THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

35500

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
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FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

ROSTER OF OFFICIALS

Commissioners	Position
Joseph C. Scavuzzo	President
George R. Piperno	Vice President
Ronald S. Johnson	Secretary
Patrick J. Brennan	Treasurer
Edward F. Brennan	Assistant Secretary and Treasurer

Officers

Michael A. Saraceni	Chief Operating Officer
Craig Campbell	Superintendent
Richard Spafford, PE	Engineer
Karl N. McConnell, Esquire	General Counsel

Consultants

Remington and Vernick Engineers, Inc.	Engineer
CME Associates	Engineer
Pennoni Associates, Inc.	Engineer
T&M Associates, Inc.	Engineer

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART I

FINANCIAL SECTION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission) as of and for the years ending December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Commission'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 *Governmental 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 audits 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 Commission'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.

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The Commissioners of
The Merchantville-Pennsauken Water Commission

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 Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey as of December 31, 2018 and 2017 and its 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

Adoption of New Accounting Principles

As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pension.* Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statement No. 75, the accompanying financial statements as of and for the year ended December 31, 2017 have been restated, as discussed in Note 18 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 changes in the Commission's total OPEB liability and related ratios, schedule of the Commission's proportionate share of the net pension liability and schedule of the Commission's pension contributions 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 Commission'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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Commissioners of
The Merchantville-Pennsauken Water Commission

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the the 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 Commission's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
September 12, 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 Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 12, 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 adoption of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

The Commissioners of
The Merchantville-Pennsauken Water Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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 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 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

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
September 12, 2019

The Merchantville-Pennsauken Water Commission was created under the provisions of Title 40 Chapter 62 of the Laws of New Jersey, as a public agency to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water for the Borough of Merchantville and the Township of Pennsauken. The Commission also provides these services to certain areas within the Township of Cherry Hill and the City of Camden. This section of the Commission's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2018 and 2017. The entire annual financial report consists of five parts; Independent Auditor's Reports, management's discussion and analysis, the basic financial statements, required supplementary information and supplementary schedules.

FINANCIAL HIGHLIGHTS

- **Water Consumption Rates** – Water consumption rates were increased in 2018 to assist the Commission in meeting increasing cost for capital improvements and debt service requirements.

- **Total Assets** - Total assets as of December 31, 2018 were $38,061,164. After adding deferred outflows of $10,069,133 and deducting liabilities of $17,542,056 and deferred inflows of $4,593,918, net position equals $25,994,923.

- **Total Operating Revenues** – Operating revenues for the year ended December 31, 2018 totaling $11,544,308 were up from $10,211,246 for the year ended December 31, 2017. Of the $1,333,062 increase, $466,667 was related to a shared service agreement with a municipality outside of the Commission's franchise area. The remaining increase was related to the Commission's planned 2% rate increase for 2018.

- **Net Non-Operating Revenues (Expenses)** - Non-operating revenues net of non-operating expenses for the year ended December 31, 2018 totaling $787,786 were up $415,114 from the year ended December 31, 2017 primarily due to an increase in connection fees from new development and construction.

- **Total Operating Expenses** – Operating expenses, before depreciation, for the year ended December 31, 2018 totaling $7,095,798 were 1.29% less than the $7,188,352, as restated, for the year ended December 31, 2017 primarily due to a decrease in Other Post Employment Benefits Obligation (OPEB) expense related to the implementation of GASB 75.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position includes all of the Commission's assets and liabilities. As the Commission 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Net Position – the difference between the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Commission's financial health or position.

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statements 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.

A summary of the Commission's significant accounting policies is described in the "Notes to the Financial Statements" which is included in the audit described above.

FINANCIAL ANALYSIS OF THE COMMISSION

The Commission's total net position was $25,994,923 on December 31, 2018. Total assets, deferred outflows of resources, total liabilities and total net position are detailed on the following page.

A significant portion, approximately 83%, of the Commission's net position represents its investment in capital assets (i.e. water lines, wells, treatment plants, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Commission'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.

The remaining portion of the Commission's net position is now unrestricted as a result of the implementation of GASB 75.

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Net Position
As of December 31, 2018, 2017 and 2016

	2018	Restated 2017	Restated 2016
Assets			
Current Assets	$ 11,818,118	$ 8,949,463	$ 7,569,965
Capital Assets	26,243,046	26,834,151	27,311,497
Total Assets	38,061,164	35,783,614	34,881,462
Deferred Outflows of Resources			
Related to Pensions and OPEB	10,069,133	11,645,592	2,640,700
Liabilities			
Current Liabilities	1,673,653	1,714,261	1,735,474
Long-Term Liabilities	15,868,403	34,527,122	25,706,457
Total Liabilities	17,542,056	36,241,383	27,441,931
Deferred Inflows of Resources			
Related to Pensions and OPEB	4,593,918	1,323,162	-
Net Position:			
Net Investment in Capital Assets	21,657,873	21,614,506	21,339,968
Unrestricted	4,337,050	(11,749,845)	(11,259,737)
Total Net Position	$ 25,994,923	$ 9,864,661	$ 10,080,231

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018, 2017 and 2016

	2018	Restated 2017	Restated 2016
Operating Revenues:			
Service Charges	$ 10,859,347	$ 10,023,219	$ 9,902,941
Other Operating Revenue	684,961	188,027	174,500
Total Operating Revenues	11,544,308	10,211,246	10,077,441
Operating Expenses:			
Administration	2,410,726	2,567,468	2,614,388
Cost of Providing Service	4,685,072	4,620,884	4,808,842
Depreciation	2,410,036	2,169,196	2,074,609
Total Operating Expenses	9,505,834	9,357,548	9,497,839
OPEB Adjustment	13,304,002	(1,441,940)	(849,611)
Net Non-Operating Revenues (Expenses)	787,786	372,672	585,485
Change in Net Position	16,130,262	(215,570)	315,476
Net Position -- Jan. 1	9,864,661	10,080,231	9,764,755
Net Position -- Dec. 31	$ 25,994,923	$ 9,864,661	$ 10,080,231

OVERALL ANALYSIS

Overall, the Commission remains in a sound financial position in part due to its longevity (established in 1926) and the fact that its infrastructure was constructed and renewed over an extended period of time with 10 separate bond issues dated from June 1926 to December 1964. The Commission's rate structure, while competitive in comparison to area water purveyors, has traditionally been established to provide for operating costs, debt service requirements and the provision for future capital needs. This approach to setting rates in combination with a manageable debt service history leaves the Commission in a sound financial position.

In 2018, the Commission entered into an agreement with the Borough of Collingswood to provide management, operation and oversight of the Borough's water treatment stations and associated operations. The Commission has the licensed personnel, background and expertise to operate and maintain the Borough's treatment stations, associated tanks and pumps that supply Collingswood's water.

BUDGET VARIANCES

The Commissioners have historically taken a conservative approach in preparing the budget due to the uncertainty in anticipating certain expenses such as repair and maintenance requirements that can create material deviations in the cost of operations from year to year. Actual operating and non-operating expenses and debt service costs, excluding the actuarially determined accrual for long-term post-retirement benefit costs, were $7,697,781. These expenditures were $954,073 less than were budgeted. Actual total operating and non-operating revenues of $12,414,719 were $1,782,545 greater than the $10,632,174 budgeted.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2018, the Commission expended $1,846,676 for capital activities.

