employees.

Note 5: DETAIL NOTES – CONDUIT DEBT OBLIGATIONS

To provide within the County, public facilities, convention halls, equipment and facilities for public transportation, garbage and solid waste systems, the improvement, furtherance and promotion of tourist industries and recreational attractiveness and the planning and carrying out of redevelopment projects, the Authority has issued certain debt bearing its name to lower the cost of borrowing for specific governmental or non-governmental third parties. This debt is commonly referred to as conduit (or non-commitment) debt. Typically, the debt proceeds are used to finance facilities within the Authority's jurisdiction that are transferred to the third party either by lease or by sale. The underlying lease or mortgage loan agreement, which serves as collateral for the promise of payments by the third party, calls for payments that are essentially the same as those required by the debt. These payments are made by the third-party directly to an independent trustee, who is appointed to service and administer the arrangement. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying leases or mortgage loans.

As of December 31, 2018, there were three series of Special Revenue Bonds outstanding. The corresponding aggregate principal totaling \$20,760,000.00 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements.

As of December 31, 2017, there were four series of Special Revenue Bonds outstanding. The corresponding aggregate principal totaling \$23,570,000.00 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements.

Note 6: INTERGOVERNMENTAL AGREEMENTS**Salem County Service Agreements**

In 1984, a service agreement was enacted between the Solid Waste Landfill Division (formerly the Salem County Utilities Authority) and the County of Salem. Section 301 of the agreement provides "Charges may and still at all times be such that the receipts of the Authority shall be sufficient to pay or provide for expenses of operation, repair and maintenance of the system including insurance, renewals and replacements and the cost of all enlargements and alterations of the system not otherwise provided for to pay the principal of and interest on any and all bonds or other obligations of the Authority as the same become due, and to repay to the County any deficiency advances made by the County to meet any deficits of the Authority by any participant or any other cause, and to provide and maintain such reserves or sinking funds, if required, for any of the foregoing purposes as provided by the terms of any contract or other obligation of the Authority."

Section 401 provides "On or before January 15 next following the close of each fiscal year, the Authority shall make and deliver to the Board of Chosen Freeholders of the County, a certificate, signed by its Chairman or Vice-Chairman and its Registered Municipal Accountant, stating the receipts and expenses to the Authority for the current fiscal year, and deficiency advances (if any) payable by the County to the Authority, for or with respect to the preceding and current fiscal year. Such deficiency advances shall be a sum of money equal to the excess (if any) of the expenses of the Authority for a fiscal year over the receipts of the Authority for such fiscal year".

Note 6: INTERGOVERNMENTAL AGREEMENTS (CONT'D)**Salem County Service Agreements (Cont'd)**

Section 402 provides "On or before May 1 of each fiscal year, the County will pay to the Authority the deficiency advances (if any) stated in the certificate delivered to the Board of Chosen Freeholders pursuant to Section 401 of this Article".

Since inception, the now Solid Waste Landfill Division of the Authority has filed annually with the County a statement of receipts and disbursements, for which no deficiencies have been noted.

Note 7: CONCENTRATIONS**Major Customers**

The revenues from three customers represent \$3,051,414.55 or 41.16% of the Authority's landfill fees.

Note 8: COMMITMENTS**Reserves**

The Authority has internally reserved \$423,870.93 of unrestricted net position for various capital purposes as of December 31, 2018. The Authority may spend from or undesignate these reserves at any time.

Note 9: DEFERRED COMPENSATION

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 10: DEFEASED DEBT

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds in a separate irrevocable trust fund. The investments and fixed interest earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the Authority's financial statements. As of December 31, 2018, the total amount of defeased debt outstanding, but removed from the Authority's financial statements, is \$1,325,000.00.

Note 11: CONTINGENCIES

Litigation - The Authority currently does not have any pending or threatened litigation.

Note 12: SOLID WASTE PLAN FLOW CONTROL AMENDMENT

The August 3, 2016 Amendment to the County Solid Waste Plan included a solid waste flow control requirement whereby the the Authority is designated as the only solid waste disposal facility for all solid waste types 10, 13, 13C, 23, 25, 27 and 27A generated within all municipalities by a resident, public, commercial, industrial or institutional establishment located within Salem County.