The proposed five-year Capital Program included in the Commission's 2018 budget totals $11,342,000. This five-year plan, in addition to the Commission's normal ongoing system renewals, contains certain major projects that are contingent upon the approval of the New Jersey Department of Environmental Protection Agency (NJDEP). Major line items making up a portion of the Capital Budget are:

1. Main Replacements
2. Meter Replacements
3. Plant Improvements

CONTACTING THE COMMISSION'S MANAGEMENT

This financial report is designed to provide Merchantville and Pennsauken residents, investors, customers and creditors, with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Chief Operating Officer, Merchantville-Pennsauken Water Commission, 6751 Westfield Avenue, Pennsauken, NJ 08110 or by phone at 856-663-0043.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	Restated 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 3,137,012	$ 4,240,980
Investments	4,873,055	1,519,741
Customer Accounts Receivable	2,252,347	1,975,307
Deposits, Prepaids and Other Receivables	372,534	9,882
Unbilled Revenue	1,070,000	1,095,000
Materials and Supplies Inventory	106,444	105,822
Accrued Interest Receivable	6,726	2,731
Total Current Assets	11,818,118	8,949,463
Capital Assets:		
Utility Plant and Equipment	63,840,989	62,036,743
Accumulated Depreciation and Amortization	37,597,943	35,202,592
Total Capital Assets	26,243,046	26,834,151
Total Assets	38,061,164	35,783,614
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,427,904	2,044,226
Related to OPEB	8,641,229	9,601,366
Total Deferred Outflows	10,069,133	11,645,592

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	Restated 2017
LIABILITIES		
Current Liabilities:		
N.J.D.E.P. Loans Payable - Due Within One Year	$ 494,820	$ 505,811
City of Camden Water Allocation - Due Within One Year	142,615	148,435
Accounts Payable	480,691	549,415
Accounts Payable Related to Pension	281,166	262,331
Customer Prepayments	76,473	75,831
Construction Contracts Payable	76,160	39,500
Accrued Wages	48,375	50,981
Accrued Interest	34,805	39,446
Pension Withholdings Payable	17,690	21,662
Escrow Deposits	20,858	20,849
Total Current Liabilities	1,673,653	1,714,261
Noncurrent Liabilities		
N.J.D.E.P. Loans Payable	3,673,888	4,185,593
City of Camden Water Allocation	197,690	340,306
Net Pension Liability	5,565,645	6,591,851
Accrued Liabilities - Related to Pension	140,583	131,166
Post Employment Benefits Obligation Other than Pension	6,290,597	23,278,206
Total Noncurrent Liabilities	15,868,403	34,527,122
Total Liabilities	17,542,056	36,241,383
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	1,869,848	1,323,162
Related to OPEB	2,723,470	-
Total Deferred Inflows	4,593,318	1,323,162
NET POSITION		
Net Investment in Capital Assets	21,657,873	21,614,506
Unrestricted (Deficit)	4,337,050	(11,749,845)
Total Net Position	$ 25,994,923	$ 9,864,661

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	Restated 2017
Operating Revenues:		
Metered Sales to General Public	$ 9,603,226	$ 8,754,626
Private Fire Protection	1,161,741	1,168,239
Public Fire Protection	94,380	100,354
Late Charges	88,386	97,446
Tapping Fees	24,232	11,599
Shared Service Agreement	466,667	-
Miscellaneous Income	105,676	78,982
Total Operating Revenues	11,544,308	10,211,246
Operating Expenses:		
Administration:		
Salaries and Wages	907,820	881,339
Employee Benefits	591,017	779,087
Other Expenses	911,889	907,042
Cost of Providing Service:		
Salaries and Wages	1,656,884	1,558,598
Employee Benefits	1,078,679	1,377,779
Other Expenses	1,949,509	1,684,507
Depreciation and Amortization	2,410,036	2,169,196
Total Operating Expenses	9,505,834	9,357,548
Operating Income Before OPEB Adjustment	2,038,474	853,698
OPEB Adjustment	13,304,002	(1,441,940)
Total Operating Income (Loss) After OPEB Adjustment	15,342,476	(588,242)
Non-Operating Revenues (Expenses):		
Investment Income	84,356	37,795
Interest on Debt	(82,625)	(94,803)
Tower Rentals	428,810	399,491
Connection and Developers' Fees	357,245	30,189
Total Non-Operating Revenues (Expenses)	787,786	372,672
Change in Net Position	16,130,262	(215,570)
Net Position - Beginning of Year, As Originally Stated	9,864,661	15,989,203
Restatement - See Note 18	-	(5,908,972)
Net Position, Beginning of Year, As Restated	9,864,661	10,080,231
Net Position, End of Year	$ 25,994,923	$ 9,864,661

See the accompanying Notes to Financial Statements

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Receipts From Customers	$ 10,607,949	$ 9,928,717
Other Operating Receipts	684,961	490,072
Payments to Suppliers	(2,765,690)	(2,585,747)
Payments and Benefits to Employees	(4,603,630)	(4,175,946)
Net Cash Provided by Operating Activities	3,923,590	3,657,096
Cash Flows from Non-Capital Financing Activities		
Tower Rentals	428,810	399,491
Connection and Developers' Fees	357,254	30,198
Net Cash Flows Provided by Non-Capital Financing Activities	786,064	429,689
Cash Flows From Capital and Related Financing Activities:		
Additions to Capital Assets	(1,782,271)	(1,735,009)
Principal Payments on N.J.D.E.P. Loans	(522,696)	(554,628)
Principal Payments on City of Camden Water Allocation	(148,436)	(154,097)
Interest Payments on N.J.D.E.P. Loans	(80,332)	(90,313)
Interest Payments on City of Camden Water Allocation	(6,934)	(9,411)
Net Cash Used In Capital and Related Financing Activities	(2,540,669)	(2,543,458)
Cash Flows From Investing Activities:		
Purchase of Investments	(3,353,314)	(16,571)
Investment Income	80,361	36,658
Net Cash Provided by (Used in) Investing Activities	(3,272,953)	20,087
Net Increase (Decrease) in Cash and Cash Equivalents	(1,103,968)	1,563,414
Cash and Cash Equivalents, January 1	4,240,980	2,677,566
Cash and Cash Equivalents, December 31	$ 3,137,012	$ 4,240,980

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Reconciliation of Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 15,342,476	$ (588,242)
Adjustments to Reconcile Operating Income (Loss) To		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,410,036	2,169,196
Changes in Assets and Liabilities:		
Customer Accounts Receivable	(277,040)	154,543
Deposits, Prepaids and Other Receivables	(362,652)	44,634
Unbilled Revenue	25,000	(2,000)
Materials and Supplies Inventory	(622)	4,447
Accounts Payable	(68,724)	1,355
Accounts Payable Related to Pension	18,835	16,790
Customer Prepayments	642	10,366
Accrued Wages	(2,606)	5,916
Pension Withholdings Payable	(3,972)	(1,329)
Deferred Inflows of Resources	1,576,459	596,474
Deferred Outflows of Resources	3,270,156	1,323,162
Net Pension Liability	(1,026,206)	(1,594,030)
Accrued Liabilities - Related to Pension	9,417	8,395
Post Employment Benefits Obligation	(16,987,609)	1,507,419
	$ 3,923,590	$ 3,657,096

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
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 Merchantville-Pennsauken Water Commission (the Commission) 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 Merchantville-Pennsauken Water Commission was established in 1926 pursuant to the provisions of Title 40, Chapter 62 of the Laws of New Jersey and is co-owned by the Borough of Merchantville and Township of Pennsauken. The Laws authorized the municipalities through the agency of a water commission to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water.

The Commission's service area goes beyond Merchantville and Pennsauken, supplying water to areas in Cherry Hill Township and Camden City, as well.

The Commission consists of five members who are appointed by resolution of the Borough of Merchantville and Township of Pennsauken. The daily operations of the Commission are managed by the Chief Operating Officer.

Component Unit

In evaluating how to define the Commission 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 the GASB Statement No. 39*, Determining Whether Certain Organization are Component Units*, and 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 would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 significant 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 be the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Commission has no component units and is a component unit of the Township of Pennsauken.

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

Basis of Presentation

The financial statements of the Commission 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 Commission 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.

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. Water charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Commission defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution are being provided to the properties.

Non-exchange transactions, in which the Commission 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 fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are proved to the Commission on a reimbursement basis.