Note 13: RISK MANAGEMENT

The Authority is a member of the Statewide Insurance Fund (the "Fund"). The Fund provides the Authority with the following coverage:

Workers' Compensation and Employer's Liability
Liability other than Motor Vehicles
Property Damage other than Motor Vehicles
Motor Vehicles

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2018, which can be obtained from:

Statewide Insurance Fund
One Sylvan Way, Suite 100,
Parsippany, NJ 07054

Note 14: CLOSURE AND POST-CLOSURE COSTS

State and federal laws and regulations require the Authority to place a final cover on Solid Waste Landfill Division's landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The original funding plan for closure and post-closure costs of the landfill was developed and implemented at the Authority's inception and has since been revised. Government Accounting Standards Board Statement No. 18 requires the Authority to disclose specific information relevant to closure and post-closure costs including. Pursuant to Statement No. 18, the Authority directed its engineer to update the closure/post-closure plan along with the required financial schedules. This plan was completed and filed with the Authority on March 2, 1995, revised in December 1998, May 2006, May 2007, March 2009 and August 2015. The latest revision of August 2018 was received from the Engineer however has not yet been approved by the New Jersey Department of Environmental Protection.

Landfill Closure and Post-Closure Liability

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and postclosure care costs as an operating expense each year based on landfill capacity used as of each statement of net position date.

As of December 31, 2018, the Authority had an accrued liability for landfill closure and postclosure care of \$12,235,746.30. This liability represents the cumulative amount reported to date based on the estimate that the landfill is 49.97% filled. The Authority will recognize the remaining \$12,251,985.70 of estimated costs of closure and postclosure care as the remaining estimated capacity is filled. These amounts, from the August 2018 closure plan, are based on what it would cost to perform all closure and postclosure care in 2018.

As of December 31, 2017, the Authority had an accrued liability for landfill closure and postclosure care of \$10,963,933.31. This liability represents the cumulative amount reported to date based on the estimate that the landfill is 49.64% filled. The Authority will recognize the remaining \$11,122,854.58 of estimated costs of closure and postclosure care as the remaining estimated capacity is filled. These amounts, from the August 2015 closure plan, were based on what it would cost to perform all closure and postclosure care in 2015.

The Authority expects to close the landfill in the year 2046. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Note 14: CLOSURE AND POST-CLOSURE COSTS (CONT'D)**Assets Held In Trust**

The Authority is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Authority is in compliance with these requirements. At December 31, 2018 and 2017, The NJDEP and Alternative closure/post-closure fund restricted cash and investment balance is \$11,386,436.52 and \$10,823,927.48, respectively. These balances are reported as restricted on the comparative statements of net position. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The Authority's funding progress, which includes accumulated contributions and investment income at December 31, 2018 and 2017, and additional contributions and investment income subsequent to December 31, 2018 and 2017, (estimated) regarding the plan overall are as follows:

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
New Jersey Department of Environmental Protection and Energy Escrow Tax Account	\$ 4,789,843.62	\$ 4,671,892.82
Closure/Post-Closure Account Balance of the Authority	<u>6,596,592.90</u>	<u>6,152,034.66</u>
Subtotal	11,386,436.52	10,823,927.48
Remaining Estimated Contributions to be made by the Authority to the NJDEP Escrow Tax Account	2,700,000.00	2,910,835.00
Remaining Estimated Contributions to be made by the Authority	16,688,000.00	9,372,889.00
Projected Investment Earnings Assuming an Interest Rate ranging from 1.07% to 4.00%	<u>25,274,161.00</u>	<u>38,869,207.00</u>
Total	<u>\$ 56,048,597.52</u>	<u>\$ 61,976,858.48</u>

Note 15: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

As a result of an error related to the calculation of grant revenue and receivables and the revision of costs associated with the Landfill Closure and Post-Closure Costs calculation, the net position as of December 31, 2016 has been restated. The cumulative effect on the financial statements as reported for December 31, 2016 is as follows:

	<u>As Previously Reported Dec. 31, 2016</u>	<u>Unearned Revenue / Grant Receivable</u>	<u>Landfill Closure and Post- Closure Costs</u>	<u>As Restated Dec. 31, 2016</u>
Net Position:				
Net Investment in Capital Assets	\$ 12,102,682.51			\$ 12,102,682.51
Restricted	12,375.68			12,375.68
Unrestricted	<u>5,130,496.50</u>	<u>\$ 286,230.23</u>	<u>\$ 1,276,615.90</u>	<u>6,693,342.63</u>
Total Net Position	<u>\$ 17,245,554.69</u>	<u>\$ 286,230.23</u>	<u>\$ 1,276,615.90</u>	<u>\$ 18,808,400.82</u>

Note 15: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (CONT'D)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the year ended December 31, 2017:

Comparative Statements of Net Position

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase / (Decrease)</u>	<u>Restated Balance</u>
ASSETS			
Restricted Assets:			
Grant Receivable	\$ -	\$ 143,320.00	\$ 143,320.00
Total Restricted Assets	6,415,248.86	143,320.00	6,558,568.86
Total Current Assets	16,631,098.11	143,320.00	16,774,418.11
Total Assets	42,547,345.68	143,320.00	42,690,665.68
LIABILITIES			
Long-term Liabilities:			
Landfill Closure and Post-Closure Costs	12,066,937.80	(1,103,004.49)	10,963,933.31
Total Long-term Liabilities	22,674,169.35	(1,103,004.49)	21,571,164.86
Total Liabilities	23,585,051.04	(1,103,004.49)	22,482,046.55
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue - State Grants	168,424.25	(168,424.25)	-
Total Deferred Inflows	933,132.25	(168,424.25)	764,708.00
NET POSITION			
Unrestricted	7,484,238.04	1,414,748.74	8,898,986.78
Total Net Position	<u>\$ 18,794,364.39</u>	<u>\$ 1,414,748.74</u>	<u>\$ 20,209,113.13</u>

Note 15: RESTATEMENT OF NET POSITION (CONT'D)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the year ended December 31, 2017 (Cont'd):

Comparative Statements of Revenues, Expenses and Changes in Net Position

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase / (Decrease)</u>	<u>Restated Balance</u>
Operating Revenues:			
State Grants	\$ 263,001.22	\$ 25,514.02	\$ 288,515.24
Total Operating Revenues	6,398,299.11	25,514.02	6,423,813.13
Operating Expenses:			
Landfill Closure and Post-Closure	399,686.99	173,611.41	573,298.40
Total Operating Expenses	5,607,726.63	173,611.41	5,781,338.04
Operating Income	790,572.48	(148,097.39)	642,475.09
Change in Net Position	1,548,809.70	(148,097.39)	1,400,712.31
Net Position - Beginning	17,245,554.69	1,562,846.13	18,808,400.82
Net Position - Ending	<u>\$ 18,794,364.39</u>	<u>\$ 1,414,748.74</u>	<u>\$ 20,209,113.13</u>

REQUIRED SUPPLEMENTARY INFORMATION

SALEM COUNTY IMPROVEMENT AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Six Plan Years

	Measurement Date Ending June 30,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's Proportion of the Net Pension Liability	0.0094629722%	0.8841817900%	0.0082692685%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,863,212.00	\$ 2,058,234.00	\$ 2,449,120.00
Authority's Covered Payroll (Plan Measurement Period)	744,140.00	687,288.00	625,076.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	250.38%	299.47%	391.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0106917064%	0.0091070249%	0.0097032491%
Authority's Proportionate Share of the Net Pension Liability	\$ 2,400,074.00	\$ 1,705,084.00	\$ 1,854,484.00
Authority's Covered Payroll (Plan Measurement Period)	767,660.00	645,896.00	669,348.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	312.65%	263.99%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

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

SALEM COUNTY IMPROVEMENT AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Six Years

	Year Ended December 31,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's Contractually Required Contribution	\$ 94,126.00	\$ 81,910.00	\$ 73,463.00
Authority's Contribution in Relation to the Contractually Required Contribution	<u>(94,126.00)</u>	<u>(81,910.00)</u>	<u>(73,463.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 718,870.00	\$ 735,806.00	\$ 680,264.00
Authority's Contributions as a Percentage of Covered Payroll	13.09%	11.13%	10.80%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Contractually Required Contribution	\$ 91,920.00	\$ 75,077.00	\$ 73,112.00
Authority's Contribution in Relation to the Contractually Required Contribution	<u>(91,920.00)</u>	<u>(75,077.00)</u>	<u>(73,112.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 636,077.00	\$ 718,433.00	\$ 706,241.00
Authority's Contributions as a Percentage of Covered Payroll	14.45%	10.45%	10.35%