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

Budgets and Budgetary Accounting

The Commission 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 Commission budget at least 60 days prior to the end of the current year and to adopt the budget not later than the beginning of the Commission'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 and capital outlays. Depreciation expense, loan discounts, and the annual required contribution for the Commission's Other Postemployment Benefits (OPEB) Plan are not included in 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 (audit Exhibit B). All budget transfers and amendments to those accounts must be approved by resolution of the Commission 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 Commission did not adopt an amending budget resolution during the year.

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

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 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 the school district of which the local unit is a part of 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.

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 Commission 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.

Materials and Supplies Inventory

Materials and Supplies Inventory consists of pipes, mains, fittings and other supplies used in the renewal and repairs to the system and for new installations. Inventories are valued at cost on a first-in, first-out basis.

Account Receivable and Uncollectible Accounts

Management establishes reserves for uncollectible accounts based on reviews of aged receivables and other factors, such as bankruptcies, associated with the account.

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

Capital Assets

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Commission. Assets purchased prior to January 1, 1992 are stated at estimated cost. Assets purchased since are stated at actual cost.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed 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 $1,000 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

The cost of assets acquired with operating funds is recovered using the straight-line method over the following estimated useful lives of the assets:

	Years
Buildings	40
Services	20
Water Treatment and Pumping Equipment	20-30
Other Infrastructure	10-20
Meters and Equipment	5-10
Transportation Equipment	5
Office and Technological Equipment	5-7

Loan Discounts

Loan discounts arising from the issuance of long-term debt (loans) 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 discounts 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 Commission is required to report the following as deferred outflows of resources and deferred inflows of resources: defined benefit pension plans and postemployment benefit plans.

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

Customer Prepayments

Customer prepayments arise when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Commission 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.

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 Commission 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 should be included in this component of net position. If there are significant unspent related debt proceeds 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 proceeds.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission 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 Commission.

Income Taxes

The Commission operates as defined by 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 service charges (i.e., metered sales, which include water distribution revenues) and other revenue sources. Non-operating revenues principally consist of tower rentals, connection and developers' fees and interest income earned on various interest-bearing accounts.

Operating expenses include expenses associated with the operation, maintenance and repair of the treatment and distribution systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Commission's interest on funded debt.

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

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.

Impact of Recently Issued Accounting Policies

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Commission 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 cumulative effect of adopting this Statement totaled $5,908,972, and was recognized as a restatement of the Commission's December 31, 2016 net position on the Comparative Statements of Revenues, Expenses and Changes in Net Position (see note 18).

Additionally, the Commission 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 Commission's financial statements.

Lastly, the Commission 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 Commission's financial statements.

Recently Issued Accounting Pronouncements

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

GASB 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.Agovernment 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 Commission in the year ending December 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

GASB 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 Commission 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)

Recently Issued Accounting Pronouncements (Cont'd)

GASB 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 Commission in the year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

GASB 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 Commission 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 Commission 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 Commission in the year ending December 31, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 91, *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The Statement will become effective for the Commission in the year ending December 31, 2021. 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 Commission is unaware of any material violations of finance related legal and contractual provisions.

Note 3: 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 Commission's deposits might not be recovered. Although the Commission 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 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Commission 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 Commission relative to the happening of a future condition. As of December 31, 2018, the Commission's bank balances on deposit totaled $3,098,070, of which $20,858 represented monies held in escrow. Of the total bank balances on deposit as of December 31, 2018, $270,858 was insured by the FDIC. The remaining balance was protected by GUDPA. As of December 31, 2017, the Commission's bank balances on deposit totaled $4,230,171, of which $20,849 represented monies held in escrow. Of the total bank balances on deposit as of December 31, 2017, $520,849 was insured by the FDIC. The remaining balance was protected by GUDPA.

Note 4: INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission 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 Commission, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name. All of the Commission's $4,873,055 as of December 31, 2018 and $1,519,741 as of December 31, 2017 investments in certificates of deposit are in the name of the Commission.

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 Commission 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 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 Commission has no investment policy that would further limit its exposure to credit risk.

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 Commission's investment policy places no limit on the amount that the Commission may invest in any one issuer. All of the Commission's investments consist of certificates of deposit with maturities of more than three months at the time of purchase.

As of December 31, 2018, the Commission had twelve certificates of deposit valued at $4,873,055 ranging from 2.0% to 2.5% and maturing between January 11, 2019 and November 6, 2019. Of the total value of certificates of deposit as of December 31, 2018, $250,000 was insured by the FDIC. The remaining balance was protected by GUDPA. As of December 31, 2017, the Commission had eight certificates of deposit valued at $1,519,741 at 1.5% and maturing between January 15, 2018 and February 7, 2018. Of the total value of certificates of deposit as of Decemeber 31, 2017, $250,000 was insured by the FDIC. The remaining balance was protected by GUDPA.

Note 5: CUSTOMER ACCOUNTS RECEIVABLE

Customers of the Commission include residential and commercial accounts within the municipalities of Merchantville and Pennsauken and areas of Cherry Hill and Camden. In addition to the sale of water, the Commission bills commercial and municipal customers fixed fees for fire services and hydrants.

As of December 31, 2018 and 2017, the number of the Commission's accounts was as follows:

	2018	2017
Residential, Apartments, and Commercial Water Services	14,612	13,589
Senior Citizen Accounts	338	332
Fire Services	353	335
Fire Hydrants	242	242

Concentration of credit risk associated with customer accounts receivable is limited due to the large number of small customer balances and the Commission's policy of discontinuing service when warranted and filing utility liens when necessary.

Aged accounts receivable at December 31, 2018 and 2017 are as follows:

	2018	2017
Current (less than 30 days)	$ 2,067,740	$ 1,708,053
30 to 59 days	87,175	84,691
60 to 89 days	34,135	23,423
90 to 179 days	45,443	35,854
Over 180 days	61,974	129,578
	2,296,467	1,981,599
Accrued Interest on Delinquent Balances	85,880	123,708
	2,382,347	2,105,307
Less: Reserve for Uncollectible Accounts	130,000	130,000
	$ 2,252,347	$ 1,975,307

Note 6: CAPITAL ASSETS

During the year ended December 31, 2018, the following changes in capital assets occurred:

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
Capital Assets not being Depreciated:				
Land and Land Rights	$ 300,857			$ 300,857
City of Camden Water Allocation Rights	2,557,608			2,557,608
Total Capital Assets not being Depreciated	2,858,465	$ -	$ -	2,858,465
Capital Assets being Depreciated:				
Intangible Plant	32,181			32,181
Source of Supply	3,961,187	250,000		4,211,187
Pumping Plant	2,267,185			2,267,185
Water Treatment Plant	4,254,624			4,254,624
Transmission and Distribution Plant	43,993,385	1,296,940		45,290,325
General Plant	4,462,586	299,736	42,430	4,719,892
Capitalized Interest	207,130			207,130
Total Capital Assets being Depreciated	59,178,278	1,846,676	42,430	60,982,524
Total Capital Assets	62,036,743	1,846,676	42,430	63,840,989
Less: Accumulated Depreciation	35,202,592	2,410,036	14,685	37,597,943
Capital Assets, Net	$ 26,834,151	$ (563,360)	$ 27,745	$ 26,243,046

Note 6: CAPITAL ASSETS (CONT'D)

During the year ended December 31, 2017, the following changes in capital assets occurred:

	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017
Capital Assets not being Depreciated:				
Land and Land Rights	$ 300,857			$ 300,857
City of Camden Water Allocation Rights	2,557,608			2,557,608
Total Capital Assets not being Depreciated	2,858,465	$ -	$ -	2,858,465
Capital Assets being Depreciated:				
Intangible Plant	32,181			32,181
Source of Supply	3,861,187	100,000		3,961,187
Pumping Plant	2,267,185			2,267,185
Water Treatment Plant	4,254,624			4,254,624
Transmission and Distribution Plant	42,586,585	1,406,800		43,993,385
General Plant	4,277,536	185,050		4,462,586
Capitalized Interest	207,130			207,130
Total Capital Assets being Depreciated	57,486,428	1,691,850	-	59,178,278
Total Capital Assets	60,344,893	1,691,850		62,036,743
Less: Accumulated Depreciation	33,033,396	2,169,196	-	35,202,592
Capital Assets, Net	$ 27,311,497	$ (477,346)	$ -	$ 26,834,151