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

SALEM COUNTY IMPROVEMENT AUTHORITY
Notes to Required Supplementary Information
For the Year Ended December 31, 2018

Note 1: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

SUPPLEMENTARY SCHEDULES

SALEM COUNTY IMPROVEMENT AUTHORITY - OPERATIONS DIVISION

Schedule of Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Year Ended December 31, 2018

	Adopted Budget	Modifications/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations:					
Administration - Other:					
Office Rent	\$ 264,000.00		\$ 264,000.00	\$ 247,392.43	\$ 16,607.57
Trustee Fees	8,500.00		8,500.00	5,466.00	3,034.00
Total Administration Other	272,500.00	\$ -	272,500.00	252,858.43	19,641.57
Total Principal Payments on Debt in lieu of Depreciation	115,000.00	-	115,000.00	97,099.38	17,900.62
Total Operating Appropriations	387,500.00	-	387,500.00	349,957.81	37,542.19
Non-Operating Appropriations					
Interest on Bonds	32,557.00	-	32,557.00	31,556.22	1,000.78
Total Appropriations	420,057.00	-	420,057.00	381,514.03	38,542.97
Unrestricted Net Position Utilized	420,057.00	-	420,057.00	-	420,057.00
	\$ -	\$ -	\$ -	\$ 381,514.03	\$ (381,514.03)

Reconciliation of Excess of Appropriations over Revenues to Operating Loss

Excess of Appropriations over Revenues to Operating Loss \$ (381,514.03)

Add:

Interest on Debt \$ 31,556.22
Debt Service Principal Payments 97,099.38

128,655.60

Operating Loss Schedule 2

\$ (252,858.43)

SALEM COUNTY IMPROVEMENT AUTHORITY - SOLID WASTE LANDFILL DIVISION
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Year Ended December 31, 2018

	<u>Adopted Budget</u>	<u>Modifications/ Transfers</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:					
Service Fees - Landfill Fees	\$ 5,425,486.00		\$ 5,425,486.00	\$ 7,413,810.70	\$ 1,988,324.70
Methane Gas Generator	36,000.00		36,000.00	31,630.52	(4,369.48)
Recycling Program Products	5,000.00		5,000.00	12,076.78	7,076.78
Total Operating Revenues	5,466,486.00	\$ -	5,466,486.00	7,457,518.00	1,991,032.00
Non - Operating Revenues:					
Grants & Entitlements	262,320.00		262,320.00	257,962.15	(4,357.85)
Miscellaneous				132,891.05	132,891.05
Interest on Investments & Deposits	140,100.00		140,100.00	302,038.16	161,938.16
Total Non Operating Revenues	402,420.00	-	402,420.00	692,891.36	290,471.36
Total Revenues	5,868,906.00	-	5,868,906.00	8,150,409.36	2,281,503.36
Operating Appropriations:					
Administration:					
Salaries and Wages	320,000.00	(1,122.10)	318,877.90	246,725.50	72,152.40
Employee Benefits:					
FICA	25,900.00		25,900.00	21,455.55	4,444.45
Unemployment	1,000.00		1,000.00	51.69	948.31
Pension	29,600.00	1,122.10	30,722.10	30,722.10	
Disability Insurance	2,960.00		2,960.00	2,260.15	699.85
DCRP Employer Contribution	540.00		540.00	33.62	506.38
Health Benefits	90,000.00		90,000.00	78,179.56	11,820.44
Total Employee Benefits	150,000.00	1,122.10	151,122.10	132,702.67	18,419.43
Other Expenses:					
Federal, State, Municipal Payments	5,000.00		5,000.00	4,659.50	340.50
Insurance	155,000.00		155,000.00	148,460.47	6,539.53
Audit and Accounting	120,000.00		120,000.00	90,600.10	29,399.90
Legal Expenses	80,000.00	(30,000.00)	50,000.00	9,243.38	40,756.62
Office Supplies	13,500.00		13,500.00	13,498.57	1.43
Office Expenses	7,000.00	3,000.00	10,000.00	7,613.83	2,386.17
Marketing & Sales	25,000.00		25,000.00		25,000.00
Trustee Fees	5,610.00		5,610.00	3,644.00	1,966.00
Records Retention	1,000.00		1,000.00	668.95	331.05
Legal Advertisement	1,500.00		1,500.00	811.05	688.95
Computer/Data Processing	35,000.00		35,000.00	31,562.49	3,437.51
Computer/Data/Phone Equipment	5,000.00		5,000.00	699.90	4,300.10
Travel	2,000.00		2,000.00	115.54	1,884.46
Training & Education	4,000.00		4,000.00	1,424.58	2,575.42
CRIM Investment Expense				21,774.83	(21,774.83)
Special Projects	50,000.00		50,000.00	9,600.00	40,400.00
Total Other Expenses	509,610.00	(27,000.00)	482,610.00	344,377.19	138,232.81
Total Administration	979,610.00	(27,000.00)	952,610.00	723,805.36	228,804.64

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY - SOLID WASTE LANDFILL DIVISION
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Year Ended December 31, 2018

	<u>Adopted Budget</u>	<u>Modifications/ Transfers</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Salaries and Wages	\$ 535,000.00	\$ (1,910.61)	\$ 533,089.39	\$ 492,701.76	\$ 40,387.63
Employee Benefits:					
FICA	43,000.00		43,000.00	38,761.95	4,238.05
Unemployment	2,500.00		2,500.00		2,500.00
Pension	50,400.00	1,910.61	52,310.61	52,310.61	
Disability Insurance	5,040.00		5,040.00	4,576.12	463.88
DCRP Employer Contribution	960.00		960.00	371.62	588.38
Health Benefits	176,000.00		176,000.00	120,234.47	55,765.53
Total Employee Benefits	277,900.00	1,910.61	279,810.61	216,254.77	63,555.84
Other Expenses:					
Engineer	223,000.00		223,000.00	135,765.71	87,234.29
Membership and Sponsorships	1,250.00		1,250.00	774.00	476.00
Ref. Materials and Subscriptions	1,500.00		1,500.00	367.00	1,133.00
NJ DEP Permits	150,000.00	(110,000.00)	40,000.00	24,349.18	15,650.82
NJ DEP Inspection Fees	40,000.00		40,000.00	28,927.40	11,072.60
Daily Cover	350,000.00	(25,000.00)	325,000.00	102,384.00	222,616.00
Leachate Treatment	180,000.00		180,000.00	208,287.64	(28,287.64)
Leachate Hauling	905,000.00	50,000.00	955,000.00	1,317,729.09	(362,729.09)
Environmental Monitoring	30,000.00		30,000.00	26,332.46	3,667.54
Electric/Gas	25,000.00		25,000.00	21,134.63	3,865.37
Telecommunications	6,000.00		6,000.00	5,208.34	791.66
Phones	6,500.00		6,500.00	6,362.28	137.72
Diesel Fuel	150,000.00		150,000.00	98,109.38	51,890.62
Road Maintenance	20,000.00		20,000.00	18,723.96	1,276.04
Equipment Maintenance	150,000.00		150,000.00	106,111.26	43,888.74
Household Waste	1,000.00		1,000.00		1,000.00
Site Improvements	20,000.00		20,000.00	13,519.85	6,480.15
Consultants	20,000.00		20,000.00	21,226.00	(1,226.00)
Methane Gas Collection System	40,000.00		40,000.00	24,046.48	15,953.52
Special Projects	50,000.00		50,000.00	16,658.18	33,341.82
Scale Maintenance	15,000.00		15,000.00	8,503.00	6,497.00
Safety Program	10,000.00		10,000.00	9,326.00	674.00
SWD Facility Annual Registration Fee	7,000.00		7,000.00	6,306.00	694.00
Clean Communities Programs	119,000.00		119,000.00	114,642.15	4,357.85
REA Bonus Grant	143,320.00		143,320.00	143,320.00	
Tire Recycling	1,000.00		1,000.00		1,000.00
Employment / Payroll Services	12,000.00		12,000.00	8,311.21	3,688.79
Propane	5,000.00		5,000.00	4,654.57	345.43
Convenience Center Expenses	25,000.00		25,000.00	18,102.43	6,897.57
Postage	4,000.00	(3,000.00)	1,000.00	307.62	692.38
Total Other Expenses	2,710,570.00	(88,000.00)	2,622,570.00	2,489,489.82	133,080.18
Total Cost of Providing Service	3,523,470.00	(88,000.00)	3,435,470.00	3,198,446.35	237,023.65
Total Principal Payments on Debt in lieu of Depreciation	354,581.00	-	354,581.00	307,481.36	47,099.64
Total Operating Appropriations	4,857,661.00	(115,000.00)	4,742,661.00	4,229,733.07	512,927.93