Note 7: LONG-TERM LIABILITIES

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

	Balance Jan. 1, 2018 Restated	Additions	Reductions	Balance Dec. 31, 2018	Due Within One Year
Loans Payable:					
N.J.D.E.P. Loans Payable	$ 4,691,404	$ -	$ (522,696)	$ 4,168,708	$ 494,820
Other Liabilities:					
Net Pension Liability	6,591,851	168,659	(1,194,865)	5,565,645	
Net OPEB Obligation (Restated)	23,278,206	1,186,977	(18,174,586)	6,290,597	
Other Liabilities - Related to Pension	131,166	140,583	(131,166)	140,583	
City of Camden Water Alloc.	488,741		(148,436)	340,305	142,615
Total Other Liabilities	30,489,964	1,496,219	(19,649,053)	12,337,130	142,615
Total Long-Term Liabilities	$ 35,181,368	$ 1,496,219	$ (20,171,749)	$ 16,505,838	$ 637,435

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

	Balance Jan. 1, 2017 Restated	Additions	Reductions	Balance Dec. 31, 2017 Restated	Due Within One Year
Loans Payable:					
N.J.D.E.P. Loans Payable	$ 5,246,032	$ -	$ (554,628)	$ 4,691,404	$ 505,811
Other Liabilities:					
Net Pension Liability	8,185,881	350,791	(1,944,821)	6,591,851	
Net OPEB Obligation (Restated)	12,169,421	11,399,203	(290,418)	23,278,206	
Other Liabilities - Related to Pension	122,771	131,166	(122,771)	131,166	
City of Camden Water Alloc.	642,838		(154,097)	488,741	148,435
Total Other Liabilities	21,120,911	11,881,160	(2,512,107)	30,489,964	148,435
Total Long-Term Liabilities	$ 26,366,943	$ 11,881,160	$ (3,066,735)	$ 35,181,368	$ 654,246

Note 8: N.J.D.E.P. LOANS PAYABLE

New Jersey Environmental Infrastructure Trust Loans

2001 Series - On October 17, 2001, the Commission settled on the issuance of $4,000,000 in loans consisting of a $2,000,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $2,000,000 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 4.00% to 5.50%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2003 Series - On November 5, 2003, the Commission settled on the issuance of $731,801 in loans consisting of a $375,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $356,801 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 3.00% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2007 Series - On November 8, 2007, the Commission settled on the issuance of $1,285,507 in loans consisting of a $650,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $635,507 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 3.40% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2010 Series - On December 2, 2010, the Commission settled on the issuance of $1,285,507 in loans consisting of a $560,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $579,000 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2014A Series – On May 8, 2014, the Commission settled on the issuance of $2,571,000 in loans consisting of a $642,754 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $1,928,250 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

The "Trust Loan" portion of the borrowings is administered by The New Jersey Environmental Infrastructure Trust with TD Bank acting as Trustee. The "Fund Loan" portion is administered by the State of New Jersey.

As the Commission completes its projects, vouchers are submitted to the New Jersey Department of Environmental Protection. Requisitions are funded 50% from "Trust Loan" proceeds available in the Commission's construction account and 50% from "Fund Loan" proceeds.

Upon final completion of the Commission's projects as certified by the Commission's engineer, any monies remaining in the construction accounts will be immediately applied as credits against the remaining scheduled debt service payments until such remaining balance is exhausted. Any unspent monies from the non-interest bearing "Fund Loan" portion of borrowings will be applied to offset the scheduled debt service payments from the back end of the schedule, reducing debt service payments from the end of the schedule until such remaining balance is exhausted.

On July 20, 2006, the 2001 and 2003 series loans were certified complete. At that time $13,260 and $96,832 of the unexpended proceeds from the 2001 and 2003 series, respectively, were applied to the outstanding balance of the "Fund Loan", reducing original balance due from the end of the original payment schedule. On August 11, 2010, the 2007 series was certified complete and $12,525 was applied to the outstanding balance of the "Fund Loan". In addition, reciprocal amounts from the "Trust Loan", plus earnings credits were recorded as other assets Due from New Jersey Environmental Infrastructure Trust to be applied to immediately due debt service obligations on the "Trust Loan". As of December 31, 2018 and 2017, there were no amounts "Due from New Jersey Environmental Infrastructure Trust" available for application against "Trust Loan" debt service for the 2003 and 2007 series and available in the 2012 construction account.

Note 8: N.J.D.E.P. LOANS PAYABLE (CONT'D)

New Jersey Environmental Infrastructure Trust Loans (Cont'd)

On September 26, 2007, the New Jersey Environmental Infrastructure Trust issued Series 2007A Refunding Bonds to refund the outstanding balance of the 2001 Series Loans. On August 18, 2010, the Trust issued Series 2010A Refunding Bonds to refund the outstanding balance of the 2001 and 2003 Series Loans. The impact to the Commission was the recording of a net discount of $44,010 and $36,289, respectively on the issuances which is being amortized over the repayment period of the loans.

Combined adjusted repayment of the five loans as of December 31, 2018 is due as follows:

Year	Total	Principal	Interest
2019	$ 575,715	$ 494,820	$ 80,895
2020	564,932	495,574	69,358
2021	568,165	510,362	57,803
2022	321,154	275,905	45,249
2023	318,520	278,826	39,694
2024	303,458	269,189	34,269
2025	296,651	267,907	28,744
2026	290,545	266,626	23,919
2027	284,078	264,984	19,094
2028	218,439	204,520	13,919
2029	215,239	204,520	10,719
2030	217,040	209,521	7,519
2031	142,116	138,047	4,069
2032	115,917	113,048	2,869
2033	99,510	98,047	1,463
	$ 4,531,477	4,091,896	$ 439,581
Unamortized Discount		76,812	
		$ 4,168,708	

As described in Note 1, the Borough of Merchantville and the Township of Pennsauken created the Merchantville-Pennsauken Water Commission. Those municipalities act as guarantors of all Commission bonds and loans and include their proportionate share of Commission debt as liabilities on their respective annual debt statements. The computed municipalities' proportionate share of debt is in accordance with their respective ownership of the Commission as follows:

Borough of Merchantville	11.58%
Township of Pennsauken	88.42%
	100.00%

Note 9: CITY OF CAMDEN WATER ALLOCATION LOAN PAYABLE

As more fully described in note 16, on May 19, 2006, the Commission entered into an agreement with the City of Camden for the purchase of water allocation rights for $2,522,512. The initial payment of $500,000 was payable in installments totaling $250,000 in 2006, $125,000 in 2007 and $125,000 in 2008.

The remaining balance is due in equal quarterly payments through May, 2021, with bi-annual adjustments adding three percent (3%) interest per annum at the end of the first two years and thereafter to each such period to the unpaid balance due. This adjustment shall be added to the principal and payments recalculated including the interest amount. The interest rate used shall be adjusted to add the percentage increase equal to the increases or decreases made in the prime rate in the intervening period but in no case shall the overall rate be less than 3% or greater than 7%.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required.

The estimated maturities on the loan as of December 31, 2018 are as follows:

Year	Total	Principal	Interest
2019	$ 147,229	$ 142,615	$ 4,614
2020	137,095	134,768	2,327
2021	63,302	62,922	380
	$ 347,626	$ 340,305	$ 7,321

Note 10: RETIREMENT SYSTEMS

A substantial number of the Commission's 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, Commission employees may participate 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
http://www.state.nj.us/treasury/pensions/financial-reports.shtml

Note 10: RETIREMENT SYSTEMS (CONT'D)

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's 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 Commission, 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's Board of Trustees is primarily responsible for the administration of the PERS.