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY - SOLID WASTE LANDFILL DIVISION
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Year Ended December 31, 2018

	<u>Adopted Budget</u>	<u>Modifications/ Transfers</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Non-Operating Appropriations					
Interest on Bonds	\$ 69,965.00		\$ 69,965.00	\$ 67,056.96	\$ 2,908.04
Community Host Benefits	222,000.00	\$ 115,000.00	337,000.00	335,979.33	1,020.67
Landfill Taxes	42,700.00		42,700.00	64,611.41	(21,911.41)
Recycling Tax	254,580.00		254,580.00	387,668.58	(133,088.58)
Closure/Post Closure Reserves	100,000.00		100,000.00	85,114.30	14,885.70
Construction/Landfill Cells Reserve	322,000.00		322,000.00	350,341.71	(28,341.71)
Municipal/County Appropriations	212,000.00		212,000.00	212,000.00	
Total Non-Operating Appropriations	1,223,245.00	115,000.00	1,338,245.00	1,502,772.29	(164,527.29)
Total Operating & Non-Operating Appropriations	6,080,906.00	-	6,080,906.00	5,732,505.36	348,400.64
Unrestricted Net Position Utilized					
Municipal / County Appropriation	212,000.00	-	212,000.00	212,000.00	-
Total Budget Appropriations	5,868,906.00	-	5,868,906.00	5,520,505.36	348,400.64
Excess of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ 2,629,904.00	\$ 2,629,904.00

Reconciliation of Excess Revenues over Appropriations to Operating Income

Excess Revenues over Appropriations to Operating Income	\$ 2,629,904.00
Add:	
Interest on Debt	\$ 67,056.96
Principal on Debt	307,481.36
Non-Operating Expenditures	
Reserve Expenditures	85,114.30
Escrow and Alternate Escrow Reserve Deposits	350,341.71
Municipal/County Appropriations	212,000.00
	1,021,994.33
Less:	
Depreciation	1,285,577.69
Landfill Closure and Post-Closure	1,271,812.99
Pension Liability Expense - GASB 68	18,291.00
Non-Operating Revenues	
Investment Income Including Net Realized and	
Unrealized Gains (Losses) on Investments	302,038.16
	2,877,719.84
Operating Income Schedule 2	\$ 774,178.49

SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Reconciliation of Net Position (Budgetary Basis) by Division to Exhibit B
For the Year Ended December 31, 2018

	Divisions		Total
	Operations	Solid Waste Landfill	
Operating Income (Loss) Schedules 1 and 1a	\$ (252,858.43)	\$ 774,178.49	\$ 521,320.06
Non-Operating Revenues (Expenses)	(31,556.22)	(189,018.80)	(220,575.02)
Interdivision Transfer	284,414.65	(284,414.65)	-
Increase in Net Position	-	300,745.04	300,745.04
Net Position December 31, 2017, As Restated	-	20,209,113.13	20,209,113.13
Net Position December 31, 2018	<u>\$ -</u>	<u>\$ 20,509,858.17</u>	<u>\$ 20,509,858.17</u>
Detail of Net Position:			
Net Investment in Capital Assets		\$ 10,705,871.93	\$ 10,705,871.93
Restricted:			
Unemployment Trust		16,605.61	16,605.61
Unrestricted		9,787,380.63	9,787,380.63
Total Net Position	<u>\$ -</u>	<u>\$ 20,509,858.17</u>	<u>\$ 20,509,858.17</u>

SALEM COUNTY IMPROVEMENT AUTHORITY

Schedule of Accrued Interest Receivable

For the Year Ended December 31, 2018

	Balance <u>Dec. 31, 2017</u>	<u>Accrued</u>	<u>Received</u>	Balance <u>Dec. 31, 2018</u>
Solid Waste Landfill Division:				
Unrestricted:				
Operating Accounts	\$ -	\$ 154,126.08	\$ 83,514.18	\$ 70,611.90
Restricted:				
Unemployment Reserve		61.47	61.47	
Closure/Post-Closure	19,656.54	147,850.61	124,764.17	42,742.98
Total Restricted	19,656.54	147,912.08	124,825.64	42,742.98
	<u>\$ 19,656.54</u>	<u>\$ 302,038.16</u>	<u>\$ 208,339.82</u>	<u>\$ 113,354.88</u>

SALEM COUNTY IMPROVEMENT AUTHORITY

Analysis of Accrued Interest Payable
For the Year Ended December 31, 2018

Balance December 31, 2017	\$ 36,228.37
Increased by:	
Accrued	<u>100,105.92</u>
	136,334.29
Decreased by:	
Payments Made	<u>102,418.75</u>
Balance December 31, 2018	<u><u>\$ 33,915.54</u></u>
Analysis of Interest Expense:	
Accrued	\$ 100,105.92
Premium on Loans	<u>(1,492.74)</u>
Exhibit B	<u><u>\$ 98,613.18</u></u>

SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Capital Project Lease Payable
For the Year Ended December 31, 2018

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Paid</u>	<u>Balance Dec. 31, 2018</u>
Capital Lease Revenue Bonds Series 2008B	06/11/08	\$ 2,000,000.00				\$ 100,000.00	\$ 100,000.00	
County-Guaranteed Lease Revenue Refunding Bonds, Series 2016	12/21/16	1,380,000.00	4/15/2019	\$ 120,000.00	2.25%			
			4/15/2020	120,000.00	2.25%			
			4/15/2021	125,000.00	2.25%			
			4/15/2022	125,000.00	2.25%			
			4/15/2023	135,000.00	2.25%			
			4/15/2024	135,000.00	2.25%			
			4/15/2025	140,000.00	2.25%			
			4/15/2026	145,000.00	2.25%			
			4/15/2027	145,000.00	2.25%			
			4/15/2028	155,000.00	2.25%			
				<u>1,345,000.00</u>		<u>1,360,000.00</u>	<u>15,000.00</u>	<u>\$ 1,345,000.00</u>
						<u>\$ 1,460,000.00</u>	<u>\$ 115,000.00</u>	<u>\$ 1,345,000.00</u>

SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Intergovernmental Loans Payable
For the Year Ended December 31, 2018

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Issued</u>	<u>Balance Dec. 31, 2018</u>
Pollution Control Financing Authority	08/21/18	\$ 33,500.00	8/1/2019	\$ 11,166.67	1.75%			
			8/1/2020	11,166.67	2.00%			
			8/1/2021	11,166.66	2.25%			
				<u>33,500.00</u>		<u>\$ -</u>	<u>\$ 33,500.00</u>	<u>\$ 33,500.00</u>