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 otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for a certain enrollment tier 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 certain enrollment tiers, 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 ten 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 on or 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 10: RETIREMENT SYSTEMS (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 Commission's contractually required contribution rate for the years ended December 31, 2018 and 2017 was 13.44% and 13.16% of the annual Commission covered payroll. These amounts were actuarially determined as the amount that, when combined with employee contributions, is 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 Commission's contractually required contribution to the pension plan for the year ended December 31, 2018 is $281,166, and is payable April 1, 2019. Employee contributions to the plan during the year ended December 31, 2018 were $156,467.

Based on the PERS measurement date of June 30, 2017, the Commission's contractually required contribution to the pension plan for the year ended December 31, 2017 was $262,331, which was paid by April 1, 2018. Employee contributions to the plan during the year ended December 31, 2017 were $146,918.

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 Commission's contribution amounts for each pay period, 3% of the employees' base salary, are transmitted 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, there were no employees participating in DCRP.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System - At December 31, 2018 and 2017, the Commission's proportionate share of the PERS net pension liability was $5,565,645 and $6,591,851, respectively.

The net pension liability reported at December 31, 2018 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 Commission's proportion of the net pension liability was based on a projection of the Commission'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 Commission's proportion was 0.0282670679%, which was a decrease of 0.0000503895% from its proportion measured as of June 30, 2017.

The net pension liability reported at December 31, 2017 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 Commission's proportion of the net pension liability was based on a projection of the Commission'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 Commission's proportion was 0.0283174574%, which was an increase of 0.0006784493% from its proportion measured as of June 30, 2016.

For the years ended December 31, 2018 and 2017, the Commission recognized pension expense of $430,990 and $598,281, respectively. These amounts were based on the plan's June 30, 2018 and 2017 measurement dates, respectively.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018 and 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2018 Measurement Date June 30, 2018		December 31, 2017 Measurement Date June 30, 2017	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ 106,138	$ 28,698	$ 155,215	-
Changes of Assumptions	917,126	1,779,597	1,328,031	$ 1,323,162
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	52,206	44,886	-
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	264,057	9,347	384,928	-
Commission Contributions Subsequent to the Measurement Date	140,583	-	131,166	-
	$ 1,427,904	$ 1,869,848	$ 2,044,226	$ 1,323,162

The deferred outflows of resources related to pensions totaling $140,583 and $131,166 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 Commission's year end of December 31, 2018 and 2017.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

The Commission will amortize of the other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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 Commission 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 10: RETIREMENT SYSTEMS (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:

Year Ending December 31,	
2019	$ 157,480
2020	31,964
2021	(342,760)
2022	(321,494)
2023	(107,717)
	$ (582,527)

Actuarial Assumptions

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 valuations 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 dates of June 30, 2018 and 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2018	Measurement Date June 30, 2017
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

Note 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (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's target asset allocation as of June 30, 2018 and 2017 are summarized in the table below.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (Cont'd)

	Measurement Date June 30, 2018		Measurement Date June 30, 2017	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Absolute Return/Risk Mitigation	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
Public High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Estate	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
U.S. Equity	30.00%	8.19%	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%
	100.00%		100.00%	

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 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (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 Commission's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability at December 31, 2018, calculated using a discount rate of 5.66%, as well as what the Commission'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:

	December 31, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Commission's Proportionate Share of the Net Pension Liability	$ 6,998,157	$ 5,565,645	$ 4,363,859

The following presents the Commission's proportionate share of the net pension liability at December 31, 2017, calculated using a discount rate of 5.00%, as well as what the Commission'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:

	December 31, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Commission's Proportionate Share of the Net Pension Liability	$ 8,177,639	$ 6,591,851	$ 5,270,694

Note 10: RETIREMENT SYSTEMS (CONT'D)

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' respective 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.state.nj.us/treasury/pensions/financial-reports.shtml.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Commission provides benefits to employees and their spouses which are in addition to those received through the State Pension Fund who have retired, and have 25 years (35 years for employees hired on or after May 1, 2008) of service with the Commission. The Commission provides medical, dental, vision and prescription coverage. These benefits are provided to all eligible retirees and their spouses at no cost to the retiree. For employees hired on or after May 1, 2008, benefits cease once Medicare age is attained.

As of December 31, 2018, there were 31 retirees and/or beneficiaries who qualified for and are receiving post-employment benefits and 40 active employees who are eligible but still actively employed. Employees are required to contribute to the plan pursuant to Chapter 78.

Net OPEB Liability

The Commission's total OPEB liability of $6,290,597 as of December 31, 2018 and $23,278,206 as of December 31, 2017 was measured as of December 31, 2018. The liabilities were determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions and Other Inputs - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	N/A
Discount Rate	3.64%
Healthcare Cost Trend Rates	
Pre-Medicare	7.00%
Post-Medicare	5.00%
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

The discount rate was based on the 20 year Municipal AA bond rate.

Mortality rates were based on RP-2000 combined mortality table for males and females as appropriate.

Termination rates were based on a 70% termination rate was used for employees under the age of 20, 16% for employees under the age of 40 and 0% for employees 50 years and older.

Mortality rates and termination rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended December 31, 2018 and 2017, respectively:

	December 31, 2018		December 31, 2017	
Balance at Beginning of Year		23,278,206		12,169,421
Changes for the Year:				
Service Cost	289,676		461,342	
Interest Cost	897,301		376,358	
Benefit Payments	(241,388)		(290,418)	
Actuarial Assumption Changes	(594,565)		6,342,637	
Changes of Benefit Terms	(14,937,381)			
Actuarial Demographic Gains / (Losses)	(2,401,252)		4,218,866	
Net Changes		(16,987,609)		11,108,785
Balance at End of Year		6,290,597		23,278,206

For 2018, the Commission changed their benefits to a High Deductible Plan. The Discount Rate changed at December 31st over the following years, 3.16% 2017 and 3.64% 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	December 31, 2018		
	1.00% Decrease (2.64%)	Current Discount Rate (3.64%)	1.00% Increase (4.64%)
Total OPEB Liability	$ 5,393,899.00	$ 6,290,597.00	$ 7,422,358.77

	December 31, 2017		
	1.00% Decrease (2.16%)	Current Discount Rate (3.16%)	1.00% Increase (4.16%)
Total OPEB Liability	$ 19,959,995.55	$ 23,278,206.00	$ 27,466,263.76

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Changes in the Total OPEB Liability (Cont'd)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	December 31, 2018		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$ 7,284,844.51	$ 6,290,597.00	$ 5,483,938.28

	December 31, 2017		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$26,957,395.49	$23,278,206.00	$20,293,184.42

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

For the years ended December 31, 2018 and 2017, the Commission recognized OPEB revenue of $13,062,614 and OPEB Expense of $1,797,837, respectively. At December 31, 2018 and 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2018		December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	$ 5,189,431.00	$ 540,514.00	$ 5,766,034.00	$ -
Differences between Expected and Actual Experience	3,451,798.00	2,182,956.00	3,835,332.00	-
	$ 8,641,229.00	$ 2,723,470.00	$ 9,601,366.00	$ -

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

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

Year Ending December 31,	
2019	$ 687,790.00
2020	687,790.00
2021	687,790.00
2022	687,790.00
2023	687,790.00
Thereafter	2,478,809.00
	$ 5,917,759.00

Note 12: COMPENSATED ABSENCES

Commission employees are entitled to 10 to 30 vacation days per year depending on their length of service. A maximum of five unused vacation days may be carried over to the next year.

Commission employees are entitled to twelve sick days per year. Employees have the option of carrying over sick days; however, an employee cannot accumulate more than 24 sick days.

Upon separation of employment, unless the separation was a termination for cause, the Commission will purchase unused sick and vacation time excluding vacation time carried from the year prior to separation.

Management has determined that the balance of accrued sick leave was not material as of December 31, 2018 and 2017 and, accordingly, a liability has not been recorded.

Note 13: TRANSPORTATION EQUIPMENT LEASES

The Commission leases transportation equipment under agreements accounted for as operating leases. Rental and certain related maintenance expense charged to income was $62,009 in 2018 and $67,175 in 2017.

Future commitments on operating leases are as follows:

Year	Amount
2019	$24,900
2020	24,900

Note 14: ANTENNA SITE LEASES

The Commission leases antenna sites atop its water tanks to several companies in the communications industry. As of December 31, 2018, the Commission had ten different lease agreements. Rental income from these leases was $428,810 and $399,491 in 2018 and 2017, respectively.

Future minimum rentals on the leases are as follows:

Year	Amount
2019	$ 394,527
2020	334,106
2021	292,634
2022	251,995
2023	193,225

Note 15: COMMITMENTS AND CONTINGENCIES

Litigation

The Commission is subject to certain claims and legal proceedings that arise in the ordinary course of its operations. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably to the Commission. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect in the financial conditions, results of operations or cash flows of the Merchantville-Pennsauken Water Commission.

Note 16: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

The Commission is a member of New Jersey Utility Authorities Joint Insurance Fund (the "Fund"). The Fund provides the Commission with the following coverage:

Property and Physical Damage
Workers Compensation
Excess Liability
Boiler and Machinery
General and Automobile Liability
Public Officials Liability
Environmental Liability

Contributions to the Fund, including a reserve for contingencies, are payable in an annual premium and are based 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 Commission'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 for each insured event.

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

New Jersey Utility Authorities Joint Insurance Fund
9 Campus Drive, Suite 16
Parsippany, NJ 07054

Note 17: WATER ALLOCATION RIGHTS

As described in note 8, on May 19, 2006 the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for $2,522,512. The agreement was approved by the New Jersey Department of Environmental Protection and contains the following provisions:

Purchase of Water Allocation Rights

The Commission agreed to purchase the City's water allocation rights to pump 1,200,000 gallons of water per day from the Potomac-Raritan-Magothy aquifer to service the Commission's franchise area for quantities in excess of its current allocation.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required and any payments already made shall be converted to payments for the purchase of bulk water already delivered and not yet paid for or for water to be delivered in the future. If for any reason another governmental entity, either executive or judicial, or legal action shall prohibit the sale of the allocation, monies already paid shall not be returned and monies not yet paid will not be due.

Bulk Water Sale

The City will deliver and the Commission will purchase bulk potable drinking water for a period of thirty (30) years with the Commission having the option for two additional ten year terms. The purchase agreement will begin as soon thereafter that the parties have created the necessary infrastructure and facilities to respectively deliver and accept finished water and or raw water for treatment.

The agreement provides for a minimum of fifty thousand gallons per day and a maximum of one million gallons per day. The initial cost of the treated water will be for $2.25 per thousand gallons and will be increased from time to time in accordance with factors outline in the agreement.

The water will be distributed through interconnections to be constructed by or on behalf of the Commission, including the obtainment of all land and or easements necessary, at mutually agreed upon locations, without cost or expense to the City.

Treatment of Water

It was agreed that at some point during the term of the agreement that the City may treat raw water for the Commission which is delivered to the Morris-Delair treatment plant. Delivery of the raw water to the City will be the responsibility of the Commission and the cost of treatment will be eighty-nine cents per thousand gallons subject to certain increases and decreases.

Note 18: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

As indicated in note 1 to the financial statements, the Commission adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions., for the year ended December 31, 2018. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Commission's net OPEB obligation. The cumulative effect on the financial statements as reported for December 31, 2016 is as follows:

		GASBS 75 Implementation	
	As Previously Reported December 31, 2016	Net OPEB Liability (1)	As Restated December 31, 2016
Net Position:			
Net Investment in Capital Assets	$ 21,339,968.00		$ 21,339,968.00
Unrestricted (Deficit)	(5,350,765.00)	$ (5,908,972.00)	(11,259,737.00)
Total Net Position	$ 15,989,203.00	$ (5,908,972.00)	$ 10,080,231.00

(1) Represents the change in the Commission's Net OPEB Liability as of December 31, 2016

Note 18: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENT (CONT'D)

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

Statement of Net Position

	Previously Reported	Cumulative Effect - Increase / (Decrease)	Restated Balance
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	$ -	$ 9,601,366.00	$ 9,601,366.00
Total Deferred Outflows of Resources	2,044,226.00	9,601,366.00	11,645,592.00
LIABILITIES			
Long-term Liabilities:			
Net OPEB Liability	7,540,949.00	15,737,257.00	23,278,206.00
Total Noncurrent Liabilities	18,789,865.00	15,737,257.00	34,527,122.00
Total Liabilities	20,504,126.00	15,737,257.00	36,241,383.00
NET POSITION			
Unrestricted	(5,613,954.00)	(6,135,891.00)	(11,749,845.00)
Total Net Position	16,000,552.00	(6,135,891.00)	9,864,661.00

Note 18: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENT (CONT'D)

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

Statement of Revenues, Expenses and Changes in Net Position

	Previously Reported	Cumulative Effect - Increase / (Decrease)	Restated Balance
Operating Expenses:			
Administration:			
Employee Benefits	$ 1,217,972.00	$ 81,963.14	$ 1,299,935.14
Total Administration	3,006,353.00	81,963.14	3,088,316.14
Cost of Providing Service:			
Employee Benefits	2,153,915.00	144,955.86	$ 2,298,870.86
Total Cost of Providing Service	5,397,020.00	144,955.86	5,541,975.86
Total Operating Expenses	10,572,569.00	226,919.00	10,799,488.00
Operating Loss	(361,323.00)	(226,919.00)	(588,242.00)
Change in Net Position	11,349.00	(226,919.00)	(215,570.00)
Net Position - Beginning	15,989,203.00	(5,908,972.00)	10,080,231.00
Net Position - Ending	16,000,552.00	(6,135,891.00)	9,864,661.00

REQUIRED SUPPLEMENTARY

INFORMATION

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COMMISSION'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Total OPEB Liability	2018	2017
Service Cost	$ 289,676	$ 461,342
Interest Cost	897,301	376,358
Benefit Payments	(241,388)	(290,418)
Actuarial Assumption Changes	(594,565)	6,342,637
Changes of Benefit Terms	(14,937,381)	-
Actuarial Demographic Gains (Losses)	(2,401,252)	4,218,866
Net Change in Total OPEB Liability	(16,987,609)	11,108,785
Total OPEB Liability - Beginning of Year	23,278,206	12,169,421
Total OPEB Liability - End of Year	$ 6,290,597	$ 23,278,206
Covered Employee Payroll	$ 2,092,530	$ 1,938,344
Total OPEB Liability as a Percentage of Covered Employee Payroll	301%	1201%

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.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SIX PLAN YEARS

	Measurement Date Ending June 30,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
Proportion Of The Net Pension Liability	0.0282670679%	0.0283174574%	0.0276390081%	0.0268630286%	0.0264734132%	0.0246842789%
Proportionate Share of the Net Pension Liability	$ 5,565,645	$ 6,591,851	$ 8,185,881	$ 6,030,212	$ 4,956,547	$ 4,717,656
Covered Payroll (Plan Measurement Period)	$ 2,092,530	$ 1,938,344	$ 1,873,084	$ 1,850,720	$ 1,841,584	$ 1,763,112
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	265.98%	340.08%	437.03%	325.83%	269.15%	267.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	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.

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THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST SIX YEARS

	Year Ended December 31,					
	2018	**2017**	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 281,166	$ 262,331	$ 245,541	$ 230,950	$ 218,243	$ 185,991
Contributions in Relation to the Contractually Required Contribution	(281,166)	(262,331)	(245,541)	(230,950)	(218,243)	(185,991)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll (Calendar Year)	$ 2,092,530	$ 1,938,344	$ 1,873,084	$ 1,850,720	$ 1,841,584	$ 1,763,112
Contributions as a Percentage of Commission's Covered Payroll	13.44%	13.53%	13.11%	12.48%	11.85%	10.55%

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.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Changes in Benefit Terms – For 2018, the Commission changed their benefits to a High Deductible Plan.

Changes in Assumptions – For 2018, the discount rate changed to 3.64% from 3.16% in 2017.

Note 2: POSTEMPLOYMENT BENEFITS – PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms – None

Changes in Assumptions – For 2018, the discount rate changed to 5.66% and the long-term rate of return remained at 7.00%. For 2017, the discount rate changed to 5.00% and the long-term expected rate of return changed to 7.00% from 7.65%. 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 2016, the discount rate was 3.98%. For 2015, the discount rate was 4.90%. In addition, 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. For 2014, the discount rate was 5.39%.

SUPPLEMENTARY SCHEDULES

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash, Cash Equivalents and Investments, January 1		$ 5,760,721
Cash Receipts:		
Collection of Customer Accounts Receivable	$ 10,531,476	
Tower Rentals	428,810	
Other Operating Receipts	684,961	
Connection and Developers' Fees	357,254	
Customer Prepayments	76,473	
Investment Income	80,361	
		12,159,335
		17,920,056
Cash Disbursements:		
Current Year Cost of Operations	6,747,262	
Liquidation of Prior Year Accounts Payable and Accrued Liabilities	622,058	
Interest Payments on City of Camden Water Allocation	6,934	
Interest Payments on N.J.D.E.P. Loans	80,332	
Principal Payments on N.J.D.E.P. Loans	522,696	
Principal Payments on City of Camden Water Allocation	148,436	
Additions to Capital Assets	1,782,271	
		9,909,989
Cash, Cash Equivalents and Investments, December 31		$ 8,010,067

Analysis of Balance:	
Cash and Cash Equivalents	$ 3,137,012
Investments	4,873,055
	$ 8,010,067

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 8,738,282	$ 9,603,226	$ 864,944
Private Fire Protection	1,191,529	1,161,741	(29,788)
Public Fire Protection	109,936	94,380	(15,556)
Shared Service Agreement	-	466,667	466,667
Late Charges	105,000	88,386	(16,614)
Tapping Fees	1,000	24,232	23,232
Miscellaneous Income	21,000	105,676	84,676
Total Operating Revenues	10,166,747	11,544,308	1,377,561
Non-Operating Revenues:			
Investment Income	10,000	84,356	74,356
Tower Rentals	425,427	428,810	3,383
Connection and Developers' Fees	30,000	357,245	327,245
Total Revenues	10,632,174	12,414,719	1,782,545
Operating Expenses:			
Administration:			
Salaries and Wages	947,000	907,820	39,180
Fringe Benefits	735,968	531,317	204,651
Other Expenses:			
Notices & Advertising	13,000	8,725	4,275
Office Expense	95,400	75,523	19,877
Operating Fees - DEP	48,000	39,438	8,562
I.T. Expense	66,500	71,137	(4,637)
Uniform Rental	10,000	8,765	1,235
Training and Development	24,000	20,218	3,782
Consumer Confidence Report	3,000	2,776	224
Employee and Community Relations	23,500	22,864	636
Professional / Outside Services	105,300	109,217	(3,917)
Insurance	186,000	121,693	64,307
Tower Rental Revenue Expense	399,491	399,491	-
Shared Services	50,000	-	50,000
Bad Debt Expense (Net Reserve Reduction)	17,500	1,577	15,923
Other	41,600	30,465	11,135
Total Administration Other Expenses	1,083,291	911,889	171,402
Total Administration	$ 2,766,259	$ 2,351,026	$ 415,233

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Cost of Providing Service:			
Salaries and Wages	$ 1,680,000	$ 1,656,884	$ 23,116
Fringe Benefits	1,343,232	969,720	373,512
Other Expenses:			
Chemicals and Supplies	110,000	92,013	17,987
CCMUA Charges	4,000	2,816	1,184
Electric & Gas Expense	750,000	683,283	66,717
Maintenance of Wells and Strippers	265,000	240,139	24,861
Utilities - Other	30,000	23,772	6,228
Maintenance on Mains and Services	295,800	341,237	(45,437)
Maintenance on Structures	154,000	161,032	(7,032)
Maintenance on Generators and Power Equipment	40,000	12,817	27,183
Maintenance on Control Panels	49,000	53,187	(4,187)
Maintenance on Pumping and Chemical Equipment	55,000	56,621	(1,621)
Purchase of Water	74,000	58,256	15,744
Lab Work	102,000	84,880	17,120
Meter Repair and Maintenance	16,000	12,474	3,526
Communications	36,400	32,851	3,549
Fuel & Gas	40,000	24,491	15,509
Safety Equipment	11,000	7,631	3,369
Vehicle Expense	60,000	62,009	(2,009)
Total Cost of Providing Service Other Expenses	2,092,200	1,949,509	142,691
Total Cost of Providing Service	5,115,432	4,576,113	539,319
Total Principal Payments on Debt in Lieu of Depreciation	667,885	671,132	(3,247)
Total Operating Expenses	8,549,576	7,598,271	951,305
Non-Operating Expenses:			
Interest Payments on Debt	102,278	99,510	2,768
Total Non-Operating Expenses	102,278	99,510	2,768
Total Operating and Non-Operating Expenses	8,651,854	7,697,781	954,073
Excess of Revenues over Operating and Non-Operating Expenses	$ 1,980,320	$ 4,716,938	$ 2,736,618

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Reconciliation of Excess Revenues over Expenses to Operating Loss

Excess of Revenues Over Operating and Non-Operating Expenses	$ 4,716,938
Add:	
Principal Payments on Debt	671,132
Interest Payments on Debt	99,510
Deduct:	
PERS GASB 68 Accrual	(168,659)
Investment Income	(84,356)
Tower Rentals	(428,810)
Connection and Developers' Fees	(357,245)
Depreciation and Amortization	(2,410,036)
Operating Income (Exhibit B)	$ 2,038,474

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF N.J.D.E.P. LOANS PAYABLE

	Balance January 1, 2018	Savings Credits Adjustments	Paid	Savings Credits and Discounts Amortization	Balance December 31, 2018
2001 Infrastructure Trust Loan	$ 924,896	$ 6,401	$ 233,254		$ 698,043
2003 Infrastructure Trust Loan	154,363	8,108	44,718		117,753
2007 Infrastructure Trust Loan	673,543	5,000	68,827		609,716
2010 Infrastructure Trust Loan	796,158		55,474		740,684
2014 Infrastructure Trust Loan	2,048,747		123,047		1,925,700
Unamortized Discount on Loans	93,697			$ 16,885	76,812
	$ 4,691,404	$ 19,509	$ 525,320	$ 16,885	$ 4,168,708
Analysis of Balance:					
Current	$ 505,811				$ 494,820
Long-Term	4,185,593				3,673,888
	$ 4,691,404				$ 4,168,708

Schedule 4

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CUSTOMER ACCOUNTS RECEIVABLE

Balance January 1, 2018		$ 1,975,307
Increased by Customer Billings:		
Metered Sales Billings to General Public	$ 9,628,226	
Private Fire Protection	1,161,741	
Public Fire Protection	94,380	
Late Charges	88,386	
		10,972,733
		12,948,040
Decreased by:		
Collections	10,489,220	
Customer Prepayments Applied	76,473	
		10,565,693
Balance December 31, 2018		$ 2,252,347

Schedule 5

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST INCOME RECEIVABLE

Balance January 1, 2018	$ 2,731
Interest Earned	84,356
	87,087
Interest Collected	80,361
Balance December 31, 2018	$ 6,726

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CAPITAL ASSETS

Description	Balance January 1, 2018	Additions (Deletions)	Balance December 31, 2018
Land and Land Rights	$ 300,857		$ 300,857
City of Camden Water Allocation	2,557,608		2,557,608
Intangible Plant:			
Organization Costs	32,181		32,181
Source of Supply:			
Structures and Improvements	169,882		169,882
Wells and Springs	1,706,832		1,706,832
SCADA Program	540,706	$ 250,000	790,706
Water Mapping - SCADA	283,457		283,457
Water Re-use Preservation Project	1,103,915		1,103,915
Supply Mains	156,395		156,395
Pumping Plant:			
Structures and Improvements	1,832,162		1,832,162
Electric Plumbing Equipment	157,614		157,614
Diesel Pumping Equipment	83,325		83,325
Other Pumping Equipment	194,084		194,084
Water Treatment Plant:			
Structures and Improvements	1,371,276		1,371,276
Water Treatment Equipment	2,883,348		2,883,348
Transmission and Distribution Plant:			
Structures and Improvements	506,701	121,327	628,028
Camden Avenue Tank	2,012,192		2,012,192
Cherry Hill 1MG Tank	3,006,586		3,006,586
ASR Building - Browning Road	124,706		124,706
Manganese Filtration	2,108,896		2,108,896
National and Brown Lime Addition	399,738		399,738
Park Avenue Project	4,534,580		4,534,580
Park Avenue Lime Building	256,928		256,928
Service Wells and Motors	542,320		542,320
Filter Media	327,592	19,401	346,993
Rehab National Highway Well 2	43,235		43,235
Browning Road Well 1	167,410		167,410
Tank Painting	5,790,710	1,250	5,791,960
Carbon Filter Project	1,738,101	43,217	1,781,318
CC TV Park	108,264		108,264
Valve Replacement	180,213	20,217	200,430
Distribution Reservoirs and Standpipes	2,830,658		2,830,658
Garden State Project	28,423		28,423
Transmission and Distribution Mains	7,028,016	73,983	7,101,999
Water Main Replacement	4,846,441	494,932	5,341,373
Services	1,983,004		1,983,004
Meters	4,883,015	487,294	5,370,309
Hydrants	545,656	35,319	580,975
General Plant:			
Administration Office	3,618,474		3,618,474
Structures and Improvements	31,737	17,600	49,337
Office Furniture and Equipment	169,448		169,448
Software	101,612	9,869	111,481
Excavation Equipment	73,430	137,967	211,397
Transportation Equipment	326,900	72,008	398,908
Tools Shop and Garage Equipment	54,534	19,862	74,396
Power Operated Equipment	86,451		86,451
Capitalized Interest	207,130		207,130
Total Capital Assets in Service	$ 62,036,743	$ 1,804,246	$ 63,840,989

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST PAYABLE

Balance January 1, 2018		$ 39,446
Accrued Interest:		
N.J.D.E.P. Loans	$ 92,576	
City of Camden Water Allocation	6,934	
		99,510
		138,956
Less Interest Paid:		
N.J.D.E.P. Loans	97,217	
City of Camden Water Allocation	6,934	
		104,151
Balance December 31, 2018		$ 34,805

Reconciliation of Interest Expense:	
Accrued Interest	$ 99,510
Amortization of Loan Discount	(16,885)
Interest on Debt	$ 82,625

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017	Increase (Decrease)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 9,603,226	$ 8,754,626	$ 848,600
Private Fire Protection	1,161,741	1,168,239	(6,498)
Public Fire Protection	94,380	100,354	(5,974)
Late Charges	88,386	97,446	(9,060)
Tapping Fees	24,232	11,599	12,633
Shared Service Agreement	466,667	-	466,667
Miscellaneous Income	105,676	78,982	26,694
Total Operating Revenues	11,544,308	10,211,246	1,333,062
Non-Operating Revenues:			
Investment Income	84,356	37,795	46,561
Tower Rentals	428,810	399,491	29,319
Connection and Developers' Fees	357,245	30,189	327,056
Total Revenues	12,414,719	10,678,721	1,735,998
Operating Expenses:			
Personal Services:			
Administrative Salaries	907,820	881,339	26,481
Seasonal Salaries	22,705	20,784	1,921
Water Treatment Salaries	406,334	427,440	(21,106)
Field Service Technicians	515,849	337,389	178,460
Repair and Maintenance Salaries	338,342	356,853	(18,511)
Service Salaries	103,537	147,362	(43,825)
Plant Operators Salaries	270,117	268,769	1,348
Total Personal Services	2,564,704	2,439,936	124,768
Employee Benefits:			
Health Benefits	721,452	822,542	(101,090)
Prescription	145,719	377,953	(232,234)
Social Security Tax	186,249	173,372	12,877
Dental, Vision and Other Employee Benefits	112,033	109,143	2,890
Unemployment and Disability	9,032	15,150	(6,118)
Workers' Compensation Insurance	64,221	60,427	3,794
Public Employees' Retirement System	430,990	598,281	(167,291)
Total Employee Benefits	$ 1,669,696	$ 2,156,868	$ (487,172)

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017	Increase (Decrease)
Administrative Expenses:			
Notices & Advertising	$ 8,725	$ 10,718	$ (1,993)
Office Expense	75,523	67,176	8,347
Operating Fees - DEP	39,438	39,884	(446)
I.T. Expense	71,137	64,125	7,012
Uniform Rental	8,765	9,545	(780)
Training and Development	20,218	22,051	(1,833)
Consumer Confidence Report	2,776	2,725	51
Employee and Community Relations	22,864	16,761	6,103
Professional / Outside Services	109,217	89,844	19,373
Insurance	121,693	123,755	(2,062)
Tower Rental Revenue Expense	399,491	415,952	(16,461)
Bad Debt Expense (Net Reserve Reduction)	1,577	6,025	(4,448)
Other	30,465	38,480	(8,015)
Total Administrative Expenses	911,889	907,041	4,848
Operating and Maintenance Expenses:			
Chemicals and Supplies	92,013	92,836	(823)
CCMUA Charges	2,816	2,816	-
Electric & Gas Expense	707,055	674,399	32,656
Maintenance of Wells and Treatment Equipment	240,139	234,860	5,279
Maintenance on Mains and Services	341,237	166,919	174,318
Maintenance on Structures	161,032	129,663	31,369
Maintenance on Generators and Power Equipment	12,817	18,474	(5,657)
Maintenance on Control Panels	53,187	42,056	11,131
Maintenance on Pumping and Chemical Equipment	56,621	49,053	7,568
Purchase of Water	58,256	58,995	(739)
Lab Work	84,880	80,283	4,597
Meter Repair and Maintenance	12,474	6,879	5,595
Communications	32,851	28,289	4,562
Fuel & Gas	24,491	20,419	4,072
Safety Equipment	7,631	11,391	(3,760)
Vehicle Expense	62,009	67,175	(5,166)
Total Operating and Maintenance Expenses	1,949,509	1,684,507	265,002
Depreciation and Amortization Expense	2,410,036	2,169,196	240,840
Total Operating Expenses	9,505,834	9,357,548	148,286
Other Expenses:			
Interest on Long-term Debt	82,625	94,803	(12,178)
Total Expenses	9,588,459	9,452,351	136,108
Change in Net Position Before OPEB Adjustment	2,826,260	1,226,370	1,599,890
OPEB Adjustment	13,304,002	(1,441,940)	14,745,942
Change in Net Position	$ 16,130,262	$ (215,570)	$ 16,345,832

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART II

SCHEDULE OF FINDINGS AND RECOMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2018

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

Schedule of Financial Statement Findings

None

Schedule of Prior Year Financial Statement Findings

This section identifies the status of prior year audit findings 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

Appreciation

We express our appreciation for the courtesies extended and assistance provided to us during the course of our audit.

Respectfully submitted,
BOWMAN & COMPANY LLP

James J. Miles, Jr.
Certified Public Accountant