SALEM COUNTY IMPROVEMENT AUTHORITY

Schedule of NJEIT Loans Payable
For the Year Ended December 31, 2018

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Paid</u>	<u>Balance Dec. 31, 2018</u>
New Jersey Environmental Infrastructure Trust Loan, Series 2017A (Interest Bearing)	05/25/17	\$ 1,870,000.00	08/01/19	\$ 70,000.00	5.000%			
			08/01/20	70,000.00	5.000%			
			08/01/21	75,000.00	5.000%			
			08/01/22	80,000.00	5.000%			
			08/01/23	85,000.00	5.000%			
			08/01/24	90,000.00	5.000%			
			08/01/25	90,000.00	5.000%			
			08/01/26	95,000.00	3.000%			
			08/01/27	100,000.00	3.000%			
			08/01/28	105,000.00	3.000%			
			08/01/29	105,000.00	3.000%			
			08/01/30	110,000.00	3.000%			
			08/01/31	115,000.00	3.000%			
			08/01/32	115,000.00	3.000%			
			08/01/33	120,000.00	3.125%			
			08/01/34	125,000.00	3.250%			
			08/01/35	125,000.00	3.250%			
			08/01/36	130,000.00	3.375%			
				<u>1,805,000.00</u>		\$ 1,870,000.00	\$ 65,000.00	\$ 1,805,000.00
New Jersey Environmental Infrastructure Trust Loan, Series 2017A (Non-Interest Bearing)	05/25/17	5,695,088.00	02/01/19	96,526.91				
			08/01/19	193,053.83				
			02/01/20	96,526.91				
			08/01/20	193,053.83				
			02/01/21	96,526.91				
			08/01/21	193,053.83				
			02/01/22	96,526.91				
			08/01/22	193,053.83				
			02/01/23	96,526.91				
			08/01/23	193,053.83				
			02/01/24	96,526.91				
			08/01/24	193,053.83				

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of NJEIT Loans Payable
For the Year Ended December 31, 2018

<u>Description</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Paid</u>	<u>Balance Dec. 31, 2018</u>
New Jersey Environmental Infrastructure Trust Loan, Series 2017A (Non-Interest Bearing) (Cont'd)	05/25/17	\$ 5,695,088.00	02/01/25	\$ 96,526.91				
			08/01/25	193,053.83				
			02/01/26	96,526.91				
			08/01/26	193,053.83				
			02/01/27	96,526.91				
			08/01/27	193,053.83				
			02/01/28	96,526.91				
			08/01/28	193,053.83				
			02/01/29	96,526.91				
			08/01/29	193,053.83				
			02/01/30	96,526.91				
			08/01/30	193,053.83				
			02/01/31	96,526.91				
			08/01/31	193,053.83				
			02/01/32	96,526.91				
			08/01/32	193,053.83				
			02/01/33	96,526.91				
			08/01/33	193,053.83				
			02/01/34	96,526.91				
			08/01/34	193,053.83				
			02/01/35	96,526.91				
			08/01/35	193,053.83				
			02/01/36	96,526.91				
			08/01/36	193,053.94				
				<u>5,212,453.43</u>		<u>\$ 5,502,034.17</u>	<u>\$ 289,580.74</u>	<u>\$ 5,212,453.43</u>
Premium on Loans - Amortized						7,372,034.17	354,580.74	7,017,453.43
						28,362.00	1,492.74	26,869.26
						<u>\$ 7,400,396.17</u>	<u>\$ 356,073.48</u>	<u>\$ 7,044,322.69</u>

**SCHEDULES ASSOCIATED WITH THE
ISSUANCE OF CONDUIT DEBT**

SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Conduit Debt Obligations Payable (Memorandum)
For the Year Ended December 31, 2018

<u>Issue</u>	<u>Date Issued</u>	<u>Issue Amount</u>	<u>Balance Dec. 31, 2017</u>	<u>Paid</u>	<u>Balance Dec. 31, 2018</u>
Salem County Guaranteed:					
Refunding Bonds of 2008	03/25/08	\$ 3,780,000.00	\$ 3,635,000.00	\$ 1,775,000.00	\$ 1,860,000.00
Loan Revenue Bonds, Series 2008A	06/11/08	3,600,000.00	430,000.00	430,000.00	
Loan Revenue Bonds, Series 2009	03/31/09	9,854,000.00	895,000.00	440,000.00	455,000.00
			<u>4,960,000.00</u>	<u>2,645,000.00</u>	<u>2,315,000.00</u>
Municipal Guaranteed:					
Finlaw State Office Building Project Series 2007	07/19/07	19,500,000.00	18,610,000.00	165,000.00	18,445,000.00
			<u>\$ 23,570,000.00</u>	<u>\$ 2,810,000.00</u>	<u>\$ 20,760,000.00</u>

SALEM COUNTY IMPROVEMENT AUTHORITY

PART II

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Recommendations
For the Year Ended December 31, 2018

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

SALEM COUNTY IMPROVEMENT AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

FINANCIAL STATEMENT FINDINGS

None

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APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants